

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS
7 Evidentiary Hearing
8 April 21, 2008
9 Jefferson City, Missouri
Volume 9

10 In the Matter of the Joint)
11 Application of Great Plains)
Energy Incorporated, Kansas)
12 City Power & Light Company,)
and Aquila, Inc., for Approval)Case No. EM-2007-0374
13 of the Merger of Aquila, Inc.,)
with a Subsidiary of Great)
14 Plains Energy Incorporated and)
for Other Related Relief.)
15

16 JUDGE HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE.
17 CONNIE MURRAY,
ROBERT CLAYTON,
18 KEVIN GUNN,
COMMISSIONERS.
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1 P R O C E E D I N G S

2 JUDGE STEARLEY: All right. Good
3 morning. We're going to go ahead and go on the
4 record here this morning. It is Monday, April 21st,
5 2008. We are here for the resumption of the hearing
6 in Case No. EM-2007-0374, In the Matter of the Joint
7 Application of Great Plains Energy Incorporated,
8 Kansas City Power & Light and Aquila, Incorporated,
9 for Approval of the Merger of Aquila, Incorporated,
10 with a Subsidiary of Great Plains Energy
11 Incorporated and for Other Related Relief.

12 My name is Harold Stearley, and I will
13 be presiding over today's hearing. Judge Dippell and
14 I have been sharing duties with this case, and
15 depending on scheduling, you may find either one of
16 us on the bench, or if there's other scheduling
17 conflicts, you may find yet another one of our
18 presiding officers on the bench for this hearing.

19 Our court reporter this morning is Pam
20 Fick. And we will begin by taking entries of
21 appearance starting with Great Plains Energy.

22 MR. FISCHER: Thank you, your Honor.
23 Let the record reflect the appearance of James M.
24 Fischer, Bill Riggins, Karl Zobrist, Roger Steiner
25 and Curtis Blanc on behalf of Great Plains Energy

1 Incorporated and Kansas City Power & Light Company.
2 Our mailing addresses are listed on the written forms
3 that I've submitted to the court reporter.

4 JUDGE STEARLEY: Thank you, Mr. Fischer.
5 Aquila, Incorporated.

6 MS. PARSONS: Yes, your Honor. This is
7 Renee Parsons with Aquila, Inc. and James Swearengen
8 and Paul Boudreau with the law firm Brydon,
9 Swearengen & England, and our addresses are in the
10 record, and I will give the court reporter an updated
11 entry.

12 JUDGE STEARLEY: All right. Thank you,
13 Ms. Parsons. Black Hills Corporation.

14 MR. DeFORD: Thank you, your Honor.
15 Paul DeFord with the law firm of Lathrop & Gage, 2345
16 Grand Boulevard, Kansas City, Missouri, appearing on
17 behalf of Black Hills Corporation.

18 JUDGE STEARLEY: Thank you, Mr. DeFord.
19 Staff of the Missouri Public Service Commission.

20 MR. THOMPSON: Thank you, your Honor.
21 Kevin Thompson, Steve Dottheim, Nathan Williams,
22 Sarah Kliethermes appearing on behalf of Missouri
23 Public Service Commission, Post Office Box 360,
24 Jefferson City, Missouri 65102.

25 JUDGE STEARLEY: Thank you,

1 Mr. Thompson. Office of the Public Counsel.

2 MR. MILLS: On behalf of the Office of
3 Public Counsel and the public, my name is Lewis
4 Mills. My address is Post Office Box 2230, Jefferson
5 City, Missouri 65102.

6 JUDGE STEARLEY: Okay. Thank you,
7 Mr. Mills. AgProcessing, Praxair and SIEU.

8 MR. CONRAD: Let the record show, your
9 Honor, the appearance of Stuart W. Conrad and also
10 David Woodsmall from the law firm of Finnegan, Conrad
11 and Peterson. Our main office is in Kansas City at
12 3100 Broadway, Suite 1209, Kansas City.

13 JUDGE STEARLEY: Thank you, Mr. Conrad.
14 City of Independence.

15 (NO RESPONSE.)

16 JUDGE STEARLEY: Okay. Let the record
17 reflect that we have no appearance for the City of
18 Independence at this time. Dogwood Energy.

19 MR. LUMLEY: Good morning, Judge. Carl
20 Lumley with Curtis, Heinz law firm appearing on
21 behalf of Dogwood Energy. Address is 130 South
22 Bemiston, Suite 200, Clayton, Missouri 63105.

23 JUDGE STEARLEY: Thank you, Mr. Lumley.
24 Missouri Joint Municipal Electric Utility Commission.

25 MR. STEWART: Good morning, your Honor.

1 Let the record reflect the appearance of Charles
2 Brent Stewart appearing on behalf of MJMEUC. And my
3 address has been provided to the court reporter.

4 JUDGE STEARLEY: All right. Thank you,
5 Mr. Stewart. City of Kansas City.

6 MR. COMLEY: Good morning, Judge
7 Stearley. Let the record reflect the entry of
8 appearance of Mark W. Comley, Newman, Comley and
9 Ruth, PC, 601 Monroe, Jefferson City, Missouri 65101.

10 Also appearing on behalf of the City of
11 Kansas City in this case are Willie E. Shepherd,
12 Raymond Gifford, Adam Peters, Lucas Stacks of the
13 Kamlet, Shepherd & Reichert firm, 1515 Arapahoe
14 Street, Tower 1, Suite 1600, Denver, Colorado 80202.

15 While I'm standing, our firm is also
16 entering its appearance on behalf of Cass County,
17 Missouri. And also entering her appearance at the
18 same time would be Debra L. Moore, Cass County
19 counselor, Cass County Courthouse, 102 East Wall,
20 Harrisonville, Missouri 64701.

21 JUDGE STEARLEY: Thank you, Mr. Comley.
22 IBEW Locals. We have five locals: 412, 1464, 1613,
23 695 and 814. And I was given a message earlier that
24 they may be running a little bit late. They
25 arrived -- yes?

1 MR. BAKER: My name is Mike Baker. I'm
2 with Local 814 IBEW. I instructed the court reporter
3 that our counsel is running late this morning and may
4 be here maybe 11 o'clock.

5 JUDGE STEARLEY: All right. Very well.
6 They can enter their appearance at that time.
7 Understand, however, any parties not present while a
8 witness may be testifying will be considering that to
9 be a waiver of their cross-examination of that
10 witness. City of St. Joseph.

11 MR. STEINMEIER: Thank you, your Honor.
12 Please let the record reflect the appearance of
13 William D. Steinmeier and Mary Ann Garr-Young,
14 William D. Steinmeier, PC of Jefferson City on behalf
15 of the City of St. Joseph.

16 JUDGE STEARLEY: Thank you,
17 Mr. Steinmeier. City of Lee's Summit.

18 (NO RESPONSE.)

19 JUDGE STEARLEY: Let the record reflect
20 that we have no entry for the City of Lee's Summit.
21 The South Harper residents.

22 MR. COFFMAN: Thank you, your Honor.
23 John Coffman appearing on behalf of the South Harper
24 residents and the nearby residents. My address is
25 871 Tuxedo Boulevard, St. Louis, Missouri 63119. And

1 also appearing on behalf of the residents is Matt
2 Uhrig.

3 JUDGE STEARLEY: Thank you, Mr. Coffman.
4 U.S. Department of Energy-National Nuclear Security
5 Administration.

6 (NO RESPONSE.)

7 JUDGE STEARLEY: And let the record
8 reflect we have no appearance from the U.S.
9 Department of Energy. Have I called all the parties?
10 Anyone that I missed this morning?

11 (NO RESPONSE.)

12 JUDGE STEARLEY: Okay. Hearing none,
13 we'll go on to a couple of housekeeping matters.
14 First, as you're all familiar with, I must tell
15 you-all to please shut off all your electrical
16 devices, BlackBerries, cell phones, et cetera, which
17 do tend to interfere with or totally cancel out our
18 recordings and our web casting of our proceedings.
19 So I'd ask that you-all please have those shut off,
20 and please remember to keep them shut off throughout
21 the day.

22 I know some of the parties here are here
23 for various issues, and those issues may or may not
24 be on today's agenda for witnesses. Parties are
25 certainly free to come and go. As I mentioned

1 earlier, if a party is not present during the
2 testimony of a witness, it will be considered that
3 they have waived their examination of that witness.

4 Four witnesses today. The witness list
5 that I currently have is Terry Bassham, Michael
6 Cline, Chris Giles, Robert Zabors and Lora Cheatum.
7 Does that match the witness that you-all have?

8 MR. FISCHER: Judge, I would say Lora
9 Cheatum will not be available until tomorrow, but the
10 others certainly will be available.

11 JUDGE STEARLEY: All right. Very good.
12 And we're going to be starting off with the overview
13 of the merger and then merger synergy savings,
14 synergy allocations, operations/authorization and
15 tracking and affiliate transactions rule waiver and
16 variance for our witnesses today. Those are the
17 issues I have outlined.

18 And if I also understand correctly,
19 Mr. Giles may only be available today and tomorrow
20 for all of his testimony; is that correct?

21 MR. FISCHER: Yes, that's what we are
22 hoping.

23 JUDGE STEARLEY: Okay. So we can
24 continue with Mr. Giles as to all issues in the case
25 when he's giving his testimony.

1 MR. FISCHER: Judge, there is a motion
2 to limit the scope of the proceeding pending, and I
3 would suspect the Commission might address that at
4 some point. To the extent that Mr. Giles was needed
5 for that, he possibly could come back at a later
6 time, but we would really like to try to get him on
7 the issues that are scheduled today.

8 JUDGE STEARLEY: Okay. Well, we're
9 going to proceed in order with -- with the primary
10 issues we have scheduled. We can either take up your
11 motion on limiting the issues now or we can take it
12 up at the time that you're offering his testimony, if
13 they're going -- if someone wants to question him
14 with regard to those issues. I believe those were
15 the issues regarding the anonymous communications; is
16 that correct?

17 MR. DOTTHEIM: Yes, Judge. Judge, Staff
18 does want to question Mr. Giles on -- on those issues
19 that -- that the GPE and KCPL want to limit the scope
20 of the proceedings. Aquila has -- if I'm not
21 mistaken, has not filed a similar motion.

22 JUDGE STEARLEY: Okay. Well, we can go
23 ahead and take up that motion at this time.

24 MR. FISCHER: Judge, we would -- I'd
25 just like to mention that we'd be happy to bring

1 Mr. Giles back in the event the Commission wanted to
2 take more time to deal with that motion and then
3 decide. We could bring him back if we needed to, if
4 that was overruled.

5 JUDGE STEARLEY: Okay. Is he available
6 today for --

7 MR. FISCHER: Yes, he is available
8 today.

9 JUDGE STEARLEY: Okay. Is there a time
10 limit on when he's available today?

11 MR. FISCHER: He can be available today
12 and tomorrow.

13 JUDGE STEARLEY: Okay. And assuming we
14 stay late, is he available this evening?

15 MR. FISCHER: Yes.

16 JUDGE STEARLEY: Okay. Well, let's --
17 let's march through the primary issues that we have
18 scheduled, and at that time we can evaluate where we
19 are time-wise with Mr. Giles, and we'll take up the
20 issue on this motion and that additional testimony at
21 that time.

22 MR. FISCHER: Thank you.

23 JUDGE STEARLEY: All right. Are there
24 any other preliminary matters we need to address at
25 this time?

1 MR. LUMLEY: Judge, I --

2 JUDGE STEARLEY: Yes, Mr. Lumley.

3 MR. LUMLEY: Judge, obviously all the
4 issues in the case are important. I think some are
5 more complicated than others. There's been a wide
6 variety of discussions going back into December
7 between the parties in terms of potentially
8 alleviating the need for some witnesses to appear.
9 Some are traveling at great distances and obviously
10 have expense and carbon footprint issues and all
11 those kinds of things.

12 I would just encourage and ask the
13 Commissioners, you know, if the parties can present
14 proposed, you know, waivers of cross, the
15 Commissioners could join in and let us know which
16 witnesses could be released, it would be very helpful
17 to us.

18 JUDGE STEARLEY: All right. Thank you,
19 Mr. Lumley. Any -- anyone else wish to comment with
20 regard to proposed waivers of cross?

21 MR. STEWART: Your Honor, I believe --
22 and Mr. Lumley and KCPL can correct me -- but I
23 believe the parties involved with issue -- issue
24 No. 6, that would be the RTO-related issues, we have
25 among ourselves agreed to waive cross and have --

1 have the testimony of those witnesses admitted.

2 The only question we would have -- I
3 think they're scheduled for April 28th. The only
4 question we would have at this time would be if the
5 Commissioners had any questions of those witnesses,
6 that we be informed so that we can make them
7 available. If not, obviously Mr. Lumley's correct,
8 we'd prefer not to have them come back.

9 JUDGE STEARLEY: All right. Do the
10 parties wish to file a list of witnesses and issues
11 they wish to waive cross-examination on, or do they
12 just want to be heard on that at this time? It's
13 something you could file as early as tomorrow and the
14 Commissioners can examine that list and decide which
15 of those witnesses they would like to ask questions
16 of.

17 MR. LUMLEY: Well, as Mr. Stewart
18 indicated, I'm only aware of the discussions on the
19 April 28th witnesses, so I don't -- I don't purport
20 to have a full understanding of all the other
21 discussions, because that's the only day that I have
22 witnesses scheduled. So perhaps we could get
23 organized at a break and present you a more
24 comprehensive list.

25 JUDGE STEARLEY: That would be helpful.

1 I'll leave that to the parties to get together and
2 provide us with a list so the Commissioners can
3 examine it and decide whom they may or may not want
4 to ask questions of.

5 MR. LUMLEY: Thank you.

6 JUDGE STEARLEY: Thank you, Mr. Lumley.
7 Any other preliminary matters?

8 MR. CONRAD: Judge, on the numerous
9 iterations of an -- of an issue list, I think in the
10 last iteration and perhaps the one that did, in fact,
11 get filed, there appeared this item that is now
12 identified as No. 1 on the Staff's issues list which
13 I believe was filed somewhere around 17 April. I
14 think the copy that I'm looking at still has the
15 April 16 date.

16 JUDGE STEARLEY: That would be the
17 overview of the current merger?

18 MR. CONRAD: Well, yeah. That is not,
19 as I understand it, an issue, an independent issue in
20 this case, and it simply appeared almost out of the
21 blue on the last iteration. I think Staff has -- and
22 Mr. Dottheim has made very, very clear in the first
23 several pages of his listing that not everybody is in
24 agreement, or necessarily in agreement; that simply
25 represents Staff's presentation and its presentation

1 that without question is helpful and provides some
2 organization. But we don't see any need for this
3 generic-type testimony.

4 This is simply an opportunity to, in our
5 view, evade the Commission's rules regarding prepared
6 direct. It will almost certainly result in narrative
7 forms of testimony which will be objectionable for
8 other reasons. And I don't see that that issue has
9 been properly framed. I grant you that there are
10 witnesses listed under it, but we -- for our part, we
11 object and we'd like that objection noted on the
12 record for that part of it, and hopefully you'll
13 agree.

14 Now, there is a second issue that's
15 buried in that which has been obliquely referenced.
16 Apparently, in some discussions to which we were not
17 privy, Staff and at least one of the Joint Applicants
18 have discussed the availability of Mr. Giles. And as
19 I came in even this morning, there seemed to be some
20 lack of clarity about that.

21 There's discussion now that he's to be
22 up today. Then there's discussion that I heard that
23 he was to be up tomorrow. For all issues he -- he
24 has -- I haven't gone through and counted, but there
25 are several issues that he has testimony on.

1 We have objected through motions in
2 limine which have -- I grant you, have been
3 overruled, but nonetheless are out there, and I
4 intend to make objections at the proper time. We're
5 not unsympathetic with the desire, motivated as it is
6 from what we've been able to anecdotally understand,
7 about Mr. Giles' availability issues and are
8 certainly willing to work with -- with the parties to
9 accomplish that, but that is a bit of a surprise. I
10 had some inklings of it over the weekend, frankly,
11 because of the professional courtesy of Mr. Dottheim,
12 but that's -- that's about it.

13 So we can -- we can try to work with
14 that, but as to the overall, whatever we're calling
15 this overview of current merger proposal/policy,
16 my under -- my sense of that is that there is no
17 particular cross-examination, and those witnesses are
18 simply put up in the hope, perhaps the expectation,
19 that one or more Commissioners will ask them a
20 question and they can -- they can then educate us all
21 as to material that we've already read that will be
22 again addressed in considerable detail as the
23 individual issues come forward. I see no reason for
24 it. I see no reason to take time or to consume
25 record or the reporter's time on that.

1 JUDGE STEARLEY: All right. Anyone else
2 wish to address Mr. Conrad's objection before I rule?

3 MR. FISCHER: Yes, Judge. On behalf of
4 Great Plains and Kansas City Power & Light, as you
5 recall, or perhaps you weren't on the bench at the
6 time, but at December -- on December 6th, we recessed
7 the hearings in this matter with the express
8 intention of developing a revised regulatory plan and
9 also in an attempt to visit with the parties about a
10 comprehensive settlement of the case.

11 These three witnesses that are listed
12 under the overview describe what that revised
13 regulatory plan is. It's very important. It's an
14 update on where -- what things have happened since
15 December 6th, and we think it is very logical that
16 they would be put up to give the Commission an
17 overview of where we stand today, what has changed
18 since December 6th.

19 With regard to the availability of
20 Mr. Giles, that involves a personal medical matter
21 and I'd like to approach the Bench and go off the
22 record to talk about that if that is an issue.

23 JUDGE STEARLEY: Okay. We can do that
24 momentarily. With regard to addressing the first
25 issue, Mr. Dottheim?

1 MR. DOTTHEIM: Yes. And if I could
2 address this also. Of course, even before the --
3 the -- the overview, there's -- there's a listing of
4 opening statements, and that was listed as an
5 opportunity to provide some context to where the
6 parties presently are. I agree with Mr. Conrad that
7 item Roman Numeral 1, Overview of Current Merger
8 Policy -- Proposal/Policy, that is no discrete issue.
9 The Staff listed that as a courtesy, an accommodation
10 to the -- to the company.

11 The Staff believes that the matters
12 covered under that item are subsumed within the
13 individual issues that follow thereafter, but the --
14 the company argued that it's their filing, it's their
15 case, they wanted to put their three witnesses on who
16 have filed additional testimony.

17 The Staff is charged with filing a list
18 of issues and order of witnesses. The Staff doesn't
19 view that it's in a veto situation or dictatorial.
20 We try to facilitate and accommodate.

21 I had thought that in doing that,
22 that -- that we had reached agreement with the
23 remainder of the -- of the schedule, that even though
24 the company did not agree with issues 10 and 11, they
25 weren't going to file what they ultimately filed, and

1 that was a motion to limit the scope of the
2 proceedings, so I was surprised by their filing on --
3 on Thursday. I would have thought that they would
4 have objected to the filing of this document in
5 its -- in its present form. So that is the Staff's
6 perspective on the matter at issue.

7 Also, too, the company agreed because I
8 had indicated that the Staff would list the overview
9 of current merger -- current merger proposal/policy,
10 so long as the three witnesses would also take the
11 stand for the individual issues for which they had
12 testimony listed, and that was agreed to by the
13 company.

14 Then the company indicated that
15 Mr. Giles could only be here on today and tomorrow.
16 And then subsequently the Staff was advised of
17 Mr. Giles' health situation, and the Staff did not
18 want to force Mr. Giles to come back at a later date
19 for issues 10 and 11, assuming the Commission would
20 hear issues 10 and 11.

21 JUDGE STEARLEY: All right. Thank you.
22 The objection will be overruled. The Commission
23 recognizes this has been sort of an unusual case
24 posture in the way that the proceedings have been
25 suspended. The proposal has changed, and the

1 Commission's going to need all available information
2 in its record as to all the changes that have been
3 proposed. And so we give the Commissioners an
4 opportunity to ask those witnesses questions, and the
5 parties obviously have the opportunity to
6 cross-examine those witness. So that objection will
7 be overruled.

8 With regard to Mr. Giles' appearance,
9 I'm going to bring up the subject of our exhibit
10 marking here in a moment and we can go off the record
11 while exhibits are presented to the court reporter
12 and we make sure all are currently marked. And we
13 can address Mr. Giles' appearance off the record at
14 that time.

15 Clearly we have three weeks scheduled
16 for hearing. It seems that at some -- some point
17 during this three-week interval we'd be able to
18 accommodate all the parties in terms of the presence
19 of the witnesses, but we can discuss that further off
20 the record.

21 With that, I did want to bring up the
22 current marking of exhibits. And I have a current
23 exhibit list prepared by Judge Dippell, copies of
24 which the parties are welcome to have. Exhibits
25 which have not already been admitted into the record

1 that are going to be presented to our court reporter
2 today, I'd like the parties to bring their copies up
3 for the court reporter. And if there's additional
4 exhibits that need to be marked for today, this will
5 be the time that we mark them. So we're going to
6 temporarily go off the record to deal with the
7 exhibits. And Mr. Fischer, we'll discuss Mr. Giles'
8 availability as well.

9 (DISCUSSION HELD OFF THE RECORD.)

10 JUDGE STEARLEY: All right. We are back
11 on record. There is one other preliminary matter I
12 wanted to address and then we're going to hear the
13 opening statements. Given the number of parties, the
14 number of attorneys representing those parties, I
15 would like for all of you to designate one contact
16 party or one contact attorney or person in case we
17 have an emergency scheduling problem or anything who
18 can make contact with me, can contact me by e-mail,
19 harold.stearley@psc.mo.gov just so that we can make
20 sure everyone gets whatever communications are
21 necessary and I won't have a giant list of counsel as
22 opposed to just the 16 parties. So if you-all
23 wouldn't mind doing that. You can also reach me at
24 my office phone, (573) 522-8459.

25 MR. FISCHER: Judge, for the -- for

1 Great Plains and Kansas City Power & Light, we -- we,
2 I think, all have BlackBerries, and we'll get your
3 e-mails, but if you'd like to contact me as local
4 counsel, that would probably be the most convenient.

5 JUDGE STEARLEY: All right. Very good.
6 All right. Are there any other preliminary matters
7 we need to address?

8 MR. MILLS: Just briefly. Judge, this
9 morning there was a notice issued in the case that
10 new Commissioner Gunn -- and welcome, by the way --

11 COMMISSIONER GUNN: Thank you.

12 MR. MILLS: -- has decided to
13 participate in this case. Just so the record is
14 clear, I don't know whether or not I will have
15 objections to Commissioner Gunn's participation, but
16 I wanted to be clear that as of right now, I am not
17 waiving any objections I may have. I just haven't
18 had a chance to look into that issue officially. But
19 I didn't want to be silent and be seen to have waived
20 it, so ...

21 JUDGE STEARLEY: All right. Are you
22 affirming or joining, then, Mr. Conrad?

23 MR. CONRAD: Well, there's -- yes, but
24 there's an additional problem. Without intending to
25 get in and argue it, I have in my experience three

1 former partners who replaced in two instances on the
2 Federal Bench and one on the Missouri Bench, and all
3 three of them resolutely took the -- the action of
4 recusing themselves in any matter that I was involved
5 in whether we had discussed it with them or not for,
6 I'm not sure if there's anything magic about two
7 years, but that seemed to be the -- the time frame.

8 But the problem that -- that arises --
9 and incidentally, if you're -- if you're interested,
10 not that it's particularly relevant, one of those is
11 Joe Stevens, now deceased, was appointed to the
12 Western District Federal Bench. Another, Judge Ray
13 Price, who currently does sit on the Missouri Supreme
14 Court. The third one is Kathy Vratil who is quite
15 active, I believe, on the Eastern District of Kansas
16 Federal Bench.

17 The problem that arises with this type
18 of thing is -- and I certainly endorse Mr. Mills'
19 position, but if a judge sits on a matter, asks
20 questions, participates in the proceeding and then
21 subsequently recuses for admitted sufficient reasons,
22 there is a potential that it contaminates the record,
23 and it's -- that, specifically, is not waived.

24 Now, if -- if our new Commissioner --
25 and I join in Mr. Mills' welcome to you, and it's

8 So, you know, at your -- at your peril
9 and at your risk, sit. But it -- it has looked to
10 me -- and I haven't completed research on it
11 either -- but it has looked to me like it's a fairly
12 open-and-shut case.

21 JUDGE STEARLEY: All right. Any other
22 matters the parties would like to bring up before
23 opening statements?

25 JUDGE STEARLEY: Okay. Hearing none, we

1 will begin with opening statements starting with
2 Great Plains Energy.

3 MR. FISCHER: May it please the
4 Commission. Good morning. My name is Jim Fischer
5 and I'm representing Great Plains and Kansas City
6 Power & Light Company in this proceeding. In
7 addition, I have with me today Bill Riggins, the
8 General Counsel, Karl Zobrist, Roger Steiner and
9 Curtis Blanc who will also be participating
10 throughout the hearings.

11 My goal today is to briefly update the
12 Commission on the substantial changes that have
13 occurred in the case since the hearings were recessed
14 on December 6th of 2007. As you will recall, the
15 Joint Applicants requested that the Commission recess
16 the hearings in that -- at that time so that we could
17 go back and prepare a revised regulatory plan/
18 proposal and also allow time for the Joint Applicants
19 to meet with the other parties in the case with the
20 hope of reaching a comprehensive settlement.

21 The Joint Applicants carefully listened
22 to the issues and the concerns that were expressed by
23 the Commissioners in the December hearing and the
24 other parties in the case. The Joint Applicants
25 worked very hard to try to address those concerns

1 while also seeking to develop a revised regulatory
2 proposal that would continue to maintain Great Plains
3 Energy and KCPL's investment-grade rating by the
4 rating agencies and achieve an investment-grade
5 rating for Aquila after the merger.

6 The Joint Applicants have substantially
7 narrowed the issues in this case by withdrawing some
8 of the most contentious issues that were raised
9 during the December hearings.

10 In the Joint Applicants' testimony that
11 was filed on February 25th of 2008, we have in a
12 nutshell withdrawn the original proposals related to
13 first, the recovery of Aquila's actual interest
14 expenses; second, the merger synergy savings sharing
15 proposal that we had on the table at that time;
16 third, the request that there be an approval of an
17 additional amortization provision for Aquila; and
18 finally, the recovery of Aquila senior executive
19 severance costs that were part of transaction costs.

20 I'm going to discuss these items in a
21 moment, but I would also encourage you today to
22 discuss this proposal with Terry Bassham who is the
23 chief financial officer of Great Plains and Kansas
24 City Power & Light. As I think you've already heard,
25 he will be our first witness to take the stand after

1 opening statements.

2 Turning, then, for just a moment to the
3 Joint Applicants' revised regulatory proposal.
4 First, the Joint Applicants have withdrawn their
5 request for recovery of Aquila's actual debt interest
6 costs, and instead, the Joint Applicants now propose
7 to use the debt interest cost recovery procedure
8 utilized in the most recent Aquila Missouri rate
9 cases.

10 This means that any noninvestment-grade
11 debt of Aquila will be assigned an interest rate as
12 if the debt was investment-grade-rated. By
13 withdrawing the request for recovery of Aquila's
14 actual debt costs, consumers will not be asked to pay
15 for actual interest costs above those costs that
16 would be included in rates if the debt was at
17 investment-grade rating. We have heard the parties'
18 concerns on this issue and we've taken that request
19 off the table.

20 Second, the Joint Applicants have
21 withdrawn their request for a sharing proposal
22 through which merger synergy savings would have been
23 allocated on a 50/50 basis between shareholders and
24 customers. Instead, we propose to rely on the
25 natural regulatory lag that occurs between rate cases

1 to retain any portion of the synergy savings. In
2 other words, the traditional ratemaking process will
3 be used so that any merger synergy savings in a test
4 year will be passed through to Aquila and KCPL
5 customers in future rate cases. The Joint Applicants
6 heard the concerns of the Commission and the parties
7 on that sharing proposal, and we've taken it off the
8 table.

9 Third, the Joint Applicants have also
10 withdrawn their request for consideration of an
11 additional amortization provision for Aquila in this
12 case. We continue to believe that an additional
13 amortization proposal or provision similar to the one
14 that was approved for KCPL may be beneficial to
15 Aquila customers. But that is an issue that could be
16 addressed in the future discussions with interested
17 parties in an effort to develop a regulatory plan for
18 Aquila.

19 This is not an item that needs to be
20 proved in this case, and the Joint Applicants are not
21 asking for consideration of the additional
22 amortization mechanism -- mechanism at this time.

23 Unlike the recovery of the acquisition
24 premium which was being requested in the St. Joseph
25 and Aquila merger a few years ago and which was the

1 subject of an appellate decision involving
2 AgProcessing, an additional amortization mechanism is
3 not being requested in this case and it may never be.
4 It is not a necessary or essential issue to be
5 addressed in this case.

6 Fourth, the Joint Applicants have
7 withdrawn their request to recover \$16.7 million in
8 severance expenses related to parting senior
9 executives at Aquila. We've heard the parties'
10 concerns about these costs and we've taken recovery
11 of these severance costs off the table. As I
12 mentioned earlier, it's very important to the Joint
13 Applicants that our revised regulatory plan still
14 maintain Great Plains and KCPL's investment-grade
15 rating.

16 In fact, part of the delay of the
17 proceeding in this case has been a result of our
18 desire to vet our revised regulatory plan with
19 Standard & Poor's and Moody's. In January 2008 Great
20 Plains asked Standard & Poor's and Moody's to
21 evaluate our revised regulatory plan. We are
22 confident that if our revised regulatory plan is
23 adopted, Great Plains and KCPL will maintain their
24 investment-grade quality after the transaction
25 closes, and we believe that Aquila will also become

1 investment-grade-rated shortly thereafter.

2 Additionally, on April 2nd, 2008, Great
3 Plains Energy announced that it had entered into a
4 definitive agreement to sell its unregulated
5 subsidiary, Strategic Energy, LLC, for \$300 million
6 in cash. The proceeds from this transaction will be
7 used to offset some of Great Plains Energy's
8 anticipated financing needs. Though Great Plains
9 Energy's decision to sell Strategic was independent
10 of the Aquila merger, this is an important new
11 development that will enhance the business profile of
12 Great Plains Energy going forward in the eyes of the
13 rating agencies, including in the context of the
14 Aquila merger.

15 I would note, too, that the credit
16 rating agencies assumed a lower sales price in their
17 evaluation of the Joint Applicants' revised
18 regulatory plan, and this fact makes their analysis
19 more conservative.

20 Now, there are a number of things that
21 have not changed since the recess of the December
22 hearings. As we mentioned in the December hearings,
23 total merger synergy savings are expected to be \$755
24 million over a ten-year period with 305 million of
25 those savings achieved during the first five years.

1 These actual synergy savings will substantially
2 exceed the transaction and transition costs that are
3 needed to accomplish the merger.

4 On a Missouri jurisdictional basis, the
5 total synergies are equal to \$549 million for ten
6 years with 222 million expected during the first five
7 years. The Missouri jurisdictional transaction costs
8 now being sought to be recovered are \$47 million.
9 And the Missouri jurisdictional transition costs are
10 about \$43 million. These costs would be amortized
11 over a five-year period. Clearly, the synergy
12 savings will substantially exceed the transaction and
13 transition costs in Missouri.

14 Now, under this Missouri-specific
15 analysis, there are more than \$100 million of net
16 savings in the first five years and an additional 250
17 million in the next five years. These savings
18 demonstrate the proposed transaction is not
19 detrimental to the public interest.

20 As I mentioned earlier, the Joint
21 Applicants have requested that the Commission recess
22 the hearings to allow time for the Joint Applicants
23 to meet with the other parties to discuss the
24 settlement of this case. The parties in this case
25 have met several times and exchanged settlement

1 proposals. However, even though the Joint Applicants
2 have taken some of the most contentious issues off
3 the table, we have not been able to come to an
4 agreement. As a result, the Joint Applicants are now
5 requesting that the Commission approve the proposed
6 transaction based upon our revised regulatory plan.

7 Although the Joint Applicants have taken
8 some of the most contentious issues off the table, it
9 appears that Staff and perhaps some of the other
10 parties now want to expand the scope of the issues in
11 this case. The Staff of the Commission is expanding
12 the scope of the case to include an inquiry into the
13 Great Plains Energy code of ethical business conduct
14 as it relates to gifts and gratuities from outside
15 vendors.

16 In addition, the Staff is expanding the
17 scope of the issues to include an extensive inquiry
18 into KCPL's comprehensive energy plan set forth in
19 the Stipulation and Agreement approved by the
20 Commission in Case No. EO-2005-0329, and I'll refer
21 to that later on as just the KCPL regulatory plan
22 proceeding.

23 Although Staff has not prefiled
24 testimony on these issues, Staff has indicated that
25 it expects to call 15 witnesses employed by the Joint

1 Applicants on the Iatan construction issues and 15
2 witnesses on the gift and gratuity issue. The
3 calling of 30 witnesses on these topics will
4 certainly extend the length of these proceedings
5 considerably on issues that we believe are not
6 relevant to this proceeding.

7 Great Plains and Kansas City Power &
8 Light have filed a motion to limit the scope of the
9 proceeding to evidence relating to whether the
10 proposed acquisition of Aquila by Great Plains is not
11 detrimental to the public interest. We believe the
12 Commission should rule on this motion before these
13 issues are heard which would be toward the end of
14 next week.

15 These issues being raised by Staff seem
16 to have their impetus from the filing of certain
17 anonymous ex parte letters in the record of this case
18 after the December hearing's recess. The Commission
19 has already determined that such anonymous letters
20 are not credible evidence to be considered in the
21 determination of a contested case.

22 In a recent financing case filed by
23 Kansas City Power & Light, Case No. EF-2008-0214, an
24 intervenor argued that one of these anonymous letters
25 was cause for additional scrutiny by the Commission

1 as it considered KCPL's financing application. The
2 Commission rejected that argument, finding, and I'll
3 quote the order, "That an anonymous letter not
4 supported by a sworn witness who is subjected to
5 cross-examination constitutes mere hearsay and should
6 not be considered by the Commission in reaching a
7 decision in a contested case."

8 That decision by this Commission was
9 rendered just two months ago on February 24th in the
10 order approving financing in Case No. EF-2008-0214.
11 The same logic applies in this case. Staff should
12 not be permitted to use such anonymous letters to
13 bootstrap issues into this case that are not relevant
14 to the merger. Moreover, any attempt by Staff to
15 inject itself into the management of Great Plains is
16 also inappropriate.

17 Great Plains and Kansas City Power &
18 Light certainly agree with the Commission's unanimous
19 holding in that financing case, and we urge the
20 Commission to reaffirm its decision that such
21 anonymous letters should not be considered in this
22 proceeding since they are not competent and they are
23 not substantial but merely constitute rank hearsay.

24 Staff has also added another new issue,
25 issue Roman Numeral 10 on the Staff's second list of

1 issues. This issue raises the question whether there
2 will be an adverse impact on KCPL's creditworthiness
3 if Aquila is not granted an additional amortization
4 mechanism in the future.

5 As I mentioned earlier, the Joint
6 Applicants' revised regulatory plan does not include
7 a request for an additional amortization provision
8 for Aquila in this case. The credit rating agencies
9 have reviewed the revised regulatory plan, and the
10 Joint Applicants are confident that if this revised
11 regulatory plan is approved without an additional
12 amortization provision for Aquila, Great Plains
13 Energy and KCPL will maintain their investment-grade
14 rating. Michael Cline is the primary witness that
15 can answer your questions on this topic, and he'll be
16 our second witness today.

17 The Staff has also belatedly injected
18 into this case issues related to KCPL's construction
19 of Iatan 2 and its other infrastructure projects.
20 Staff has not prefiled any testimony that addresses
21 these issues, but apparently Staff intends to call 15
22 witnesses employed by the Joint Applicants to elicit
23 testimony about Iatan 2 and other construction
24 projects.

25 Staff has included only five sentences

1 in its updated prehearing brief on this -- on its
2 position on this particular issue, and there's no
3 citation to the evidence. It appears, though, from
4 their brief that they're concerned that KCPL and GPE
5 won't be able to manage both the merger and the Iatan
6 projects.

7 We don't believe that the details
8 related to the construction costs or the scheduled
9 Iatan 2 are appropriate issues to be considered in
10 this proceeding, and such matters would be more
11 appropriately addressed in the context of KCPL's
12 regulatory plan proceeding. The Joint Applicants
13 will call William H. Downey, the president and chief
14 executive officer of Kansas City Power & Light
15 Company, to provide testimony on the relationship of
16 these construction projects to the acquisition of
17 Aquila.

18 He will also be able to advise the
19 Commission on the status of the reforecast that is
20 underway regarding the construction costs in the
21 schedule at the Iatan generating station. He will
22 also be able to address Staff's concerns regarding
23 management of the merger and the construction
24 projects out at Iatan.

25 In addition to Mr. Downey, Mr. Bassham

1 and Mr. Cline testify regarding the financial
2 implications of the current reforecasting conducted
3 at Iatan and its impact on the ability of Great
4 Plains Energy to acquire Aquila.

5 Great Plains Energy recently responded
6 to a number of data requests of the Industrial
7 Intervenor wherein the intervenors asked the company
8 to evaluate key credit ratios based on a number of
9 post-merger scenarios involving assumed lower
10 synergies, assumed higher costs of Iatan 2 and
11 assumed slippage in the Iatan 2 in-service date. For
12 each scenario, Great Plains was able to successfully
13 demonstrate how it could manage the level of credit
14 ratios consistent with projections already shared
15 with the credit agencies.

16 While Great Plains and Kansas City Power
17 & Light do not object to providing evidence relating
18 to the relationship of these construction projects to
19 the acquisition of Aquila, we do object to a detailed
20 analysis of the pace of construction, the current
21 reforecast effort, previous costs and scheduling
22 estimates, relations with vendors and consultants and
23 other issues that are more properly examined in the
24 context of KCPL's regulatory proceeding -- regulatory
25 plan proceeding.

1 Another new issue, issue Roman
2 Numeral 11 (a) injected by Staff into the second list
3 of issues since the hearings recessed, involves Great
4 Plains' code of ethical business conduct and its
5 policy involving gifts and gratuities from vendors.
6 Staff apparently intends to call 15 witnesses
7 employed by the Joint Applicants to address this
8 issue. Staff has included four short sentences on
9 its position on this issue in its updated brief, and
10 again, there's no citation to any evidence.

11 Issues related to corporate codes of
12 conduct and the policies currently employed by Great
13 Plains Energy related to gifts and gratuities from
14 vendors are not relevant to the ultimate issue in
15 this case, which is whether the proposed transaction
16 is not detrimental to the public interest.

17 Staff appears to want to rewrite the
18 corporate policies of Great Plains Energy's on gifts
19 and gratuities from vendors and seems to be using
20 these anonymous letter -- letters as a reason to
21 inject itself into the management of Great Plains on
22 this issue.

23 The other issues listed in the current
24 list of issues were discussed in our opening
25 statement in December and are also discussed in our

1 updated prehearing brief, and I won't reiterate those
2 at this time. But since the hearings adjourned in
3 December, the transactions have now been approved by
4 the Kansas Corporation Commission and by the Colorado
5 Public Utilities Commission.

6 The Black Hills purchase had already
7 received its regulatory approvals necessary in Iowa
8 and Nebraska in August and October, respectively.
9 The Federal Trade Commission also announced in August
10 that it granted early termination of the waiting
11 period under the Hart-Scott-Rodino Antitrust Act.
12 The Federal Energy Regulatory Commission approved the
13 transaction in October. With these regulatory
14 approvals in hand, the only approval that is needed
15 is by the Missouri Public Service Commission for this
16 transaction to close.

17 In order to bring the benefits, the
18 substantial benefits of this proposed transaction to
19 the benefit of KCPL and Aquila ratepayers, we
20 respectfully request that the Commission act
21 favorably on our request as soon as practicable.

22 We greatly appreciate the Commission's
23 continuing interest in this case and the process. We
24 look forward to your questions, and I thank you very
25 much for your attention this morning. Thank you.

1 JUDGE STEARLEY: Thank you, Mr. Fischer.
2 Before you sit down, do any of the Commissioners have
3 questions for Mr. Fischer?

4 COMMISSIONER CLAYTON: Judge, I don't
5 have any questions at this time. I may have
6 questions at the conclusion of all the opening
7 statements, but I'm not for certain of that, but I'll
8 wait.

9 JUDGE STEARLEY: Okay. Thank you,
10 Commissioner Clayton. Thank you, Mr. Fischer.

11 MR. FISCHER: Thank you.

12 JUDGE STEARLEY: Opening statement from
13 Aquila.

14 MS. PARSONS: Your Honor, in order not to
15 be unnecessarily repetitive, we have nothing additional
16 to add to Mr. Fischer's opening statement, and we
17 would just respectfully refer the Commission to
18 Aquila's opening statement presented on December 3rd,
19 the first day of hearings.

20 JUDGE STEARLEY: All right. Thank you,
21 Ms. Parsons. Black Hills Corporation.

22 MR. DeFORD: Thank you, your Honor. May
23 it please the Commission. My name is Paul DeFord and
24 I'm here today representing Black Hills Corporation.
25 Black Hills believes that once the Commission has had

1 an opportunity to review all of the evidence in this
2 proceeding, they will conclude that the Joint
3 Applicants have more than met their burden of proof.

4 We would urge the Commission because
5 these matters -- these transactions are very
6 time-sensitive, to expeditiously rule and hopefully
7 approve this merger. That said, Black Hills has no
8 witness to present in this proceeding, but we would
9 be happy to answer any questions the Commission may
10 have. Thank you.

11 JUDGE STEARLEY: Thank you, Mr. DeFord.
12 Opening statement from Staff.

13 MR. THOMPSON: Thank you, your Honor.
14 May it please the Commission. When this case first
15 began its evidentiary hearing process last fall, I
16 told you on behalf of Staff that this is a bad deal,
17 a bad deal for Missouri ratepayers, and that it
18 should not be approved. That is still Staff's
19 position.

20 In 2003, the Missouri Supreme Court gave
21 us guidance on how exactly one calculates this
22 not-detrimental-to-the-public-interest standard. And
23 the court told us in the State ex rel. AgProcessing,
24 Inc. versus Public Service Commission case that it is
25 a cost benefit analysis. You add up the costs and

1 you compare them to the sum of the benefits, and you
2 determine is there a net benefit, is there a net
3 detriment? Is the projected result of the
4 transaction worth the cost? That's simple enough in
5 concept, but not always easy to actually do.

6 In Staff's original opening -- or
7 prehearing brief, there was a chart setting out the
8 proposed or estimated synergies, less the transition
9 costs that were going to be charged to the
10 ratepayers, less the transaction costs that were
11 being charged to the ratepayers, less some other
12 costs, and showing at the bottom that there was a
13 net -- a net detriment.

14 Well, as you've heard from Mr. Fischer,
15 the transaction that is now proposed has changed in
16 some important respects. We're told that the
17 Missouri share of synergy savings over the first five
18 years is estimated to be \$222 million, a significant
19 amount of money. Now the only thing we're
20 subtracting from that are the Missouri share of the
21 transaction costs at 47.2 million, the Missouri share
22 in the transition cost of 42.8 million. Add those
23 together, 90 million. That would seem to leave a
24 comfortable benefit at the bottom of the column of
25 \$132 million over the first five years with more,

1 we're told, over the following five years.

2 But that addition depends on the
3 reliability of that 222 million in synergy savings
4 that you start with. If that figure does not
5 actually actualize, is not achieved, then the bottom
6 line changes, and changes to the detriment of the
7 ratepayers.

8 So from Staff's point of view, we're
9 looking at the certainty, the certainty of \$90
10 million in extra costs over the next five years
11 against the possibility, the possibility of \$222
12 million in savings. You will hear expert testimony
13 in this case suggesting that those numbers are not
14 reliable, and by that I mean the savings projection.
15 You will hear that those estimates are high compared
16 to the level of synergy saving actually achieved in
17 other electric mergers. So for this industry, those
18 projections are high, they are quite optimistic.

19 Looking more closely at the costs that
20 the ratepayers are going to pay, the transaction
21 costs are costs that Missouri has typically not
22 allowed companies to charge to ratepayers. These are
23 shareholder costs. These are costs having to do with
24 the -- the transfer of shares, with paying lawyers,
25 paying other parties involved in this transaction.

1 These are shareholder costs. They're equivalent to
2 an acquisition premium. And you know as well as I do
3 that this Commission has never allowed an acquisition
4 premium to be charged to ratepayers. If GPE wants to
5 spend this much money and is able to spend this much
6 money to buy Aquila, then it needs to pay the cost of
7 the transaction that it has chosen to embark upon.

8 There's one additional point that I'd
9 like to bring to your attention. You've heard from
10 Mr. Fischer about the KCP&L comprehensive energy plan
11 approved in Case EO-2005-0329. You know that that
12 case involves what are called additional
13 amortizations.

14 Many of the parties in this room,
15 including Staff, agreed to allow this additional
16 amortization mechanism to be granted to KCP&L in
17 order to achieve the difficult and costly but, we
18 believe, necessary objective of constructing the
19 Iatan 2 coal-fired plant. Missouri needs more
20 generation. You can't put it into rates until it's
21 on line. You have to have some creative ratemaking,
22 some creative regulatory mechanism in order for one
23 of these to be built.

24 We did not know at that time that KCP&L
25 and its parent, GPE, were also going to want to buy

1 Aquila. And the reason that matters is because any
2 impact, any impact of the cost of borrowing on KCP&L
3 caused by this transaction will be made up by the
4 ratepayers through that additional amortization
5 mechanism.

6 So the ratepayers are on the line here.
7 If this deal does not go as it's been projected by
8 the Joint Applicants, if those synergy savings don't
9 come in at the level that the Joint Applicants have
10 optimistically projected, then the ratepayers of
11 Kansas City Power & Light Company are going to be
12 reaching deep, deep into their pockets to pay for
13 those corporate mistakes.

14 Staff urges the Commission to consider
15 the evidence and to refuse to approve this
16 transaction. Thank you.

17 JUDGE STEARLEY: Thank you,
18 Mr. Thompson. Office of the Public Counsel.

19 MR. MILLS: Good morning. May it please
20 the Commission. I too will be brief. Like Aquila,
21 Public Counsel believes that little has changed since
22 we first made opening statements in this matter, and
23 I don't need to rehash all the things that I made in
24 my initial opening statement.

25 For sort of an outline of how -- how

1 little has truly changed, the Commission ordered the
2 filing of updated prehearing briefs. And in order to
3 try to highlight just the way things had changed from
4 the initial prehearing briefs, what I filed was sort
5 of a position statement, and I filed it in a
6 red-line-strike-out version so that the Commission
7 can see that there were a few matters that were
8 stricken out, very few, and significant additional
9 matters added in. So in a net sense, there really
10 are more issues and more reasons not to approve this
11 merger than there were in the first place.

12 One of the things that I will concede
13 that has changed, and this certainly is a big issue;
14 it's perhaps not the biggest issue in the case, but
15 it is a big issue, and that's that KCPL and GPE have
16 agreed not to seek Aquila's actual cost of debt. And
17 I think that's a -- that's a change in ratepayers'
18 favor, but it certainly is not enough of a change.

19 Some of the other issues that -- that
20 are still outstanding and that were outstanding the
21 first time we came to hearing in this case, as
22 Mr. Thompson alluded to, there are significant
23 problems with the synergy estimates. They are way
24 optimistic. They include things that are -- that are
25 enabled savings which are really not truly synergy

1 savings. They're savings that could be and should
2 be -- according to ratemaking theory, should be
3 achieved even without the merger. They cannot be
4 credited to the merger, they cannot be considered a
5 synergy savings.

6 Amortization. KCPL and GPE would have
7 you understand that that is not an issue in this
8 case. I submit under the -- the AGP case that
9 Mr. Thompson alluded to, that the Commission must
10 consider that. The Commission can't simply defer to
11 a -- to a later time the ratemaking consequences of a
12 particular ratemaking treatment that the company has,
13 several times to investors and other venues, said
14 that it absolutely will be making the next time it
15 has a chance. So that's a -- that's a question that
16 still must be decided.

17 The transaction costs. I agree with
18 Mr. Thompson again. Transaction costs are a big
19 issue. This Commission has never allowed transaction
20 costs, and this is certainly not the place to start.
21 Those are costs that are achieved for shareholders,
22 they should be borne by shareholders.

23 The other issues that I think have --
24 have certainly always been in the background but have
25 come to the forefront since this hearing was -- was

1 recessed are, the biggest one to my mind is the
2 impact of this transaction along with the cost
3 overruns at the Iatan and the other CEP projects,
4 what those overruns and what this merger will -- will
5 have an impact on the company's credit rating.

6 As Mr. Thompson alluded to, if KCPL and
7 GPE lose their investment-grade credit rating, the
8 consequences to Missouri ratepayers will be
9 disastrous. Of course, it will be disastrous for the
10 companies as well, but there is no -- will be no way
11 for the companies to absorb that kind of hit without
12 making it a hit on the ratepayers as well.

13 One of the things that I believe that
14 the -- the Staff's cross-examination of their
15 witnesses will show is that the conduct of the CEP
16 projects should lead you to question the ability of
17 KCPL and GPE to adequately forecast what the synergy
18 savings are going to be. If you look at what I think
19 the evidence will show in terms of what's going on
20 with the CEP projects compared to what KCPL and GPE
21 forecasts those projects to look like in the
22 regulatory plan, I think you'll see that KCPL and
23 GPE's ability to forecast things like synergy
24 savings, plant costs, time frames is really not as
25 good as they would like you to believe it is.

1 Now, finally, with respect to some
2 criticisms that Mr. Fischer raised to the -- to the
3 Staff's prehearing brief and the fact that it lacks
4 significant citations to the record, I think -- I
5 think that's truly an unfair criticism. There is
6 very little in evidence in this case at this time.

7 For example, the -- the Joint Applicants
8 filed 40 pieces of prefiled testimony. Approximately
9 eight of those have been received in the record at
10 this time. None of the prefiled testimony of any of
11 the other parties is in the record. So to criticize
12 someone for not citing to evidence in the record at
13 this time is simply not fair. There isn't much of a
14 record yet. I think as the record develops in this
15 case, the Commission will become quickly convinced
16 that the proper course of action in this matter is to
17 deny the application. Thank you.

18 JUDGE STEARLEY: Thank you, Mr. Mills.
19 AgProcessing, Praxair, SIEU.

20 MR. CONRAD: Good morning and may it
21 please the Commission. Here we are again. When I
22 last addressed you on this matter, we had, as we do
23 now, statements by KCPL, Staff and by Public Counsel
24 that have discussed number-specific issues that will
25 be considered in the case. From the pleadings, you

1 should obviously be aware that we are supportive and
2 agree with the positions that have been indicated by
3 Staff and OPC. And rather than reiterate those, I
4 wanted to make some more general comments.

5 You may recall, because it seemed to get
6 reported as a wonderful sound bite back in December,
7 that I had characterized this plan as a marriage
8 between the Golden Child and Chucky. Now, we didn't
9 seem to have too much dispute as to who Chucky was,
10 and Golden Child, of course, was KCPL.

11 But as is so often true with litigation,
12 as you move through the process and through the
13 discovery process, it is in my experience somewhat
14 like unpeeling the layers of an onion. You unpeel
15 one layer, and before you lies yet another. And as
16 you go through that process, hopefully one ultimately
17 gets down to the core of truth.

18 And it appears, as we have gone through
19 that process, that the Golden Child, if gold, may be
20 gold plate on perhaps a lead base. And perhaps even
21 that gold plate has become tarnished.

22 Looking at KCPL's stock performance, one
23 immediately notices that it's now at a five-year low.
24 Now, certainly the entire market has been in rough go
25 the last several months, although I read over the

1 weekend that the bears were returning. Such general
2 economic woes are not the case behind KCPL stock
3 problems. It's simply 25 percent lower than the
4 overall market average, yet another sign of tarnish.

5 KCPL's perception in the financial
6 market, Standard & Poor's announced a couple of
7 months ago that it was placing KCPL on negative
8 watch. Now, recall that -- that Standard & Poor's
9 does not represent ratepayers, rather debtors. That
10 is an inauspicious development.

11 On February 6th, KCPL filed an AK with
12 the Securities & Exchange Commission notifying Wall
13 Street that it would no longer be issuing guidance,
14 earnings guidance, on its expected performance. KCPL
15 also notified Wall Street that it was conducting a
16 "reforecast", that's in quotes, of its budget for the
17 Iatan 1 and Iatan 2 capital projects, and that it was
18 no longer confident of its budgeted amounts or the
19 schedules.

20 Last year KCPL informed the Commission
21 that despite an IRP plan, an integrated resource
22 plan, and a regulatory plan which has previously been
23 mentioned that calls for the construction of
24 additional wind resources, KCPL was not able to raise
25 the capital necessary to build the generation plant

1 and, in fact, it talked repeatedly about its
2 inability to interest Wall Street in its hybrid
3 securities.

4 Now, against this backdrop of building
5 financial pressure on KCPL and its apparent loss of
6 control over what it characterizes as its
7 comprehensive energy project, or CEP, KCPL wants to
8 merge with Aquila during a time that KCPL should be
9 focused on building a power plant that is falling
10 increasingly behind schedule and increasingly over
11 budget. KCPL's management, instead, wants to turn
12 their attention to the integration that the utility
13 functions of Aquila and KCPL.

14 In order to justify the high price being
15 paid to Aquila shareholders, KCPL must realize
16 significant merger synergies. Those synergies don't
17 grow on trees, but instead are the result, if they
18 are to occur at all, with much preparation and
19 hundreds of man hours. Interestingly, they have not
20 sought that authority and we have objected and will
21 continue to object to evidence that amends the
22 application.

23 Now, the question of relevance comes up.
24 My clients have stake in these plants. At least one
25 of them is a signatory to the aforesaid regulatory

1 plan. And if to do this package, this package being
2 this proposed acquisition, further damages an already
3 financially-stressed utility so that it cannot
4 perform according to its prior commitments, that,
5 ladies and gentlemen, is ratepayer detriment.

6 I care not that Iowa, Colorado, Kansas,
7 you name it, regulatory commissions have blessed this
8 deal. No one in those jurisdictions looks after the
9 Missouri ratepayers.

10 This case also provides you with an
11 opportunity to decide what you might expect of a
12 utilities management. As you consider the utilities
13 that operate pursuant to your authority and under
14 your general supervision, you might ask yourselves,
15 what do I expect? Among the characteristics you
16 might value are candor and honesty. You would expect
17 a utility to tell completely and honestly what is
18 going on.

19 Second, you should expect the management
20 to have their finger on the pulse of the company.
21 The facts that you will hear suggest that you are not
22 getting that kind of performance from KCPL
23 management.

24 One of two things is going on: Given
25 that the management seems unwilling or unable to tell

1 you the cost and schedule of the Iatan 2 power plant,
2 either they are not being honest and candid, or they
3 do not have their finger on the pulse of the company.
4 In either event, those are damning charges, and it
5 ill-fits them and ill-suits them to be taking on yet
6 another challenge.

7 Truth is at the center of the onion, and
8 this process will allow you to unpeel that. Truth
9 squashed to ground and flattened will rise again.
10 Truth covered up under a bushel will escape. Truth
11 concealed and hidden and obfuscated will reveal
12 itself. But it requires integrity and open-mindedness
13 to see that truth.

14 A friend of mine once passed along a
15 great quote. It is not mine and I wish I could
16 attribute it, but it is this: There are none so
17 blind as will not see.

18 JUDGE STEARLEY: Thank you, Mr. Conrad.
19 Opening statement from Dogwood Energy.

20 MR. LUMLEY: Good morning. Carl Lumley
21 on behalf of Dogwood Energy. Dogwood is a subsidiary
22 of Kelson and it's the owner of the 600-megawatt
23 combined cycle of generating facility in Pleasant
24 Hill, Missouri, and that's located in the Aquila
25 service area and was formerly known as the Aries

1 facility. And in this proceeding, Dogwood presents
2 the testimony of Mr. Robert Janssen.

3 In our testimony we address two issues;
4 first, that approval of the merger should be subject
5 to the condition that Aquila join the Southwest Power
6 Pool, along with current member, Kansas City Power &
7 Light, and second, that the approval of the merger be
8 subject to the condition that Aquila and KCP&L
9 consolidate their balancing authority areas.

10 In their evidence, the Applicants, and
11 specifically Mr. Spring for KCP&L, tout the benefits
12 of the two companies being in the same regional
13 transmission organization, or RTO, which would be the
14 Southwest Power Pool, and they reiterate that at
15 page 13 of their most recent prehearing brief.

16 But they continue to act as if that's
17 going to happen as a matter of course when, as the
18 Commission is well aware, just last week we had the
19 hearings in Aquila's application to join a different
20 RTO. And it's interesting that in their -- their
21 most recent brief, the Applicants, at page 28,
22 suggested that case actually concerns joining one or
23 the other RTOs. I'm sure the Commission can take
24 notice of its record that the Applicants in that
25 other case indicated they were only asking to join

1 the Midwest ISO and not any alternative relief.

2 So we submit that this case gives the
3 Commission the chance to make sure that all the
4 touted benefits of the merger would be achieved,
5 including the benefit of these two companies being in
6 the same regional transmission organization.

7 To move matters along, as I alluded to
8 earlier this morning, we would formally ask that
9 what's been listed as issue 6 in Staff's prehearing
10 memorandum which concerns transmission and RTO/ISO
11 criteria currently set for hearing on April 28th, we
12 would ask that that evidence be received into the
13 record without cross-examination. We understand that
14 the parties are in agreement on that. That will
15 concern Mr. Spring's direct and surrebuttal,
16 Exhibits 24 and 25 as to those issues. He addresses
17 others that would be handled separately.

18 Mr. Mahlberg and Mr. Volpe for
19 Independence, Exhibits 1300 and 1305, Mr. Grotzinger
20 for MJMEUC, Exhibit 800, and my witness, Mr. Janssen,
21 on behalf of Dogwood, his rebuttal Exhibit 700. So
22 we would ask that that evidence be received without
23 cross-examination. And then we would ask that the
24 Commission let us know as soon as possible whether
25 those witnesses could be excused from appearing next

1 Monday. Thank you.

2 JUDGE STEARLEY: Excuse me, Mr. Lumley.

3 Would you please repeat the marked evidence for me,
4 please?

5 MR. LUMLEY: Yes, sir. Mr. Spring has
6 direct and surrebuttal on the issues under item 6.
7 Those have been marked as 24 and 25 according to my
8 notes from December. And you can correct me if I've
9 got something wrong here.

10 For Independence, Mr. Mahlberg's
11 rebuttal is 1300, Mr. Volpe's rebuttal is 1305. For
12 MJMEUC, Mr. Grotzinger's cross-surrebuttal is Exhibit
13 800. And for Dogwood, Mr. Janssen's rebuttal is
14 Exhibit 700.

15 JUDGE STEARLEY: All right. At this
16 time, since those exhibits have been offered, are
17 there any objections to the admission of those
18 exhibits into the record?

19 MR. CONRAD: Your Honor, I'm not sure
20 that we will have an objection. I just would like
21 for a little bit of time to review and see what we
22 have there. I don't think we have -- have taken a
23 position on that -- on that issue. I want to just
24 ascertain that that's the case. As I've indicated
25 before when we were off record, there's been a lot of

1 stuff whizzing back and forth the last three or four
2 days, and it's been hard to kind of keep up with it.
3 So I don't -- I don't think we will have a problem,
4 but I'd ask you maybe to hold off ruling for -- until
5 a break or something and I could have a chance to
6 look.

7 JUDGE STEARLEY: All right. Well, when
8 we take our next break, when we come back from that,
9 I can take that up again. And as I mentioned
10 earlier, in handling our preliminary matters with
11 regard to waiving cross-examination, the parties can
12 get together and file a statement on that for us as
13 well.

14 Well, continuing with opening
15 statements, then, we'll proceed to the Missouri Joint
16 Municipal Electric Utility Commission.

17 MR. STEWART: Your Honor, I have no
18 opening statement.

19 JUDGE STEARLEY: All right. Thank you,
20 Mr. Stewart. City of Kansas City.

21 MR. COMLEY: Good morning. May it
22 please the Commission. My name is Mark Comley and I
23 represent the City of Kansas City in this matter. As
24 the City told the Commission back in December and
25 it's still the case, it is generally in favor of the

1 merger proposed in the application. Nonetheless,
2 while the City does not directly oppose the merger,
3 it must emphasize that to avoid any detriment to the
4 public interest, the merger, if approved by the
5 Commission, must be subject to the conditions I'm
6 going to describe for you.

7 First, an observation or two: I think
8 as you review the testimony that the companies have
9 supplied, the message that they seem to be addressing
10 to the parties in the Commission is just trust us.
11 They are claiming significant savings due to
12 synergies created through the combination of
13 operations while asserting that there will be no
14 merger of the operating companies.

15 The conditions that Kansas City is
16 proposing are designed to ensure that there is no
17 detriment to the public interest if the merger is
18 approved. The Applicants want these conditions
19 brushed aside. The Commission should insist on them
20 if it approves the merger.

21 A key driver of synergy potential in the
22 application is the close geographic proximity of the
23 two operating companies. Kansas City would be
24 uniquely situated along the fault line of these
25 combined operations and is therefore seeking to share

1 in the benefits of these synergies through a unified
2 franchise agreement.

3 The City's goal for a unified franchise
4 is not an attempt to impair the utilities'
5 contractual rights. The City is merely seeking to
6 modernize the contractual agreement and improve --
7 and improve coordination and communication between
8 the City and the utilities for the good of city
9 residents and, of course, the overall public
10 interest.

11 KCPL has been a responsible corporate
12 citizen of the City. We take that as a given. And
13 the City expects that KCPL, in the interest of
14 continuing to be that good corporate citizen, would
15 agree that aspects of installation, operations and
16 regulation have changed dramatically.

17 Since its franchise agreement with the
18 City was executed just a few short years after Lee
19 surrendered at Appomattox, I don't think KCPL would
20 dispute that Kansas City has been reasonable in its
21 efforts to negotiate a modern agreement with KCP&L,
22 but to date KCPL has not entered one.

23 Let me be clear: The City's intentions
24 are not to undo what the current franchise provides,
25 and the details of the franchise are not at issue in

1 this case. The City is simply asking for the
2 opportunity, with direction from this Commission, to
3 sit down with Aquila and KCPL to forge a modern
4 franchise at this important juncture.

5 With that said, the prehearing brief
6 submitted by the City of St. Joseph suggests that
7 Kansas City is not alone in seeking to modernize its
8 working relationship with the utilities. Kansas City
9 therefore supports the proposals offered by the City
10 of St. Joseph in this case.

11 In addition to the franchise, it will be
12 critical to have an accurate picture of the rates,
13 costs and rate design of utilities post-merger to
14 ensure that the utilities maintain their existing
15 levels of service quality and to allocate any excess
16 revenues in the event that they occur. That is why
17 Kansas City is asking for the utilities to file an
18 integrated rate case within a reasonable period of
19 time, and issue the docket for a quality service plan
20 and agree to use -- and agree to the use of an
21 earnings sharing mechanism.

22 What we've heard from the Applicants is
23 that they'll file a joint rate case at their -- at
24 their discretion. They have no plan to integrate
25 rates in the future, so rates will be out of sync for

1 a long time.

2 Statements by the Applicants that they
3 will operate from a consumer perspective are
4 certainly not reassuring. Shouldn't their financial
5 construct be unified as well? We think so. In the
6 City's view, it is quite detrimental to the public
7 interest not to recalibrate the utilities' rates
8 following the merger.

9 With regard to a quality of service
10 plan, the City's proposal is to require the utility
11 to file an application with the Commission. The City
12 is not insisting on the details of a quality of
13 service plan at this time, although it supports a
14 plan similar in spirit to the one KCPL recently
15 agreed to in Kansas.

16 Instead, working with the utilities, the
17 Commission should determine the propriety and proper
18 design of such plan. Here, the Applicants want the
19 Commission to rely on quarterly data reports and
20 problems could only be addressed in a rate case.

21 The current rates that customers pay
22 reflect a certain quality of service, but a problem
23 with a customer's quality of service should be
24 addressed in the customer's next bill and should not
25 wait to be resolved in the next rate case.

1 Finally, the merger should not be
2 approved unless the Commission requires KCPL/Aquila
3 to commit to an earnings sharing mechanism that
4 timely returns excess earnings above an authorized
5 level to the customers. In this case, KCPL has made
6 a number of assertions regarding its cost picture
7 that may or may not be true. The company makes no
8 reference to the possibility of increased revenues.

9 The City is aware that the utilities are
10 making significant investments in the state, and
11 there is an expectation that additional investments
12 should yield -- should yield additional returns. If
13 excess revenues do not occur down the line, then that
14 is fine. But that does not mean that an earnings
15 sharing mechanism would be a wasteful project.

16 The City is offering the testimony of
17 two witnesses. This is somewhat of a change from
18 when I visited with you-all in December. On
19 April 8th the City withdrew the testimony of its
20 director of public works, Stan Harris. Mr. Harris
21 was proposing that there would be a comprehensive
22 energy audit as part of the relief if the merger
23 would be approved. We have withdrawn that issue.

24 The remaining witnesses are Mr. Wayne A.
25 Cauthen, the City -- manager for the City of Kansas

1 City, and he will supply you the testimony regarding
2 the present franchise of KCPL and outline for you the
3 reasons why unified franchise post-merger is of
4 utmost importance.

5 The City is also offering the testimony
6 of Mr. Robert J. Hix. His name -- his name may be
7 familiar to you. Mr. Hix served as chairman of the
8 Colorado Public Service Commission from 1994 to 2001.
9 He will address the importance of requiring a quality
10 service plan and the earnings sharing mechanisms as
11 part of the merger which I've just described for you.
12 Thank you.

13 JUDGE STEARLEY: Thank you, Mr. Comley.
14 Has anyone yet appeared for the IBEW Locals?

15 MR. BAKER: No, sir, not at this time.

16 JUDGE STEARLEY: All right. Very well.
17 We'll move on to opening statements from the City of
18 St. Joseph, then.

19 MR. STEINMEIER: Thank you, your Honor.
20 May it please the Commission. Judge Gunn, welcome.
21 If you're having second thoughts already, it won't be
22 the last time.

23 Let me say simply for the record that
24 the City of St. Joseph supports the position of the
25 City of Kansas City in this case concerning the

1 municipal franchise issue, issue VII on the
2 scorecard. We further request that the Commission
3 impose an additional condition on any approval of the
4 merger proposed in this case, that being that Aquila
5 or the merged entity negotiate a new municipal
6 franchise for the City of St. Joseph, specifically
7 within nine months of the Commission's approval.

8 The electric franchise in the City of
9 St. Joseph related to St. Joseph Light & Power
10 Company which went out of existence at the end of
11 year 2000 when it merged into UtiliCorp United, now
12 Aquila. Neither Aquila nor Great Plains Energy nor
13 Kansas City Power & Light Company hold any municipal
14 franchise from the City of St. Joseph.

15 And lastly, at the very least, we would
16 urge the Commission to condition any approval of a
17 merger in this case upon a demonstration to the
18 Commission by Great Plains/KCP&L/Aquila within three
19 months after Commission approval of the merger that
20 the company's whole valid municipal franchise is to
21 provide service in each municipality within the
22 service areas.

23 In the interest of time, I will simply
24 refer you to the compelling prehearing brief
25 submitted last week on behalf of the City of

1 St. Joseph, and thank you for your time.

2 JUDGE STEARLEY: Thank you,
3 Mr. Steinmeier. Cass County. Mr. Comley, did you
4 have additional opening?

5 MR. COMLEY: I should have said that.
6 We have no opening for Cass County. Thank you.

7 JUDGE STEARLEY: And the South Harper
8 Residents.

9 MR. COFFMAN: No further opening, your
10 Honor.

11 JUDGE STEARLEY: All right. Thank you,
12 Mr. Coffman. I believe that concludes our opening
13 statements.

14 At this time I'd like to give my court
15 reporter a little break, so we will go off the record
16 for approximately 10, 15 minutes. And Mr. Conrad,
17 when we come back on the record, prior to our first
18 witness, we'll take up the admission of the exhibits
19 that Mr. Lumley offered. We are off the record.

20 (EXHIBIT NOS. 1, 2NP AND 2HC, 3, 37NP AND
21 37HC WERE MARKED FOR IDENTIFICATION BY THE COURT
22 REPORTER.)

23 (A RECESS WAS TAKEN.)

24 JUDGE STEARLEY: All right. We are back
25 on the record and we will begin with Great

1 Plains/KCPL's first -- first witness, Mr. Fischer.

2 MR. ZOBRIST: Did you want to take up
3 the exhibits first, Judge, or do you want me to call
4 our first witness?

5 JUDGE STEARLEY: Oh, that's right. I'm
6 glad you reminded me. I did want to take that up.
7 Mr. Lumley did offer exhibits on behalf of Dogwood,
8 Exhibit Nos. 24, 25, 700, 800, 1300 and 1304 --

9 MR. LUMLEY: 05, I believe.

10 JUDGE STEARLEY: I'm sorry?

11 MR. LUMLEY: 1305, I believe.

12 JUDGE STEARLEY: 1305. Are there any
13 objections to the receipt --

14 MR. CONRAD: Well, let me respond to
15 that. I've talked with counsel for Dogwood. I think
16 this is -- this is the conundrum that we have. If
17 you were to look at issue Roman VI, and I believe it
18 is sub issue 2 and sub issue 4, there are references
19 there that I simply have not, Judge, been able to get
20 through those witnesses' testimony in the time that
21 we have, but there are references in those two sub
22 issues to the combined -- I think, on issue II on
23 page 7 of the draft that I have, combined companies'
24 generation resources.

25 On the next page on 4, "To consolidate

1 balancing authority areas within six months," we have
2 taken the position that that authority is required to
3 be provided to the Commission and has not been
4 requested. And that, of course, is the -- is the
5 thrust of at least the initial motions in limine that
6 we -- we have filed.

7 Now, that said, I do not think I would
8 have any questions for Messrs. Mahlberg, Volpe,
9 Grotzinger and Janssen, and I believe those are the
10 ones that counsel from Dogwood was -- was most
11 concerned about. I've kind of lost track of the
12 exhibit numbers without chasing that down. But in
13 doing that and in not indicating an objection to the
14 admission of -- of those requests, if I were to do
15 that, I would want that to be without prejudice to
16 our position on that -- on that overarching issue.

17 And I'm -- frankly, that's one reason
18 that you deal with motions in limine. And I'm a
19 little bit at sea, frankly, as to whether we can pick
20 our way through that. I'm certainly willing to do
21 that, and it's not my intention to cause these people
22 to come here unnecessarily.

23 I do not, however, want to waive our
24 position on that overarching issue, Judge, if I'm
25 making myself clear. I don't know if I am.

1 JUDGE STEARLEY: I believe you are,
2 Mr. Conrad.

3 MR. CONRAD: You're looking at me
4 like -- like I'm not. And I -- I've -- I've talked
5 with this about -- with Dogwood counsel and said we'd
6 try to pick our way through. I don't know if that is
7 acceptable for this point. I don't -- I have no
8 desire to -- to talk to these folks about, you know,
9 the content of their testimony in the sense of cross.

10 That said, I do not quite feel
11 comfortable. Perhaps if I -- he may have a copy of
12 this -- this -- this stuff. I didn't know this was
13 going to come up, so I didn't bring their -- their
14 packets with me today because they're not to be --
15 not scheduled until the 28th. If he has them and I
16 can look at them, we might be able to pick our way
17 through that, but that's probably as far as I can go
18 right now. I want to be -- I want to be candid with
19 you. That's kind of where we are.

20 JUDGE STEARLEY: Certainly.

21 MR. CONRAD: If we can accomplish that
22 without waiving that objection, I'm happy and, indeed,
23 eager to do that because I don't -- I don't want to
24 bring people here unnecessarily. But when we say
25 admit and there's no objection, I would need, I

1 guess, to reserve any objection to their testimony
2 insofar as it addresses the combined entities for
3 which we have preserved or are intending to preserve
4 an overall objection on the basis stated. So does
5 that help?

6 JUDGE STEARLEY: Mr. Lumley, the
7 testimony would be coming in next Monday, the 28th.
8 We can either look at admitting it subject to
9 Mr. Conrad's preservation, or I can give you
10 gentlemen another day or so to get together and we
11 can -- because next Monday is still a little ways off
12 and you can maybe resolve that issue ahead of time.
13 I can take up the offering of them again tomorrow or
14 Wednesday morning if that's -- will give you
15 sufficient time to address Mr. Conrad's concerns.

16 MR. DOTTHEIM: Pardon me. Were -- were
17 we also addressing Mr. Spring's testimony, 24 and 25?

18 JUDGE STEARLEY: Yes.

19 MR. DOTTHEIM: Because Mr. -- and I
20 don't know if Mr. Conrad was addressing this --

21 JUDGE STEARLEY: Well --

22 MR. DOTTHEIM: -- that Mr. Spring is --
23 is scheduled to take the stand on -- on merger
24 synergy on the 20 -- on the 23rd, so he's got another
25 issue. And I don't know, I think possibly his -- his

1 testimony in entirety possibly was being -- was being
2 offered, and I -- I don't think it should be received
3 in entirety as a consequence. He is on page 5 of
4 the list of issues towards the -- the center of the
5 page, witness H.

6 JUDGE STEARLEY: And -- and which day
7 would he be providing testimony on that issue?

8 MR. DOTTHEIM: He's listed at the moment
9 on April 23, Wednesday, under GPE/KCPL Specific Areas
10 of Impacts of Synergies.

11 JUDGE STEARLEY: Mr. Lumley, by your
12 offering today, were you trying to avoid having
13 Mr. Spring here also on Wednesday?

14 MR. LUMLEY: No. Our issue was on issue
15 No. VI and I -- not to speak for Kansas City Power &
16 Light, but I believe their hope was that he wouldn't
17 have to return.

18 MR. BLANC: Yeah, and if I could just
19 clarify. Yeah, I guess consistent with our practice
20 in these proceedings, we haven't offered the
21 witness's testimony until the last time they're
22 scheduled to testify because of exactly this issue,
23 that if they're up a couple times, it's hard for the
24 parties to parse it out as Mr. Conrad suggested. So,
25 yeah, we would envision Mr. Spring testifying on the

1 23rd, and then I think the current discussion is just
2 about the subsequent testimony next week.

3 MR. LUMLEY: So perhaps we can resolve
4 it on the 23rd.

5 JUDGE STEARLEY: Well, that's what I was
6 going to suggest. Maybe by the 23rd we can resolve
7 this and move on with --

8 MR. CONRAD: Well, to be clear, I
9 don't -- I don't think with respect to Mr. Lumley's
10 folks, the MJMEUC folks, Mahlberg, Volpe, Grotzinger,
11 Janssen, that I'm -- I'm anticipating any
12 cross-examination that would necessitate them coming
13 here. I think he can -- you know, he can work
14 through that posture today.

15 The larger question is the admissibility
16 and how we handle that, particularly in view of my --
17 this overarching objection. One of the problems that
18 I just -- I don't know, maybe I was born too late.
19 It is my understanding that -- that when you try a
20 lawsuit, and that is basically what this is, the
21 pleadings are deemed conformed to the evidence unless
22 there's an objection. And that's my concern, is I
23 don't want to have pleadings modified simply by
24 reason of having something that's -- that's brought
25 in. And to the extent that these things talk about

1 combinations and integrations and so on, that's, in
2 my -- in my folks' view, off the table.

3 So if we can figure out a way --
4 Mr. Lumley is a bright attorney and I'm sure he
5 outclasses me in many regards, and hopefully we can
6 figure a path through this that will be of
7 satisfactory resolution for your Honor and keep the
8 record clean.

9 JUDGE STEARLEY: All right. I'll tell
10 you what, we will take this up again on Wednesday
11 morning when Mr. Spring is here, and hopefully you
12 will have been able to work with Mr. Lumley and
13 resolve any concerns that you have and we can admit
14 that testimony cleanly at that time.

15 All right. Having deferred that to
16 Wednesday, then, we'll pick up with GPE's first
17 witness, Mr. Bassham.

18 MR. ZOBRIST: Great Plains Energy and
19 Kansas City Power & Light calls Terry Bassham to the
20 stand, please.

21 (The witness was sworn.)

22 JUDGE STEARLEY: You may be seated and
23 you may proceed.

24 MR. ZOBRIST: Thank you, Judge.

25 DIRECT EXAMINATION BY MR. ZOBRIST:

1 Q. Please state your name.

2 A. Terry Bassham.

3 Q. By whom are you employed?

4 A. Great Plains Energy/Kansas City Power &
5 Light.

6 Q. And what are your positions with those
7 two companies?

8 A. I am chief financial officer for Kansas
9 City Power & Light and executive VP, strategy finance
10 and CFO of Great Plains Energy.

11 Q. Mr. Bassham, have you brought with you
12 here this morning four pieces of prefiled testimony?

13 A. I have.

14 MR. ZOBRIST: And, Judge, if I may
15 summarize those for the record.

16 BY MR. ZOBRIST:

17 Q. They are Exhibit 1, which is the direct
18 testimony of April 2nd, 2007; is that correct, sir?

19 A. Yes, sir.

20 Q. And Exhibit 2, both an HC, a highly
21 confidential, and an NP nonproprietary version, dated
22 August 8th, 2007, of supplemental direct testimony;
23 is that correct?

24 A. Yes, sir.

25 Q. Exhibit 3 is your surrebuttal testimony

1 of November 13, 2007?

2 A. Yes, sir.

3 Q. And finally, Exhibit 37, both an HC and
4 an NP version, entitled Additional Supplemental
5 Direct Testimony, dated February 25th, 2008?

6 A. Yes, sir.

7 Q. Do you have any corrections to any of
8 those pieces of testimony?

9 A. No, I do not.

10 MR. ZOBRIST: Your Honor, I will offer
11 those at conclusion of the questions for the witness,
12 but I have nothing further at this time.

13 JUDGE STEARLEY: All right. Thank you
14 very much. Is GPE wishing to do any direct on this
15 overview issue or are we just moving to --

16 MR. ZOBRIST: No, I'd like to but I
17 think I probably -- I'd probably attract an
18 objection --

19 MR. CONRAD: You would.

20 MR. ZOBRIST: -- so I will tender the
21 witness for cross-examination at this time.

22 JUDGE STEARLEY: All right. Okay. Very
23 well. We'll start with cross-examination of Aquila.

24 MS. PARSONS: No cross.

25 JUDGE STEARLEY: All right. Okay.

1 Black Hills.

2 MR. DeFORD: No questions. Thank you.

3 JUDGE STEARLEY: And the IBEW Locals?

4 MR. BAKER: No questions.

5 JUDGE STEARLEY: All right.

6 Cross-examination of Dogwood Energy.

7 MR. LUMLEY: No, Judge.

8 JUDGE STEARLEY: The Joint Municipals?

9 (NO RESPONSE.)

10 JUDGE STEARLEY: City of Kansas City?

11 MR. COMLEY: No questions. Thank you.

12 JUDGE STEARLEY: City of St. Joseph?

13 (NO RESPONSE.)

14 JUDGE STEARLEY: Cass County?

15 MR. COMLEY: No questions.

16 JUDGE STEARLEY: South Harper Residents?

17 MR. COFFMAN: No questions, your Honor.

18 JUDGE STEARLEY: AgProcessing?

19 MR. CONRAD: Your Honor, if we're on

20 what I have -- what I believe is a nonissue but it's

21 designated as the overview, we have no questions for

22 this witness on that issue, purported issue.

23 JUDGE STEARLEY: Public Counsel?

24 MR. MILLS: I also have no questions on

25 the overview issue.

1 JUDGE STEARLEY: Staff?

2 MR. DOTTHEIM: After having said earlier
3 that I had no questions, I am going to ask some
4 questions.

5 CROSS-EXAMINATION BY MR. DOTTHEIM:

6 Q. Mr. Bassham, were you here for the
7 opening statements?

8 A. Yes, sir, I was.

9 Q. Did you hear Mr. Fischer's opening
10 statement?

11 A. Yes, sir.

12 Q. Did you hear him say that an additional
13 amortization mechanism may never be requested for
14 Aquila?

15 A. Yes, sir.

16 Q. Do you agree with that statement?

17 A. It's certainly possible. I mean, as we
18 sit here today, our anticipation would first be to
19 work with the parties that we worked with in the CEP
20 to develop a plan, a regulatory plan that would
21 support amortization, and we think it's still a good
22 process. And sitting here today, I would anticipate
23 we would ask for that. But obviously, what we've
24 said here is we're not asking for it today, and that
25 puts us at risk if we ever decide to do that in the

1 future. But our current anticipation would probably
2 be able to ask for that in the future.

3 MR. DOTTHEIM: At this time I'd like to
4 have an exhibit marked.

5 JUDGE STEARLEY: Very well. What number
6 would that bring us up to for Staff?

7 MR. DOTTHEIM: It -- I believe it would
8 be 122.

9 JUDGE STEARLEY: Yes. And what is your
10 exhibit?

11 MR. DOTTHEIM: The -- the exhibit is a
12 notice of ex parte contact that is filed in
13 EM-2007-0374, dated April 10, 2008, from Chairman
14 Jeff Davis to the data center.

15 (EXHIBIT NO. 122 WAS MARKED FOR
16 IDENTIFICATION BY THE COURT REPORTER.)

17 BY MR. DOTTHEIM:

18 Q. Mr. Bassham, do you have what's been
19 marked as Exhibit 122?

20 A. Yes, sir.

21 Q. Do you recognize any part of that
22 document?

23 A. I recognize the portions of the document
24 after the cover sheet that come from Kansas City
25 Power & Light.

1 Q. Okay. That is, do you recognize, the
2 letter dated April 3, 2008, and the attachments?

3 A. Yes, sir.

4 Q. I'd like to direct you to what I believe
5 is the -- the very last page, which is a page of the
6 Comprehensive Energy Plan and Aquila Transaction
7 Update document.

8 A. Yes, sir.

9 Q. And I'd like to direct you to a chart in
10 the lower left -- excuse me, the lower right-hand
11 corner that has above it Revised Versus Original
12 Proposal. Do you see that -- that chart?

13 A. Yes, sir.

14 Q. Okay. And underneath Revised Versus
15 Original Proposal it has the words "What has changed
16 in Missouri," does it not?

17 A. Yes. Yes, sir.

18 Q. And then it has two columns on the left,
19 "Previous Ask" and "Current Ask"?

20 A. Yes, sir.

21 Q. And I'd like to direct you to the bottom
22 two compartments of those columns.

23 A. Yes, sir.

24 Q. And the lowest left-hand compartment for
25 the Previous Ask as the bullet point, "Authorization

1 to use additional amortizations in Aquila rate cases
2 to meet credit metrics consistent with KCPL's
3 treatment."

4 A. Yes.

5 Q. Did I read that accurately?

6 A. You did.

7 Q. And then in the Current Ask column, it
8 has for that lower right-hand compartment the bullet
9 point, "Will include as a component in a future
10 regulatory plan for Aquila."

11 A. Yes, sir.

12 Q. Did I read that correctly?

13 A. You did.

14 Q. Does that indicate that there will be a
15 request for additional amortizations in a future
16 regulatory plan for Aquila?

17 A. Yes, sir. Consistent with what I just
18 told you, which was we will ask for a amortization
19 provision in a regulatory plan which we want to work
20 with the parties on, and if we're not able to come to
21 an agreement on that plan, then as I sit here today,
22 I would anticipate asking for that in a future case.
23 But because we're not asking for it here, there's no
24 binding request to the Commission, so it may or may
25 not ever be granted, or asked, for that matter.

1 MR. DOTTHEIM: I'd like to have another
2 document marked as an exhibit, Exhibit 123.

3 JUDGE STEARLEY: All right. Very good.
4 What's that document going to be?

5 MR. DOTTHEIM: And this document is a
6 GPE presentation, Great Plains Energy/Edward Jones
7 Mid-Cap Utility Conference, March 25, 2008.

8 (EXHIBIT NO. 123 WAS MARKED FOR
9 IDENTIFICATION BY THE COURT REPORTER.)

10 BY MR. DOTTHEIM:

11 Q. Mr. Bassham, do you have a copy of
12 what's been marked as Exhibit 123?

13 A. Yes, sir, I do.

14 Q. Okay. Can you identify that document?

15 A. This is the PowerPoint presentation that
16 accompanied the presentation as it says here at the
17 Edward Jones conference on March 25th, 2008.

18 Q. Okay. And -- and where was that
19 conference held?

20 A. This was in New York City.

21 Q. Okay. Were you at that conference?

22 A. I was scheduled to present, but
23 instead -- I'm trying to remember the conflict now.
24 I might have been here, but instead Mr. Cline made
25 this presentation.

1 Q. Okay. Did you assist in the preparation
2 of any of these materials?

3 A. Yes, sir.

4 Q. Okay. Are you familiar with these
5 materials?

6 A. Yes, sir.

7 Q. Okay. I'd like to direct you to
8 page 10.

9 A. Yes, sir.

10 Q. And can you identify that -- that page?

11 A. It's the same chart we just discussed.

12 Q. Okay. And again, it is a chart that has
13 at the top, "What has changed in Missouri" and it has
14 two columns, the left-hand column Previous Ask, the
15 right-hand column Current Ask?

16 A. It's the same chart we just discussed,
17 uh-huh.

18 Q. Okay. And it indicates, does it not,
19 that there will be a request for Aquila for a
20 regulatory plan including additional amortizations in
21 the future?

22 A. It says exactly the same thing we just
23 discussed, yes, sir.

24 Q. Okay. And who was this presentation
25 made to?

1 A. Well, it would be anybody who obviously
2 attended the conference. It was probably web cast as
3 well so that it would be anybody who tuned in. In
4 general, the focus of the Edward Jones conference is,
5 as I said, mid-cap or companies that are not as big
6 as, say, the Dukes of the world. So it would have
7 been potential investors or current investors.

8 Q. And they would have been invited by
9 Kansas City Power & Light or Great Plains Energy?

10 A. They're usually actually invited by
11 Edward Jones.

12 Q. Okay.

13 A. I mean, they -- they post it and they're
14 obviously -- they welcome anyone who's willing to
15 come, so it would be people interested in our stock
16 or already own our stock.

17 Q. And -- and there was a presentation by
18 Mr. Cline and by anyone else on behalf of Great
19 Plains Energy and/or Kansas City Power & Light?

20 A. At this presentation Mr. Cline made the
21 only presentation.

22 MR. DOTTHEIM: I'd like to have another
23 exhibit marked, Exhibit 124.

24 JUDGE STEARLEY: All right. And what
25 would that exhibit be, Mr. Dottheim?

1 MR. DOTTHEIM: This exhibit would be a
2 January 8th, 2008 letter from Moody's Investors
3 Service to Michael W. Cline.

4 THE WITNESS: Is this the Moody's -- the
5 Moody's letter regarding credit ratings?

6 MR. DOTTHEIM: Yes, this is -- this is a
7 highly confidential document, so we may need to --
8 to -- to go in-camera. I'm not certain that we will,
9 though. I'm going to have, after this, another
10 document marked which is a Standard & Poor's letter
11 which is highly confidential.

12 JUDGE STEARLEY: All right.
13 Mr. Dottheim, do you intend -- do you believe we're
14 going to go in-camera for questioning on both of
15 those documents?

16 MR. DOTTHEIM: If I could have a moment
17 and I'll visit with counsel for GPE/KCPL, maybe I can
18 get that determination.

19 JUDGE STEARLEY: Okay. Why don't you do
20 that. If they do need to go in-camera, we'll just
21 address them both at the same time.

22 MR. DOTTHEIM: Mr. Zobrist has suggested
23 that we go in-camera, and I don't disagree, but why
24 don't I get the other document marked too at this
25 time.

1 JUDGE STEARLEY: Right. And what is --
2 what is Exhibit 125 going to be?

3 MR. DOTTHEIM: Exhibit 125 is going to
4 be -- or is a letter dated January 7, 2008, from
5 Standard & Poor's to Mr. Michael Cline.

6 JUDGE STEARLEY: All right. You may
7 approach and provide us with copies, and we'll go
8 ahead and we'll go in-camera at this time. Any
9 person in the gallery, other witness who should not
10 be present for this, I'm going to leave it to the
11 attorneys to police any highly confidential
12 testimony.

13 (REPORTER'S NOTE: At this point, an
14 in-camera session was held, which is contained in
15 Volume 10, pages 1278 through 1285 of the
16 transcript.)

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1 MR. MILLS: And, Judge, just so the
2 public record is clear, I would like to note for the
3 record that while we were in-camera, I moved that the
4 entire in-camera portion be designated as public.

5 JUDGE STEARLEY: That's correct,
6 Mr. Mills, and I denied that motion.

7 Mr. Dottheim, I have this as already
8 having been offered and received into evidence, the
9 Joint Application?

10 MR. DOTTHEIM: It was marked as -- yes,
11 marked and received on December 4, and what I've
12 distributed is just the first 23 pages or so, not the
13 attachments.

14 JUDGE STEARLEY: All right. You may
15 proceed.

16 (CONTINUED) CROSS-EXAMINATION BY MR. DOTTHEIM:

17 Q. Mr. Bassham, I've handed you a copy of
18 what's previously been marked as Exhibit 32, the
19 Joint Application of Great Plains Energy
20 Incorporated, Kansas City Power & Light Company and
21 Aquila, Inc. Do you recognize that document?

22 A. Yes, sir.

23 Q. And I'd like to direct you to -- to
24 pages 20 and 21.

25 A. Okay.

1 Q. And in particular, I'd like to direct
2 you to the -- the "Wherefore" clauses of the document
3 where the Joint Applicants request a specific relief
4 from the Commission.

5 A. Yes, sir.

6 Q. And I'd like to direct you to the top of
7 page 21, section (e).

8 A. Yes, sir.

9 Q. It says -- if I start back on 20 before
10 small (a), "Joint Applicants request the Commission
11 to issue an order, (e), approving the regulatory
12 plan, including Aquila's use of the additional
13 amortizations mechanism in its next general rate case
14 after achieving the financial metrics necessary to
15 support an investment-grade credit rating." Did I
16 read that accurately?

17 A. You did.

18 Q. Mr. Bassham, do you know whether the
19 Joint Applicants have amended their Joint
20 Application?

21 A. Well, I'm not here as an attorney, but
22 just like our other issues that we had originally
23 requested and are no longer requesting, we are no
24 longer requesting a ruling from the Commission on the
25 granting of amortization in this case.

1 Q. If you know, do you know whether the
2 Joint Applicants have amended their Joint
3 Application?

4 A. I don't know technically what legal
5 action we've taken in terms of the ask. We've
6 removed that ask.

7 MR. DOTTHEIM: If I could have a moment,
8 please?

9 JUDGE STEARLEY: Certainly.

10 MR. DOTTHEIM: Thank you, Mr. Bassham.

11 THE WITNESS: Thank you.

12 MR. DOTTHEIM: And at this time I would
13 move Exhibits -- ask that Exhibits 122, 123, 124 and
14 125 be received into evidence.

15 JUDGE STEARLEY: All right. Are there
16 any objections to the admission of Exhibits 122, 123,
17 124 and 125?

18 MR. CONRAD: No objection.

19 MR. ZOBRIST: No objection.

20 JUDGE STEARLEY: Hearing none, they
21 shall be received and admitted into the record.

22 (EXHIBIT NOS. 122, 123, 124HC AND 125HC
23 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE
24 RECORD.)

25 JUDGE STEARLEY: Questions from the

1 Bench for Mr. Bassham? Commissioner Murray?

2 QUESTIONS BY COMMISSIONER MURRAY:

3 Q. Thank you. Good morning.

4 A. Good morning.

5 Q. I would just ask -- like to ask you if
6 you agree with the following statements: One, KCP&L
7 is not a party to the proposed transaction?

8 A. No. We're a party in the sense that
9 we're part of the Great Plains Energy Corporation,
10 sure. We have not asked for the merger of the
11 entities KCP&L and Aquila.

12 Q. Okay. So in what respect are you saying
13 that KCP&L is a party?

14 A. Well, when I say a party, I mean they're
15 a member of the Great Plains Energy entity. Great
16 Plains Energy is the one purchasing Aquila, so in
17 that sense, the parties to the contract are Great
18 Plains Energy and Aquila.

19 Q. And is there any merger or consolidation
20 of KCP&L and Aquila being --

21 MR. CONRAD: Commissioner, I'm having a
22 problem hearing you.

23 COMMISSIONER MURRAY: I apologize. I
24 have a cold and it's -- I'll move this closer. Is
25 that better?

1 MR. CONRAD: That's much better. Thank
2 you.

3 COMMISSIONER MURRAY: I'll repeat that.
4 BY COMMISSIONER MURRAY:

5 Q. Is it accurate that there is no legal
6 merger for consolidation of KCP&L and Aquila being
7 proposed?

8 A. At this time we've not asked for that
9 consolidation. There were legal reasons why it made
10 more sense to keep the actual corporations separate,
11 so as a result, Great Plains Energy would own both
12 subsidiaries and they would effectively be sister
13 subsidiaries, and we propose they operate under --
14 you know, as sister companies sharing costs, but not
15 actually merge the legal entities, that's correct.

16 Q. And the benefits that are being
17 calculated for the merger synergies, they are being
18 allocated to both KCP&L and Aquila?

19 A. They are.

20 Q. And the costs associated with the merger
21 are being allocated to both KCP&L and Aquila?

22 A. They are. As benefits flow, costs flow,
23 because obviously the benefits have costs attached to
24 them, so we thought it would be fair that costs and
25 benefits flow together.

1 COMMISSIONER MURRAY: Okay. I don't
2 think I have any other questions. Thank you.

3 THE WITNESS: Uh-huh.

4 JUDGE STEARLEY: Commissioner Clayton.

5 QUESTIONS BY COMMISSIONER CLAYTON:

6 Q. Good morning, Mr. -- is it Bassham or
7 Bassham?

8 A. Bassham.

9 Q. Bassham without the SH, okay. I just
10 have a handful of questions. I don't want to be --
11 make sure. We've got so many witnesses, I want to
12 make sure that you're the correct witness to ask
13 questions about this.

14 First of all, your role is to give an
15 overview on this transaction. Do you have an
16 expertise on any particular aspect of the transaction
17 beyond just general overview and policy?

18 A. Well, I was the senior executive
19 responsible for the negotiations and contracting an
20 actual structure of the deal when it was all said and
21 done. So I would say that's my expertise and
22 presentation here as well. Once we got into actual
23 synergies, there's another witness, another senior
24 executive responsible for actual synergies.

25 Q. Okay. Okay. And I wanted to ask, there

1 are several exhibits that were brought up by Staff
2 counsel that were presented to you, and I have
3 several questions about those exhibits, but I'm not
4 sure if you're the right person to ask those
5 questions. Would you be the appropriate person or
6 would someone else be the appropriate person?

7 A. I probably am the right person.
8 Mr. Cline might have some additional information
9 about details, but I would be probably the correct
10 person on the things that he handed me.

11 JUDGE STEARLEY: Commissioner Clayton,
12 before you ask any questions regarding the HC
13 documents, I'll need to know if we need to go back
14 in-camera.

15 COMMISSIONER CLAYTON: Well, how about
16 I'll ask a question and you can tell me if that's HC
17 or not. Or I'm not sure how to go about it from
18 here. I don't know if my questions --

19 JUDGE STEARLEY: Okay. If they're
20 regarding Exhibits 124 and 125.

21 COMMISSIONER CLAYTON: How about the
22 communications between the company and either rating
23 agency, are those confidential? Is that confidential
24 information?

25 MR. ZOBRIST: Yes, I believe --

1 Commissioner, I believe that's Exhibits 124 and 125,
2 and that would be the Standard & Poor's and Moody's,
3 and that is HC.

4 COMMISSIONER CLAYTON: So I -- I
5 understand that the actual reports are confidential
6 or that have been ruled confidential. I'm asking
7 about the nature of the communications between the
8 utility and the rate -- the -- I don't know if I'm
9 even able to say.

10 MR. ZOBRIST: The ratings agencies?

11 COMMISSIONER CLAYTON: Well, you said
12 it, I didn't. Is the communication between the
13 utility and the rating agencies confi -- can I ask
14 him about the communications that they made to the
15 rating agencies?

16 MR. ZOBRIST: Well, I -- go ahead and
17 ask that, and I think between Mr. Bassham and I,
18 we'll let you know if we think we need to go into
19 closed session.

20 BY COMMISSIONER CLAYTON:

21 Q. Okay. I guess what I want to know is,
22 how did Great Plains or KCP&L -- or, I guess, did
23 KCP&L and Great Plains describe its relationship with
24 Missouri regulators?

25 A. Well, I would say there wasn't a lot of

1 focus on that. I mean, part of the presentation to
2 S&P and Moody's and our investors, our public
3 presentation are that we feel like, given our ability
4 to work through the comprehensive energy plan with
5 all the parties -- and when I use "regulators," I
6 mean parties, Staff, other -- other, you know,
7 entities involved in the process.

8 And so the discussion was that we had a
9 good relationship, had been able to come up with an
10 agreement such as the CEP. Aquila had had some
11 difficulty in that area. Therefore, we might bring
12 some ability to bring that same collaborative process
13 to the Aquila assets. So that was the general
14 discussion.

15 Q. Can you define "constructive regulatory
16 treatment"?

17 A. I would say that the CEP result that we
18 received from the parties and the Commission and
19 obviously the -- you know, the last couple of rate
20 cases, we felt like we've been treated very fairly.

21 Q. Okay. Can you -- can you give me some
22 examples in the rate cases of -- of what would be
23 constructive regulatory treatment?

24 A. Well, I think the treatment of
25 off-system sales, the -- that provided for us to give

1 back to ratepayers amounts over a certain level but
2 yet allowed us some protection to the marketplace was
3 constructive. The return on equity, I think, is
4 perceived by the marketplace and ourselves to be
5 fair, therefore constructive. In general, the other
6 provisions of the case, the order that -- that was
7 issued in general and taken as a whole we thought
8 were fair and constructive.

9 Q. When you say "order taken as a whole,"
10 what do you mean? You mean the dollar amount of the
11 rate increase or what aspects of it --

12 A. It would be --

13 Q. -- would be constructive? You think it
14 was well written or, you know --

15 A. No, that --

16 Q. -- a good use of subjects and verbs?
17 What do you mean it was a good order in general?

18 A. Well, when the -- when the -- when the
19 rating agencies and when investors, when the
20 community in general -- investor community in general
21 looks at how a utility fares in a rate order, it
22 would ultimately take the overall impact of the rate
23 order. It could be that the level of rates was fair,
24 it could also address certain aspects of the order
25 that address risk, if you will, in the future cases.

1 So if you received a certain amount of
2 return or a certain amount of recovery but yet there
3 were some high risk pieces to that, then, you know,
4 again, investors dig into that and understand that.
5 So I think in general, the relationship we've had
6 with the parties and the Commission over the past
7 several cases has been seen as constructive and fair.

8 Q. Are you familiar -- how familiar are you
9 with the rate cases that KCP&L has had since the
10 adoption of the energy plan? I think you referred to
11 it as the CEP?

12 A. Comprehensive energy plan, yes, sir.
13 Well, obviously I'm very familiar with the results
14 and with the high-level issues. I wasn't a specific
15 witness in those cases on all the issues, but --

16 Q. Okay.

17 A. -- I'm, in general, aware of the main
18 topics.

19 Q. Do you recall the return on equity
20 component of -- in each of those cases? And I think
21 there were two, were there not?

22 A. Yes, sir. The first one after the CEP
23 was, I believe, 11.25, and the ROE on the last case
24 was 10.75.

25 Q. And Wall Street would consider those

1 constructive --

2 A. Yes, sir.

3 Q. -- ROEs?

4 A. I mean, based on the -- the issues that
5 the company is dealing with from the construction in
6 the context of the CEP, I think they felt like those
7 were constructive.

8 Q. Okay. Were there any other aspects of
9 those orders that were constructive that are -- that
10 should be noted?

11 A. Well, I -- the other one that comes off
12 the top of my head again is off-system sales. We had
13 just come off a period of where we had received --
14 you know, we had retained off-system sales, and as
15 those were given back, the way those were given back
16 and the way the -- that ratepayers were protected but
17 yet the way the company was protected, I think the
18 marketplace perceives as constructive and fair as
19 well --

20 Q. Okay.

21 A. -- of balance between ratepayer interest
22 and the company's interest.

23 Q. Any other issues besides off-system
24 sales and return on equity?

25 A. Well, those are two that come to my mind

1 from an investor perspective. Mr. Giles would
2 understand rate design and allocations and some of
3 the things that may have also been at issue, and
4 he's -- he's --

5 Q. Okay. Now, did -- aside from reviewing
6 the orders, what other information would a rating
7 agency take into consideration in evaluating
8 constructive or nonconstructive regulatory treatment?

9 MR. ZOBRIST: Let me just object and ask
10 the witness, does that go into details that need to
11 be protected?

12 THE WITNESS: I can give a general
13 description of -- of -- which I think answers the
14 question. If it doesn't, then we could ask -- you
15 could ask me another question.

16 I think the agencies also look at how
17 other utilities are treated and they look at the
18 general environment, if you will. Obviously they,
19 you know, for a utility who receives its revenue
20 through regulated revenue, the agency or entities who
21 regulate them are part of their evaluation. So there
22 may have been rulings in other cases, other dockets,
23 other utilities that they took into consideration.
24 I'm not aware of any other specific thing from us,
25 not that they've told us anyway.

1 BY COMMISSIONER CLAYTON:

2 Q. So -- so is the utility in this
3 discussion required or allowed to convey its own
4 opinions about certain regulatory treatments, and if
5 that's the case, if the answer is yes, then -- then
6 did KCP&L or GPE convey its opinion of its definition
7 of constructive regulatory treatment?

8 A. Well, we didn't put it in the context of
9 constructive. We just said, you know, we felt like
10 we've been treated fairly and we have a good working
11 relationship with the Commission and the parties in
12 Missouri.

13 Q. Okay. Is it a -- is -- in terms of all
14 the other states that are involved, other regulatory
15 agencies, is it a fair statement that Missouri is
16 the -- is a state that is affected more than any
17 other state or Missouri's ratepayers are affected by
18 this transaction more than any other states'
19 ratepayers?

20 A. I'm not sure any other state would think
21 of it that way, but obviously because we're
22 concentrating on the Missouri assets of Aquila, it's
23 obviously a very important state.

24 Q. Well, wouldn't you agree with me that
25 there are more assets located in Missouri than in any

1 other states involving this transaction?

2 A. At least as much if you took the whole
3 total, absolutely.

4 Q. Okay. And there are more ratepayers
5 that would be affected if you take into consideration
6 Missouri jurisdictional customers for both -- both of
7 the subject utilities?

8 A. Certainly for Kansas and Missouri. I
9 don't know the total count for the other nonelectric
10 properties, if you will, but certainly -- certainly
11 as much.

12 Q. I want to be clear on the Joint
13 Applicants' request for potential -- actual or
14 potential ratemaking treatment associated with this
15 merger. In opening statements, Mr. Fischer outlined
16 items that have supposedly been removed from the
17 application or requests for findings in this case.

18 Aside from the general approval of the
19 transaction to merge the two utilities, can you
20 identify for me what the Joint Applicants are
21 requesting today in terms of ratemaking treatment in
22 the order coming out of this case? For example, is
23 Great Plains requesting that the acqui -- the
24 proposed acquisition adjustment or premium be
25 included in rates at a -- at a certain point in the

1 future?

2 A. We are not requesting acquisition
3 premium at all, no.

4 Q. And synergy savings that are proposed by
5 the parties in terms of defining a certain amount
6 today and assigning it to the company, that proposal
7 has been withdrawn?

8 A. Yes, sir, it has.

9 Q. All right. And there is no request for
10 specific findings of regulatory amortizations here
11 today that would finance or provide some sort of
12 return to consummate the transaction; is that
13 correct?

14 A. That's correct.

15 Q. Okay. What is left then?

16 A. We've -- well, we've obviously
17 identified transition expenses which would then --
18 we've asked be allowed to book as a -- if you will, a
19 regulatory deferred so that we could then collect in
20 the future. Without that, we would have to write
21 those off. But we've also agreed they be subject to
22 true-up, if you will, and we've also asked for
23 trans --

24 Q. And before you -- before you go on to
25 the next one, those transition costs were -- is that

1 public now? I assume it's public?

2 A. Yes, sir. It's --

3 Q. 47 million?

4 A. The current Missouri piece is 42.8
5 million.

6 Q. 42.8. Okay. Go ahead.

7 A. And then -- and the way we've done that
8 is, we've asked instead of a specific rate or we just
9 ask here that they be -- be allowed to be deferred,
10 and then we would bring -- use the regulatory delay
11 for synergies and costs to have those recovered.
12 We've asked for transaction recovery, transaction
13 costs which are now -- after adjustment and removal
14 of certain costs, are now at 47.2, and we're asking
15 for those as well to be deferred and recovered.

16 The combination of those two we've said
17 not to be recovered to the extent we don't achieve
18 synergies to overcome them, but we've asked them to
19 be allowed to be recovered to the extent that we do
20 achieve synergies to help pay for them.

21 Q. And when you say that the figure has
22 been adjusted, can you describe how it has been
23 adjusted?

24 A. Well, in our most recent filing, we made
25 two adjustments. The first is we had heard in the

1 initial hearings and the initial processes that
2 certain of the senior executives at Aquila, the costs
3 associated with their severance should be removed.
4 We've done that, which was 16.7 million total, 12.2
5 Missouri-allocated.

6 And then we also, I think, came to
7 believe that severance for other folks at Aquila was
8 really a transition expense rather than a
9 transaction. So we didn't -- we've removed it from
10 transaction and moved it over to transition. That
11 was 13.6 million or 9.9 million Missouri-allocated.

12 And then you -- if you add the 47.2
13 transaction that's left and the transition of 42.8,
14 that equals the 90 million that you've heard
15 discussed as the total amount.

16 Q. And how is that different from the
17 original request?

18 A. We had asked for -- obviously we'd asked
19 for all of our transaction costs which included both
20 the severance of the executives and --

21 Q. Just give me a total amount. What was
22 the total amount that you requested in the original
23 application?

24 A. I believe it was 90, but I can look that
25 up right quick.

1 Q. An even -- even 90?

2 A. Well, let me --

3 Q. Well, today you're asking for 90 and I
4 thought you reduced it.

5 A. Well, 90 for transaction. I need to
6 keep them separated for -- to be sure I get this
7 right.

8 Q. I guess I want to try to stay
9 Missouri-jurisdictional. We keep throwing around two
10 sets of numbers, and I'm going to --

11 A. Okay. Glad to do that. It was a little
12 over -- the original asked for Missouri-allocated for
13 transaction would have been 69.3.

14 Q. And how about on transition?

15 A. Transition would have been approximately
16 33 million.

17 Q. Missouri-jurisdictional --

18 A. Yes, sir.

19 Q. -- transitional costs?

20 A. I'll make sure those are exactly right,
21 but that's ...

22 Q. Okay. So the -- the total request of
23 costs for -- the total costs for this merger that the
24 Applicants are requesting has changed from around
25 102.6 million in transition and transaction costs,

1 and it is now around 90 million in transition and
2 transaction costs Missouri-jurisdictional. Would you
3 agree with that?

4 A. That -- yes, sir. I mean, we've removed
5 12.2 million of the senior executives, so that's --
6 those numbers are ...

7 Q. So that's the only amendment?

8 A. (Nodded head.)

9 Q. Okay. And you are proposing synergy
10 savings of \$549 million over ten years with 222
11 million presumed to come in in the first five years?

12 A. We've --

13 MR. CONRAD: Your Honor, it's with some
14 reluctance that I'd -- that I'd ask to interpose here
15 because when we get into talking about the synergies,
16 that's where we're -- that's -- that's where my issue
17 arises.

18 COMMISSIONER CLAYTON: I understand.

19 You can make your objection.

20 MR. CONRAD: You can -- you know,
21 Commissioner, I -- I understand your problem, but
22 please understand mine. And I don't -- I don't want
23 to object to your question, but if I have to, I will.

24 COMMISSIONER CLAYTON: Deep down you
25 really want to object. Let's not kid around.

1 MR. CONRAD: Deep down I want to protect
2 the record.

3 COMMISSIONER CLAYTON: Counselor,
4 make -- make your objection, and if you haven't
5 already done that, feel free to go ahead and do that.

6 MR. CONRAD: Well, it's -- it is my
7 belief that the matter of the synergies gets into the
8 question of who is merging with whom and under what
9 circumstances, and more specifically, what has
10 been -- has been requested. This -- this witness
11 earlier indicated that he had not -- was not aware of
12 any amendment to their application, the application
13 does not cover that, and therefore, that would be
14 objectionable in getting into trying what the
15 synergies are, which, you know, I've made the
16 objection. Whatever.

17 COMMISSIONER CLAYTON: So -- so I think
18 you're making an objection, and I think you have to
19 rule on that. Or do you have to rule on that
20 objection?

21 JUDGE STEARLEY: I don't -- I assume
22 your -- your legal basis for this is going to be --

23 MR. CONRAD: Well, I --

24 JUDGE STEARLEY: -- relevance at this
25 point, Mr. Conrad?

1 MR. CONRAD: Okay. Let's -- let's --
2 let's take the time and then go through it. Again,
3 the legal basis for it is, as I understand it, what
4 frames a lawsuit are things called in other
5 jurisdictions and other contexts a petition and an
6 answer, and that the petition states the framework.
7 In this case it's an application. The application
8 states the framework of what -- what's before us.

9 Now, if other materials are then tried
10 without objection, then there is some law to the
11 effect that the application or the petition is deemed
12 amended as a result of that trial without objection.
13 So therefore, I am making that objection in order to
14 head that off so that there would be no -- no
15 assertion that this application has been amended by
16 consent of the parties because I'm objecting to get
17 into the -- getting into those issues.

18 MR. ZOBRIST: Judge --

19 JUDGE STEARLEY: Yes.

20 MR. ZOBRIST: -- just for the record,
21 Great Plains Energy and KCPL have no objection to
22 giving Mr. Conrad a continuing objection on this
23 issue.

24 JUDGE STEARLEY: And that's fine. I
25 just want to be sure, Mr. Conrad, I understand. Are

1 you saying the synergy -- any evidence on synergy is
2 outside of the application and therefore you're
3 saying it's irrelevant to the matter?

4 MR. CONRAD: What is -- what is the
5 basis -- yes, sir. What is the basis of -- of the
6 claim of synergies? If there is some synergy to be
7 derived from the acquisition of Aquila by Great
8 Plains Energy, we have not yet seen it.

9 We have -- we have seen their --
10 their -- their proposals with respect to claims of
11 synergies with respect to merging other entities, but
12 those -- that merger has not been requested. And
13 therefore, discussions of synergies, unless -- unless
14 we want to articulate them and make it clear that the
15 synergies to which the question is directed and to
16 which the witness has responded -- or responding or
17 any with respect to the transaction that has been
18 applied for, i.e., the acquisition of Aquila by Great
19 Plains Energy, then I would have an objection going
20 beyond that.

21 JUDGE STEARLEY: All right. Regardless
22 of how this transaction is characterized, whether
23 someone wants to call it a merger, direct, indirect
24 consolidation or simply transfer the assets, the
25 Commission has to make an analysis if it's in the

1 public interest. Therefore, the Commission finds
2 that any evidence on benefits of the transaction are
3 relevant and essential to the Commission making that
4 determination, and the objection is overruled.

5 MR. CONRAD: So be it and so the record
6 is preserved.

7 BY COMMISSIONER CLAYTON:

8 Q. What were we talking about?

9 A. Your -- your -- your numbers, your
10 synergy numbers you quoted as a little over 500 in
11 ten years and 225 for five years were correct.

12 Q. Okay. And in the current proposal, the
13 Applicants have withdrawn their original request that
14 would have identified a certain amount of money
15 identified as savings and then granted some sort of
16 ratemaking treatment based on those savings, that has
17 been withdrawn, correct?

18 A. It has.

19 Q. Okay. And so now we are left with a
20 circumstance that if -- if you have a circumstance of
21 the merger being approved and some sort of order
22 being entered, it is the Applicants' position that --
23 that the Applicants be allowed to retain a certain
24 amount of those savings through -- through regulatory
25 lag, basically, through periods of time without

1 adjustments in rates. Is that accurate?

2 A. Well, to state it a little differently,
3 our understanding from the process was that Missouri
4 supported the sharing of synergies and costs to the
5 extent that it was typically through regulatory lag.
6 In other words, if we start on day one saving dollars
7 but yet don't have a rate case until day two, then
8 obviously there's no retroactive ratemaking. By
9 function of that process, we retain dollars.

10 That would be the only way we would
11 retain synergies, is through the regulatory lag
12 process. And that was our understanding as the
13 mechanism preferred by -- in Missouri.

14 Q. Okay. Now, if -- if the synergies were
15 not realized during these periods of regulatory lag,
16 what happens?

17 A. Well, we are -- we are confident enough
18 in the achievement of synergies that we said that we
19 would only recover transaction/transition costs to
20 the extent we had generated savings. So if we
21 received -- ultimately we generated zero synergies,
22 then we would ask for recovery of zero
23 transaction/transition.

24 Q. So if you had zero synergies, then
25 basically you'd seek recovery of the transaction and

1 transition costs?

2 A. No. If -- if we -- if we generate no
3 synergies, we would not ask.

4 Q. Oh, you would not?

5 A. No. We've only -- we've agreed there
6 would be a true-up and that we would recover only
7 those synergies -- we'd recover only those transition
8 and transaction that are net of synergies such that
9 we would recover those through synergy savings,
10 basically.

11 Q. So if you had zero synergies, then you
12 would eat the 90 million in transition and
13 transaction costs, is what you're suggesting?

14 A. Yes.

15 Q. Okay. What happens if you had
16 50 million in synergies that were realized over a
17 five-year period -- or would it be a ten-year period?
18 I guess is the total window ten years?

19 A. Ten -- ten --

20 Q. So let's say 50 million in synergies
21 over ten years. Then -- then what happens with
22 regard to the transaction and transition costs?

23 A. Our request would be that we had had
24 those booked and deferred, they're not earning but
25 they're -- they were deferred, and to the extent we

1 didn't generate enough synergies to pay them, they
2 would be written off.

3 Q. So -- so would there be any additional
4 ratemaking treatment for transition and transition
5 costs at that point? Would it be 90 minus 50 for 40?

6 A. Would be written off.

7 Q. What happens if you have -- what happens
8 if you don't have -- not only you don't have
9 synergies, but you actually have increased costs
10 aside from the transition and transaction costs, is
11 that possible?

12 A. Well, you know, anything's possible. I
13 mean, we have put on the evidence, and I believe our
14 review of the nature of these two companies is that
15 it's highly unlikely. We do -- you know, we would
16 obviously be in front of the Commission with a
17 request for recovery of the imprudent dollars that
18 had potentially increased.

19 But the Commission would have the
20 opportunity at that point to determine whether they
21 were, you know, just and reasonable, obviously, if we
22 didn't generate synergies again and recover costs.

23 Q. Okay. Any other -- well, let's talk
24 about regulatory amortizations just quickly. You're
25 not asking for a specific regulatory amortization

1 treatment in this case, but you're, as I understand
2 it, with -- withholding your right to request such an
3 amortization in future cases?

4 A. Yes, sir. And we would like, number
5 one, to work with the parties to develop a plan
6 similar to what we did with KCPL. Assuming we're not
7 able to achieve that, we might propose our own plan
8 in the first rate case. The Commission obviously
9 would have the choice at that point to grant or, you
10 know, deny that request.

11 Q. Okay. And anything else -- any other
12 requests?

13 A. There may be -- well, there's -- there's
14 other nonfinancial requests. We've requested a
15 waiver of the -- the affiliate rule for obvious
16 reasons, but those are the basic financial requests.

17 Q. Okay. Let's talk about the other
18 request, then, the waiver of the affiliate
19 transaction rule.

20 A. Yes. I mean, there's a -- I believe,
21 a -- technically a rule that would suggest that we
22 would have to treat each other like affiliates which
23 would keep us from sharing costs without markup. So
24 we've asked that that be waived so that, again, we
25 could generate savings between the two companies by

1 sharing costs and general overhead.

2 And I apologize, I'm sure there's some
3 other technical/legal request that I'm -- it's not
4 coming to my mind, but it's in our application.

5 Q. Okay. Any -- anything else? Is that --
6 that's all that you -- that you're aware of?

7 A. Primary ones.

8 Q. Explain to me what happens if in terms
9 of credit quality, Wall Street rating agencies, what
10 happens if the merger is not approved or is approved
11 in a different form than what the Applicants are
12 requesting, what happens?

13 A. Well, it's prob -- it's probably
14 appropriate to -- to say here that the rating agency
15 services we used were just that, they're advisory
16 services and they're not actual ratings. So
17 ultimately, whatever the outcome of the merger,
18 whether it be exactly what we asked for, some change
19 or denial, ultimately the rating agencies will look
20 at Great Plains Energy as it exists at that point.

21 It will also obviously take into
22 consideration any updates of things that have
23 happened up to that point, and it would then continue
24 to issue its ratings, whether they be the same, you
25 know, improved or -- or reduced.

1 Q. If this merger is not approved by the
2 Commission, just make that assumption, just -- would
3 KCP&L or Great Plains be downgraded in terms of
4 credit quality, do you think?

5 A. No.

6 Q. It would just stay the same or would
7 they go up?

8 A. It -- it should stay the same at a
9 minimum, but as I mentioned before, things could
10 change or have changed since we started this process.
11 You know, over a year ago we've also entered into a
12 contract to sell our nonregulated subsidiary so
13 the -- the addition of that cash plus the focus on
14 regulated businesses would be a positive to our
15 credit, so if the transaction wasn't approved, they
16 would look at us in that context. I don't know that
17 we'd get an upgrade, but we shouldn't get a downgrade
18 at that point.

19 Q. Okay. What is the financial impact to
20 Great Plains or KCP&L if the merger is not approved?

21 A. Well, the short-term impact is obviously
22 that we've taken on the interest expense that is not
23 currently in rates at Aquila, and we've agreed in
24 this proposal to absorb that ourselves, and
25 obvious --

1 Q. I'm saying if the merger is not
2 approved.

3 A. Oh, I'm sorry. So the question was
4 what's the impact on us if the merger is not
5 approved?

6 Q. Yes.

7 A. The financial impact or the credit
8 impact or both? I'm sorry.

9 Q. I guess financial is what I'm asking
10 about at this time.

11 A. We -- we would obviously have a
12 write-off of some expenses which have been incurred
13 at this point to process the transaction.

14 Q. Is that amount in the testimony? I
15 mean, some sort of sunk costs or the -- the amount
16 it's gone into?

17 A. I don't know, but I can tell you the
18 number. It's 20 -- I believe it's 20 million pretax,
19 in general.

20 Q. And is there -- is it public, the -- the
21 dollar amount for if the transaction doesn't go
22 through? Isn't there generally some sort of amount
23 that the acquiring company pay?

24 A. Well, you mean as -- as a contractual
25 right?

1 Q. Uh-huh.

2 A. There's no breakup fee -- there's no
3 breakup fee provision in our contract at this point.
4 The only breakup fee which was in the contract had to
5 do with the potential for an interloper bid, if you
6 will, before the shareholder vote. So at this point
7 there's not a breakup fee associated with the
8 contract. We're basically -- at this point, we'll
9 either get regulatory approval or not. And if we
10 don't, there will be a failure of a condition to
11 close.

12 Q. So basically if the deal closes, you're
13 out the 20 million and that's it? I mean, I don't
14 want to say that's it, but ...

15 A. Financially, that would be the monetary
16 value of our expenses so far.

17 COMMISSIONER CLAYTON: Okay. I've got
18 other questions, but I don't -- I don't think they're
19 going to be for you. I don't have any other
20 questions. Thank you, Judge.

21 JUDGE STEARLEY: Okay. Any additional
22 questions, Commissioner Murray?

23 COMMISSIONER MURRAY: No, thank you.

24 JUDGE STEARLEY: All right. Any
25 recross-examination based on questions from the

1 Bench, assuming Aquila and Black Hills are -- or do
2 you have any recross?

3 MR. ZOBRIST: We'd be at the end for
4 redirect, I think, Judge, but --

5 JUDGE STEARLEY: Well, I'll -- I'll be
6 coming to redirect, but I still have this in the list
7 filed by the parties of the proposed order for
8 recross, so ...

9 MR. ZOBRIST: I'll just wait until the
10 end, Judge.

11 JUDGE STEARLEY: All right. Very good.
12 That's what I assumed. Some of the Locals are still
13 not here. Dogwood Energy, Joint Municipals.

14 MS. WILLIAMS: Your Honor, the Locals
15 are here. I'm Jane Williams on behalf of IBEW.

16 JUDGE STEARLEY: All right. I'm afraid
17 you weren't here to enter your appearance earlier
18 this morning. Would you like to enter your
19 appearance at this time?

20 MS. WILLIAMS: I would.

21 JUDGE STEARLEY: If you would please --

22 MS. WILLIAMS: May I do it from here or
23 would you like me to step up to the microphone?

24 JUDGE STEARLEY: Yes, please do.

25 MS. WILLIAMS: I apologize to the

1 Commission for being late this morning. My name is
2 Jane Williams with the law firm of Blake & Uhlig in
3 Kansas City, Kansas, and I'm here representing all
4 five of the local union intervenors.

5 JUDGE STEARLEY: All right. Thank you,
6 Ms. Williams. And did you have any recross?

7 MS. WILLIAMS: I do not, your Honor.
8 Thank you.

9 JUDGE STEARLEY: Okay. City of Kansas
10 City.

11 MR. COMLEY: None. Neither the City nor
12 Cass County has any recross.

13 JUDGE STEARLEY: All right. City of
14 St. Joseph.

15 (NO RESPONSE.)

16 JUDGE STEARLEY: City of Independence.

17 (NO RESPONSE.)

18 JUDGE STEARLEY: City of South Harper
19 residents.

20 MR. COFFMAN: No, your Honor.

21 JUDGE STEARLEY: Okay. AgProcessing.

22 MR. CONRAD: Yes.

23 RE-CROSS-EXAMINATION BY MR. CONRAD:

24 Q. Mr. Bassham, in response to a question
25 from -- from Commissioner Clayton, you made a

1 response that you had sold our -- "our nonregulated
2 subsidiary", presumably referring to Strategic
3 Energy; is that correct?

4 A. Entered into a contract. It's not been
5 closed yet.

6 Q. Okay. Who is -- who is the "our" in
7 your statement?

8 A. Great Plains Energy owns Strategic
9 Energy.

10 Q. So that's not a subsidiary of KCPL?

11 A. No. It's a subsidiary of GPE.

12 Q. Is GPE a regulated utility?

13 A. No.

14 Q. Now, when in a later question you
15 responded to the Commissioner that \$20 million was
16 pretax write-off if the PSC were to reject this
17 merger, you characterized it as you'd have to write
18 off "our expense." Whose expense?

19 A. Those would be GPE expenses.

20 Q. And GPE, that's the same GPE that still
21 is not a regulated utility?

22 A. It is not.

23 Q. So if that were a write-off, then that's
24 just -- that's just what it is, there's no impact on
25 KCPL, is there?

1 A. Shouldn't be.

2 MR. CONRAD: Thank you, sir. That's
3 all.

4 JUDGE STEARLEY: All right. Public
5 Counsel.

6 MR. MILLS: Just a couple. Thank you.
7 RECROSS-EXAMINATION BY MR. MILLS:

8 Q. Mr. Bassham, when you were talking to
9 Commissioner Clayton about the deferred -- the
10 possibility that you would have deferred transition
11 and transaction costs, I believe you said they're not
12 earning but they're deferred; is that correct?

13 A. We've not asked to earn them while
14 they're -- not asking for them in rate base, so
15 they're just simply deferred for recovery later.
16 That deferral would allow us not to write them off
17 while we recovered in the future, but we're not
18 asking for actually earning on them.

19 Q. And do you anticipate asking for earning
20 on them in the future?

21 A. No.

22 Q. Okay. Now, with respect to some -- some
23 questions that Commissioner Clayton asked you about a
24 breakup fee, is it -- is it your understanding that
25 if you were to -- to walk into the hearing today

1 after lunch and say, that's it, we quit, we give up,
2 we're not seeking approval anymore, that you would
3 not be obligated for any breakup fees?

4 A. Well, I don't believe I can walk in the
5 room and do that, be clear about that. I have a
6 contract and I need to honor that contract. If
7 the -- ultimately the contract, whenever, is
8 terminated for a failure to close, there's not a
9 breakup fee associated with a condition to close,
10 which is what we were talking about.

11 Q. But that presumes you -- you diligently
12 and conscientiously seek regulatory approval; is that
13 what you're saying?

14 A. Which I believe I'm doing right now.

15 Q. But if you were to stop doing that,
16 there may be some consequences under the contract?

17 A. Well, if I breach my contract, then
18 contract law would apply, and the -- I'm -- I'm sure
19 there would be opinions about what happens as a
20 result of a, quote, unquote, breach of contract.

21 Q. Now, with respect to your understanding
22 of the -- the -- the positions on the rating agencies
23 that -- that Commissioner Clayton asked you about,
24 have you done sensitivity analyses such that you
25 would have an opinion as to what the rating agencies

1 would do if, for example, the -- the transaction was
2 approved but transaction costs were disallowed?

3 A. We've not -- we've not done that
4 specific analysis, but we've done other analyses
5 which would take into effect the size of that
6 difference.

7 Q. And in your opinion, if this Commission
8 were to approve the transaction but disallow recovery
9 of transaction costs, would that have an impact on --
10 on your ratings?

11 A. Well, it would obviously have an impact
12 on us. It would be, you know, forty -- \$47.2 million
13 we wouldn't recover. All other things being equal,
14 only disallowing those dollars over a five-year
15 period in and of itself would not change our rating,
16 I don't believe.

17 MR. MILLS: That's all the questions I
18 have.

19 JUDGE STEARLEY: All right. The Staff.

20 MR. DOTTHEIM: Yes.

21 RECROSS-EXAMINATION BY MR. DOTTHEIM:

22 Q. Mr. Bassham, in response to a question
23 from Commissioner Murray, I think you indicated that
24 there were legal reasons for keeping the legal
25 entities separate?

1 A. There were -- there were legal reasons
2 for us to structure the transaction that way in the
3 beginning, yes.

4 Q. Yes. Could you identify those legal
5 reasons?

6 A. Aquila had several legal liabilities
7 outstanding. They had litigation over their pension
8 plan, they had the South Harper matter, they had
9 several outstanding legal matters, and we were trying
10 to protect, if you will, KCP&L and any other
11 subsidiary within GPE from that legal liability.

12 We also had our comprehensive energy
13 plan with KCP&L, and we were concerned that merging
14 those without regulatory approval would obviously
15 possibly raise the specter that we had changed our
16 CEP, so we decided to keep the entities separate for
17 now.

18 Q. Did you have any market power concerns
19 respecting your application for approval before the
20 FERC for the transaction?

21 A. Well, we were required to file all that
22 information, and they looked at it. So I mean,
23 concerns in the sense that we had to follow through
24 that process to get approval, we did that and there
25 were no issues.

1 Q. No issues based upon the present
2 proposal that you presented?

3 A. True.

4 MR. DOTTHEIM: Thank you.

5 JUDGE STEARLEY: All right. Redirect
6 for GPE.

7 REDIRECT EXAMINATION BY MR. ZOBRIST:

8 Q. Mr. Bassham, I just wanted to clarify in
9 response to Commissioner Clayton's questions about
10 what the company would seek to recover if synergy
11 levels were not attained, so I'd like to go back to
12 his figures. He gave you a hypothetical that if
13 \$50 million in synergies were earned over ten years,
14 you said something about \$40 million being written
15 off; is that correct?

16 MR. CONRAD: Leading and objected to.
17 It's probably pointless. He's already instructed the
18 witness what to answer, but I'll object that it's
19 leading.

20 MR. ZOBRIST: I'll be glad to rephrase.

21 JUDGE STEARLEY: If you'd please
22 rephrase.

23 MR. ZOBRIST: Yeah.

24 BY MR. ZOBRIST:

25 Q. Would you explain in light of the

1 transaction and transition costs,
2 Missouri-jurisdictional that you propose to recover,
3 what would happen if \$50 million in synergies only
4 were recovered over ten years?

5 A. Yes. Again, we -- we have confidence in
6 our ability to generate synergies over and above
7 costs associated with the transaction. And so we're
8 comfortable with -- you know, with the offer, that we
9 would recover costs to the extent we generate
10 synergies. The example was what if we only generated
11 \$50 million of synergies and the costs as we outlined
12 them were 90, so the result would be we would not ask
13 for the recovery of 40 million in synergies; if we
14 don't recover them in rates, they would be written
15 off.

16 Q. If you recovered -- pardon me. If you
17 achieved synergy savings of \$150 million over five
18 years, what amount would you ask in the future rate
19 case to be recovered?

20 A. Over that period the \$90 million.

21 Q. Okay. Now, I think you responded to
22 Commissioner Clayton about a true-up process. Would
23 you describe in detail what you meant by that true-up
24 process?

25 A. Well, I don't know that we've outlined

1 anything specific, but witness Wright talked about
2 the opportunity to do that. But obviously we would
3 be willing, if appropriate, to, you know, demonstrate
4 in a future case that we had actually generated
5 savings equal to or more than the cost.

6 Q. And when you refer to a future case,
7 what kind of a case is that?

8 A. Rate cases. I mean, again, we've asked
9 for synergy recovery through the regulatory rate
10 process.

11 Q. And what would you expect the decision
12 before the Commission would be in that rate case on
13 this issue?

14 A. That we would be able --

15 MR. CONRAD: Objection, calls for
16 speculation.

17 MR. ZOBRIST: I'm just speaking
18 conceptually, I'm not asking for a concrete response.

19 MR. CONRAD: Calls for a conceptual
20 speculation.

21 JUDGE STEARLEY: I will overrule. He
22 can answer the question.

23 THE WITNESS: You know, my request would
24 be that we'd be allowed to recover costs in that case
25 consistent with the deferral and consistent with

1 generation of synergies to pay for it, basically.

2 BY MR. ZOBRIST:

3 Q. Are you asking for that decision to be
4 made in this case?

5 A. No, sir.

6 MR. ZOBRIST: Okay. Nothing further,
7 Judge.

8 JUDGE STEARLEY: All right. Any
9 additional questions from the Bench?

10 (NO RESPONSE.)

11 JUDGE STEARLEY: All right.

12 Mr. Bassham, you may step down. You will not be
13 finally excused at this time, however, in case the
14 Commission should have additional questions for you.

15 THE WITNESS: Yes, sir. Thank you.

16 JUDGE STEARLEY: And I believe we're at
17 a good breaking point for lunch at this point, so we
18 will go off the record and we will pick back up at
19 approximately 1:20.

20 (THE LUNCH RECESS WAS TAKEN.)

21 (EXHIBIT NOS. 8NP AND 8HC, 9NP AND 9HC,
22 10NP AND 10HC, 38NP AND 38HC, AND WERE MARKED FOR
23 IDENTIFICATION BY THE COURT REPORTER.)

24 JUDGE STEARLEY: All right. We're back
25 on the record, and I believe we're picking up with

1 the testimony of Mr. Cline at this time.

2 MR. ZOBRIST: That's correct, your
3 Honor. Great Plains Energy and Kansas City Power &
4 Light Company would call Michael W. Cline to the
5 stand.

6 (The witness was sworn.)

7 JUDGE STEARLEY: You may be seated. You
8 may proceed.

9 MR. ZOBRIST: Thank you, Judge.

10 DIRECT EXAMINATION BY MR. ZOBRIST:

11 Q. Please state your name.

12 A. Michael Cline.

13 Q. And by whom are you employed?

14 A. Great Plains Energy.

15 Q. And what are your positions with Great
16 Plains Energy?

17 A. Vice president, investor relations, and
18 treasurer.

19 Q. And do you have a position with Kansas
20 City Power & Light Company?

21 A. Yes, I do.

22 Q. And what is that?

23 A. Treasurer.

24 Q. Okay. Mr. Cline, before you are four
25 pieces of your prefiled testimony; is that correct?

1 A. Yes.

2 Q. Okay.

3 A. Actually, I don't have them, but ...

4 Q. Now, do you have before you Exhibit 8
5 which is both a highly confidential and a
6 nonproprietary copy of your direct examination filed
7 April 2nd, 2007?

8 A. Yes, I do.

9 Q. And do you have before you Exhibit 9,
10 both HC and NP versions of your supplemental direct
11 testimony filed August 8th, 2007?

12 A. Yes, I do.

13 Q. And do you have Exhibit 10, both HC and
14 NP versions of your surrebuttal testimony filed
15 November 13th, 2007?

16 A. Yes, I do.

17 Q. And finally, do you have Exhibit 38,
18 both HC and NP versions of your additional
19 supplemental direct testimony filed February 25,
20 2008?

21 A. Yes, I do.

22 Q. Do you have any corrections to those
23 pieces of testimony?

24 A. No, sir.

25 MR. ZOBRIST: Your Honor, I have no

1 further questions and tender the witness for
2 cross-examination.

3 JUDGE STEARLEY: All right. Thank you.
4 And we'll start with cross-examination with the IBEW
5 Locals.

6 MS. WILLIAMS: We have nothing, your
7 Honor.

8 JUDGE STEARLEY: All right. Looks like
9 Mr. Lumley may have stepped out and is not here for
10 Dogwood Energy. The Joint Municipals.

11 (NO RESPONSE.)

12 JUDGE STEARLEY: Looks like City of
13 Kansas City.

14 (NO RESPONSE.)

15 JUDGE STEARLEY: Looks like Mr. Comley
16 has also stepped out. City of St. Joseph.

17 (NO RESPONSE.)

18 JUDGE STEARLEY: South Harper residents.

19 (NO RESPONSE.)

20 JUDGE STEARLEY: AgProcessing, Praxair,
21 SIEU.

22 MR. CONRAD: Yes, sir. Are we -- now,
23 this is still on this overview --

24 JUDGE STEARLEY: Still on the overview.

25 MR. CONRAD: -- issue?

1 JUDGE STEARLEY: And before you start,
2 Mr. Conrad, just so I make clear once again as I said
3 this morning, the parties are certainly free to come
4 and go, but if they're not present during the time of
5 questioning of a witness, I'm going to assume they
6 have waived their questioning of cross-examination of
7 that witness. So you may proceed, Mr. Conrad.

8 MR. CONRAD: I just wanted to -- at
9 least at this point to get clarification that this
10 gentleman will be showing up again. Is that -- am I
11 correct on that or is this ...

12 MR. ZOBRIST: I believe that he is
13 listed under the creditworthiness issue.

14 MR. CONRAD: Now, is that -- is that
15 issue one that is a -- is a sticker or is it one
16 that's subject to your-all's motion?

17 MR. ZOBRIST: His appearance is to speak
18 of -- of the financial effects of the merger and the
19 comprehensive energy plan. We've agreed to produce
20 him for that.

21 MR. CONRAD: Okay. So he would be back
22 again?

23 MR. ZOBRIST: That's correct.

24 MR. CONRAD: Well, if that's the case,
25 and this -- and we are on this overview issue, Judge,

1 I do not have any questions for Mr. Cline on that
2 issue. We're not done with him, but if he's
3 returning, we'll have some things for him.

4 JUDGE STEARLEY: All right. And I'm
5 assuming we're sticking with the offering of
6 testimony into evidence at the conclusion of his
7 testimony as well?

8 MR. ZOBRIST: That's correct.

9 JUDGE STEARLEY: Public Counsel?

10 MR. MILLS: No questions on the overview
11 issue.

12 JUDGE STEARLEY: Okay. Staff?

13 MR. DOTTHEIM: No questions in overview.

14 JUDGE STEARLEY: All right. Questions
15 from the Bench. Commissioner Murray?

16 COMMISSIONER MURRAY: No questions here
17 either.

18 JUDGE STEARLEY: All right.

19 Commissioner Clayton?

20 COMMISSIONER CLAYTON: When are we going
21 to see this witness again, then, Judge?

22 JUDGE STEARLEY: I'm not sure I have
23 Mr. Cline listed.

24 MR. ZOBRIST: Judge, on page 10 of
25 Staff's second list, he's listed to come back on

1 Friday, April 25, on the additional amortization and
2 creditworthiness issue.

3 JUDGE STEARLEY: Okay.

4 MR. ZOBRIST: But he can -- he can talk
5 to, for example, the S&P and Moody's letters today.

6 JUDGE STEARLEY: Thank you.

7 QUESTIONS BY COMMISSIONER CLAYTON:

8 Q. As you can imagine, I've got a lot of
9 paper up here and I'm juggling --

10 A. Sure.

11 Q. -- a number of things here. If you'd be
12 patient with me, I may -- may not have many questions
13 here.

14 A. Sure.

15 Q. As vice president for investor
16 relations, can you describe what your duties are for
17 the company?

18 A. We --

19 Q. What does that mean, what does -- what
20 does that position mean?

21 A. We really oversee the -- the effort of,
22 you know, communicating information on the company's
23 finances, prospects, et cetera, to the Wall Street
24 investment community, primarily equity investors.

25 Q. Okay. Would you be the person who has

1 the interaction with the rating agencies and the
2 person who would be soliciting the -- the response or
3 opinion of either S&P or Moody's at the time this
4 transaction was first contemplated?

5 A. Yes, and that's really more in my role
6 as treasurer. I'm primarily responsible for the
7 day-to-day discussions with the agencies, yes.

8 Q. Okay. I had a conversation earlier with
9 the first witness regarding the language,
10 "constructive regulatory treatment." Are you
11 familiar with that term --

12 A. Yes, I am.

13 Q. -- or those sets of words? What -- what
14 does constructive regulatory treatment mean to you?

15 A. Well, I think first of all, I would -- I
16 would say that the -- the agencies develop and use
17 that -- that term in and of their own accord. In
18 other words, they have a long history of dealing with
19 Kansas City Power & Light and with Aquila, and so
20 they form their own opinions of the -- the regulatory
21 relations that each company has. And that, I think,
22 is what you're seeing reflected in -- in those
23 letters.

24 In terms of my own view, I'd go back to
25 what Mr. Bassham said, I think. You know, they would

1 look at some of the outcomes that we've seen in -- in
2 recent rate cases at Kansas City Power & Light. They
3 would -- they would look at the -- the manner in
4 which the comprehensive energy plan was developed and
5 implemented and how that has played out in those rate
6 cases subsequently.

7 Q. Well, could you give me an example of
8 regulatory treatment that would not be constructive?

9 A. I think, for example, if we had gotten
10 the -- the approval of the additional amortizations
11 mechanism in the -- in the comprehensive energy plan,
12 which we did, but then that subsequently had not been
13 put into effect. In other words, if amounts had not
14 been authorized in subsequent cases under that
15 mechanism, I think that would have been an example of
16 unconstructive regulatory treatment.

17 Q. Okay. So if -- if the Commission had
18 declined to follow the comprehensive energy plan
19 suggestions of additional amortizations, that would
20 be one example?

21 A. That would be an example, yes.

22 Q. Where is the line drawn in terms of
23 where -- whether you consider something constructive
24 or not? I mean, is -- is there a line that you can
25 draw where -- where the rating agencies say something

1 is not constructive?

2 A. That's a very difficult thing to answer,
3 Commissioner. I'd -- I'd have to be -- I'd be having
4 to speak for the agencies in that case, and I don't
5 know that I could -- I could do that. Their view may
6 be very different than mine.

7 Q. Okay.

8 COMMISSIONER CLAYTON: And some of this
9 may be highly confidential, so I mean, I guess I'll
10 let you-all figure this out.

11 BY COMMISSIONER CLAYTON:

12 Q. In one of the exhibits, schedule MWC-4
13 which is -- well, I'm not sure if I can say what it
14 is or not. There's a -- there's a provision on
15 page 3 of that document that makes certain
16 assumptions associated with an opinion letter.

17 COMMISSIONER CLAYTON: I feel -- Judge,
18 I'm not sure if I'm allowed to ask.

19 MR. ZOBRIST: Commissioner, the company
20 does take the position that schedule -- I think it's
21 schedule 4 to Mr. Cline's direct testimony is HC, and
22 so we -- and that deals with financial assumptions
23 that were presented to the rating agencies, and I
24 think we should go into closed session for questions.

25 JUDGE STEARLEY: All right. Very well.

1 We'll go ahead and go in-camera at this time. And
2 again, I'll leave it to the parties to make sure any
3 person in our gallery or any other witnesses, if they
4 should be present or not, to exclude them.

5 (REPORTER'S NOTE: At this point, an
6 in-camera session was held, which is contained in
7 Volume 10, pages 1339 through 1343 of the
8 transcript.)

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1 JUDGE STEARLEY: All right. You may
2 proceed, Mr. Mills.

3 RECROSS-EXAMINATION BY MR. MILLS:

4 Q. Mr. Cline, did you participate in a --
5 in an investor conference on April 10th of 2008?

6 A. Yes, I did.

7 Q. Do you recall a question about debt and
8 equity in which you answered specifically with
9 respect to equity ratios that you manage towards?

10 A. Yes, I do.

11 Q. And on April 10th did you not say that,
12 "What we have told people is that we are managing
13 toward kind of a 55 percent equity ratio at the
14 holding company which is what we also use for
15 regulatory purposes at Kansas City Power & Light"?

16 A. Yes.

17 Q. Okay. And is that, in fact, correct?
18 Is that what you do manage to?

19 A. In general that is a -- that is a very
20 broad target.

21 Q. Is it important to you as -- as
22 treasurer of KCPL to behave consistently with
23 commitments that the company made in the regulatory
24 plan that was entered into in EO-2005-0329?

25 A. Absolutely, yes.

1 MR. MILLS: I have no further questions.

2 JUDGE STEARLEY: Very well. Recross,
3 Staff.

4 MR. DOTTHEIM: No questions.

5 JUDGE STEARLEY: All right. Any of the
6 other parties?

7 (NO RESPONSE.)

8 JUDGE STEARLEY: Seeing no other
9 recross --

10 MR. MILLS: And, Judge, before we get
11 too far removed from that section of the -- the
12 transcript, I don't believe there were any of the
13 questions that had anything specifically to do that
14 was highly confidential, and I'd move that the entire
15 portion that -- that was transcribed as highly
16 confidential be made public. There were some general
17 statements about what was talked about in general to
18 the regulatory agencies, but nothing that was highly
19 confidential, in my opinion.

20 JUDGE STEARLEY: Any response?

21 MR. ZOBRIST: Well, Judge, the -- some
22 of the assumptions that were used I think are part of
23 the process, and that's viewed by the rating
24 agencies, you know, evalu -- evaluation offices as a
25 highly confidential process. So I'd be glad to look

1 at the transcript later, but right now, I'm loath to
2 consent to this, and we think for purposes of right
3 now, it ought to remain HC because what -- what they
4 take and what they use I think is important, and
5 that's viewed as highly confidential by the rating
6 agencies.

7 MR. MILLS: Well, Judge, if I may
8 respond. What we're talking about is assumptions
9 that were given by KCPL to the rating agencies, not
10 calculations made by the rating agencies, but rather
11 information that this company conveyed to someone
12 else and can certainly release if it wanted to.
13 Furthermore, the specific stuff that was talked about
14 is either past or -- and in both instances, the
15 specific information has to do with historical
16 information which is no longer confidential.

17 MR. ZOBRIST: Judge, we may not have an
18 objection. I just would like to take a look at the
19 transcript and actually see what is written down, and
20 we may have no problem with Mr. Mills' request. I'm
21 just hesitant to do it right here and now.

22 JUDGE STEARLEY: Very well. At this
23 point the motion will be denied. Our transcripts are
24 going to be expedited on a three-day running basis.
25 If you wish to renew your motion when the transcript

1 comes out and the parties can scrutinize the words
2 more carefully at that time, you're certainly welcome
3 to do so, Mr. Mills.

4 MR. MILLS: Thank you.

5 JUDGE STEARLEY: Any redirect --

6 MR. ZOBRIST: No, your Honor.

7 JUDGE STEARLEY: -- from KCPL? All
8 right. Mr. Cline, we thank you for your testimony.
9 I will not finally excuse you as a witness at this
10 time because we know you will potentially be back for
11 some additional questions.

12 And at this point I believe we're moving
13 on to Mr. Giles for the remaining issues as possibly
14 addressed today. Starting with the overview issue.

15 (The witness was sworn.)

16 JUDGE STEARLEY: You may be seated.

17 MR. RIGGINS: Your Honor, before we
18 begin, just a couple of preliminary matters. First,
19 I'd like to point out that Mr. Giles has already
20 appeared in this proceeding. He was sworn
21 previously.

22 With regard to the discussion that we
23 had this morning, I think there was some concern
24 expressed about parties' readiness to cross-examine
25 Mr. Giles on all issues. In the interim, I've been

1 doing some thinking and I have a couple of options
2 that hopefully will be acceptable to the parties.

3 One is obviously to do what we talked
4 about which is simply stand -- have him stand
5 testimony today on all of his issues on which he
6 prefiled testimony. The other would be we could
7 bring him back tomorrow to deal with the other
8 issues.

9 He testifies on issue No. II-2 which is
10 Synergy Allocations, Operations and Tracking. He
11 testifies on issue VIII-2 which is a Kansas City,
12 Missouri issue regarding an earnings sharing
13 mechanism, and he -- I'm sorry -- I'm a little bit
14 out of order on this one. He also testifies on
15 issue IV which is Affiliate Transactions.

16 If it would be more helpful for the
17 parties, we could put him on regarding those issues
18 out of turn tomorrow or we could even bring him back
19 at some point later in the proceeding, say, perhaps
20 next week. I appreciate the parties working with us
21 to try to take him out of turn at some point, but
22 those are a couple of options if the parties felt
23 like they weren't prepared to cross-examine him on
24 all issues today that I thought might work.

25 JUDGE STEARLEY: All right. Any other

1 parties wish to weigh in on that?

2 MR. CONRAD: Your Honor, I was, I think,
3 the one that raised that concern, and I think what
4 Mr. Riggins suggests as his second alternative would
5 be agreeable.

6 MR. RIGGINS: To bring him back tomorrow
7 for --

8 MR. CONRAD: Do what -- do what we can
9 on this today and then --

10 MR. RIGGINS: Okay.

11 MR. CONRAD: -- that may also, just as a
12 side bar, permit me to go through that material and
13 might, you know, pare out some stuff.

14 MR. RIGGINS: All right.

15 JUDGE STEARLEY: And that -- just for
16 clarity, then, in what issues today will we have
17 Mr. Giles testify to?

18 MR. RIGGINS: Just the overview issue.

19 JUDGE STEARLEY: Just the overview. And
20 then tomorrow start with him as lead witness for --

21 MR. RIGGINS: For the other three issues
22 on which he prefiled testimony, which are the synergy
23 allocations, operations and tracking, the affiliate
24 transactions, dual waiver/variance and the earnings
25 sharing mechanism.

1 And then to the extent that the motion
2 for limit is -- is denied in whole or in part and
3 Staff believes that they need to call him to testify
4 about the anonymous letter issues later in the
5 proceedings, we'll bring him back as scheduled to
6 testify on those issues.

7 JUDGE STEARLEY: Okay. Very well. Then
8 we'll proceed today with just the overview issue,
9 then.

10 MR. RIGGINS: Thank you and thank you to
11 the other parties. And again, just for purposes of
12 the record, Mr. Giles has two pieces of testimony
13 that he has filed in this case. They have been
14 marked as Exhibit 15, both HC and proprietary, and
15 Exhibit 39. And with that, I tender Mr. Giles for
16 cross-examination on the overview and policy issues.

17 JUDGE STEARLEY: All right. Very well.
18 Cross-examination, AgProcessing.

19 MR. CONRAD: Your Honor, based on the
20 earlier discussion that this -- Mr. Giles is at this
21 point only on the overview issue, we do not have
22 cross for him on the overview issue.

23 JUDGE STEARLEY: All right. Office of
24 Public Counsel.

25 MR. MILLS: No questions on overview.

1 JUDGE STEARLEY: Okay. Staff, Missouri
2 Public Service Commission, Mr. Dottheim.

3 MR. DOTTHEIM: May I have a moment?

4 JUDGE STEARLEY: Certainly. While
5 you're having your moment, any of the other parties
6 present wish to cross-examine Mr. Giles?

7 (NO RESPONSE.)

8 MR. DOTTHEIM: No questions.

9 JUDGE STEARLEY: All right. Thank you,
10 Mr. Dottheim. Any questions from the Bench,
11 Commissioner Murray?

12 COMMISSIONER MURRAY: No questions on
13 overview, thank you.

14 JUDGE STEARLEY: Commissioner Clayton.

15 COMMISSIONER CLAYTON: No questions.

16 JUDGE STEARLEY: All right. Since we
17 have no questions and no answers, we have no recross
18 or redirect. So the fastest testimony I've had here.
19 Thank you, Mr. Giles.

20 I believe at this point have we
21 concluded with the overview issue?

22 MR. CONRAD: Your Honor, if I may seize
23 the opportunity to state that you're ahead of
24 schedule.

25 COMMISSIONER CLAYTON: Judge, we -- we

1 can bring Mr. Bassham back on the merger synergies
2 issues at this time.

3 JUDGE STEARLEY: All right. Very well.
4 And I'm not sure how that happened, Mr. Conrad.

5 MR. CONRAD: It certainly wasn't by
6 reason of me.

7 JUDGE STEARLEY: And Mr. Bassham, I
8 remind you you're still under oath.

9 THE WITNESS: Yes, sir.

10 JUDGE STEARLEY: You may proceed.

11 MR. ZOBRIST: We would tender the
12 witness on the merger synergy issues.

13 JUDGE STEARLEY: Okay.

14 Cross-examination, IBEW Locals.

15 MS. WILLIAMS: No, your Honor.

16 JUDGE STEARLEY: City of Kansas City or
17 Cass County.

18 MR. COMLEY: No questions, thank you.

19 JUDGE STEARLEY: AgProcessing.

20 MR. CONRAD: And your Honor, for this
21 particular issue, we do not have cross for
22 Mr. Bassham.

23 JUDGE STEARLEY: All right. Office of
24 Public Counsel.

25 MR. MILLS: Nor do I.

1 JUDGE STEARLEY: Staff.

2 MR. DOTTHEIM: Yes.

3 CROSS-EXAMINATION BY MR. DOTTHEIM:

4 Q. Good afternoon, Mr. Bassham.

5 A. Good afternoon, Mr. Dottheim.

6 Q. Mr. Bassham, do you still have a copy of
7 Exhibit 125 from this morning?

8 MR. DOTTHEIM: And I guess we will
9 probably have to go in-camera. In fact, if we just
10 have a minute, I'll make a quick determination
11 whether -- whether that might be the only question I
12 have that we might have to go in-camera on.

13 No, I have a number of questions, so --
14 not very many, but -- but they relate to Exhibits 124
15 and 125, the Moody's and the Standard & Poor's
16 letters. So I assume we will have to go in-camera.

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

19 (Reporter's Note: At this point, an
20 in-camera session was held, which is contained in
21 Volume 10, pages 1354 through page 1363 of the
22 transcript.)

23

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1 JUDGE STEARLEY: All right. And with
2 regard to the objection, Mr. Dottheim?

3 MR. DOTTHEIM: Yes, and excuse me if I
4 misstated, and let me rephrase the -- the question.

5 CROSS-EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

6 Q. Mr. Bassham, is GPE or KCPL planning to
7 seek in the near term from either Moody's or Standard
8 & Poor's letters of a similar nature as Exhibits 124
9 and 125?

10 A. No.

11 Q. Has GPE and/or KCPL received ratings
12 since either of these two letters from Moody's or
13 S&P?

14 A. Moody's in February or March, I can't
15 remember the day, Moody's announced a stepdown to
16 negative on their current rating since this happened.
17 But that was anticipated given the work that we had
18 already done. Moody's is really rated one notch
19 above S&P, so that was anticipated.

20 Q. And pardon me. This may need to be
21 in-camera. Is that reflected anywhere in the -- the
22 Moody's letter?

23 A. Is what reflected?

24 Q. That a downgrade is anticipated or the
25 downgrade that you were referencing is anticipated?

1 A. I don't think so. I think that was part
2 of -- part of one of the meetings, I think.

3 MR. DOTTHEIM: Can we go in-camera?

4 JUDGE STEARLEY: We did not.

5 MR. DOTTHEIM: What?

6 JUDGE STEARLEY: We did not for that.

7 MR. DOTTHEIM: No. Can we?

8 JUDGE STEARLEY: Can we. Yes.

9 (THE FOLLOWING ORIGINALLY-DESIGNATED
10 IN-CAMERA QUESTIONS AND ANSWERS WERE SUBSEQUENTLY
11 DECLASSIFIED AND REMAIN IN THE PUBLIC PORTION OF THE
12 TRANSCRIPT.)

13 JUDGE STEARLEY: We are in-camera.

14 BY MR. DOTTHEIM:

15 Q. Okay. Mr. Bassham?

16 A. Yes, sir.

17 Q. If -- if you'll take a look at
18 Exhibit 124, page 2, upper -- upper right-hand corner
19 on page 2.

20 A. Yes, sir.

21 Q. Is -- is that downgrading which occurred
22 after the date of the letter which is January 8th, is
23 that subsequent downgrading indicated by what appears
24 at the top of page 2?

25 A. It is. I apologize. It is in the -- I

1 thought it was a conversation, but you can see
2 "Assessed outlook, negative" down on the right.
3 You're exactly right.

4 MR. DOTTHEIM: Thank you. And Judge, I
5 think we can ...

6 MR. MILLS: Before -- before we go out
7 of in-camera, I want to make a motion that this
8 portion also be considered public because the -- the
9 outlook that Mr. Dottheim just referred to has since
10 come to pass. It's -- at the time that this letter
11 was written, it was prospective, but it has since
12 happened. And I don't believe that there's any valid
13 reason to treat the fact that Moody's communicated
14 this to KCPL and GPE some weeks before they publicly
15 announced it, to treat that as highly confidential.

16 JUDGE STEARLEY: Mr. Zobrist?

17 MR. ZOBRIST: Mr. Bassham?

18 THE WITNESS: That, in and of itself I
19 don't believe is a problem.

20 MR. ZOBRIST: We don't have an
21 objection, then.

22 JUDGE STEARLEY: Okay. Very -- very
23 well, then. That question and answer will be
24 declassified as public.

25 MR. MILLS: Thank you.

1 JUDGE STEARLEY: And are we out of
2 camera again, Mr. Dottheim?

3 MR. DOTTHEIM: I think we are.

4 MR. MILLS: And Judge, just so the
5 record is clear, while we were in-camera, that
6 section was declassified. I don't believe I heard a
7 ruling on my earlier motion that the beginning
8 questions that Mr. Dottheim posed to Mr. Bassham be
9 declassified. If there was a ruling, it may have
10 been in the highly confidential portion.

11 JUDGE STEARLEY: There was not. At
12 this time, that ruling will be the same as the prior
13 one where at this time it will remain highly
14 classified. When the transcripts are available, if
15 the parties want to specifically highlight language,
16 you can certainly re-raise your motion.

17 MR. MILLS: Okay. And just to speed
18 things along, in the next few days, would it be your
19 preference that I wait and make such motions after
20 the transcripts are out?

21 JUDGE STEARLEY: You can -- you can do
22 it that way. If you want to make your motions during
23 the time, it's not really slowing us down that much,
24 Mr. Mills.

25 MR. MILLS: Okay. Thank you.

1 MR. DOTTHEIM: Okay. I'm going to hand
2 Mr. Bassham a document that's already been marked and
3 received into evidence. It's Exhibit 34. It's the
4 Joint Proxy Statement Prospectus dated August 27,
5 2007, of Great Plains Energy and Aquila.

6 And I've actually got copies of the
7 pages that I'm going to refer to, so I can distribute
8 those for ease of people following along.

9 JUDGE STEARLEY: That would be helpful.

10 MR. CONRAD: I may be confused. I was
11 looking at your list this morning, and this seems to
12 be directed to an income statement balance sheet. Is
13 that ...

14 MR. DOTTHEIM: It is -- it has been
15 labeled --

16 MR. CONRAD: As various things?

17 MR. DOTTHEIM: Yes, it's been labeled --
18 it's been labeled various things depending upon where
19 you look in EFIS.

20 MR. CONRAD: Let the EFIS gods not be
21 disturbed.

22 (CONTINUED) BY MR. DOTTHEIM:

23 Q. Mr. Bassham, you have a full copy of
24 what I've represented has been marked previously as
25 Exhibit 34, the Joint Proxy Statement Prospectus

1 dated August 27, 2007?

2 A. I do.

3 Q. Okay. And I distributed selected pages
4 from that document for ease of people following along
5 as I ask you some questions. Do you recognize that
6 document?

7 A. Yes, sir.

8 Q. Can you identify it?

9 A. Yes, sir. It's the joint proxy for
10 solicitation of the vote on the merger for Aquila and
11 Great Plains Energy shareholders.

12 Q. Did you have any responsibility for that
13 document?

14 A. I would have been the senior executive
15 responsible for the document at Great Plains Energy.

16 Q. I'd like to refer you to page 5 of the
17 document, and it is printed out in a manner that it
18 doesn't cover for the entire page in most copies that
19 I've distributed.

20 And I'd like to direct you towards the
21 top of page 5. And below the third bullet point,
22 there are two sentences that state, "Great Plains
23 Energy's board of directors also considered potential
24 risks of the merger. The key risks considered by
25 Great Plains Energy's board included:"

1 And then there are several bullet points
2 below that, are there not?

3 A. There are.

4 Q. And did I read that accurately?

5 A. You did.

6 Q. And the last two bullet points in that
7 list are, "Integration challenges" and "The risk of
8 cost savings and synergies not being achieved"?

9 A. That's what it says.

10 Q. Okay. I'd like to next direct you to --
11 well, let me -- let me ask you. Do you know, are
12 there any Joint Applicants' witnesses that identified
13 those risks in their testimony in this case?

14 A. I think we have a whole lineup of
15 witnesses which address integration challenges and
16 cost savings and synergies. Obviously our board was
17 very concerned that we would be able to achieve our
18 goals, and our witnesses in this case provide the
19 information to support that game plan, if you will,
20 to mitigate those risks.

21 Q. I'd like to direct you to page 64, and
22 I'd like to direct you to the last paragraph on that
23 page as a bullet point heading, Significant Cost
24 Savings and Synergies.

25 A. Yes, sir.

1 Q. And I'd like to direct you to the third
2 to last sentence which states, "Great Plains Energy's
3 board of directors noted that expected cost savings
4 and synergies are estimates, that they may change and
5 that achieving the expected cost savings and
6 synergies is subject to a number of risks and
7 uncertainties." Did I read that accurately?

8 A. You did.

9 Q. I'd like to next direct you to page 67,
10 the last bullet point, Integration and the sentence
11 that states, "Great Plains Energy's board of
12 directors evaluated the challenges inherent in the
13 combination of two business enterprises of the size
14 and scope of Great Plains Energy and Aquila,
15 including the possibility the anticipated cost
16 savings and synergies and other benefits sought to be
17 obtained from the merger might not be achieved in the
18 time frame contemplated or at all." Did I read that
19 accurately?

20 A. You did. Our board reviewed the
21 integration plan and the risk associated with synergy
22 sharing to be sure they'd seen all sides of the
23 transaction.

24 Q. I'd like to next direct you to page 132.

25 A. Okay.

1 Q. And I'd like to direct you to the second
2 paragraph under the heading Great Plains Energy Cost
3 and Synergy Estimates.

4 A. Yes, sir.

5 Q. Do you still have from -- from this
6 morning Exhibit 123?

7 A. I do.

8 Q. Okay. If I could direct you to page 12.

9 A. Yes, sir.

10 Q. And I thought we'd try to match up the
11 numbers on page 132 and the chart.

12 A. Yes, sir.

13 Q. I -- from my own experience, I think the
14 page 12 of the March 25 presentation is helpful in
15 trying to understand where the numbers --

16 A. Gives you --

17 Q. -- come from.

18 A. Gives you a picture of the words.

19 Q. Yes.

20 A. Yes, sir.

21 Q. And you're familiar with page 12 of the
22 March 25, 2008 presentation?

23 A. I am.

24 Q. Okay. And you're familiar with
25 page 132?

1 A. I am.

2 Q. Okay. And first of all, on page 132,
3 that first -- that very first sentence in the second
4 paragraph, "Great Plains Energy now expects the
5 merger to generate approximately \$643 million in
6 cumulative cost savings and synergies over the five
7 years following confirmation of the merger." We
8 don't find \$643 million on page 12, do we?

9 A. That would be the 675 at the top of the
10 page.

11 Q. Okay. So --

12 A. So this is an updated number.

13 Q. So the 675 is an update of the 643,
14 because as when we started off, the -- the Joint
15 Proxy Statement Prospectus is dated August 27, 2007,
16 and the presentation is dated March 25, 2008?

17 A. That's correct.

18 Q. Okay. And the difference as far as --
19 the difference of 643 and 675 of \$32 million, where
20 would we find that difference?

21 A. It's basically an interest savings. If
22 you'll notice on page 132, you can see that at the
23 bottom of the page under "Utility," the number 305 is
24 still there. The very bottom of the chart on
25 page 132.

1 Q. Okay.

2 A. Actually, I apolo -- I apologize. The
3 copy you've given me, that would actually be the top
4 of the page of 133. Sorry. Just the way it printed
5 off.

6 Q. Okay.

7 A. So the chart you'll see "Utility" after
8 your 5, "Total, 305."

9 Q. Okay. And I haven't -- I haven't copied
10 that for the --

11 A. Oh.

12 Q. -- for the --

13 A. Okay.

14 Q. -- for the other -- other parties, but
15 what you're --

16 A. It's in the second --

17 Q. -- what you're referring to, let's --
18 let's do it this way: There's -- in that second
19 paragraph, there's the -- the \$305 million amount
20 shows up on the right-hand side of the page under
21 "Regulated Operational Synergies, 305." I'm looking
22 at page 12.

23 A. Oh, I'm sorry. Page 12, yes.

24 Q. All right. And that matches up on
25 page 132, that second paragraph, the second sentence

1 says, "Of that amount, \$305 million is associated
2 with Missouri and Kansas utility operational
3 synergies"?

4 A. Correct.

5 Q. All right. So that's -- that's what
6 matches up as -- as the 305?

7 A. Correct.

8 Q. Okay. And when you were saying the
9 68 million is the interest savings --

10 A. You asked me what the change was.

11 Q. Yes.

12 A. So if you see the second sentence of the
13 second paragraph, it says that 305 is associated with
14 the operational synergies. And then several lines
15 down, you'll see that "\$302 million of the cumulative
16 revised estimate expected to come from reductions in
17 Aquila corporate overhead." So the 302 and the 305
18 are the same --

19 Q. Right. And --

20 A. And so the change is in the 68.

21 Q. Okay. And that's on the left-hand side
22 of the page, page 12, the OH, it's "Corporate
23 overhead and other not allocated to Missouri"?

24 A. Correct.

25 Q. Okay. And there's a breakdown of the

1 305 million that we can see, correct? There's the --
2 the 54 million which is the reduced purchased power
3 cost, that's the -- the PP is reduced purchased power
4 costs are -- are -- are increased revenue?

5 A. Correct.

6 Q. And the 131 million are the supply chain
7 savings?

8 A. Correct.

9 Q. And the 120 million is the nonfuel O&M?

10 A. The total of the 33 and the 87 listed
11 there. Is that right?

12 Q. Yes, yes. So that's the estimated
13 87 million and the 33 million?

14 A. Yeah. It breaks -- it breaks it out
15 between nonfuel O&M integration projects, nonfuel O&M
16 maintenance budget reductions, but the two shown in
17 the picture as 120 total.

18 Q. And then on the left -- on the left-hand
19 side of the -- the -- the page for the 302 million,
20 there's a breakdown for the -- the 275 million that
21 was previously allocated to Black Hills, and that
22 number shows up?

23 A. Yes, sir.

24 Q. The -- the "Corporate retained in
25 merchant savings," does the -- does the 27 million

1 appear?

2 A. I don't see it separated out by number,
3 but it would be the balance of the 302 minus the 275.

4 Q. And the -- the -- approximately the
5 36 million, the approximately 36 million of the total
6 revised estimated cost savings of synergies are
7 expected to come from anticipated Aquila interest
8 expense reductions, net of debt tender cost
9 amortization, is that 36 million now the 68 million?

10 A. It is.

11 Q. So that's -- that's the number which lie
12 on -- page 132, we've got 643 million, but on page 12
13 we've got 675 million --

14 A. Correct.

15 Q. -- because the 36 million is now 68
16 million?

17 A. And that relates to the way we were
18 going to treat the Aquila debt which we've now
19 changed the way we're going to treat that and we've
20 changed our ask as a result as well.

21 Q. The transaction cost that the company --
22 that GPE/KCPL are seeking recovery from Missouri
23 ratepayers, that is being allocated to the 305
24 million regulated operational synergies, is it not?

25 MR. ZOBRIST: Judge, I just want to

1 object. In this proceeding, just to clarify for the
2 record, we're not asking for that recovery, but we
3 are asking for it to be, as the witness has
4 testified, to be deferred and so forth. I just
5 wanted to clarify that in the question and object to
6 his form.

7 MR. CONRAD: As long as we're -- as long
8 as we're doing that, we've interrupted Mr. Dottheim's
9 flow, it has been my -- my assumption here that the
10 Bench did not want me to continue to interpose
11 objections. Counsel for KCPL, Joint Applicants,
12 Mr. Zobrist of the Sonnenschein law firm, had
13 indicated that he was happy to have a continuing
14 objection lodged. I don't know if that ever was
15 responded to by your Honor. I'm happy to leave it
16 there rather than be up and down.

17 JUDGE STEARLEY: Certainly. We will
18 definitely recognize the continuing objection,
19 Mr. Conrad.

20 MR. CONRAD: Okay. And rather than
21 disrupt Mr. Dottheim's flow here.

22 JUDGE STEARLEY: I'm sorry if I wasn't
23 clear on that earlier.

24 MR. CONRAD: Okay.

25 JUDGE STEARLEY: Mr. Dottheim, if I

1 may -- may have a response to Mr. Zobrist's
2 objection?

3 MR. DOTTHEIM: Well, the -- the dollars
4 for purposes of the proposal in this -- in this case
5 may not be literally in rates, may be a deferral, but
6 ultimately the proposal is for recovery from
7 ratepayers.

8 JUDGE STEARLEY: Mr. Zobrist, any --
9 anything further?

10 MR. ZOBRIST: No. I just wanted the
11 clarification that in this proceeding we're not
12 asking for recovery. I think the witness made it
13 clear that -- that's my only objection.

14 JUDGE STEARLEY: Okay. All right. I
15 just wanted to be sure we addressed the objection
16 thoroughly there.

17 THE WITNESS: So I'm sorry. Your
18 question was specifically? Oh. Your question was
19 whether or not we were asking for the 47.2
20 Missouri-allocated transaction cost from ratepayers --

21 BY MR. DOTTHEIM:

22 Q. Yes.

23 A. -- which would be related to the 305?

24 Q. Yes, as opposed to from the -- the other
25 side which is -- which is not the ratepayers.

1 A. Two things. One, we have allocated
2 obviously \$12.2 million to -- to shareholders, but
3 our withdrawal of the amount of transaction related
4 to severance for senior executives at Aquila, so
5 there's a sharing to that degree.

6 And then, yes, we have asked for the
7 remainder in this case to be collected from
8 ratepayers because of the extreme benefits we think
9 exist and because of the unusual nature of our
10 company absorbing interest rate or interest cost
11 which is a bit unusual.

12 So it's kind of a unique situation. But
13 to answer your question, yes, other than the sharing
14 of the 12.2, we're asking for the remainder of the
15 47.2 to be recovered from ratepayers.

16 Q. And you're also seeking recovery of
17 certain transitional costs too, are you not?

18 A. Absolutely.

19 Q. What of the transitional costs -- or the
20 transition costs are you -- are you seeking from --
21 or being charged to the shareholder?

22 A. I think I discussed with the Commission
23 this morning that our current request is for 42.8
24 million Missouri share.

25 Q. From ratepayers?

1 A. Right.

2 Q. And shareholders?

3 A. Transition costs are related to the
4 integration of the company, so we're asking them all
5 from ratepayers. To the --

6 Q. So shareholders it's zero?

7 A. To that extent, yes. And again, those
8 are based on our ability to actually generate
9 synergies which would benefit ratepayers before we
10 collect them.

11 Q. May I have a moment, please?

12 A. Were you through with the proxy,
13 Mr. Dottheim?

14 Q. I think so, but I'm not certain.
15 Mr. Bassham, would you agree that the level of actual
16 synergies achieved by the transaction will determine
17 whether the transaction is or is not detrimental to
18 the public interest?

19 A. It's certainly one of the measures.

20 Q. What are the other measures?

21 A. Well, potential increase for liability,
22 potential -- you know, other efficiencies in process,
23 increased customer service potentially. But in terms
24 of dollars and cents, the synergies and integration
25 are certainly a big part of that. But we would hope

1 over time, given, again, the combination of our
2 companies, that our customer service and reliability
3 and overall provision of service would be improved by
4 the combination of these two companies.

5 Q. The synergies are based upon the
6 integration and centralization of the operations of
7 Aquila and KCPL, are they not?

8 A. They are.

9 Q. If Aquila and KCPL were not permitted to
10 integrate or centralize their operations, would GPE
11 close or consummate the transaction?

12 A. The definition of close is difficult.
13 If -- if you're asking would -- would we be -- would
14 we be able to generate the savings that we've
15 projected here and we anticipate would benefit
16 ratepayers if we're not allowed to operate as a joint
17 entity, the answer is no, we wouldn't be able to.

18 Q. Are there presently any contracts or
19 agreements between KCPL and Aquila to integrate or
20 centralize their operations?

21 A. We've not executed operating agreements
22 of any sort yet. There may be agreements between the
23 companies of some sort on a day-to-day basis, but in
24 terms of our operating agreements to combine
25 centralization, we've not yet. If that were

1 something the Commission felt important, we certainly
2 could do that.

3 We're working very hard on a cost
4 allocation manual which would be used to allocate
5 costs between the two entities to be sure that costs
6 are allocated appropriately between the two companies
7 based upon appropriate need and usage.

8 Q. Do you know whether there has been
9 authorization by either the -- well, strike that. Do
10 you know whether there has been authorization by the
11 KCPL board to integrate or centralize the KCPL
12 operations with Aquila?

13 A. Our board of directors has passed all
14 resolutions and given all approvals to operate the
15 companies as we've proposed in this filing, yes, sir.

16 Q. Do you know whether the Joint Applicants
17 have filed an adjusted balance sheet and income
18 statement for KCPL and Aquila showing the results of
19 the proposed integration or centralization of Aquila
20 and KCPL's operations?

21 A. Well, our filing speaks for itself, and
22 I know there's a lot of synergy testimony, so I
23 wouldn't -- shouldn't characterize what's in that
24 testimony. But we have not made a specific rate
25 request in that regard, so I don't believe we filed

1 balance sheets, income statements on a pro forma
2 basis in the rate -- in this case.

3 But again, our -- our testimony speaks
4 for itself to the extent someone's filed some -- some
5 of that information.

6 MR. DOTTHEIM: Thank you, Mr. Bassham.

7 THE WITNESS: Thank you.

8 JUDGE STEARLEY: You've concluded your
9 cross, Mr. Dottheim?

10 MR. DOTTHEIM: Yes.

11 JUDGE STEARLEY: Questions from the
12 Bench. Commissioner Murray.

13 COMMISSIONER MURRAY: Just one or two,
14 thank you.

15 QUESTIONS BY COMMISSIONER MURRAY:

16 Q. Good afternoon.

17 A. Good afternoon.

18 Q. Pardon me. If this Commission did not
19 allow the transaction costs to be flowed through to
20 the ratepayers, would that affect the credit rating
21 of the Applicants?

22 A. Well, as I said earlier, obviously
23 credit is a big issue for us. We're very, you know,
24 protective of our credit rating. And obviously the
25 loss of \$47 million in cash flow in the next several

1 years would take away some of the flexibility in that
2 credit rating.

3 If -- if you're asking me to look at the
4 specifics that we've presented in this case, and, if
5 in fact, the transaction costs were not allowed, I
6 don't -- I don't believe I could say that, in and of
7 itself, that loss of cash flow would cause our credit
8 rating to change.

9 But we certainly believe that recovery
10 of those are appropriate and would be appropriate in
11 this instance, given the flexibility we -- we'd like
12 to maintain as we move forward.

13 Q. Do you know if KCP&L has been
14 reorganizing any employees in anticipation of the
15 consolidation?

16 A. Well, we've done -- and you'll hear from
17 the synergy witnesses -- we've done a lot of work in
18 terms of preparing for day one integration. We've
19 actually been obviously meeting and talking to Aquila
20 employees as well to be sure that we're operational
21 immediately and responsive to customers. So that's
22 the reorganization that -- that our synergy teams
23 have been going through.

24 Q. Okay. There haven't actually been any
25 employee transfers at this point, have there?

1 A. Between companies?

2 Q. Yes.

3 A. No. Actually, there's a -- I think
4 there's a contractual prohibition against that. But
5 no, there's been no transfer of employees.

6 COMMISSIONER MURRAY: Thank you.

7 THE WITNESS: Thank you.

8 JUDGE STEARLEY: Commissioner Clayton.

9 COMMISSIONER CLAYTON: Thank you, Judge.

10 QUESTIONS BY COMMISSIONER CLAYTON:

11 Q. Mr. Bassham, I only have a couple of
12 questions, and it's probably going to be annoying to
13 you, but it goes back to your direct testimony.

14 On page 10, line 14, you ask a -- or a
15 question is asked: "Is this proposal associated with
16 synergies consistent with other proposals or
17 recommendations for addressing merger savings or for
18 utility mergers in Missouri?"

19 And then your response relates to
20 positions that Staff has taken in the past. Do you
21 recall that -- that part of your direct testimony?

22 A. Yes, sir.

23 Q. Can you explain to me what you mean by
24 "this proposal"? And obviously this is your original
25 proposal which is different from today.

1 A. Correct.

2 Q. But what I'm trying to get a handle on
3 is obviously you're -- you're knowledgeable of what
4 position the Staff took in that rate case
5 EM-2000-0292 --

6 A. Yes, sir.

7 Q. -- is that correct?

8 A. Yes, sir.

9 Q. Can you explain to me what -- what you
10 mean by consistent with what your proposal used to be
11 with what Staff proposed or agreed to in that case?

12 A. Sure. We wanted to obviously propose
13 something that was recognizable or made sense to
14 Missouri in terms of synergy savings but which would
15 provide us with some certainty -- again, from a
16 credit perspective gave us some certainty. You know,
17 my understanding of this case was that the Staff in
18 another case has quoted here was that a 50/50 sharing
19 was appropriate.

20 Certainly, as we got into the case, I've
21 seen either in legal pleadings or in testimony that
22 the Staff's perception of what was said by this
23 witness was different, and so there -- there may be
24 an honest disagreement about what we thought it meant
25 and what the Staff thought it meant. But in that

1 regard, that's one of the reasons that we decided to
2 go the other direction, which would be to collect
3 through the --

4 Q. Okay. Well, don't jump ahead of me
5 here.

6 A. Oh, I'm sorry.

7 Q. I mean, in that old -- in that older
8 case, did Staff propose a mechanism identical to what
9 KCP&L and Great Plains proposed in this case?

10 A. No. I believe it was the 50 percent
11 sharing that we were talking about in terms of the
12 comparison.

13 Q. So what was Staff's position in that
14 case as it related to how to credit that 50 percent
15 savings? Was it consistent or in line with what
16 Great Plains proposed in the initial proposal or is
17 it more consistent with what is now on the table as
18 suggested by Great Plains?

19 A. I don't --

20 Q. Or neither?

21 A. Well, I think it's consistent with both
22 in terms of the way the numbers work out from a 50
23 percent perspective. I -- I don't know that they
24 proposed a particular mechanism in that case or not,
25 so I don't know that they did. And to the extent

1 that they didn't, then our original proposal would
2 have been a step further than just the 50 percent and
3 would be more consistent with our current proposal.

4 Q. Okay. So -- so in that case, you're
5 not -- you're not aware of them -- of Staff making
6 a proposal to -- that was similar other than the
7 50/50 split?

8 A. I'm not. Yeah, I'm not. You might ask
9 Mr. Giles if he knows more about that case. My -- my
10 purpose here was to point to the 50/50 sharing
11 specifically, so -- and I'm not aware that there was
12 a particular mechanism.

13 Q. Okay. Are you aware of in that prior
14 case how Staff proposed that the synergies be
15 reflected in rates or how they'd be recognized?

16 A. No, I'm not.

17 Q. You're not aware of that?

18 A. No. I'm kind of the policy witness on
19 synergies and what was -- was --

20 Q. Okay.

21 A. -- important here is the second page
22 that talked about --

23 Q. So the language consistent -- the policy
24 that you're proposing is consistent with what Staff
25 proposed basically is just that it's the 50/50

1 breakdown and that -- that -- that Staff has at one
2 point suggested that some sort of sharing mechanism
3 would be appropriate, but nothing specific; is that
4 accurate?

5 A. Yeah, that fair sharing between
6 shareholders and ratepayers is appropriate in this
7 instance, 50/50 being something they've looked at
8 before, correct.

9 Q. Okay. But it doesn't necessarily
10 endorse either of the proposals that you've proposed
11 before us now?

12 A. Well, it certainly doesn't specifically
13 propose our original proposal. I think it's
14 consistent with our last proposal which is simply to
15 use normal rate case process.

16 COMMISSIONER CLAYTON: Okay. Thank you.

17 THE WITNESS: Yes, sir.

18 JUDGE STEARLEY: Okay. Any recross
19 based on questions from the Bench?

20 (NO RESPONSE.)

21 JUDGE STEARLEY: IBEW Locals.

22 MS. WILLIAMS: Nothing, your Honor.

23 JUDGE STEARLEY: South Harper residents.

24 MR. COFFMAN: No, your Honor.

25 JUDGE STEARLEY: AgProcessing.

1 MR. CONRAD: No, your Honor. Thank you.

2 JUDGE STEARLEY: Public Counsel.

3 MR. MILLS: No questions.

4 JUDGE STEARLEY: Staff?

5 MR. DOTTHEIM: Yes.

6 RECROSS-EXAMINATION BY MR. DOTTHEIM:

7 Q. Mr. Bassham, you still have your
8 February 28th testimony?

9 A. Yes, sir.

10 Q. If I could direct you to page 3 --

11 A. Yes, sir.

12 Q. -- line 11.

13 A. Yes, sir.

14 Q. Commissioner Clayton referred you to the
15 Joint Applicants' original proposal. The question
16 that begins on page 3 at line 11, "Has the amount of
17 synergies and benefits contained in the original
18 request filed on August 8th, 2007, changed?" Your
19 answer is "No," is it not?

20 A. Yes, sir.

21 Q. The company's original filing was not on
22 August 8th, 2007, was it?

23 A. No. It was earlier in the year.

24 Q. The company's original filing was on
25 April 4, 2007, was it not?

1 A. I'll take your word for it. I don't
2 remember the date, but -- my testimony says April
3 2007, so I'm sure that's correct.

4 Q. Okay. To find the company's original
5 amount of synergies and benefits, one would have to
6 go to the April 4, 2007 testimony, would one not?

7 A. If you're asking me ...

8 Q. Do you recall?

9 A. Well, if you're asking me do you have to
10 go back to see what we had proposed in our very first
11 filing, the answer obviously would be yes. We said
12 in that filing we'd be filing subsequent testimony
13 which, after we had done our work on synergies, and
14 that's what the August filing is, is to give a more
15 update, and that's what I was talking about -- well,
16 as I mentioned, August 8th.

17 Q. Do you know whether the numbers are
18 different in the August 5th -- excuse me, the
19 August 4th, 2007 filing and the August 8th, 2007
20 filing regarding the Joint Applicants' quantification
21 of synergies?

22 A. The total amount has changed slightly.
23 It's gone up some. The allocation between different
24 pieces has changed, and our synergy witnesses I'm
25 sure can describe the detail around that.

1 Q. What do you define as "up some"?

2 A. Original -- our original overall
3 estimate was 500 million, and we're -- well, we're at
4 675 currently again on a total basis.

5 MR. DOTTHEIM: Thank you, Mr. Bassham.

6 THE WITNESS: Yes, sir.

7 JUDGE STEARLEY: Okay. Any party that I
8 might have missed for recross?

9 (NO RESPONSE.)

10 JUDGE STEARLEY: Redirect?

11 MR. ZOBRIST: Yes, thank you, Judge.

12 REDIRECT EXAMINATION BY MR. ZOBRIST:

13 Q. Mr. Bassham, do you have before you
14 Exhibit 34 which is the joint proxy statement?

15 A. Yes, sir.

16 Q. What is the audience to which that
17 document was directed?

18 A. As I mentioned before, that was the
19 proxy -- the joint document with Aquila and ourselves
20 to our shareholders to describe for investors and
21 shareholders the work that had been done and the
22 proposal we were making to them for their vote on
23 approval of the merger.

24 Q. And what kind of shareholders does Great
25 Plains Energy have, institutional, residential? I

1 mean, who are the -- just a brief description, who
2 are the shareholders of the company?

3 A. Well, the -- the audience would
4 obviously be all shareholders, and so we have varying
5 degrees. Aquila tends to have a little higher
6 percentage of what may be called an institutional as
7 opposed to -- or hedge fund -- as opposed to
8 consumer, residential or -- not residential would be
9 the word, but retail, as they call it.

10 Kansas City Power & Light has a greater
11 mix of what might be called retail, but we have a
12 significant number of institutional investors as
13 well.

14 Q. Are institutional investors
15 sophisticated investors?

16 A. Absolutely.

17 Q. Okay. What actions did the shareholders
18 who received Exhibit 34 take with regard to the
19 proposed transaction?

20 A. In October of 2007, both KCP&L or Great
21 Plains Energy and Aquila shareholders voted to
22 approve the merger.

23 Q. Now, Mr. Dottheim, I believe, asked you
24 about what witnesses testified about risk. Are you
25 familiar with the direct testimony of Wallace Buran?

1 A. To some degree.

2 Q. Did he testify about risks in his
3 testimony, Exhibit 6?

4 A. I believe so. I'm not as familiar with
5 the specifics, but I believe so.

6 Q. Now, Mr. Dottheim asked you about the
7 difference in interest savings costs going from
8 36 million to 68 million. Does that -- do you
9 remember that?

10 A. Yes, sir.

11 Q. Why did that happen?

12 A. Again, the original proposal was to
13 refinance Aquila's debt and to basically refinance
14 everything except one piece. There were costs
15 associated with that that we would have netted
16 against and asked for recovery of. Ultimately, the
17 markets for hybrid securities which we had hoped to
18 use collapsed last fall, and we didn't use -- we
19 weren't able -- very few customers -- very few
20 institutions were able to use hybrid.

21 And ultimately, again, based upon the
22 change in ask such that we're going to absorb the
23 difference, we're not going to refinance. And as a
24 result, we didn't have some of those costs to
25 refinance the debt.

1 Q. Was that a favorable or an unfavorable
2 development?

3 A. Well, to the synergies, it's a
4 favorable. The synergies are greater as a result.
5 Unfortunately, you know, we're going to be absorbing
6 those costs. Overall it's -- it's negative.

7 Q. Is it favorable or unfavorable to
8 ratepayers?

9 A. Oh, obviously to the tune of about \$120
10 million over the period is extremely favorable to
11 ratepayers.

12 Q. Now, Mr. Dottheim also asked you about
13 transition costs. How is it that synergies go to
14 ratepayers presumably before any costs approved in a
15 future rate case would be paid by ratepayers?

16 A. I don't believe they would. I believe
17 both would be presented in the first rate case.

18 Q. When would synergies -- presuming that
19 this merger is approved, when would synergies be
20 going to ratepayers?

21 A. In the first rate case.

22 Q. All right.

23 A. And each rate case after that.

24 Q. Do you have Exhibit 32 which I believe
25 you had this morning? It was the Joint Application

1 in this case.

2 A. I do.

3 Q. Would you turn to page 8, paragraph 15?

4 A. Yes, sir.

5 Q. What does that indicate?

6 A. "Attached as Exhibit 4 is a copy of the
7 agreement and the plan of merger dated February 6th,
8 2007."

9 Q. Entered into by whom?

10 A. Aquila, Black Hills, Great Plains Energy
11 and Merger Sub.

12 Q. Did Kansas City Power & Light Company
13 enter into that agreement to the best of your
14 knowledge?

15 A. No.

16 Q. And then if you would turn to page 11,
17 paragraph 25.

18 A. Yes, sir.

19 Q. What does paragraph 25 state?

20 A. A certified copy of the resolutions of
21 the board of directors of Great Plains authorizing
22 the merger and related transactions contemplated by
23 the agreement and plan of mergers is marked as 7 and
24 attached to the application.

25 Q. And are those the board resolutions that

1 carried out the merger agreement that Great Plains
2 Energy entered into?

3 A. Yes, sir, they are.

4 Q. Are you aware of a resolution of Kansas
5 City Power & Light Company with regard to the
6 agreement and plan of merger?

7 A. No.

8 MR. ZOBRIST: Okay. Nothing further,
9 Judge.

10 JUDGE STEARLEY: All right. Thank you
11 very much. Mr. Bassham, that concludes your
12 testimony for today, but I notice you'll be back
13 later in the week.

14 THE WITNESS: I'm not going anywhere.
15 Thank you.

16 JUDGE STEARLEY: Thank you. At this
17 time we're going to take a short break and we'll come
18 back on the record in about ten minutes.

19 MR. FISCHER: Judge, before we take a
20 break, Mr. Zobrist mentioned Wally Buran, and he's
21 going to be a witness tomorrow. In the December
22 hearings I passed out three corrected pages of his
23 schedules, but because it's been a while, I wanted to
24 make sure counsel had those. And we've also taken
25 the highly confidential label off those, so I'd like

1 to pass that out during the break.

2 JUDGE STEARLEY: Yeah, that's -- that's
3 quite acceptable. And when we resume, I have
4 Mr. Zabors -- Zabors for today, right? And
5 Ms. Cheatum is available tomorrow; is that correct?

6 MR. FISCHER: Yes.

7 JUDGE STEARLEY: And Mr. Giles, then,
8 we'll pick up tomorrow; is that right? So we'll be
9 concluding with Mr. Zabors today. All right. Are
10 there any other witnesses available for today?

11 MR. FISCHER: Probably not since we want
12 to give time for folks to look at Giles' testimony.

13 JUDGE STEARLEY: Okay. All right. Very
14 well, then. We'll be resuming here in about ten
15 minutes.

16 (A RECESS WAS TAKEN.)

17 (EXHIBIT NOS. 30 AND 31 WERE MARKED FOR
18 IDENTIFICATION BY THE COURT REPORTER.)

19 JUDGE STEARLEY: All right. We are back
20 on the record. And KCPL, you may call your next
21 witness.

22 MR. FISCHER: Yes. We would call
23 Robert T. Zabors to the stand.

24 (The witness was sworn.)

25 JUDGE STEARLEY: Thank you. You may be

1 seated, and you may proceed.

2 DIRECT EXAMINATION BY MR. FISCHER:

3 Q. Mr. Zabors, did you cause to be filed in
4 this case certain direct testimony in April of 2007
5 which has been marked as Exhibit No. 30 in this
6 proceeding?

7 A. Yes.

8 Q. And did you also cause to be filed in
9 this proceeding in August of 2007 supplemental direct
10 testimony which has been marked as Exhibit 31?

11 A. Yes, I did.

12 Q. Do you have any corrections that you
13 need to make to this testimony?

14 A. No, I do not.

15 MR. FISCHER: Your Honor, then I tender
16 the witness for cross.

17 JUDGE STEARLEY: Cross-examination, IBEW
18 Locals.

19 MS. WILLIAMS: No, your Honor.

20 JUDGE STEARLEY: See who we still have
21 in the room here. I guess we're back to you,
22 Mr. Conrad, AgProcessing.

23 MR. CONRAD: And I'm going to be easy.
24 I don't have any question for this witness on this
25 issue.

1 JUDGE STEARLEY: Public Counsel.

2 MR. MILLS: No questions.

3 JUDGE STEARLEY: Staff, Mr. Thompson.

4 MR. THOMPSON: Thank you, Judge.

5 CROSS-EXAMINATION BY MR. THOMPSON:

6 Q. Good afternoon, Mr. Zabors.

7 A. Good afternoon.

8 Q. Who are you employed by?

9 A. Employed by Bridge Strategy Group.

10 Q. And who is Bridge Strategy Group?

11 A. It is a consulting firm based in

12 Chicago.

13 Q. And if you know, how many employees are
14 there of Bridge Strategy Group?

15 A. About 50 or 52 employees at this time.

16 Q. And is it a partnership?

17 A. It's an LLC.

18 Q. An LLC. And are you a member?

19 A. Yes, I'm the -- recently we completed a
20 transaction where we have sold the interest of Bridge
21 Strategy to another company called Satyam, and that
22 closed April 4th, so we are part of the LLC, and I'm
23 a director of the LLC.

24 Q. I see. And what was your role or what
25 has been your role in this transaction?

1 A. Been leading the consulting team that's
2 helped to facilitate the -- the integration teams,
3 the teams that have been pursuing the definition of
4 operational improvements resulting from the
5 transaction.

6 Q. And do those consulting teams include
7 any other employees of your employer?

8 A. Employees of my employer? Yes, they do.

9 Q. Okay. How many?

10 A. At various times in the work, it's
11 approximately eight to 12 people have been on the
12 team.

13 Q. And how long has Bridge Strategy been
14 engaged in this project?

15 A. I believe since July of 2006 in some of
16 the early due diligence work and then throughout the
17 process.

18 Q. And Bridge Strategy has been compensated
19 for its participation, isn't that true?

20 A. That's true.

21 Q. How much compensation if you know?

22 A. In the -- in this phase of work since
23 the -- the announcement which has been the
24 majority -- vast majority of those billings, the
25 average monthly rate has been between 300 and 700,000

1 a month.

2 Q. Do you know what the cumulative total is
3 as of today?

4 A. I do not.

5 Q. Who would know that?

6 A. I could figure it out, but I don't have
7 the information here on the stand. I know that
8 the -- on the GPE side, they have been tracking those
9 costs, I have a monthly accounting of that, along
10 with all the costs of third parties associated with
11 this transaction.

12 Q. Would you agree with me that it's
13 several millions of dollars?

14 A. It is at this time.

15 Q. Is it as many as \$20 million?

16 A. No.

17 Q. Ten?

18 A. No.

19 Q. Five?

20 A. I would assume that, yes, it's probably
21 between five and ten at this point in time.

22 Q. Okay. Now, if you know, is that a
23 transition cost or a transaction cost?

24 A. The definition of those costs has been
25 done by the internal accounting staff of GPE, so you

1 could ask witness Lori Wright. She would be the best
2 person to address that.

3 Q. So you're saying you do not know whether
4 that cost has been accounted as a transition or a
5 transaction cost?

6 A. No. It's accounted very -- very
7 specifically on a per-month-per-resource basis. We
8 report each individual and a percent allocation
9 between the transition and transaction costs due to
10 the definition of those. And those are on our
11 invoices, and I believe those invoices are routed
12 throughout the company to confirm that allocation.

13 Q. So you're saying they're split?

14 A. They are split.

15 Q. Okay. But 100 percent of the costs is
16 either a transition or a transaction cost; isn't that
17 correct?

18 A. That is correct.

19 Q. And -- and so --

20 A. As far as we have the invoicing and then
21 GPE makes the final decision.

22 Q. As far as you know?

23 A. Uh-huh.

24 Q. Absolutely. So if this merger is
25 approved, then the ratepayers, in fact, will pay

1 those costs; isn't that correct?

2 A. They will pay the costs of all the
3 transition costs, which includes Bridge and others --

4 Q. Okay.

5 A. -- in this proposal.

6 Q. And how much are those transition costs
7 if you know?

8 A. That was in a schedule, I believe
9 schedule RTZ-10. Would you like me to refer to that?

10 Q. I'd like you to tell me if you know, and
11 if you don't know, then go ahead and refer to your
12 schedule.

13 A. The transition costs, as you'll see in
14 schedule RTZ-11 which is the transition costs, the
15 combination of legal, HR and integration support,
16 you'll see a row, 5 million in 2007; 11.8 in 2008 and
17 3.8 million in 2009.

18 Q. Is there an overall figure?

19 A. Out on the far right of the page it says
20 20.6 million.

21 Q. Okay. I thought I read in the GPE
22 updated brief that transition costs were expected to
23 be -- or the Missouri share of transition costs were
24 expected to be 42.8 million.

25 A. I believe that's what Mr. Bassham's

1 testimony says.

2 Q. Okay. Do you agree or disagree with
3 that?

4 A. I have no reason to disagree with that.

5 Q. Okay.

6 A. But I think that's referring to the
7 total which on the schedule it goes up through 2012.

8 Q. For five years?

9 A. The costs as they're allocated on
10 schedule RTZ-11 go through 2011 with small amounts in
11 2010 and '11.

12 Q. Okay. Now, how about transaction costs?
13 Would you agree that the Missouri share of
14 transaction costs is expected to be \$47.2 million?

15 A. That's what's in Mr. Bassham's
16 testimony, yes.

17 Q. And you again have no reason to disagree
18 with that, do you?

19 A. Correct.

20 Q. And would you agree if you add 47.2 plus
21 42.8, you get 90?

22 A. That's correct.

23 Q. Okay. Now, transaction costs, you
24 characterize those in your testimony, I believe, as
25 consisting of fees and charges to bankers, lawyers

1 and consultants; isn't that correct?

2 A. I think that's among the things that we
3 put in transaction costs.

4 Q. What else goes in transaction costs?

5 A. Again, on schedule RTZ-10 which is also
6 in the same piece of testimony, there are a few other
7 things. It looks like there's a small item for
8 regulatory process costs which is the items that are
9 in RTZ-10.

10 Q. Could you read those items?

11 A. It says on that schedule which happened
12 before the current proposal, there is a share of
13 severance, a share of executive change in control,
14 Rabbi trust, a tax gross-up, legal HR and deal close
15 support, transaction costs GPE, transaction costs
16 Aquila, directors and officers liability tail
17 coverage and regulatory process costs. Total on that
18 page is 95.2.

19 Q. Okay. And have those costs changed to
20 your knowledge since the proposed transaction has
21 changed?

22 A. Yes. Mr. Bassham described those this
23 morning.

24 Q. Okay. Now, as far as you know, has this
25 Commission ever allowed costs of the sort that are

1 listed under transaction costs to be charged to
2 ratepayers?

3 A. That's outside the scope of my -- my
4 engagement with GPE. I'm not --

5 Q. So your answer is you don't know?

6 A. I don't know.

7 Q. Thank you. And you agree that the
8 Missouri share of synergy savings is estimated at
9 \$222 million over the first five years?

10 A. The first five years, correct.

11 Q. Okay. And enabled synergies could be
12 achieved without the merger, couldn't they?

13 A. No. That's not the defini -- the common
14 definition of enabled synergies in any -- any merger
15 with what -- with which I'm familiar.

16 Q. Well, didn't you define created
17 synergies as a direct result of a transaction?

18 A. Correct.

19 Q. And enabled synergies are facilitated or
20 enabled by the transaction?

21 A. That doesn't seem consistent with
22 what -- the question you asked me earlier, so ...

23 Q. Well, rather than comment on my
24 question, is that, in fact, the definition in your
25 testimony?

1 A. I believe it is. Let me confirm that.

2 Q. So facilitated, would you agree?

3 A. Enabled synergies -- the definition of
4 enabled synergies across the industry and also
5 reflected in my testimony would be those things that
6 would be -- as the word "enabled" gets overused by
7 consultants -- would be a part of the merger would be
8 required -- the merger would -- the transaction would
9 need to occur for those savings to be realized.

10 But in the definition of "enabled,"
11 those are things that would be -- it would take a
12 little bit more management action to -- to realize.
13 Typically those are things that require sharing of
14 skills.

15 The classical -- the classic example of
16 enabled synergies that's been used in testimony with
17 other cases with which I'm familiar has been if two
18 companies need to make an investment in, let's say,
19 systems renewal, because both companies would need
20 and have the opportunity to make that investment, it
21 would be cheaper for those companies to do so because
22 of the transaction.

23 Q. Okay. Now, if this transaction goes
24 forward, there are a number of employees of Aquila
25 that are going to lose their positions; isn't that

1 correct?

2 A. That is true.

3 Q. How many overall, do you know?

4 A. Aquila, from what I believe currently,
5 has -- at least as of our baseline, had 1,254
6 employees at the end of 2006. The number that GPE
7 will end up with -- I'm sorry -- that will be
8 employed by the end of the five years is 843.

9 Black Hills Corporation has also been
10 actively recruiting Aquila employees, and I do not
11 know how many Black Hills has hired, but I know
12 they've been very active in pursuing employment of
13 Aquila employees.

14 Q. Okay.

15 A. And GPE has helped facilitate that as
16 well.

17 Q. And you subtract 843 from 1,254, would
18 you agree that you get 411?

19 A. That sounds right.

20 Q. Okay. And so you can calculate to the
21 penny, to the penny how much in salary and wages and
22 benefits will be saved by terminating those 411
23 people; isn't that correct?

24 A. Based on the 2006 baseline, yes.

25 Q. Okay. So those we might call certain

1 synergies; isn't that correct?

2 A. And the category would include people
3 who decide to leave as well. It's not necessarily
4 termination. But yes, that would be very -- very
5 clear definition of synergy.

6 Q. But in other words, every position that
7 is eliminated --

8 A. Uh-huh.

9 Q. -- there are costs associated with that
10 position that you will then not be spending, correct?

11 A. That GPE would not be spending and
12 customers would not be paying for, yes.

13 Q. Okay. It's a simple concept. Thank
14 you.

15 A. Yes, uh-huh.

16 Q. Now, what about the optimization of
17 Sibley 3? Why can't that be done in the absence of
18 this transaction?

19 A. The Sibley 3 improvement -- and I would
20 defer to the technical expertise of Dana Crawford and
21 Robert Steinke who are also scheduled to testify --
22 fits the definition of a created synergy in which it
23 basically adopts the platform of the GPE, has the
24 scale that the GPE has and the experience in terms of
25 managing the coal fleet.

1 And I believe, and I defer to them in
2 their technical expertise, but Sibley 3's
3 construction of a cyclone boiler is similar to the
4 experience that they had gained at Sibley 1 and the
5 scale which -- which was possible by managing more
6 than one cycle in a unit would therefore lead to
7 opportunities for improvement.

8 Q. What about improved CT operations, can
9 they not do that in the absence of this transaction?

10 A. Again, the subsequent witnesses will
11 talk about that in more detail, but the screened --
12 one screen is, is they're a benefit to scale. And I
13 believe in this industry there is typically a benefit
14 perceived to scale in generation in addition to other
15 areas.

16 Q. So in other words, if I understand your
17 testimony correctly, you're going to save \$3.1
18 million over five years because of economies of scale
19 in the area of CT operations; is that correct?

20 A. Again, the teams have identified those
21 savings and they can go into the detail. I believe
22 the -- there are some exhibits in the testimony of
23 Dana Crawford, FDC-4, -5, -6, et cetera, that may
24 address each one of those in particular.

25 Q. Now, Aquila's headquarters, you can't

1 get rid of that if you don't go through with the
2 transaction; isn't that correct?

3 A. Pretty classic example, yes.

4 Q. Okay. And that has operating costs of,
5 I think you testified, \$16.2 million for the first
6 five years?

7 A. Uh-huh, sounds right.

8 Q. That would be avoided; is that correct?

9 A. Sounds right.

10 Q. Now, is anything still owed on that
11 headquarters?

12 A. I don't know. The facilities team
13 would -- would know the details on that. I don't
14 know.

15 Q. Okay.

16 A. In terms of the synergies, I think
17 people were looking at the rate base implications and
18 the cost savings and operational cost savings being
19 the focus of our -- our work.

20 Q. I understand. Now, automatic --
21 automated meter reading, implementing automated meter
22 reading for Aquila. Now, certainly it's not true, is
23 it, that you cannot implement automated meter reading
24 for Aquila in the absence of this transaction?

25 A. I think the intention of the team was to

1 say if it -- there is an existing platform and
2 software that exists with the deployment of automatic
3 meter reading throughout the current KCPL territory,
4 so the incremental benefit or the incremental cost of
5 implementing that on the Aquila side would be minimal
6 or lower in this environment in the absence of -- of
7 a transaction, then the cost hurdles would be higher.

8 Q. They would have to pay more for those
9 automatic meters?

10 A. It's the infrastructure, not just the
11 meters themselves. A meter -- an automatic meter
12 without IT support and communications support and the
13 skills and talent of the individuals to interpret
14 that data is not worth much, and the energy
15 efficiency programs that have used those -- those
16 meters as well.

17 MR. THOMPSON: I have no further
18 questions for you. Thank you.

19 THE WITNESS: Thank you.

20 JUDGE STEARLEY: Did I miss any parties
21 for cross-examination? Questions from the Bench.
22 Commissioner Murray.

23 COMMISSIONER MURRAY: I don't believe I
24 have any, thank you.

25 JUDGE STEARLEY: Commissioner Clayton.

1 COMMISSIONER CLAYTON: No questions,
2 thank you.

3 JUDGE STEARLEY: I have no recross based
4 on questions from the Bench, so we'll go to redirect.

5 MR. FISCHER: Thank you, Judge, just
6 briefly.

7 REDIRECT EXAMINATION BY MR. FISCHER:

8 Q. Mr. Zabors, you were asked about created
9 versus enabled savings, I believe. Do you recall
10 that?

11 A. Correct, yes.

12 Q. Are those terms meaningful in the
13 context of this case?

14 A. In the context of this case, no. From
15 the current offer and from the discussions across the
16 teams, the teams were made familiar with the concepts
17 early on. But in terms of savings that the
18 transaction creates for customers and the savings
19 that are created for the company itself for
20 shareholders, the created/enabled distinction is not
21 meaningful.

22 Q. Would you explain why you hold that
23 opinion?

24 A. In terms of even looking at testimony on
25 the cases, it is a -- tends to be a fuzzy line and

1 different witnesses define it differently. Even
2 Mr. Kemp when he was here talked about the gray area
3 of enabled versus created.

4 But in terms of the process itself, the
5 teams were very conservative in vetting any synergies
6 that were identified. And -- and you'll see in some
7 of the testimony of Dana Crawford and others that
8 there are very specific boxes that say why is this a
9 synergy and make sure it was clear to everyone why.
10 And I think that's the operative question that was
11 asked of the sub teams, the teams themselves, the
12 integration planned leadership team. Aquila asked
13 the same question for the joint proxy. So in terms
14 of the operative questions, created and enabled,
15 what -- people are aware of the concept, but the
16 question is, does this transaction create this value.

17 Q. Under the company's -- or the Joint
18 Applicants' revised regulatory plan, will it matter
19 whether it's labeled a created or an enabled synergy
20 when it's passed through to consumers?

21 A. It does not make any difference at all.

22 Q. Mr. Thompson asked you about, I believe,
23 411 employees that would be eliminated as a part of
24 the transaction. Do you recall that?

25 A. Correct, yes.

1 Q. And I believe he indicated you can
2 calculate to the penny the synergies associated with
3 those 411 employees?

4 A. Correct.

5 Q. Can you tell me what amount or generally
6 are related -- of the synergies are related to
7 employee changes as a result of the transaction?

8 A. In the schedule that I filed under
9 nonfuel O&M, there's approximately \$50 million of
10 savings on the regulated side over five years
11 attributable to that reduction. Again, this is where
12 the term "estimated" has come up at different points
13 in time. This is -- to this point, this is not a
14 estimate, this is a specific number.

15 Q. And that's about what the -- the
16 transition costs are?

17 A. The transition costs are about that
18 amount. The transition and transaction costs that
19 were discussed earlier is about 90. So if you put in
20 the certainty of 20 West 9th that Mr. Thompson
21 brought up and the other facilities' consolidation,
22 that's another \$30 million there. So simply the
23 certain items tangible, like buildings and positions,
24 are very close to the combined transaction and
25 transition costs.

1 Q. Are there other costs that are similar
2 to the -- those two items, the employees and the --
3 the headquarters building as far as synergies that
4 you can very easily calculate?

5 A. Each of the projects that we've just
6 discussed --

7 MR. THOMPSON: I think this goes beyond
8 the scope of cross, your Honor.

9 MR. FISCHER: I'm asking about his
10 synergy calculations. That's what Mr. -- he was
11 talking about how you calculate those and these can
12 be calculated to the penny.

13 MR. THOMPSON: He's asking him for other
14 examples other than the ones I brought up of things
15 that could be easily calculated.

16 JUDGE STEARLEY: I will overrule. You
17 may answer the question.

18 THE WITNESS: In terms of the ones that
19 were brought up, each one of those projects has gone
20 through a definition process at or above the level of
21 scrutiny that a typical project would receive from
22 within the company. So the certainty question is a
23 very relevant question here among those projects that
24 were discussed, and every project that's on the
25 exhibits and attachments to my testimony that's

1 broken out has that level of scrutiny or higher.

2 In other words, it's passed the EVA
3 tests and its operationalized at this point in time.
4 In other words, the teams understand what it takes to
5 implement each one of those changes. So the level --
6 again, to the question of precision, it is precise
7 and estimated, if not to the penny -- I don't believe
8 they've budgeted to the penny level, but it is at
9 that level of detail.

10 BY MR. FISCHER:

11 Q. Mr. Thompson also asked you about the
12 optimization of Sibley 3. Do you recall that?

13 A. Yes.

14 Q. And I believe you explained that there
15 was a GPE platform that was related to that
16 particular topic?

17 A. Correct.

18 Q. Could you elaborate upon that? Why is
19 that an important piece of information?

20 MR. THOMPSON: Objection, calls for a
21 narrative.

22 MR. FISCHER: It's not leading, Judge.
23 It's asking why is that important. It's redirect.

24 JUDGE STEARLEY: Mr. Thompson?

25 MR. THOMPSON: It's direct. I think he

1 has to ask him a yes or no question.

2 JUDGE STEARLEY: I would disagree. I
3 would overrule. You may answer the question.

4 THE WITNESS: In terms of the platform
5 that was discussed in Sibley 3 in particular, GPE has
6 developed skills in -- in managing certainly a coal
7 fleet, and I believe they operate coal plants for
8 others as well, and they operate a plant that's
9 co-owned by Aquila as well.

10 So there's a platform consisting of
11 knowledge systems, computer systems that are already
12 in place that, again, get to the definition of created
13 synergies. Those things are in place already. So
14 adding new plants to that system are much more
15 cost-effective for customers and shareholders than
16 having to build that up from scratch as an
17 independent entity.

18 BY MR. FISCHER:

19 Q. Do you know if Aquila has that same
20 platform in existence today?

21 A. I don't believe they do and, again,
22 Mr. Crawford and Steinke can address that too.

23 Q. You were also asked about automated
24 meter reading. Do you recall those questions?

25 A. Yes.

1 Q. And I believe you indicated that there
2 was an existing KCPL platform and software related to
3 automatic -- automatic meter reading?

4 A. Right. KCPL was one of the first
5 companies to implement automated meter reading in the
6 country with the Cellnet system. And that platform,
7 they have I believe about 15 years or more of
8 experience in operating that and the software and
9 know-how to back that up in addition to energy
10 efficiency programs that -- that leverage that
11 capability that are clearly benefiting customers as
12 well.

13 Q. Do you know if Aquila has automated
14 meter reading today?

15 A. I don't believe they do.

16 Q. Do you know if they have experience or
17 expertise in automatic meter reading?

18 A. I don't believe they do.

19 Q. Do you happen to know off the -- what
20 the estimated synergies related to the automatic
21 meter reading would be?

22 A. Those that I reported in the August 8th
23 schedules I believe have approximately \$5 million
24 over the first five years, but most of the benefits
25 are realized in the next five years and beyond.

1 Q. Do you know what kind of benefits you
2 get from automatic meter reading?

3 A. The benefits that -- and clearly,
4 there's some operational benefits from a
5 transactional standpoint. In addition, across the
6 country, it tends to enable additional programs.
7 Customers can control their usage, better understand
8 their usage. KCPL has some industry-leading
9 eServices platforms that also can convey that
10 information to customers helping manage energy use.
11 And those -- those benefits are very important,
12 especially in times of rising costs.

13 Q. Are meter readers -- are as many meter
14 readers necessary if you have automatic meter
15 reading?

16 A. No, they're not.

17 Q. Mr. Thompson also asked you about, I
18 think, schedule RTZ-10?

19 A. Correct.

20 Q. Would you turn to that?

21 A. Yes, Transaction Costs?

22 Q. I believe you indicated there were
23 certain items on that schedule which would no longer
24 be relevant under the company's revised regulatory
25 plan?

1 A. Correct. I believe Mr. Bassham
2 described those, and they're under People and related
3 to payments to Aquila. So there would have been
4 executive change in control, Rabbi trust payments, et
5 cetera.

6 Q. And the CIC tax gross-up, those three
7 items --

8 A. Yes.

9 Q. -- are those the three that would not --

10 A. I believe --

11 Q. -- be requested --

12 A. -- that's the case.

13 Q. -- for the purpose? Okay.

14 A. Part of the \$12.2 million he said was
15 removed this morning.

16 Q. Mr. Thompson also asked you regarding
17 your role at Bridge with this integration process or
18 this estimation of synergies process.

19 A. Correct.

20 Q. Would you elaborate on what you've been
21 doing in the area of synergy estimation?

22 A. We've been working with each of the
23 teams. Attached to my testimony is also a schedule
24 that shows the 26 different sub teams that have been
25 evaluating this transaction consisting both of GPE

1 and Aquila people. And we -- our team has helped to
2 facilitate those teams.

3 Also those -- those teams are presenting
4 their findings to an integrated planning leadership
5 team. We helped facilitate that discussion as well
6 as the steering team discussion. So there are checks
7 and balances throughout the process.

8 We worked with individual team leads and
9 helped to help them with various assessments as well
10 as trying to bring in outside expertise where
11 relevant to accelerate people's thoughts about what's
12 possible.

13 Q. Prior to your assignment on synergy
14 estimation, have you had other projects with Kansas
15 City Power & Light Company?

16 A. Yes. I believe it's my testimony the
17 one very similar piece was our role in facilitating
18 the comprehensive energy plan discussions where we
19 facilitated strategy teams from across the company in
20 various aspects of that program and helped to --
21 again, to move that along.

22 I think that familiarity was very
23 important in terms of a basis for understanding the
24 company and what was possible in its context as
25 well, as well as the community implications of the

1 savings that are out there and the \$100 million or
2 \$250 million additional that Mr. Bassham described
3 today.

4 MR. FISCHER: Judge, that's all I have.
5 I would move for the admission of Mr. Zabors'
6 testimony. Well, I guess he -- he could be coming
7 back for transaction costs if we haven't already
8 covered that, but ...

9 JUDGE STEARLEY: Do you want to move
10 forward at this time?

11 MR. FISCHER: I -- I would ask that -- I
12 would move for the admission of his testimony, 30 and
13 31.

14 JUDGE STEARLEY: Are there any
15 objections?

16 MR. CONRAD: Yes.

17 JUDGE STEARLEY: Yes, Mr. Conrad. Is it
18 to 30 or 31?

19 MR. CONRAD: This is on 30 and also on
20 31. And I can read the list, if you'd like or you
21 can refer to, respectively, pages 5 and page 7 of our
22 original Motion in Limine filed on or about
23 November 28th, 2007. And there is a typewritten list
24 there if you would prefer to do that, or I can read
25 them.

1 JUDGE STEARLEY: Why don't you go ahead
2 and read them off.

3 MR. CONRAD: Okay. This is on
4 Exhibit 30, page 2, lines 11 through 17; page 3,
5 lines 3 through 9; also on page 3, lines 20 through
6 page 6, line 10 inclusive. Page 8, line 3 through
7 page 9, line 1 -- excuse me. Line 2.

8 Continuing with page 9, line 7, and that
9 objection continues through page 11, line 10 thereon
10 where he starts at page 11, line 16 through page 12,
11 line -- line 5 and would encompass Exhibits RTZ-1 and
12 RTZ-2 to the extent they discuss or reference
13 combined or integrated operations of KCPL and Aquila.

14 On 31, a little shorter list, page 2,
15 lines 17 through page 15, line 14, and Exhibits
16 RTZ-3, -5, -6, -7, -8, -9, -10, -11 and -12.

17 JUDGE STEARLEY: All right. And the
18 legal basis for your objection?

19 MR. CONRAD: As stated in the Motion in
20 Limine, the statute governing our operation here is
21 393.190. There has been no application filed to
22 combine the operations of those two utilities, that
23 being KCPL and Aquila. There is an application
24 pending before the Commission to allow an acquisition
25 by Great Plains of Aquila, but no more.

1 And those matters pertain to -- or that
2 testimony and those exhibits pertain to and discuss
3 the combination of two operating utilities for which
4 approval has not been sought. The statute, of
5 course, says -- I won't read it, but I will just
6 simply lift up that it says "nor by any means, direct
7 or indirect, merge or consolidate such works or
8 system for franchises or any part thereof, and any
9 effort to do so without Commission approval shall be
10 void." So sayeth the legislature.

11 MR. FISCHER: Judge, the companies have
12 already responded to that Motion in Limine. The
13 Commission has ruled upon that motion. That second
14 Motion in Limine, we would stand on our arguments
15 contained in that pleading and request the admission
16 of this -- this testimony.

17 JUDGE STEARLEY: All right. And I
18 believe, then, Mr. Conrad, am I correct, you're going
19 back to the relevance due to --

20 MR. CONRAD: Right, right. That's --
21 particularly on the first blush. Second one also had
22 the issue about what it's labeled, but we'll deal
23 with that in due course.

24 JUDGE STEARLEY: All right. So the
25 transaction before us, though, isn't it still

1 governed by 393.190?

2 MR. CONRAD: Are you asking me? Oh,
3 yeah.

4 JUDGE STEARLEY: Yeah, it's not a
5 transaction that they can do without Commission
6 approval?

7 MR. CONRAD: That's -- that's -- that's
8 the whole point, and they have not asked to merge
9 those two utilities.

10 JUDGE STEARLEY: And similarly, as this
11 morning we stated the Commission, even regardless of
12 how you characterize the transaction, even if it's
13 just looking at it as a transfer of assets of Aquila,
14 the Commission finds this evidence to be both
15 relevant and essential if there's any benefit to flow
16 from the transaction, and therefore the objection is
17 overruled.

18 MR. CONRAD: Very well. Then the record
19 will reflect that it has been made.

20 JUDGE STEARLEY: Thank you, Mr. Conrad.

21 MR. CONRAD: Uh-huh.

22 JUDGE STEARLEY: Any other objections?

23 (NO RESPONSE.)

24 JUDGE STEARLEY: Hearing none, Exhibits
25 30 and 31 will be admitted and received into

1 evidence.

2 (EXHIBIT NOS. 30 AND 31 WERE RECEIVED
3 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

4 MR. FISCHER: May Mr. Zabors be excused
5 or will he need to come back for other
6 cross-examination on --

7 JUDGE STEARLEY: At this time I'm not
8 going to finally excuse you, Mr. Zabors.
9 Commissioner Jarrett has not been available, and he
10 may have some questions for you later on. So at this
11 point you may step down but you're not finally
12 excused.

13 THE WITNESS: Thank you.

14 JUDGE STEARLEY: At this point,
15 Mr. Fischer, I may have been confusing myself earlier
16 as we were outlining Mr. Giles' testimony, but is he
17 still going to testify with regard to the synergy --
18 synergy allocations and the affiliate transactions
19 today or are we taking the testimony of him in total
20 tomorrow?

21 MR. FISCHER: It was my understanding,
22 Judge, that the -- some of the other parties wished
23 that he'd come back tomorrow to give them some time
24 to prepare, and that's what our preference would be
25 if that's theirs.

1 JUDGE STEARLEY: Okay. So at this
2 point, our witness list has expired for the day?

3 MR. FISCHER: Yes, I'm afraid we have.

4 JUDGE STEARLEY: All right. Very well.
5 We will adjourn for the day and we'll resume tomorrow
6 morning at 8:30.

7 (WHEREUPON, the hearing of this case was
8 recessed until APRIL 22, 2008, AT 8:30 A.M.)

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1 I N D E X

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9 GREAT PLAINS ENERGY'S EVIDENCE

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| 14 | Originally-designated in-camera questions by | |
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| 16 | subsequently declassified and remain in | |
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| 2 | | MARKED | REC'D |
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| 4 | Exhibit No. 1 | | |
| 5 | Direct testimony of | | |
| 6 | Terry Bassham | 1258 | * |
| 7 | Exhibit No. 2NP and 2HC | | |
| 8 | Supplemental direct testimony | | |
| 9 | of Terry Bassham, both | | |
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| 11 | confidential | 1258 | * |
| 12 | Exhibit No. 3 | | |
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| 17 | of Michael Cline, both | | |
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| 20 | Exhibit No. 9 | | |
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| 4 | Exhibit No. 37NP and 37HC | | |
| 5 | Additional supplemental | | |
| 6 | direct testimony of Terry | | |
| 7 | Bassham, both | | |
| 8 | nonproprietary and highly | | |
| 9 | confidential | 1258 | * |
| 10 | Exhibit No. 38NP and 38HC | | |
| 11 | Additional supplemental | | |
| 12 | direct testimony of | | |
| 13 | Michael Cline | 1328 | * |
| 14 | Exhibit No. 122 | | |
| 15 | Notice of ex parte contact | | |
| 16 | dated April 10, 2008, from | | |
| 17 | Chairman Jeff Davis to | | |
| 18 | the data center | 1270 | 1288 |
| 19 | Exhibit No. 123 | | |
| 20 | GPE presentation, Great | | |
| 21 | Plains Energy/Edward | | |
| 22 | Jones Mid-Cap Utility | | |
| 23 | Conference, | | |
| 24 | March 25, 2008 | 1273 | 1288 |
| 25 | Exhibit No. 124HC | | |
| | Letter to Mr. Cline from | | |
| | the Moody's service that | | |
| | provides advisory services | | |
| | to companies when they ask | | |
| | for their review of certain | | |
| | proposals for future ratings | | |
| | (marked in-camera) | 1279 | 1288 |
| | Exhibit No. 125HC | | |
| | Rating Evaluation Service | | |
| | from Standard & Poor's | | |
| | (marked in-camera) | 1279 | 1288 |
| | * Not yet received into evidence. | | |