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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

June 11, 2008
Jefferson City, Missouri
Volume 25

In the Matter of the Joint)
Application of Great Plains Energy)
Incorporated, Kansas City Power &)
Light Company, and Aquila, Inc.,) Case No. EM-2007-0374
for Approval of the Merger of)
Aquila, Inc., with a Subsidiary of)
Great Plains Energy Incorporated)
And for Other Related Relief)

HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE

CONNIE MURRAY,
ROBERT M. CLAYTON III,
TERRY JARRETT,
COMMISSIONERS.

REPORTED BY:
KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

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APPEARANCES:

WILLIAM G. RIGGINS, Attorney at Law
CURTIS D. BLANC, Managing Attorney - Regulatory
Kansas City Power & Light
P.O. Box 418679
1201 Walnut, 20th Floor
Kansas City, MO 64106
(816)556-2483
curtis.blanc@kcpl.com

JAMES M. FISCHER, Attorney at Law
Fischer & Dority
101 Madison, Suite 400
Jefferson City, MO 65101
(573)636-6758
jfisherpc@aol.com

KARL ZOBRIST, Attorney at Law
Sonnenschein, Nath & Rosenthal, LLP
4520 Main Street, Suite 1100
Kansas City, MO 64111
(816)460-2400
kzobrist@sonnenschein.com

FOR: Great Plains Energy Incorporated.
Kansas City Power & Light.

PAUL A. BOUDREAU, Attorney at Law
JAMES C. SWEARENGEN, Attorney at Law
Brydon, Swearngen & England, P.C.
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102-0456
(573)635-7166
paulb@brydonlaw.com

RENEE PARSONS, Attorney at Law
20 West 9th Street
Kansas City, MO 64105
(816)467-3297
renee.parsons@aquila.com

FOR: Aquila, Inc.

1 MARK W. COMLEY, Attorney at Law
2 Newman, Comley & Ruth
3 601 Monroe, Suite 301
4 P.O. Box 537
5 Jefferson City, MO 65102
6 (573)634-2266
7 comley@ncrpc.com

8 FOR: City of Kansas City, Missouri.
9 Cass County, Missouri.

10 DAVID WOODSMALL, Attorney at Law
11 Finnegan, Conrad & Peterson
12 428 East Capitol, Suite 300
13 Jefferson City, MO 65101
14 (573) 635-2700
15 dwoodsmall@fcplaw.com

16 FOR: Industrial Intervenors.

17 DAVID BROWN, Attorney at Law
18 Lathrop & Gage
19 314 East High Street
20 Jefferson City, MO 65101-3213
21 (573)761-5004
22 dbrown@lathropgage.com

23 FOR: Black Hills Corp.

24 LEWIS R. MILLS, JR., Public Counsel
25 P.O. Box 2230
200 Madison Street, Suite 650
Jefferson City, MO 65102-2230
(573)751-4857

FOR: Office of the Public Counsel
and the Public.

NATHAN WILLIAMS, Deputy General Counsel
P.O. Box 360
200 Madison Street
Jefferson City, MO 65102
(573)751-3234

FOR: Staff of the Missouri Public
Service Commission.

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P R O C E E D I N G S

(EXHIBIT NOS. 56 AND 57 WERE MARKED FOR IDENTIFICATION BY THE REPORTER.)

JUDGE STEARLEY: Good morning. It is Wednesday, June 11, 2008, and the Commission has convened this hearing to reopen the record in Case No. EM-2007-0374, in the matter of the joint application of Great Plains Energy, Incorporated, Kansas City Power & Light and Aquila, Incorporated for approval of the merger of Aquila, Incorporated with a subsidiary of Great Plains Energy, Incorporated and for other related relief.

My name is Harold Stearley. I am the Regulatory Law Judge presiding over today's hearing. Our court reporter this morning is Kellene Feddersen. And we will begin by taking entries of appearance, starting with Great Plains Energy/KCPL.

MR. FISCHER: Thank you, Judge. Let the record reflect the appearance of James M. Fischer, Karl Zobrist, Bill Riggins, Curtis Blanc, for purposes of this case representing Great Plains Energy, Incorporated and Kansas City Power & Light Company.

JUDGE STEARLEY: Thank you, Mr. Fischer. Aquila, Incorporated?

MS. PARSONS: Yes, your Honor. Renee Parsons with Aquila, Inc., and Paul Boudreau and Jim

1 Swearngen with Brydon, Swearngen & England. And let the
2 record reflect that our addresses are already part of the
3 record.

4 JUDGE STEARLEY: Thank you, Ms. Parsons.
5 Black Hills Corporation?

6 MR. BROWN: David Brown, the law firm
7 Lathrop & Gage, appearing on behalf of Black Hills. Our
8 address is also part of the record.

9 JUDGE STEARLEY: Thank you, Mr. Brown.
10 Staff of the Missouri Public Service Commission?

11 MR. WILLIAMS: Nathan Williams, P.O.
12 Box 360, Jefferson City, Missouri 65102.

13 JUDGE STEARLEY: Office of the Public
14 Counsel? Thank you, Mr. Williams.

15 MR. MILLS: On behalf of the Office of the
16 Public Counsel and the public, my name is Lewis Mills. My
17 address is P.O. Box 2230, Jefferson City, Missouri 65102.

18 JUDGE STEARLEY: Ag Processing, Praxair and
19 SIEU?

20 MR. WOODSMALL. Thank you, your Honor.
21 Appearing on behalf of the Industrial Intervenors, David
22 Woodsmall with the firm Finnegan, Conrad & Peterson. Our
23 address has previously been noted for the record.

24 JUDGE STEARLEY: Thank you, Mr. Woodsmall.
25 Do we have any other of our intervenors appearing today?

1 MR. COMLEY: Good morning, Judge Stearley.
2 Let the record reflect the entry of appearance of Mark W.
3 Comley today on behalf of the City of Kansas City, and
4 also on behalf of Cass County. My business address is
5 Newman, Comley & Ruth, PC, 601 Monroe, Jefferson City,
6 Missouri 65101. The record will also reflect other
7 attorneys who entered their appearance on behalf of the
8 parties I just mentioned, but I will let the record speak
9 for itself.

10 JUDGE STEARLEY: Thank you, Mr. Comley.
11 Anyone else that I might have missed? And you-all have
12 heard me say at numerous times throughout this particular
13 hearing, any party who did not enter an appearance will be
14 considered to have waived any examinations of today's
15 witnesses.

16 A few housekeeping matters. As per usual,
17 I need to instruct you-all to shut off all electronic
18 devices, cell phones, Blackberries. That can interfere
19 with our recording and webcasting.

20 As far as our witness list today, I have
21 Mr. Terry Bassham, Mr. Brent Davis and Mr. Michael Cline;
22 is that correct?

23 MR. ZOBRIST: That's correct, Judge.

24 JUDGE STEARLEY: Very well.

25 MR. ZOBRIST: And I guess perhaps to

1 clarify, the applicant, Great Plains Energy and KCPL,
2 intend to put Mr. Bassham on the stand and I'll conduct
3 direct examination. Then we plan to tender Mr. Davis and
4 Mr. Cline for questioning beginning with Mr. Woodsmall.

5 JUDGE STEARLEY: Thank you, Mr. Zobrist.
6 Were the parties wanting to make opening statements this
7 morning?

8 MR. ZOBRIST: Not on behalf of Great Plains
9 Energy or KCPL.

10 MR. WOODSMALL: Your Honor, given the
11 nature of this proceeding, no prefiled testimony, very
12 little discovery, I'll just save my comments for my
13 closing statement.

14 JUDGE STEARLEY: All right. Mr. Mills?

15 MR. MILLS: That's fine with me.

16 JUDGE STEARLEY: Mr. Williams?

17 MR. WILLIAMS: That's fine.

18 JUDGE STEARLEY: Mr. Comley?

19 MR. COMLEY: That's fine.

20 JUDGE STEARLEY: Mr. Brown?

21 MR. BROWN: I'll waive argument or opening.

22 JUDGE STEARLEY: Are there any other
23 preliminary matters we need to address before we begin?

24 (No response.)

25 JUDGE STEARLEY: Hearing none, Mr. Zobrist,

1 you may call your first witness.

2 MR. ZOBRIST: Great Plains Energy and
3 Kansas City Power & Light Company call Terry Bassham to
4 the stand.

5 JUDGE STEARLEY: Mr. Bassham, since I
6 excused you at our previous hearing, I will need to swear
7 you in again.

8 (Witness sworn.)

9 JUDGE STEARLEY: Thank you, Mr. Bassham.
10 You may be seated, and you may proceed.

11 MR. ZOBRIST: Thank you, Judge.

12 TERRY BASSHAM testified as follows:

13 DIRECT EXAMINATION BY MR. ZOBRIST:

14 Q. Please state your name.

15 A. Terry Bassham.

16 Q. And by whom are you employed?

17 A. Kansas City Power & Light, Great Plains
18 Energy.

19 Q. And what are your positions with each of
20 those companies?

21 A. I'm the executive vice president/chief
22 financial officer for Great Plains Energy, chief financial
23 officer for Kansas City Power & Light.

24 Q. Now, Mr. Bassham, are you a member of the
25 Executive Oversight Committee that has been discussed in

1 previous hearings before the Commission in this case?

2 A. I am.

3 Q. And what is the Executive Oversight
4 Committee?

5 A. Executive Oversight Committee is the
6 committee that was formed to oversee all of the projects
7 related to our Comprehensive Energy Plan, to hear about
8 progress with regard to their construction, budgets,
9 regulatory processes, everything related to completion of
10 those projects.

11 Q. Does that include the projects at Iatan 1
12 and Iatan 2?

13 A. It does.

14 Q. Now, on or about May 23, 2008, were you on
15 your way to an EOC meeting?

16 A. I was.

17 Q. Would you describe the events of that
18 morning, please.

19 A. Yes. We had an EOC meeting scheduled for
20 the site at 8:30. I was headed to the meeting slightly
21 before 8 o'clock, when I got a call as I was driving out
22 that there had been an accident at the site involving one
23 of the cranes on the site.

24 Q. And would you describe for the Commission
25 generally the nature of the accident and what happened to

1 the best of your knowledge?

2 A. Generally what occurred is I believe around
3 7:15, after 7 o'clock, the crew had -- the crews had gone
4 out and a crew on the, what I will call the north side of
5 Unit 1 -- Unit 1 is on the north side of the construction
6 for Unit 2. We have a map. I can describe as we go along
7 if you'd like.

8 MR. ZOBRIST: Judge, for the benefit of the
9 record, I have had marked as Exhibit 56 a diagram of the
10 plant, and we've had a blowup placed on the board in back
11 of the witness.

12 BY MR. ZOBRIST:

13 Q. Mr. Bassham, if I can interrupt you, would
14 you describe Exhibit 56?

15 A. Exhibit 56 is a 3D conceptual drawing of
16 pieces of Units 1 and 2 which would be the -- ultimately
17 the entire Iatan site once the construction is complete.

18 Q. Now, is there a portion of Exhibit 56 that
19 is labeled OSHA -- I think it's actually misspelled, it
20 says O-H-S-A, it should be O-S-H-A -- exclusion zone.
21 What does that refer to?

22 A. Yes. The OSHA, Occupational --

23 Q. Safety.

24 A. -- Safety.

25 Q. Health Administration?

1 A. Yes. They obviously did an investigation,
2 as they do with any industrial accident like this, and
3 when they came out to begin that, they set up a zone where
4 we were to monitor and protect all materials with regard
5 to the accident and ensure that nothing was moved, changed
6 or otherwise altered until they had finished completing
7 their investigation.

8 Q. And is Exhibit 56 a true and accurate
9 depiction of the Iatan site with that OSHA exclusion zone
10 indicated in there?

11 A. It is.

12 MR. ZOBRIST: Your Honor, I move the
13 admission of Exhibit 56.

14 JUDGE STEARLEY: Any objections to the
15 admission of Exhibit 56?

16 (No response.)

17 JUDGE STEARLEY: Hearing none, it shall be
18 received and admitted into evidence.

19 (EXHIBIT NO. 56 WAS RECEIVED INTO
20 EVIDENCE.)

21 BY MR. ZOBRIST:

22 Q. Mr. Bassham, would you then continue with
23 your discussion -- your description of the accident on the
24 morning of May 23, 2008?

25 A. Yes. As I discussed, the area within the

1 OSHA exclusion zone, there existed a Manitowoc 18000, a
2 very large crane which was placed there by -- as part of
3 the Alstom contract to install environmental equipment as
4 part of their contract on Unit 1. It was located about
5 where the green tubular looking thing stands. This is
6 again the design of what it will look like once it's
7 completed. It was situated about there (indicating), and
8 it was doing its initial test in the morning for wind.
9 They test to determine whether or not it's too windy to
10 lift certain pieces of equipment.

11 That day they were lifting pieces of the
12 ductwork for the SCR. You can see in the circle the
13 number 7, 6, 5 and 4, those are four pieces of ductwork
14 that had to be placed for the SCR.

15 Q. And if I can interrupt you, that circle is
16 just above the green cylinder on the left side of
17 Exhibit 56?

18 A. It is. And the numbers are intended to
19 show that there are four different pieces that had to be
20 placed there. The plan was to lift one of those pieces on
21 that morning. Again, they were testing for wind speed and
22 whether or not it was safe to operate the crane.

23 As the crane reached its test height, it
24 was determined, in fact, it was too windy, and without
25 load, as the crane then began to drop back down, the

1 accident occurred, and all I guess I can probably say at
2 this point is at that point it collapsed.

3 When it collapsed, it fell, if you see to
4 the -- would be to the back end of the unit, there are two
5 kind of horizontal green tubes. Those would ultimately be
6 some sort of tanks. It fell that direction, and would
7 have then laid flat from say the green vertical tube to
8 the two horizontal tubes on the ground at that point.

9 Q. Now, do you have a copy of the photograph
10 before you that's been marked Exhibit 57?

11 A. I do.

12 Q. Would you describe Exhibit 57 for the
13 record?

14 A. This is -- this is a picture of the crane
15 after it had fallen and, in fact, a picture of the OSHA
16 zone up until probably yesterday. As of yesterday, we got
17 authority to begin to move some of this equipment out of
18 the zone, but it has stayed in this condition since the
19 accident. So this would be basically what it looked like
20 that morning.

21 In fact, I was there that morning, so I saw
22 this. And the two at the very top, you know, the far
23 right-hand side you'll see the two white tanks there on
24 the far end. Those are the two tanks I mentioned which
25 would be in green on the 3D drawing.

1 Q. And is Exhibit 57 a true and accurate
2 depiction of the crane after it fell over?

3 A. It is.

4 MR. ZOBRIST: Your Honor, I move the
5 admission of Exhibit 57.

6 JUDGE STEARLEY: Any objections to the
7 admission of Exhibit 57?

8 MR. MILLS: Judge, I don't know if it's an
9 exhibit (sic) per se, but we were talking about this
10 before we went on the record. It appears as though
11 there's a portion of this photograph that's been whited
12 out sort of along the left margin toward the top, and I
13 don't know what the purpose of that is.

14 THE WITNESS: Actually, it's not, I don't
15 believe. If you look on the very bottom right-hand corner
16 of what looks like may be whited out, you see it's kind of
17 silver, I think that's the top of the building. So I
18 don't -- we didn't alter the photograph, I guess is the
19 point. It's the sunshine off the -- and so in that
20 regard, this would have been the back end of Unit 1. So I
21 don't believe we've altered the photograph in any way. It
22 may be the way the reflection came off the top of the
23 building.

24 MR. MILLS: Given that explanation, I have
25 no objection.

1 JUDGE STEARLEY: Any other objection?

2 (No response.)

3 JUDGE STEARLEY: Hearing none, Exhibit 57

4 shall be received and admitted into evidence.

5 (EXHIBIT NO. 57 WAS RECEIVED INTO

6 EVIDENCE.)

7 BY MR. ZOBRIST:

8 Q. Now, was anyone hurt in the accident,

9 Mr. Bassham?

10 A. Yes, sir. Unfortunately, four people were
11 injured, one fatally. Had the crane operator, a safety
12 engineer who worked for Aerotech and two Alstom employees.
13 The three that were injured were taken to the hospital and
14 released ultimately that same day, but unfortunately one
15 individual was killed.

16 Q. And Alstom refers to Alstom Power,

17 Incorporated; is that correct?

18 A. Yes, who had the contract for the work.

19 Q. And just describe for the Commission who
20 Alstom is and who -- I think you said Maxum Crane. What's
21 the relationship of those two?

22 A. Alstom Power is the entity we have
23 contracted for to do the environmental work on Unit 1 and
24 environmental work on Unit 2 as well as the boiler for
25 Iatan 2. So they are a very large part of the overall

1 construction process for both units. They had a
2 subcontract for this crane with an entity called Maxum,
3 who then had, I don't know the contractual arrangements,
4 but purchased and/or leased from Monitowoc, which was the
5 name of the actual crane.

6 Q. What then happened post accident? What
7 investigations, if any, began and what was done at the
8 scene?

9 A. Sure. Well, obviously we did not have our
10 EOC meeting as scheduled. Instead, the team then was
11 moved into the mode of managing through employee and
12 accident issues. First thing that happened obviously is
13 work shut down at the site and all employees were asked to
14 leave the site to protect the accident scene and to deal
15 with the injured employees.

16 Obviously EMT and sheriffs office, other
17 folks that were appropriately notified were -- the team on
18 the site for Kansas City Power & Light put together an
19 immediate group to bring together all of the teams onsite
20 to make sure employees were taken care of, removed, be
21 sure that the right people had been notified, OSHA,
22 county, those kind of folks. And then immediately began
23 to process what needed to be done to protect the accident
24 site so that nobody else would get hurt and that all the
25 materials and accident evidence, if you will, was

1 preserved.

2 Q. Now, what day of the week was May 23?

3 A. This is a Friday, Friday morning.

4 Q. And this was Memorial Day weekend that was
5 coming up?

6 A. Friday before Memorial Day weekend. The
7 plant had not planned to work over the weekend but
8 obviously didn't as a result of this. Our team worked
9 over the weekend to again give notice to the right folks,
10 to obtain crane experts to do a lot of the work that
11 needed to be done to get the incident investigation under
12 way.

13 Q. So the next business day would have been
14 Tuesday, May 27?

15 A. Correct.

16 Q. What happened that day?

17 A. All the contractors on the property were
18 informed on Tuesday to have safety meetings. So people
19 did return to work, and they had safety meetings, give
20 people an idea what had happened and to go over safety
21 rules in general. And then work in earnest began the next
22 day on both Unit 1 and Unit 2.

23 Q. So on May 28th, construction activities
24 resumed?

25 A. Yes.

1 Q. Now, what about the operation of Unit 1?

2 A. Unit 1 continued to operate throughout the
3 process. The crane did -- characterize this correctly,
4 but it did nick the back end of the precipitator, hole
5 about the size of a basketball, but it didn't do any
6 damage that would keep the unit from running. The unit
7 continued to run, continues to run today, and we expect to
8 be able to fix the small amount of damage done to Unit 1
9 once we're able to get into the site area and there's a
10 brief outage that occurs.

11 Q. Was the Commission Staff notified of this
12 incident?

13 A. They were.

14 Q. Have they visited the incident since the
15 accident of May 23?

16 A. They have. I believe -- I believe they
17 came out the Wednesday after Memorial Day and I think have
18 another scheduled visit in the next few days or week.

19 Q. Now, did OSHA continue with its
20 investigation for the next few days?

21 A. It did, and it has and continues. They've
22 done all the work necessary on the site as it is, and the
23 next step again is to remove the crane and put it at
24 another site, and so they've released the site as of, I
25 think, yesterday to begin that removal, and then they'll

1 continue to work on the evidence after that.

2 Q. Now, since this time, has the EOC had a
3 meeting?

4 A. Yes. We met yesterday actually. We waited
5 until we had the results of the Alstom recovery plan work
6 to see the status of Alstom's plans around the crane, and
7 we met yesterday to talk about those plans and its effect
8 on our schedule and budget.

9 Q. And with regard to the Iatan crane
10 accident, what effect was reported to the EOC that this
11 incident would have on scheduling and cost and the
12 construction plan?

13 A. Our discussions yesterday were that Alstom
14 has several options for doing the work that would have
15 been done by this crane. The size of the crane was
16 initially engineered based upon its plan of lifting these
17 pieces to be put on the SCR and Unit 1. They provided a
18 recovery plan which could either replace the crane and do
19 the work as originally planned or also do the work through
20 the use of other cranes that would do the work
21 differently.

22 But as a result, the initial review of the
23 work is that they believe they can maintain the current
24 schedule and, as a result, cost of the Iatan 1 outage.
25 And so at this point we believe there's a very good

1 opportunity for one of those alternatives to provide us to
2 remain on schedule and on budget.

3 Q. What, if any, effect will the accident have
4 on the cost and schedule for Iatan Unit 2?

5 A. This should not impact Unit 2. As you can
6 see from the 3D drawing, this crane was specifically
7 intended to work on what would be the north end of
8 Iatan 1, and it doesn't affect what would be Iatan 2,
9 which is the taller building in brown on the other side of
10 Iatan 1. And probably as importantly, you can see in the
11 colors are intended to show construction, so if it's in
12 gray, it already stands. If it's in color, it's to build.
13 As you can see --

14 Q. Could you say that again? If it's in
15 color, it means what?

16 A. If it's colored, it shows that there's
17 construction, new construction there. Whereas, for
18 example, under the brown top of Iatan 1 where the numbers
19 in the circle are, underneath that's gray. Well, that's
20 the existing Unit 1 unit.

21 But my point would be, is at this back end,
22 this -- this -- where the red tower is, the red tubular,
23 is the environmental back end of both units, and the crane
24 on the far north side doesn't affect and hasn't affected
25 the ongoing work there. So currently we don't believe and

1 don't have reason to believe it would affect and hasn't
2 affected so far the actual work on Unit 2.

3 Q. Now, let me ask you about any discussions
4 you've had with credit agencies. Have you personally had
5 any discussions with the credit rating agencies, either
6 Standard & Poor's or Moody's, since the accident of
7 May 23?

8 A. I personally have not had any conversations
9 since the accident.

10 Q. Since the hearings adjourned, I believe on
11 May 1, have you had any discussions with the credit rating
12 agency?

13 A. We have. We had our, what we would call
14 our annual meeting with both agencies. We normally do
15 that a little earlier in the year, but given the fact that
16 we had hearings going on, we held it a little later
17 because of timing. But we had our normal annual update in
18 New York, visited both agencies and basically went through
19 the current status of our financial condition based upon
20 the information that we had presented to the Commission.

21 Q. And were there any indications or any
22 questions about the reforecast at those meetings?

23 A. Well, the reforecast was included in the
24 information we provided to the agencies, and it was part
25 of our overall presentation, so we discussed that along

1 with every other update and ongoing items with regard to
2 the company.

3 Q. Have either S&P or Moody's changed either
4 Great Plains Energy or KCPL's credit rating since that
5 meeting of May 15?

6 A. No. The meeting -- the meeting went well.
7 It was constructive, and as a result there was no
8 indication of any change in our credit profile or credit
9 ratings.

10 Q. And since that meeting, describe what if
11 anything has happened on the sale of Strategic Energy.

12 A. We were able a week ago Monday to close the
13 Strategic Energy transaction as we discussed in the
14 hearings. The purchase price was \$300 million plus a
15 working capital adjustment. Strategic Energy had a good
16 first quarter, and so there was a positive working capital
17 adjustment, and the ultimate closing number was
18 305 million, I believe, and we closed that a week ago
19 Monday.

20 Q. Now, based upon the information that
21 came to the EOC and to you as the chief financial officer
22 of both Great Plains Energy and KCPL, do you believe that
23 there will be any material change in the financial
24 assumptions relied upon by the credit agencies as a result
25 of this accident?

A. No, I don't believe as a result of this

1 accident we will -- we will see any material impact that
2 would affect our information we provided the rating
3 agencies and, as a result, not impact our credit rating.

4 MR. ZOBRIST: Judge, that's all I have
5 right now.

6 JUDGE STEARLEY: Thank you, Mr. Zobrist.
7 Cross-examination, Aquila?

8 MS. PARSONS: No questions.

9 JUDGE STEARLEY: Black Hills?

10 MR. BROWN: No questions, your Honor.

11 JUDGE STEARLEY: City of Kansas City?

12 MR. COMLEY: No questions. Thank you.

13 JUDGE STEARLEY: Same for Cass County,
14 Mr. Comley?

15 MR. COMLEY: Yes, sir.

16 JUDGE STEARLEY: Industrials, Ag
17 Processing?

18 MR. WOODSMALL: Thank you. I'll be brief.

19 CROSS-EXAMINATION BY MR. WOODSMALL:

20 Q. Good morning, sir.

21 A. Good morning.

22 Q. You discussed in your questioning an
23 Executive Oversight Committee meeting that occurred
24 yesterday. Do you recall that?

25 A. Yes, sir.

1 Q. Can you tell me who from the project team
2 was in attendance at that meeting?

3 A. Sure. We had -- in attendance by telephone
4 we had Carl Churchman, Brent Davis, and we had two or
5 three other folks on the phone. Those were the two main
6 speakers from the project itself. And then Bill Downey
7 and the EOC team was -- were in a room in Kansas City.

8 Q. And at that meeting, were any decisions
9 made on any issues or any points that needed decisions?

10 A. I don't believe. I believe we got an
11 update on everything. I don't believe there was a
12 specific decision point that I can recall.

13 Q. This was more of an informative meeting,
14 then?

15 A. We had not met as a committee to get an
16 update on the Alstom recovery plan, and so it was an
17 update to us on what work had been done with regard to the
18 scope of the work and the budget and dollar, schedule
19 impact.

20 Q. At this EOC meeting, did you discuss the
21 outage or the scheduling of the outage for the Iatan unit?

22 A. Yes.

23 Q. And can you tell me what was decided on
24 that outage?

25 A. Well, it was -- what was decided is what I

1 discussed before, and that is that the current Alstom plan
2 is not complete, but that they had several options. They
3 were working to figure out which one of those options
4 worked best, and the result of that was currently we
5 believe that we're on track for the current schedule and
6 current budget.

7 Q. When you say current schedule, are you
8 referring to the schedule for the completion of Iatan 1 or
9 the schedule for the commencement of the outage in the
10 fall or both?

11 A. Both. I'm referring to both.

12 Q. Okay. You mentioned credit rating
13 agencies. When you say that you have had annual meetings,
14 I think you called them, with the credit rating agencies,
15 did you have meetings with the entities or individuals
16 that are part of the Moody's RUS or S&P RES teams?

17 A. Well, we didn't meet with them in that
18 context. We met with the team that rates us. Some of
19 those folks would be assigned to an RES or RUS assignment.
20 I don't know exactly whether or not any of those people --
21 I think there were some of those people that were on our
22 RUS or RES assignment. So we didn't meet with them for
23 that purpose. There were some of those individuals that
24 would be on that kind of team if we had hired them to do
25 that.

1 Q. Since January of 2008, you have not hired
2 RES or RUS to give an update; is that correct?

3 A. Correct.

4 Q. Okay.

5 A. I mean, at this point we wouldn't need to
6 because they're reviewing all our numbers. If we did
7 that, we'd give them what we were given.

8 Q. But the last pronouncement of RES or RUS
9 was done in January of 2008; is that correct?

10 A. And I would say -- yes, and I would say
11 effectively confirmed by our meeting last month.

12 MR. WOODSMALL: No further questions.
13 Thank you.

14 JUDGE STEARLEY: Thank you, Mr. Woodsmall.
15 Office of the Public Counsel, Mr. Mills?

16 MR. MILLS: Thank you. Just a few.

17 CROSS-EXAMINATION BY MR. MILLS:

18 Q. Mr. Bassham, do you have a copy of
19 Exhibit 57, the photograph?

20 A. I do.

21 Q. There are on the right-hand side, there's a
22 series of letters and it looks like someone has drawn in
23 with a marker a series of zones. What do those signify?

24 A. Just work areas so you could see if they
25 were -- if you wanted to identify something, where it's

1 at, and then ultimately there may be some other purpose
2 for moving, but if you wanted to identify where something
3 was, you could do it by zone.

4 Q. Were those work areas established before
5 the crane accident or after?

6 A. No. No. These -- these -- the indications
7 on this picture are for accident purposes, not for work
8 purposes.

9 Q. Now, with respect to Exhibit 56, you
10 said that the -- the material drawn in in color is
11 anticipated -- or was anticipated construction at the time
12 this drawing was produced?

13 A. For the most part. There's some gray
14 scattered other places.

15 Q. The large red stack, is that the new stack
16 for Iatan 2?

17 A. It's actually the new stack for Iatan 1
18 and 2.

19 Q. That's what I was going to ask. It looks
20 like it's a dual stack.

21 A. Exactly. When that happens, the old gray
22 stack won't be used.

23 Q. Will it still stay there, it just won't be
24 used?

25 A. There is a cost associated with it, but we

1 ultimately would like to take down the old stack. There's
2 some environmental issues in process we'll have to work
3 through, but ultimately we would hope that there would
4 only be one stack.

5 Q. Now, with respect to the rating agency
6 presentation that you made in the middle of May, were you
7 the primary presenter?

8 A. Mr. Cline and I were, but I led the
9 presentation, yes.

10 Q. Who prepared the PowerPoint that you-all
11 used?

12 A. Well, Mr. Cline and Mr. Tony Corino, who is
13 our senior director of treasury, would have prepared, and
14 I would have reviewed it before presenting it to the
15 agencies.

16 Q. Well, let me -- and I believe it's
17 marked -- do you have a copy of it?

18 A. No, I'm sorry, I don't.

19 Q. I believe it's marked as highly
20 confidential. I'm going to try to ask you just a couple
21 of questions that are not going to, hopefully, lead you to
22 release any highly confidential information.

23 A. Sure.

24 MR. MILLS: Judge, this is a document that
25 was provided in discovery. I don't anticipate making it

1 an exhibit, but I would like to ask the witness a couple
2 of questions about it. May I approach?

3 MR. ZOBRIST: I could give him a copy,
4 Mr. Mills.

5 MR. MILLS: That would be great. Thank
6 you.

7 JUDGE STEARLEY: You certainly may
8 approach. If you have additional copies for the Bench,
9 that would be appreciated.

10 MR. MILLS: I do not. This stuff came -- a
11 large volume of material came in late yesterday. I was
12 barely able to make copies of some of it for myself.

13 There will just be a couple of questions and I
14 think this will be fairly self explanatory.

15 JUDGE STEARLEY: Thank you, Mr. Mills.

16 BY MR. MILLS:

17 Q. Mr. Bassham, can you turn to page 12?

18 A. Yes, sir.

19 Q. This is a table that you had some
20 conversation with -- or at least similar to a table that
21 you had some conversations with Mr. Dottheim during the
22 hearings in this case; is that correct?

23 A. It is.

24 Q. Is this -- is this -- and in particular the
25 bottom right-hand box, has that changed at all from the

1 earlier presentations?

2 A. I don't know. I'd have to look at the old
3 ones. I don't recall making a change to it.

4 Q. You're not aware of making any changes to
5 that?

6 A. I'm not aware. I just don't recall.

7 Q. And then there's a section about KCPL
8 operations, and if I can get you to turn to page 22.

9 A. Yes, sir.

10 Q. Does the bar chart in the upper left, is
11 that -- at least one section of the bar is intended to --
12 does that show revenues or margins from wholesale sales?

13 A. The left-hand margin shows revenues.

14 Q. Okay. So you can't derive from this
15 diagram in itself what the margins are; is that correct?

16 A. No.

17 MR. MILLS: Okay. Judge, I think the rest
18 of my questions will probably be directed to Mr. Cline.

19 JUDGE STEARLEY: All right. Thank you,
20 Mr. Mills. Cross-examination, Staff?

21 MR. WILLIAMS: Thank you, Judge.

22 CROSS-EXAMINATION BY MR. WILLIAMS:

23 Q. Mr. Bassham, you indicated that the
24 accident happened on the 23rd of May, I believe, and that
25 construction restarted on the 28th?

1 A. Wednesday the 28th, yes.

2 Q. So how many work days were lost?

3 A. Well, really only one. Well, two, I guess.

4 Again, we didn't plan to work the holiday weekend, and
5 obviously we didn't work the day of the accident, sent
6 everybody home, and although we had folks back and talked,
7 had safety meetings on Tuesday, we didn't -- I don't think
8 a lot of work happened, so I'd say two.

9 Q. And in response to questions earlier, you
10 indicated that things were remaining on budget. What
11 budget were you referring to, the budget created after the
12 reforecast or the original control budget?

13 A. The reforecast.

14 Q. And is Alstrom currently on schedule
15 regarding the work it's performing for Iatan 1?

16 A. They are either -- well, to the extent
17 they're not, they have a plan to remain on the final
18 schedule. Whether or not they're exactly today on their
19 current plan, I don't -- I don't believe so. I think
20 they're somewhat behind, but they have a plan to be on
21 schedule, and we have reviewed that plan and we're
22 comfortable with that plan.

23 Q. Are they -- is Alstrom currently on
24 schedule on the work it's performing for Iatan 2?

25 A. Yes, I believe so. Again, if they are not

1 specifically on schedule, they have a plan to remain on
2 schedule for the ultimate due date.

3 Q. And have you gotten any updated predictions
4 about what S&Ps and Moody's credit ratings would be if
5 Great Plains Energy goes forward with the acquisition of
6 Aquila, what the ratings would be for Kansas City Power
7 and Light Company and Great Plains Energy post that
8 acquisition in light of or post the accident that occurred
9 on May 23rd?

10 A. If you're asking whether or not we've gone
11 to the agency and asked for anything, the answer is no.
12 We have received confirmation of our current rating
13 expectations post Aquila closure, which is what we talked
14 about before, and we've had conversations with at least
15 Moody's and, as I testified before, do not expect any
16 impact as a result of the single crane incident. So I
17 would say post accident we don't expect there to be any
18 difference from our current ratings.

19 Q. So you've gotten feedback that the
20 predicted ratings for KCP&L and Great Plains Energy post
21 acquisition of Aquila would not be impacted by this
22 incident; is that what you're saying?

23 A. We have met with both agencies and are
24 comfortable that the initial recommendations for ratings
25 that we reported earlier are still accurate, still will

1 hold true. We have not asked for specific rendering, if
2 you will, of any impact of this event, but we are very
3 comfortable that there will be none. In fact, we have
4 spoken to Moody's and they've stated that they wouldn't,
5 as we've testified before, wouldn't make a change in a
6 rating based on a single event that didn't affect the
7 long-term credit of a company.

8 MR. WILLIAMS: Thank you. No further
9 questions.

10 JUDGE STEARLEY: Thank you, Mr. Williams.
11 Questions from the Bench, Commissioner Murray?

12 COMMISSIONER MURRAY: I don't have any
13 questions. Thank you.

14 JUDGE STEARLEY: Commissioner Clayton?

15 COMMISSIONER CLAYTON: No questions, Judge.
16 Thank you.

17 JUDGE STEARLEY: Commissioner Jarrett?

18 COMMISSIONER JARRETT: I don't have any
19 questions either. Thank you.

20 JUDGE STEARLEY: Okay. We can dispense
21 with recross. Any redirect?

22 MR. ZOBRIST: Nothing further, Judge.

23 JUDGE STEARLEY: Mr. Bassham, you may step
24 down, and you are excused.

25 THE WITNESS: Thank you, your Honor.

1 JUDGE STEARLEY: And Mr. Woodsmall, you may
2 call your first witness.

3 MR. WOODSMALL: Thank you, your Honor.
4 Call Brent Davis, please.

5 JUDGE STEARLEY: Mr. Davis, if you'd please
6 raise your right hand?

7 (Witness sworn.)

8 JUDGE STEARLEY: Thank you. You may
9 proceed, Mr. Woodsmall.

10 MR. WOODSMALL: Thank you.

11 BRENT DAVIS testified as follows:

12 DIRECT EXAMINATION BY MR. WOODSMALL:

13 Q. Good morning, sir. You are the Unit 1
14 project manager for KCP&L; is that correct?

15 A. That's correct.

16 Q. In that role, it's my understanding you're
17 responsible for the environmental upgrades that are taking
18 place at the Iatan 1 generating station; is that true?

19 A. That's correct.

20 Q. The contractor that is responsible for the
21 construction of the Iatan environmental upgrades is
22 Alstrom; is that correct?

23 A. A majority of it, yes.

24 Q. What parts aren't they responsible for?

25 A. The electrical portion for an example is

1 under another contractor.

2 Q. The environmental upgrades that are being
3 done on Iatan 1 in my understanding consists of three
4 projects, the SCR, the fabric filter and the absorber/wet
5 scrubber; is that true?

6 A. That's correct.

7 Q. The absorber wet scrubber is designed to
8 reduce SO2 emissions; is that right?

9 A. That's correct.

10 Q. And the fabric filter is designed to reduce
11 particulate emissions?

12 A. Correct.

13 Q. And the SCR reduces the nitrogen oxide
14 emissions?

15 A. That's right. I would add that there is
16 some common equipment to both units that has to be
17 completed for all of that equipment to operate.

18 Q. Okay. Now, just so I understand how this
19 all acts, each of these devices is placed in the path of
20 the flue gases as they exit the boiler; is that true?

21 A. That's correct.

22 Q. Now, tell me as the flue gases leave the
23 boiler and after passing the superheaters, reheaters and
24 economizer, which one of these environmental devices will
25 the flue gases first encounter?

1 A. The SCR.

2 Q. And what will be encountered second?

3 A. The fabric filter.

4 Q. So the last thing will be absorber/wet
5 scrubber; is that true?

6 A. Other than the chimney, that is correct.

7 Q. As I understand the working of the SCR, it
8 relies upon the injection of ammonia into -- the injection
9 of ammonia with the aid of a catalyst to convert nitrogen
10 oxide to the nitrogen and water; is that correct?

11 A. Yes.

12 Q. And in order to install the SCR, you must
13 lift the various aspects of the catalyst chamber into
14 place in order to route the flue gas through the chamber;
15 is that right?

16 A. You actually load catalyst into the
17 catalyst box, and that catalyst is replenishable. You
18 replace it periodically.

19 Q. The catalyst box is what is lifted up and
20 placed -- duct -- and flue gases ducted through the
21 catalyst box, is that right?

22 A. That's correct.

23 Q. And I believe on Exhibit 56 we see -- yes,
24 56, we see a picture of where that catalyst box is. Can
25 you point out where that will go?

1 A. (Indicating) this is the catalyst box.

2 Q. And that's the brown right -- just to the
3 right of the 7, 6, 5, 4 numbers?

4 A. That's correct. And this is the inlet
5 ductwork represented by the 7, 6, 5, 4 numbers.

6 Q. Okay. And once the catalyst box, the SCR
7 is installed, how high up will it be off the ground?

8 A. I don't recall the exact elevation. It is
9 taller than the boiler, and it's above 200 feet.

10 Q. Now, up until now, the work on the
11 environmental upgrades has proceeded while Iatan 1 was
12 still operational and generating electricity; is that
13 true?

14 A. That's true.

15 Q. But in order to finish the environmental
16 upgrades, you will need to have an outage at Iatan 1; is
17 that correct?

18 A. That's correct.

19 Q. And why is that?

20 A. You have to redirect the flue -- the flue
21 gas from the current flow path through the precipitator to
22 the new environmental equipment.

23 Q. Can you tell me at the time of the
24 accident -- you see the 7, 6, 5, 4 on Exhibit 56 referring
25 to different pieces of ductwork? At the time of the

1 accident, how much of that ductwork had been completed?

2 THE WITNESS: Can you hear me if I point to
3 the --

4 JUDGE STEARLEY: Certainly.

5 THE WITNESS: This ductwork, there's a
6 corner piece right here that was set. None of these four
7 pieces were set, and about half of this box was completed.
8 All the structural steel you see here was completed. So
9 we've got half of this box, this ductwork. There's some
10 ductwork you can -- that goes down and connects to the
11 economizer outlet that you can't really see on this
12 picture, that will be installed during the outage.

13 So the majority of it are these four
14 pieces, the top half and, of course, all the catalyst and
15 the catalyst support internal to this box.

16 Q. What about exit ductwork, is there any exit
17 ductwork associated with this?

18 A. Yeah. All of the -- the flue gas actually
19 has to go back to the inlet of the air heater. That
20 ductwork's basically all in place, and the outlet ductwork
21 out of the air heater, in fact it's this piece you can see
22 right here, that's already erected out to a point out
23 here. The inlet duct down to the fabric filter, which you
24 can see right here, is not installed yet.

25 Q. And you said this will not be operational

1 until you do an outage to divert the flue gas, put in new
2 ductwork to divert the flue gas through these
3 environmental upgrades; is that right?

4 A. That's correct.

5 Q. It's my understanding that the outage was
6 originally scheduled to occur on September 20th; is that
7 correct?

8 A. Yes.

9 Q. And that was originally scheduled to last
10 through November 13th; is that correct?

11 A. 13th or the 16th. I don't recall the exact
12 date.

13 Q. You were involved in a recent reforecast of
14 the budget and schedule for Iatan 1; is that correct?

15 A. Yes.

16 Q. Since that reforecast, the outage date for
17 Iatan 1 has been delayed from September 19th to
18 October 19th; is that correct?

19 A. That's correct.

20 Q. So the start of the outage has been delayed
21 by 30 days; is that true?

22 A. Yes.

23 Q. The end date for the outage was originally
24 scheduled to be November 13th or 16th; is that correct?

25 A. Yes.

1 Q. And as a result of the reforecast, the
2 current end date for the Iatan 1 outage is December 30th;
3 is that correct?

4 A. That's correct.

5 Q. So the end of the outage has been delayed
6 approximately 45 days; is that right?

7 A. 45 from the original. I'd have to do the
8 math, but I think that's correct.

9 Q. Okay. Originally the Iatan 1 unit upgrades
10 were planned to be accepted and available for service on
11 December 16th; is that correct?

12 A. Yes.

13 Q. And as a result of the reforecast, these
14 environmental upgrades will not be accepted now until
15 February 1; is that correct?

16 A. That's correct.

17 Q. So the in-service date for the Iatan 1
18 environmental upgrade has been delayed by 45 days; is that
19 true?

20 A. Yes.

21 Q. One of the reasons for the delay in the
22 Iatan 1 outage and acceptance date is because of delays
23 associated with Alstom's completion of the SCR; is that
24 correct?

25 A. It was mainly due to other environmental

1 equipment, the preparatory equipment on the west end we
2 call it, and I might point to that area (indicating).
3 It's the reagent prep area back here (indicating) that was
4 our major concern at the time of the reforecast.

5 Q. Okay. And Alstrom was responsible for that
6 reagent prep area; is that correct?

7 A. Largely responsible for that, yes.

8 Q. Are you involved in the preparation of
9 what's called a strategic infrastructure investment status
10 report that's given to the parties of the regulatory plan?

11 A. Yes.

12 Q. Okay. In the May 15th report, KCP&L notes
13 that at the beginning of the first quarter of this year,
14 Alstrom's field construction of certain air quality control
15 system components was 12 weeks behind schedule; is that
16 correct?

17 A. Yes.

18 Q. And even though Alstrom improved their
19 performance during the first quarter, at the beginning of
20 the second quarter Alstrom remained approximately eight
21 weeks behind schedule; is that correct?

22 A. Yes.

23 MR. ZOBRIST: Judge, I don't want to
24 object, and that's why I'm making my statement right now,
25 but I understood that the purpose of this hearing was to

1 relate to the accident, not to the reforecast, and I just
2 sort of inquire of counsel, are we going to get back to
3 the accident, because I don't think the purpose of this
4 hearing was to go back and talk about the reforecast?

5 JUDGE STEARLEY: I'm assuming Mr. Woodsmall
6 is going to tie this all together for us shortly.

7 MR. WOODSMALL: I will, in fact, I think in
8 two questions.

9 BY MR. WOODSMALL:

10 Q. In that same strategic infrastructure
11 report, KCP&L notes that, quote, while the pace of
12 Alstom's work has increased, so have the demands in the
13 baseline schedule, so Alstom's recovery effort has largely
14 been necessary to maintain its planned pace of work and
15 not lose additional ground; is that true?

16 A. Yes.

17 Q. Isn't it true that Alstom's inability to
18 complete the Iatan 1 components in a timely fashion could
19 ultimately lead to a cascading effect on Iatan 2's
20 schedule?

21 A. That potential can exist, yes.

22 Q. Were you at the Iatan generating station on
23 May 23rd?

24 A. Yes, I was.

25 Q. That is the day of the crane collapse; is

1 that right?

2 A. Yes.

3 Q. What was the model of the crane that
4 collapsed?

5 A. Monitowoc 18000.

6 Q. In a recent webcast, Bill Downey called
7 this the second largest crane available in the United
8 States. Is that consistent with your understanding?

9 A. Of that type, yes.

10 Q. As I understand, the crane was owned and
11 operated by Maxum Crane Works; is that right?

12 A. That's correct.

13 Q. Can you tell me who Maxum is?

14 A. It's my understanding they're a crane
15 supplier. They were subbed by Alstrom.

16 Q. Can you tell me who Marino Crane is?

17 A. Marino Crane is a contractor who is going
18 to be involved in the cleanup effort and moving the crane
19 over to the new location for storage for forensic
20 examination.

21 Q. The crane, Monitowoc or -- the crane, was
22 being used to support Alstrom's construction of the SCR;
23 is that correct?

24 A. Yes.

25 Q. Was the crane being used in construction of

1 the fabric filter or the absorber/wet scrubber?

2 A. No.

3 Q. So this crane was devoted solely to the
4 completion of the SCR?

5 A. Yes.

6 Q. The crane collapsed at approximately
7 7:30 a.m., is that right?

8 A. That's correct.

9 Q. As a result of the collapse, it's my
10 understanding all construction personnel were sent home on
11 May 23rd; is that true?

12 A. That's correct.

13 Q. When did the construction personnel return
14 to work?

15 A. That following Tuesday, after Memorial Day.

16 Q. So that would be May 27th. Once the
17 construction personnel returned on May 27th, how much time
18 was spent in safety training or otherwise discussing the
19 crane collapse?

20 A. It was somewhat dependent on which
21 contractor. Alstrom spent all day and into the next day
22 with various safety and training issues since it was
23 mainly their people involved.

24 Q. Okay. So at least as it applies to Alstrom
25 personnel, the entirety of May 28th was spent in safety

1 meetings; is that true?

2 A. Safety meetings and/or walk-downs of the
3 site, ensuring the site was safe to go back to work.

4 Q. And a portion of May 29th was also spent
5 with safety meetings or walk-down?

6 A. A portion was, yeah.

7 JUDGE STEARLEY: Mr. Woodsmall, did I get
8 off a date there? I thought you started with May 27th.

9 MR. WOODSMALL: 27th was a Tuesday, it's my
10 underst -- and correct me if I'm wrong, but just to answer
11 your question, 27th was a Tuesday. They returned to work
12 and were involved in safety meetings -- I think I was off
13 a date, and so a portion of the 28th.

14 THE WITNESS: That's correct.

15 MR. WOODSMALL: Okay. So I was off a date.
16 Thank you.

17 JUDGE STEARLEY: Thank you for the
18 clarification.

19 BY MR. WOODSMALL:

20 Q. So the week after the crane collapse
21 occurred, a day and a portion of a second day were devoted
22 by Alstrom personnel to safety or walk downs?

23 A. That's correct.

24 Q. Did OSHA perform an inspection of the
25 collapsed crane?

1 A. Yes, they did.

2 Q. Has OSHA completed their inspection?

3 A. They have released the site. During the
4 demolition process, we have -- they have requested two
5 hold points to come back and witness two events that will
6 occur during the demolition.

7 Q. And tell me what the demolition process is.

8 A. If you refer to the -- if you refer to the
9 picture.

10 Q. Exhibit 57?

11 A. Yeah. This picture's taken from up on the
12 boiler on Unit 1 to kind of orient you. I think Terry did
13 a good job, but the individual that took this picture was
14 probably up about this level pointing down this way.

15 And to answer Mr. Mills' earlier question
16 about the light spot, that is the precipitator box, and
17 it's silver, so the reflection off of that is what's
18 causing that to look like that. And the damage Terry
19 referred to is at the upper corner, the top part of that
20 very bright area up there.

21 But as far as the crane site's concerned,
22 the demolition that is going to occur, you can see the
23 letters that are marked A, B, C, D and E. Those are kind
24 of areas and roughly coincide to cut points that they're
25 going to do on that boom. There is still -- this crane

1 obviously is not in its normal position, so there's a lot
2 of stress points.

3 Safety is very important and a big key to
4 this whole endeavor. That's one of the reasons OSHA
5 quarantines the site and we quarantined the site. But one
6 of the hold points OSHA is going to want is when this cab
7 is uprighted and to enter the cab and inspect that, and
8 the other one you see a Conex box, that red box kind of
9 left central of the page.

10 MR. ZOBRIST: Could you spell that for the
11 record, Mr. Davis?

12 THE WITNESS: I believe it's C-O-N-E-X.

13 BY MR. WOODSMALL:

14 Q. And when you referred to that, are you
15 referring to the box in area B?

16 A. Yeah. It's right -- right there
17 (indicating). That -- that is where the records of this
18 crane are kept. So OSHA has requested to be present on
19 both of those.

20 Q. So it's my understanding that the crane,
21 the crane today still sits as we see it in this picture;
22 is that correct?

23 A. That's correct.

24 Q. And you have not been able to work in this
25 area; is that correct?

1 A. We have done various inspections. We've
2 done a 3D image of the site. Late yesterday we began
3 removing non-incident-related debris from the site to
4 clear the area to start the demolition process. In the
5 demolition process, dismantling process probably is a
6 better term, should begin later this week.

7 Q. To clarify my last question, then, you have
8 not been able to get other cranes into this area to
9 continue business as normal; is that correct?

10 A. That is correct.

11 Q. Has the reason for the collapse been
12 determined?

13 A. No.

14 Q. Do you have any opinion as to the reason
15 for the collapse?

16 A. No.

17 Q. When did OSHA release the site to KCP&L?

18 A. I believe it was last Wednesday.

19 Q. That would be June 4th?

20 A. And once -- once they released it, we had a
21 predetermined process to let other parties' experts view
22 the site. We agreed to a protocol to dismantle it, et
23 cetera, and have begun that process, like I said,
24 yesterday.

25 Q. And what do you anticipate the damaged

1 crane will be completely removed?

2 A. Obviously there are some unknowns as you're
3 dismantling this, but our current process calls for 10 to
4 12 days, working days.

5 Q. 10 to 12 days from when?

6 A. From today.

7 Q. Today? So approximately June 21st?

8 A. Yeah.

9 Q. Has a replacement crane been identified
10 yet?

11 A. No.

12 Q. Do you know when a replacement crane will
13 be identified?

14 A. It has been an effort that has been ongoing
15 since the day after the collapse. We are -- we feel like
16 we're very close.

17 Q. We're now 19 days since the crane collapse.
18 In that time, has any more of the ductwork or the
19 completion of the SCR box been completed?

20 A. There's been welding work and various steel
21 work that was already up in place that has been continued
22 on. There have been no lifts made up in that area.

23 Q. When do you anticipate, then, that the next
24 lift will be able to occur?

25 A. We are looking at various alternatives for

1 that now, and some of those alternatives include lifting
2 from this north side and also taking a crane from the
3 south side to work in this box area. Those are some of
4 the various alternatives that Terry alluded to during his
5 testimony that are currently being investigated to figure
6 out what the best option is.

7 Q. But you don't know yet when those lifts
8 will be able to occur?

9 A. Our current schedule is mid July.

10 A. Mid July. So that would represent
11 approximately a month and a half delay from when the crane
12 collapsed; is that true?

13 A. That's correct.

14 Q. Can you tell me what is the impact of the
15 crane collapse on the Iatan 1 budget?

16 A. I don't feel like there is an impact.

17 Q. Will the crane collapse lead to greater use
18 of the contingency in the Iatan 1 budget?

19 A. I don't know that at this point.

20 Q. You haven't analyzed that?

21 A. We have looked at the schedule, and at this
22 point we -- we feel like the contingency is adequate.
23 Don't know the level of usage.

24 Q. What is the impact of the crane collapse on
25 the Iatan 1 schedule?

1 A. We feel like at this point the Tiger Team
2 schedule is still doable.

3 Q. Doable -- what will have to occur in order
4 to make that doable?

5 A. The crane availability is obviously a big
6 piece. The construction industry is very congested right
7 now. I might point out the piece of ductwork that is in
8 the picture with the crane boom over it.

9 Q. Uh-huh.

10 A. That coincides to ductwork No. 6 on your
11 other diagram. The ability to reuse that ductwork, which
12 we won't know until we can do a detailed inspection, is an
13 important piece. We feel like it's a low probability that
14 we won't be able to use that ductwork. And weather, to be
15 quite honest, has been a detriment with all the rain. So
16 those three factors are very important.

17 Q. You say on the day of the collapse this
18 crane was lifting ductwork piece 7; is that right?

19 A. It was preparing, and I don't know that
20 they were doing it this day, but they were preparing to
21 lift that ductwork piece that that was over. The crane
22 had no load on it at the time of the incident.

23 Q. Absent the crane collapse, would you -- did
24 you have planned to have 7, 6, 5 and 4 pieces of ductwork
25 in place, all four of those?

- 1 A. Not at this time.
- 2 Q. How far along did you anticipate that you
3 would be?
- 4 A. I don't understand the question.
- 5 Q. If the crane hadn't collapsed, how many of
6 those four pieces of ductwork did you anticipate would
7 have been in place by now?
- 8 A. The -- the current schedule had those all
9 placed by in the August time frame.
- 10 Q. But you didn't know if there would be three
11 of the four done by here as we sit in June?
- 12 A. No.
- 13 Q. You say the current Iatan schedule may be
14 affected by the ability to get a replacement crane; is
15 that true?
- 16 A. That's right.
- 17 Q. And when will you know if you'll get a
18 replacement crane?
- 19 A. Any day.
- 20 Q. Absent the availability of the replacement
21 crane, will the Iatan 1 schedule slip?
- 22 A. Ask the question again.
- 23 Q. If you're unable to get a replacement
24 crane, will the Iatan 1 schedule slip?
- 25 A. That's when we will -- there are several

1 configurations of cranes that you could use to accomplish
2 this work. These are engineered lifts that were
3 engineered for this specific crane. So to use an example,
4 that piece of ductwork you see in the picture, you could
5 do this with a different crane, but it would require
6 reconfiguring that ductwork, cutting it in half, cutting
7 it in thirds. So there are several options that are being
8 looked at to accomplish that work with several different
9 crane combinations, depending on the availability of
10 cranes.

11 Q. If you were unable to get a single
12 replacement crane that can lift this entire piece of
13 ductwork, will there be a delay in the Iatan 1 schedule?

14 A. Yeah. You cannot build what's left without
15 a crane or some kind of lifting device.

16 Q. Has there been any items placed on the risk
17 and opportunities table associated with this crane
18 collapse?

19 A. Not at this point.

20 Q. When do you anticipate that will be
21 reviewed?

22 A. I don't know of any to put on it at this
23 point.

24 Q. Has there been any change orders submitted
25 associated with the crane collapse?

1 A. Not that I'm aware of.

2 Q. To date, have any additional costs been
3 incurred associated with the crane collapse?

4 A. We are accruing costs because of the
5 collapse. To give you an example, the lay-down yard, we
6 built that lay-down yard to expedite the process so that
7 it was ready to receive these parts. The parties agreed
8 to accrue all their costs, keep track of them, and that
9 will be settled at a later date.

10 Q. You mentioned the possibility that the
11 portion of ductwork that is shown in Exhibit 57 may not be
12 able to be used again; is that correct?

13 A. That's correct.

14 Q. If you were unable to use that ductwork,
15 will there be a delay in the Iatan 1 schedule?

16 A. Don't know that at this point.

17 Q. You have a plan for a replacement piece of
18 ductwork?

19 A. That's being looked at currently also.

20 MR. WOODSMALL: I have no further
21 questions.

22 JUDGE STEARLEY: Thank you, Mr. Woodsmall.
23 Examination by Staff, Mr. Williams?

24 MR. WILLIAMS: Thank you.

25 CROSS-EXAMINATION BY MR. WILLIAMS:

1 Q. Is Alstrom currently on schedule on the
2 construction activity that's responsible for -- at Iatan
3 Unit 1?

4 A. They are somewhat behind schedule.

5 Q. Do you know how much behind schedule they
6 are currently?

7 A. That west end area that we were discussing
8 earlier, they're in the neighborhood of eight weeks behind
9 the schedule as it -- the Tiger Team schedule as it
10 currently exists, and they have a recovery plan in place
11 that they are comfortable with.

12 Q. And for the construction on the Iatan
13 Unit 2 that Alstrom's responsible for, is it on schedule in
14 performing that?

15 A. Basically, yes.

16 Q. The recovery plan that Alstrom has for
17 returning to schedule in Iatan Unit 1, does that include
18 additional labor shifts or longer labor shifts?

19 A. It includes two shifts and some 6/10s.

20 Q. Has that implemented that yet?

21 A. They are in the process of implementing
22 that.

23 Q. In order to keep the Tiger Team schedule
24 for completion of the construction of Iatan 1, when would
25 you need to have the replacement crane on site?

1 A. Middle of July.

2 Q. When you said you didn't believe the crane
3 collapse would affect the Iatan 1 budget, why not?

4 A. The -- the contractual relationship with
5 Alstom is an MPC engineering procured construct contract,
6 and their contractual relationship with Maxum was -- we
7 don't know what that was, but at this point we see no
8 responsibility for the crane accident.

9 Q. No responsibility for whom?

10 A. For Kansas City Power & Light.

11 Q. You mean financial responsibility?

12 A. Yes.

13 Q. What will it cost to demolish the crane?

14 A. Once again, that's a contract between
15 Marino and Maxum, so I can't answer that question.

16 Q. You don't know?

17 A. I don't know.

18 Q. And is that one of the things that you
19 believe is not a responsibility of Great Plains Energy or
20 Kansas City Power & Light Company?

21 A. We have no contractual obligation.

22 Q. Will Alstom going to double shifts increase
23 labor costs?

24 A. Yes, it will.

25 Q. And will those labor costs be borne by

1 Kansas City Power & Light Company?

2 A. A portion will, yes.

3 Q. And will that portion be based on the
4 ownership of the Iatan units?

5 A. I don't understand.

6 Q. Well, you said a portion of it will. Who
7 else will bear a portion, or what percentage will it be?

8 A. Well, those costs were included in the cost
9 to reforecast. Does that answer your question?

10 Q. I'm not sure if it does or not. I mean,
11 you're saying there will be additional costs. Who's going
12 to bear those additional costs? You indicated a portion
13 of them would be borne by, as I understood it, KCP&L/Great
14 Plains Energy?

15 A. That's correct.

16 Q. And how is that portion determined, is my
17 question?

18 A. It's a negotiated settlement between us and
19 Alstom.

20 Q. So it won't be a doubling of the cost?

21 A. No.

22 MR. WILLIAMS: No further questions.

23 JUDGE STEARLEY: Thank you, Mr. Williams.

24 Public Counsel, Mr. Mills?

25 MR. MILLS: Thank you.

1 CROSS-EXAMINATION BY MR. MILLS:

2 Q. Mr. Davis, have you been out to the site of
3 the crane collapse?

4 A. Yes, I have.

5 Q. Have you looked at the piece of ductwork
6 that's under the crane?

7 A. From afar, yes.

8 Q. It looks, at least from this photograph, to
9 be at least somewhat dented on the top; is that correct?

10 A. Yeah.

11 Q. But you haven't done a detailed inspection
12 of how severe the damage is?

13 A. No one has because of the safety aspect of
14 that boom laying over the top.

15 Q. Now, with respect to the crane itself,
16 there are a number of foreign rectangles scattered about
17 around the base of the cab. Do you see those?

18 A. Yes.

19 Q. What are those?

20 A. Those are counterweights.

21 Q. And how were they deployed when the crane
22 tipped over?

23 A. It's kind of difficult to see, but those
24 square boxes right there on either side were where those
25 counterweights were.

1 Q. Okay. So if the crane had been upright,
2 those are trays, if you will, in which you stack
3 counterweights?

4 A. That's correct.

5 Q. And when the train -- and when the crane
6 fell over, those weights dropped out and ended up where
7 you see them in the picture?

8 A. That's correct.

9 Q. And in the lower left-hand corner of the
10 picture, there's a large original structure. What is
11 that?

12 A. It's called a maximizer.

13 Q. And what does that do?

14 A. That adds more counterweight when you're
15 taking certain engineered lifts if you require them.

16 Q. So that could be connected to the cab of
17 the crane somehow to provide additional counterweight?

18 A. That is correct.

19 Q. Was it connected at the time of the crane
20 collapse?

21 A. No, it wasn't.

22 Q. Should it have been?

23 A. Not with no load.

24 Q. Now, just -- I believe you answered in
25 response to some questions from Mr. Woodsmall that you

1 think that the current Tiger Team schedule for Iatan 1 is
2 doable. Is that your word?

3 A. That's correct.

4 Q. In order to make what's doable actually
5 happen, will that take an increased level of involvement
6 from KCPL management?

7 A. We are working closely with Alstom on -- on
8 many of these issues.

9 Q. Would you dispute that it will be
10 challenging to make what's doable actually happen?

11 A. This is a doable challenge.

12 Q. But it's not going to be easy?

13 A. No.

14 MR. MILLS: Those are all the questions I
15 have.

16 JUDGE STEARLEY: Thank you, Mr. Mills.
17 Cross-examination by Cass County or Kansas City?

18 MR. COMLEY: Thank you, Judge. We have no
19 questions.

20 JUDGE STEARLEY: Black Hills?

21 MR. BROWN: None, your Honor.

22 JUDGE STEARLEY: Aquila?

23 MS. PARSONS: No questions.

24 JUDGE STEARLEY: Great Plains/KCPL?

25 MR. ZOBRIST: I just had a couple of

1 questions.

2 CROSS-EXAMINATION BY MR. ZOBRIST:

3 Q. Mr. Davis, when you talked about Terry, you
4 meant Terry Bassham who testified earlier today, correct?

5 A. That's correct.

6 Q. And when you had a reference, I believe in
7 response to one of Staff's questions about shift, you said
8 there were some 6/10s. Do you remember that?

9 A. Yes.

10 Q. What do you mean by that?

11 A. Six days a week, ten hours a day, two
12 shifts.

13 Q. And I believe when Mr. Woodsmall was asking
14 you about the reagent preparation area to the west end of
15 the construction site, do you recall that question?

16 A. Yes, I do.

17 Q. Was that at all affected by the crane
18 accident?

19 A. No, it was not.

20 MR. ZOBRIST: That's all we have, Judge.
21 Thank you.

22 JUDGE STEARLEY: Thank you, Mr. Zobrist.
23 Questions from the Bench, Commissioner Murray?

24 COMMISSIONER MURRAY: Just very briefly.

25 QUESTIONS BY COMMISSIONER MURRAY:

1 Q. Mr. Davis, you indicated that you didn't
2 think that there was any liability on the part of KCP&L
3 regarding the crane incident; is that what you said?

4 A. Subject to the findings of the ultimate
5 investigation.

6 Q. And are you referring to -- are you
7 including in that any potential liability for lawsuits for
8 injuries or wrongful death or anything beyond the initial
9 costs that you're talking about?

10 A. I can't answer that question, I was just
11 referring to the incident itself.

12 COMMISSIONER MURRAY: Thank you.

13 JUDGE STEARLEY: Commissioner Clayton?

14 COMMISSIONER CLAYTON: I don't have any
15 questions. Thank you.

16 JUDGE STEARLEY: Commissioner Jarrett?

17 COMMISSIONER JARRETT: No questions. Thank
18 you.

19 JUDGE STEARLEY: Any recross-examination
20 based upon Commissioner Murray's questions? Any further
21 examination, Mr. Woodsmall?

22 MR. WOODSMALL: No, thank you.

23 JUDGE STEARLEY: You may step down,
24 Mr. Davis. Thank you for your testimony, and you are
25 excused.

1 Mr. Woodsmall, you may call your next
2 witness.

3 MR. WOODSMALL: Thank you, your Honor.
4 Call Michael Cline.

5 JUDGE STEARLEY: Good morning, Mr. Cline.
6 (Witness sworn.)

7 JUDGE STEARLEY: You may be seated, and you
8 may proceed, Mr. Woodsmall.

9 MR. WOODSMALL: Thank you, your Honor. I'm
10 going to be very brief.

11 MICHAEL CLINE testified as follows:

12 DIRECT EXAMINATION BY MR. WOODSMALL:

13 A Q. As I understand it, the last report that
14 you have from RUS or RES was provided in January of 2008;
15 is that correct?

16 A. I need to clarify. It's RAS is the
17 Moody's, Service. RES is S&P, and that's correct.

18 Q. The last report that you have from those
19 entities is January 2008; is that correct?

20 A. From those services, yes.

21 MR. WOODSMALL: I have no further
22 questions. Thank you.

23 JUDGE STEARLEY: Examination by Staff?

24 MR. WILLIAMS: No questions.

25 JUDGE STEARLEY: Public Counsel?

1 MR. MILLS: Just a few.

2 CROSS-EXAMINATION BY MR. MILLS:

3 Q. And just to follow up on that, probably
4 won't come out in the transcript, but in your answer it
5 sounded as though you emphasized from those services.
6 Have you gotten any similar analyses from other services?

7 A. What I'm attempting to do is differentiate
8 between the hypothetical ratings that we requested from
9 those services in January versus, as Mr. Bassham indicated
10 earlier, the ongoing rating evaluation that the agencies
11 prepare.

12 Q. Okay. Thank you. Now, Moody's Investor
13 Service provides periodic comments; is that correct?

14 A. Yes.

15 Q. And did they, in fact, provide one on
16 the -- after the sale of Strategic Energy on April 2nd,
17 2008?

18 A. After we announced that we were going to be
19 selling, yes.

20 MR. MILLS: May I approach, Your Honor?

21 JUDGE STEARLEY: You may.

22 BY MR. MILLS:

23 Q. Mr. Cline, I don't mean to hover over you
24 but I wanted to be closer to this microphone so that it
25 will pick up.

1 Do you recognize this as the comment on
2 April 2nd from Moody's?

3 A. Yes, I do.

4 Q. And does it not in part indicate that the
5 debt, that Aquila is currently rated at BA3 senior
6 unsecured on review for possible upgrade?

7 A. Yes, it does.

8 Q. And seeing as how this was issued on
9 April 2, 2008, that's obviously premerger; is that
10 correct?

11 A. Correct.

12 Q. So is it your understanding that Aquila is
13 on review for a possible upgrade regardless of the merger?

14 A. I believe they are on review for upgrade
15 because of the merger.

16 Q. Do you know whether or not they are on
17 review for possible upgrade if the merger does not happen?

18 A. Well, whenever a company is put in -- on
19 review status, it means that the agency has an obligation
20 to close the review in some fashion within a reasonable
21 period of time, so there would be closure on that pre or
22 post.

23 Q. And do you have any knowledge of when that
24 status will change for Aquila with respect to Moody's?

25 A. It will be relatively soon after the

1 transaction, if the transaction is approved. Otherwise, I
2 couldn't say for certain, but it would be, again, within a
3 reasonable period of time. They feel they have that
4 obligation to their investors.

5 Q. Now, are you familiar with Standard &
6 Poor's liquidity surveys?

7 A. Yes, I am.

8 Q. Do you prepare those for Standard & Poor's
9 or do they prepare those for you?

10 A. The company prepares them. I don't prepare
11 them directly.

12 MR. MILLS: Judge, may I approach again?

13 JUDGE STEARLEY: You may.

14 MR. MILLS: Judge, the documents that I've
15 handed the witness are marked highly confidential, and
16 after discussion with counsel for KCPL/GPE, they advise me
17 that these questions probably should be in camera.

18 JUDGE STEARLEY: All right. Very well. We
19 will go into in-camera.

20 (REPORTER'S NOTE: At this point, an
21 in-camera session was held, which is contained in
22 Volume 26, pages 3208 through 3211 of the transcript.)

23

24

25

1 JUDGE STEARLEY: We are back in the public
2 session.

3 And Mr. Mills has concluded his
4 examination. Any examination from Cass County or Kansas
5 City?

6 MR. COMLEY: No questions.

7 JUDGE STEARLEY: Black Hills?

8 MR. BROWN: No, your Honor.

9 JUDGE STEARLEY: Aquila?

10 MS. PARSONS: No questions.

11 JUDGE STEARLEY: Great Plains/KCPL?

12 MR. ZOBRIST: Just briefly, Judge.

13 CROSS-EXAMINATION MR. ZOBRIST:

14 Q. I believe Mr. Mills asked you about any
15 contacts with Moody's in the spring of this year. Do you
16 recall that?

17 A. Yes.

18 Q. Is Moody's the only credit rating agency
19 that you had a conversation with after the Iatan crane
20 accident?

21 A. Yes.

22 Q. And what was the nature of that
23 communication?

24 A. It was really in two parts. I received an
25 e-mail from our analyst who covers us at Moody's the date

1 the crane incident occurred, expressing his condolences
2 and hoping that my colleagues and I were holding up well
3 after the fact, and indicated that he would call me in the
4 near future. That was the only written communication I've
5 had with the agencies with respect to the incident.

6 The analyst at Moody's did then, in fact,
7 follow up with a phone call on June 4, left me a message.
8 We talked on June 5th, and he again reiterated his
9 sentiments about the incident. Asked how things were
10 going. I -- at that point I indicated to him, I
11 essentially restated what was in paragraph 10 of our June
12 2nd filing, that we had no reason to believe that there
13 would be any change in the cost to schedule related to
14 the -- the project.

15 The analyst went on to say that -- well,
16 obviously he would appreciate staying in touch with any
17 material changes to that viewpoint, that this would not be
18 a factor that would cause them to take a look at the
19 long-term credit rating of the company.

20 Q. And since the accident, has Moody's or S&P
21 issued any comment with regard to the accident and the
22 credit ratings that have been previously issued to the
23 companies?

24 A. They have not.

25 Q. So there's been no change?

1 A. There's been no change.

2 MR. ZOBRIST: That's all I have, Judge.

3 JUDGE STEARLEY: Thank you, Mr. Zobrist.

4 Questions from the Bench, Commissioner Murray?

5 COMMISSIONER MURRAY: Just one.

6 QUESTIONS BY COMMISSIONER MURRAY:

7 Q. Regarding the S&P liquidity reports or
8 whatever they were called, I don't think it would be
9 highly confidential, can you just tell me those two dates
10 that were being compared?

11 A. Certainly, December 31st, 2007 and
12 March 31st, 2008. We prepare these on a quarterly basis.

13 COMMISSIONER MURRAY: Thank you.

14 THE WITNESS: You're welcome, Commissioner.

15 JUDGE STEARLEY: Commissioner Clayton?

16 COMMISSIONER CLAYTON: No questions, Judge.

17 Thank you.

18 JUDGE STEARLEY: Commissioner Jarrett?

19 COMMISSIONER JARRETT: No questions.

20 JUDGE STEARLEY: Any redirect? Any
21 additional examination, Mr. Woodsmall?

22 MR. WOODSMALL: No, your Honor.

23 JUDGE STEARLEY: All right. You may be
24 excused, Mr. Cline. And I believe that concludes our
25 witness list today. Commission was going to hear closing

1 arguments. I would suggest at this point we take a short
2 recess, give my court reporter a break and give you guys a
3 short opportunity for any preparation you may wish. Is 20
4 minutes acceptable, or do you wish to have any additional
5 time for closing arguments?

6 Very well. We will go back on the record
7 at approximately 9:50, 9:55.

8 (A BREAK WAS TAKEN.)

9 JUDGE STEARLEY: Okay. We are back on the
10 record, and we are picking up with closing arguments.
11 First let me ask, Mr. Comley, I'm assuming you don't have
12 any intention of arguing any?

13 MR. COMLEY: Your assumption is correct,
14 Judge. I have no remarks.

15 JUDGE STEARLEY: All right. How about
16 Aquila or Black Hills?

17 MS. PARSONS: No, your Honor.

18 JUDGE STEARLEY: Very well.

19 MR. BROWN: Your Honor, for the record,
20 Black Hills would join in the argument of Great Plains.

21 JUDGE STEARLEY: Staff, Mr. Mills, are you
22 also wanting to argue, or since the Industrials called
23 this session today, I'm assuming we're going to have them
24 and GPE arguing.

25 MR. MILLS: I'd like to make a few remarks.

1 JUDGE STEARLEY: Very well. Mr. Williams?

2 MR. WILLIAMS: Probably just a couple of
3 brief remarks.

4 JUDGE STEARLEY: All right. And what order
5 do you want to proceed?

6 MR. WOODSMALL: It doesn't matter.

7 MR. ZOBRIST: Mr. Woodsmall said that I
8 should go first, and I said if I have the right to
9 rebuttal, then I'd be glad to go first.

10 JUDGE STEARLEY: Very well. We'll go with
11 GPE, Staff, Public Counsel, Industrials, and a short
12 rebuttal then from GPE. Beginning with you, Mr. Zobrist.

13 MR. ZOBRIST: Thank you, Judge. Just
14 briefly before I make my argument, I just want to note the
15 passing of our colleague, Paul DeFord. He died quite
16 suddenly a week ago Saturday. A number of us went to his
17 funeral on Friday. And he ably represented Black Hills
18 and many other companies before the Commission, and I just
19 want to express our sorrow at his passing. He was a great
20 colleague and a gentleman and he will be sorely missed.

21 We believe that the evidence presented here
22 today by Mr. Bassham and Mr. Davis as well as Mr. Cline
23 indicate that it is likely that there will be no further
24 delay in the construction schedule and no material
25 additional costs will be incurred by KCPL and, in fact,

1 that it may remain entirely within the reforecast that was
2 presented to the Commission at the end of April and the
3 beginning of May.

4 There should be absolutely no effect on
5 Iatan Unit 2. The effect on Unit 1, while some aspects
6 remain to be seen as the witnesses have testified today
7 here, appear to be able to be managed well within the
8 reforecast of schedule and costs. Therefore, the crane
9 incident does not appear to materially change the
10 financial assumptions relied upon by the credit agencies,
11 and there should be no impact on the credit rating
12 agencies, either company. And we have seen, in fact,
13 there was no communication with Standard & Poors either
14 way. The brief communication with Moody's indicated that
15 Moody's was not going to and has not affected any change
16 in the credit ratings, and as the unrebutted testimony
17 indicated, an incident like this normally is not cause for
18 a change in the credit ratings.

19 Therefore, today we cannot see any cost or
20 delay of an additional amount that would create either a
21 credit downgrade or other issue for Great Plains Energy or
22 KCPL that would give the Commission a reason to find that
23 the acquisition of Aquila is detrimental to the public
24 interest.

25 Therefore, we respectfully request that the

1 joint application as modified by the revised regulatory
2 ask presented to the Commission in April and May be
3 approved expeditiously by the Commission. Thank you.

4 JUDGE STEARLEY: Thank you, Mr. Zobrist.
5 Mr. Williams?

6 MR. WILLIAMS: Thank you. The evidence
7 you've heard today shows but another example of how Kansas
8 City Power & Light Company and Great Plains Energy needs
9 to focus its attention on its Comprehensive Energy Plan
10 and getting its construction projects completed, and that
11 if it acquires Aquila and begins integrating the two
12 companies as it's proposed, that that focus will be
13 detracted from, which in turn the Staff believes will have
14 an adverse impact on the credit ratings of the companies
15 post merger. Thank you.

16 JUDGE STEARLEY: Thank you. Mr. Mills?

17 MR. MILLS: Thank you. In a similar vein
18 to Mr. Williams, one of the points that we've argued in
19 this case is that at a time when KCPL needs to be focusing
20 its attention on the Comprehensive Energy Plan
21 construction programs projects, that this merger is simply
22 a distraction, is taking away the attention of management,
23 which of course is a finite resource. Management can't do
24 everything all the time. They need to focus on certain
25 things and try to get those right.

1 Mr. Davis admitted that, although he says
2 that the -- that it's doable to stay on schedule with
3 Iatan 1, that it will be challenging. It will require
4 additional attention from management in the best of times,
5 and that's exactly what management doesn't need right now.

6 So while there isn't any clear evidence
7 today that this particular incident will have any
8 measurable impact on the cost or budget for Iatan 1, that
9 it will certainly have the subjective effect of requiring
10 more and more attention of KCPL and Great Plains
11 management at a time when they're asking for you to
12 authorize them to devote a considerable amount of their
13 time and energy to managing the integration.

14 I think -- I think that's exactly the wrong
15 thing to do is to, when they should be working on this
16 construction program all the time, to authorize them to go
17 ahead with the integration that they've requested.

18 And with respect to the specific incident
19 that led to this hearing today, Mr. Davis testified that
20 within a matter of days the company will know whether or
21 not it's able to get a replacement crane that will be able
22 to do the engineered lifts that were planned for the crane
23 that collapsed.

24 He conceded that if that replacement crane
25 is not available, that the remaining lifts will have to be

1 re-engineered, will be considerably more challenging, and
2 I believe he was much less confident that, if that is the
3 case, that maintaining the schedule will be -- will be
4 doable.

5 So I would recommend that the Commission
6 hold open for at least a couple of days the record in this
7 case to have a late-filed exhibit from KCPL saying whether
8 or not the replacement Manitowoc 18000 crane is going to
9 be available, and if not, whether the alternatives would
10 indicate that the schedule is still doable. Thank you.

11 JUDGE STEARLEY: Thank you, Mr. Mills.
12 Mr. Woodsmall?

13 MR. WOODSMALL: Thank you, your Honor. I
14 would note that I agree with everything that Staff and
15 Public Counsel said, and I agree with the idea of leaving
16 the record open at least to see what happens with the
17 replacement crane.

18 That said, I'm going to take a broader view
19 of this whole picture. Let's face it, we're here today
20 because of the issue of creditworthiness. You might say
21 that there are numerous issues in this case. There's an
22 issue of merger synergies. There's an issue regarding
23 transaction costs.

24 While that is true, the insurmountable
25 obstacle, the 800-pound gorilla in the corner is the

1 parties' differing positions on the joint applicants'
2 creditworthiness. You see, the issue of merger synergies
3 and transaction costs ultimately boils down to a
4 discussion of KCPL's cash flow, and according to the
5 rating agencies, cash flow is what drives credit agencies.
6 So when you read about a rating agency's negative outlook
7 on this company's credit rating, you will inevitably see
8 stated concerns with corporate cash flow and skepticism
9 that the merger synergies will not be adequate to drive
10 increased cash flow.

11 Thus you see statements out of S&P like,
12 quote, the incremental cash flow contributed by Aquila's
13 remaining Missouri utility assets plus synergies that the
14 company expects to achieve will not sufficiently offset
15 the \$1 billion of increased debt being assumed by GXP.

16 In their Briefs, the Staff, Public Counsel
17 and Industrial Intervenors spent dozens of pages examining
18 the precarious financial condition of these companies. In
19 contrast, and despite the overarching importance of this
20 issue, the Joint Applicants devote a mere three pages to
21 their Brief -- in their Brief to a discussion of credit
22 quality.

23 Joint Applicants fail to see a problem with
24 this issue because they simply refuse to look. In fact,
25 if you read their Brief, the Joint Applicants rely solely

1 on the, quote, confidence, unquote, of their chief
2 financial officer and treasurer for their contention that
3 the combined company will maintain an investment grade
4 credit rating.

5 Reading further, one notices, however, that
6 this, quote, confidence is an illusion. When asked
7 directly if they were confident enough to ensure that --
8 insure the ratepayers against the disastrous effects of a
9 credit downgrade, neither the CEO nor the chief operating
10 officer would provide such assurances. Rather than
11 tangible evidence, the Joint Applicants' assurances of
12 continued creditworthiness are pinned to nothing more than
13 a hope and a prayer.

14 Let's take a look at the other side of the
15 creditworthiness coin. The Staff, Public Counsel and
16 Industrial Intervenors provide ample support for their
17 assertion that this acquisition will have a detrimental
18 effect on the company's credit rating and debt cost.

19 Let's look at the facts. In January 2007,
20 S&P and Moody's were asked to provide an assessment of the
21 credit rating of Great Plains and the utility's
22 subsidiaries following the merger. Noting the significant
23 demands on the limited amount of available cash, cash to
24 pay for the acquisition, cash to pay for the dividends now
25 due to Aquila shareholders, cash associated with covering

1 the increased debt load, and cash to finance the ongoing
2 capital program, both Moody's and S&P forecast negative
3 outlooks for these companies. In fact, Moody's candidly
4 forecasts a downgrade for KCPL's credit rating.

5 During the postponement of the hearing in
6 this matter, Great Plains attempted to alleviate the cash
7 flow concerns expressed by Moody's and S&P. In order to
8 increase the amount of cash on hand, Great Plains sold its
9 deregulated subsidiary, Strategic Energy. The cash
10 received from this sale was not enough to alleviate the
11 fears, however.

12 Moody's and S&P still forecast negative
13 outlooks for these companies. For instance, Moody's
14 suggests a change in outlook from stable negative.
15 In addition -- and there's many other citations in my
16 Brief over the concerns that Moody's and S&P have
17 regarding this transaction and the effect it will have on
18 cash flow. Those are all highly confidential, and I'll
19 ask you to look at my Brief for those portions.

20 In addition to selling Strategic Energy,
21 KCP&L has taken other significant measures in an effort to
22 preserve the available cash on hand. KCP&L has recently
23 postponed the environmental upgrades on the Lacine
24 generating station. Those upgrades were called for in the
25 regulatory plan and were unilaterally postponed by KCPL.

1 Furthermore, KCPL has recently deferred the
2 construction of additional wind resources. Despite an IRP
3 study which emphasized the economics of adding additional
4 wind generation in 2008, KCPL unilaterally deferred these
5 environmental investments.

6 All of these actions are consistent with a
7 company that is struggling to preserve the limited amount
8 of cash on hand. Moody's notes, however, that the
9 likelihood of cash flow problems are not reduced by the
10 acquisition. Rather, the cash flow problems are further
11 exasperated by the merger. Moody's notes that these cash
12 flow concerns will not go away because they are, quote,
13 materializing concurrent with the execution risk involved
14 in the merger with Aquila, unquote.

15 Have any other recent events occurred to
16 dampen the cash flow concerns expressed by S&P and
17 Moody's? No. Virtually across the board, every
18 assumption made by Great Plains has proven invalid.
19 Contrary to its assumptions, Great Plains has not been
20 able to raise cash through the issuance of hybrid
21 securities. Contrary to its assumptions, Aquila will not
22 be permitted to increase cash flow by recovering its
23 actual debt costs. Contrary to its assumptions, Aquila
24 will not be permitted to increase cash flow through the
25 utilization of a regulatory amortization mechanism.

1 Nothing has dampened the cash flow
2 concerns. In fact, recent events have only served to
3 heighten the cash flow concerns. Contrary to its initial
4 assumptions, the costs of the Iatan 1 and 2 capital
5 projects continue to suffer and place additional cash
6 demands on the company.

7 In early May, KCP&L released the results of
8 its reforecasted effort of the Iatan capital projects.
9 That reforecast indicates the costs of Iatan 1 have
10 increased by 33 percent, and the costs of Iatan 2 have
11 increased by 19 percent. Still further threatening KCPL
12 and Aquila's earnings, the in-service date for the Iatan 1
13 environmental upgrades has slipped by two months.

14 Financial pressures and further demands on
15 the company's limited cash flow do not end, however.
16 Events occur on a daily basis that may place increased
17 pressures on the limited availability of cash. On
18 May 23rd, a crane collapsed at the Iatan site. This
19 collapse has further, quote, challenged the budget and
20 schedule of Iatan 1.

21 Now, I'm not here to say that the crane
22 collapse will in and of itself lead to a downgrade for
23 these companies. Rather, it is just another piece of
24 straw that will eventually break this camel's back. The
25 crane collapse is just a further example of the type of

1 difficulties that are faced by companies undergoing large
2 capital projects. In times of such high financial
3 demands, utilities must stay financially nimble. Risk of
4 the financial health of the utility can occur at any time.

5 Rather than maintaining a focus on these
6 construction demands, these companies seek to devote their
7 limited cash resources and management oversight to
8 finalizing the merger.

9 At the beginning of this case, the
10 Commission's Chairman asked the company's CEO, if this is
11 such a good deal and will lead to synergies and reduce
12 costs, why are all the customer groups so universally
13 opposed to the merger? The company was unable to answer
14 that question then, and is still unable to answer that
15 question now.

16 The answer, however, is obvious. The
17 customer groups have only one interest in mind, the
18 electric rates that they pay. Whether you are a small
19 residential customer using electricity to cool a home or a
20 large industrial customer using electricity 24 hours a day
21 to run an assembly line, your concern is your electric
22 rates. Customers don't care whether the electricity is
23 provided by KCPL, Aquila, a municipality or a coop.
24 Customers did not get involved in this case merely for the
25 thrill of opposing a large corporate acquisition.

1 In this case, all these customers care
2 about is their electric rates. These customers clearly
3 see what Moody's and S&P sees and what the company refuses
4 to see. This acquisition will lead to financial pressures
5 that will eventually be passed through in rates. For this
6 reason, the acquisition should be rejected. Thank you.

7 JUDGE STEARLEY: Thank you, Mr. Woodsmall.
8 Mr. Zobrist?

9 MR. ZOBRIST: I'm glad I reserved a little
10 time for rebuttal. I thought we were here to talk about
11 the crane accident. Despite the fact that the scheduling
12 order does not provide for reply brief, we've apparently
13 heard Mr. Woodsmall read the Industrials' reply brief.

14 I'm not going to go back and challenge all
15 of the assumptions and arguments that he made. The
16 Commissioners will recall that we answered a number of
17 these questions with regard to the reforecast during April
18 and May.

19 As far as Chairman Davis' question to
20 Mr. Chesser back in December, December of 2007, that was a
21 different deal. We have modified the regulatory ask and
22 removed the controversial portions of that several months
23 ago. So Mr. Woodsmall's comments for the most part do not
24 deal with the record as it stands before this Commission.

25 And I would say that as far as the

1 liquidity reports that Mr. Mills inquired into, it
2 actually showed that the cash flow position of the
3 companies, Great Plains Energy and KCPL, have improved as
4 of March 31, 2008 versus the end of 2007. So there is no
5 evidence that the reforecast cannot be met.

6 There has been no evidence presented to the
7 Commission today that there will be a delay in the
8 schedule or in the costs that will exceed either the
9 contingency or the other numbers in the reforecast. There
10 is simply no basis for this Commission to hold up the
11 record in this case indefinitely.

12 If Staff or the other parties have
13 questions, they can be answered in the regulatory plan
14 procedures and in the meetings that are held relating to
15 the Comprehensive Energy Plan. Kansas City Power & Light
16 has no desire to withhold facts. We're trying to be as
17 transparent as we can. As Mr. Davis or Mr. Bassham
18 testified, Staff has visited the Iatan site once already.
19 I believe that a visit is scheduled in the next couple of
20 weeks.

21 There is simply no basis in the record to
22 show that any of the effect of the crane accident should
23 have an adverse effect on either the schedule or the delay
24 or, most importantly, on the credit rating of the
25 companies, and there is no reason to believe that there is

1 a detriment here that should cause this application to be
2 disapproved by the Commission. Indeed, there are
3 detriments. There are merger synergies that have been
4 pointed out again and again.

5 The application should be approved, and it
6 should not be in any way adversely affected or the case
7 diminished by virtue of the crane incident. Thank you
8 very much.

9 JUDGE STEARLEY: Thank you, Mr. Zobrist.
10 That concludes our taking of additional evidence and
11 closing arguments for today. With regard to the request
12 that the record be held open, the Commissioners seated can
13 either make a decision on that at this moment for an
14 additional filing from the company or tomorrow at their
15 scheduled case discussion they can take that issue up
16 then. I'll defer to the Commissioners on that.

17 COMMISSIONER MURRAY: I am neutral as to
18 whether we do it today or tomorrow. How do the other two
19 feel?

20 COMMISSIONER CLAYTON: I'm comfortable with
21 closing the record at five o'clock tonight or tomorrow
22 morning after agenda, but we need to close it.

23 COMMISSIONER JARRETT: Yes.

24 COMMISSIONER MURRAY: I agree.

25 JUDGE STEARLEY: Very well. At the

1 conclusion of today's hearing, the record will be closed
2 and the case will be deemed submitted.

3 Are there any other additional matters we
4 need to take up at this time? Very well, then. We stand
5 adjourned, hearing in Case No. EM-2007-0374. Our
6 additional taking of evidence on the crane incident is
7 closed, and as I stated, the record is now submitted for
8 the Commission's decision. Thank you all very much. We
9 stand adjourned.

10 WHEREUPON, the hearing of this case was
11 concluded.

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1	I N D E X	
2	KCPL/GPE'S EVIDENCE:	
3	TERRY BASSHAM	
	Direct Examination by Mr. Zobrist	3149
4	Cross-Examination by Mr. Woodsmall	3164
	Cross-Examination by Mr. Mills	3167
5	Cross-Examination by Mr. Williams	3171
6	INDUSTRIALS' EVIDENCE:	
7	BRENT DAVIS	
	Direct Examination by Mr. Woodsmall	3175
8	Cross-Examination by Mr. Williams	3196
	Cross-Examination by Mr. Mills	3199
9	Cross-Examination by Mr. Zobrist	3202
	Questions by Commissioner Murray	3203
10	MICHAEL CLINE	
11	Direct Examination by Mr. Woodsmall	3204
	Cross-Examination by Mr. Mills	3205
12	(In-Camera Session)	
	Cross-Examination by Mr. Zobrist	3212
13	Questions by Commissioner Murray	3214
14	MICHAEL CLINE (IN-CAMERA SESSION - VOLUME 26)	
	Cross-Examination by Mr. Mills	3209
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

	EXHIBITS INDEX	MARKED	RECEIVED
1			
2			
3	EXHIBIT NO. 56 Diagram of Site	3145	3152
4	EXHIBIT NO. 57 Photograph	3145	3156
5			
6			
7			
8			
9			
10			
11			
12			
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14			
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C E R T I F I C A T E

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Kellene K. Feddersen, Certified
Shorthand Reporter with the firm of Midwest Litigation
Services, and Notary Public within and for the State of
Missouri, do hereby certify that I was personally present
at the proceedings had in the above-entitled cause at the
time and place set forth in the caption sheet thereof;
that I then and there took down in Stenotype the
proceedings had; and that the foregoing is a full, true
and correct transcript of such Stenotype notes so made at
such time and place.

Given at my office in the City of
Jefferson, County of Cole, State of Missouri.

Kellene K. Feddersen, RPR, CSR, CCR
Notary Public (County of Cole)
My commission expires March 28, 2009.