

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

HEARING

July 14, 2000
Jefferson City, Missouri
Volume 9

In the Matter of the Joint)
Application of UtiliCorp United,)
Inc. and St. Joseph Light & Power)
Company for Authority to Merge)
St. Joseph Light & Power) Case
Company with and into UtiliCorp) No. EM-2000-292
United, Inc, and, in Connection)
Therewith, Certain Other Related)
Transactions.

FILED

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Public Service Commission*

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14 United, Inc, and, in Connection)
15 Therewith, Certain Other Related)
16 Transactions.

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19 BEFORE: MORRIS L. WOODRUFF, Presiding,
20 REGULATORY LAW JUDGE.
21 SHEILA LUMPE, Chair
22 CONNIE MURRAY,
23 ROBERT G. SCHEMENAUER,
24 KELVIN SIMMONS,
25 M. DIANNE DRAINER, Vice-Chair,
COMMISSIONERS.

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1 P R O C E E D I N G S

2 (Written Entries of Appearance filed.)

3 (EXHIBIT NO. 26 WAS MARKED FOR IDENTIFICATION.)

4 JUDGE WOODRUFF: We're going to start this
5 morning with finishing up acquisition adjustments with
6 Mr. Kehm.

7 MR. SWEARENGEN: I would call Robert Kehm at
8 this time, Your Honor.

9 JUDGE WOODRUFF: Okay.

10 MR. SWEARENGEN: He has one piece of testimony.
11 It's surrebuttal testimony. I believe it's been marked
12 for identification as Exhibit 26. I have provided three
13 copies to the court reporter.

14 This will be the only -- well, actually
15 Mr. Kehm's testimony was on two issues. One of those
16 issues has been settled and we will deal with that later.
17 But that is the income tax condition issue.

18 JUDGE OFFICER WOODRUFF: Okay.

19 MR. SWEARENGEN: And given the fact that that
20 issue has been settled, part of the understanding is that
21 we will simply strike Mr. Kehm's testimony pertaining to
22 that issue.

23 It begins on page 15, lines 19, 20 and 21 and
24 runs over on page 16, lines 1 through 6. So we would at
25 this time simply strike that testimony.

1 I think Mr. Kehm has a couple of other changes
2 that he needs to make with respect to his surrebuttal
3 testimony, and I would ask him to do it at this time, if
4 he would, please, if that would be appropriate.

5 THE WITNESS: Very good. I have four minor
6 changes. Page 10, line 12, there is -- there are the
7 initials APB that are lower case, and they should be
8 capitalized.

9 Page 10, line 17, SEC is lower case. It should
10 be capitalized.

11 Page 11, line 3, SEC is lower case and it
12 should be capitalized.

13 And page 15, line 5, SEC is lower case and it
14 should be capitalized.

15 JUDGE WOODRUFF: Thank you.

16 MR. SWEARENGEN: Now, I don't believe he's been
17 sworn.

18 JUDGE WOODRUFF: You're right, he has not.

19 MR. SWEARENGEN: But that's okay. I'll --

20 (Witness sworn/affirmed.)

21 JUDGE WOODRUFF: Thank you, Mr. Swearngen, for
22 noticing that. We've gone through so many witnesses this
23 last week that it slipped past me.

24 MR. SWEARENGEN: You're welcome.

25 ROBERT C. KEHM testified as follows:

1 DIRECT EXAMINATION BY MR. SWEARENGEN:

2 Q. Mr. Kehm, prior to you being sworn, you
3 indicated several corrections to your surrebuttal
4 testimony; is that correct?

5 A. Yes, sir.

6 Q. And if I asked you the questions which are
7 contained in your surrebuttal testimony, Exhibit 26, would
8 your answers today as you have corrected them be true and
9 correct?

10 A. Yes, sir.

11 MR. SWEARENGEN: I would at this time, Your
12 Honor, offer into evidence Exhibit 26 and tender the
13 witness.

14 JUDGE WOODRUFF: Exhibit 26 has been offered
15 into evidence.

16 Is there any objection to its receipt?

17 Hearing none, it will be received into
18 evidence.

19 (EXHIBIT NO. 26 WAS RECEIVED INTO EVIDENCE.)

20 JUDGE WOODRUFF: All right.

21 Questions for cross-examination of Mr. Kehm.

22 Mr. Dottheim?

23 MR. DOTTHEIM: Yes. Thank you.

24 CROSS-EXAMINATION BY MR. DOTTHEIM:

25 Q. Good morning, Mr. Kehm.

1 A. Good morning.

2 Q. Mr. Kehm, you had an opportunity to review the
3 direct testimony of Dan J. Streek that was adopted by
4 Mr. Myers, have you not?

5 A. Yes, sir.

6 Q. And you're familiar with the schedules to that
7 testimony?

8 A. Yes, sir.

9 Q. Do you happen to have a copy of that testimony
10 with you?

11 A. No, sir.

12 Q. Let me provide you a copy.

13 I'd like to direct you to Schedule DJS-2.

14 MR. SWEARENGEN: Excuse me, Steve. What
15 schedule are you looking at?

16 MR. DOTTHEIM: I'm sorry. It's DJS-2.

17 MR. SWEARENGEN: Thank you.

18 BY MR. DOTTHEIM:

19 Q. And at the top of page 1 of that schedule there
20 is the heading which is also shown on the other pages,
21 Analysis of APB 16 to Determine the Accounting for the
22 merger between UtiliCorp and SJLP.

23 MR. SWEARENGEN: Now, once again, tell me where
24 you are.

25 MR. DOTTHEIM: Right now I'm just at that

1 schedule, Schedule DJS-2.

2 MR. SWEARENGEN: Okay.

3 BY MR. DOTTHEIM:

4 Q. Mr. Kehm, would you agree that that schedule
5 shows that the proposed UtiliCorp/St. Joseph Light & Power
6 merger has met all of the pooling-of-interest conditions
7 except for the November 1998 stock option issuance?

8 MR. SWEARENGEN: Which is on page 4 of 9?

9 MR. DOTTHEIM: It begins on page 3 of 9 and
10 then continues over to page 4 of 9.

11 MR. SWEARENGEN: Okay.

12 THE WITNESS: Yes, to the extent that some of
13 the issues later on are post-merger requirements under
14 pooling rules, and obviously those cannot be completed
15 prior to the merger.

16 BY MR. DOTTHEIM:

17 Q. Mr. Kehm, did you assist in any manner in the
18 development of that schedule?

19 A. No.

20 Q. To your knowledge did anyone at Arthur Andersen
21 assist in the development of that schedule?

22 A. No.

23 MR. DOTTHEIM: One moment, please.

24 BY MR. DOTTHEIM:

25 Q. Mr. Kehm, I'd like to hand you a copy of Staff

1 Data Request No. 159 in this case and ask you to read the
2 question and the response.

3 A. The response to Data Request EM-2000-292 is,
4 the only documentation resulting from correspondence with
5 our accounting firm was a Schedule DJS-2 attached to the
6 testimony of Daniel Streek. This was a joint product of
7 the Company and Arthur Andersen.

8 Q. And who is it indicated answered the data
9 request?

10 A. Jerry Myers.

11 Q. Mr. Kehm, I'd like to direct you to page 7 of
12 your surrebuttal testimony that's been marked Exhibit 26
13 and direct you to lines 13 through 15.

14 A. Page 7, line --

15 Q. 13 through 15.

16 Excuse me. Let's start with lines 12 through
17 13 where you're asked the question, are you familiar with
18 the criteria required to be met in order to apply the
19 pooling method to a business combination.

20 And your answer is, in part, yes, I have been
21 involved in numerous proposed transactions for a -- for a
22 variety of companies that intended to apply the pooling
23 method.

24 Were any of those companies that you were
25 involved with utilities other than UtiliCorp?

1 A. Yes.

2 Q. Could you identify those companies?

3 A. Yes. In the merger of Internorth, Inc. with
4 Houston Natural Gas to form an entity called Interon
5 (phonetic sps.) was a pooling. When Midwest Resources --
6 Midwest Energy merged with Iowa Resources, that was a
7 pooling. When Iowa Electric acquired Iowa Southern, that
8 was a pooling.

9 Q. The other cases involving utilities or a
10 utility that you've been involved with regarding a pooling
11 of interests has been UtiliCorp; is that correct?

12 In addition to the companies that you
13 identified, you have been involved with UtiliCorp in
14 proposed transactions that intended to apply the pooling
15 method?

16 A. Yes.

17 Q. Could you identify that case or cases?

18 A. Yes. The proposed merger of UtiliCorp with
19 Kansas City Power & Light was to have been a pooling.

20 Q. And could you identify the date of that merger
21 or agreement or transaction that ultimately did not occur,
22 could you do that even approximately?

23 A. Approximately late fall of '95.

24 MR. DOTTHEIM: Excuse me.

25 At this time I'd like to have marked as an

1 exhibit Exhibit 731, I believe is the number.

2 JUDGE WOODRUFF: That would be correct.

3 MR. DOTTHEIM: And the Exhibit 731 is

4 Mr. Kehm's response to Staff Data Request 303.

5 (EXHIBIT NO. 731 WAS MARKED FOR

6 IDENTIFICATION.)

7 BY MR. DOTTHEIM:

8 Q. Mr. Kehm, do you recognize Staff Data Request
9 No. 303 and the response?

10 A. Yes.

11 Q. And did you prepare that response?

12 A. Yes.

13 MR. DOTTHEIM: At this time I'd like to offer
14 Exhibit 303 into evidence.

15 JUDGE WOODRUFF: 731.

16 MR. DOTTHEIM: I'm sorry. Excuse me. 731,
17 which is Staff Data Request No. 303 and the response to
18 that data request.

19 JUDGE WOODRUFF: Okay. Exhibit 731 has been
20 offered into evidence.

21 Any objection to its receipt?

22 MR. SWEARENGEN: No objection.

23 JUDGE WOODRUFF: Hearing none, it's received
24 into evidence.

25 (EXHIBIT NO. 731 WAS RECEIVED INTO EVIDENCE.)

1 MR. DOTTHEIM: Okay. Thank you.

2 BY MR. DOTTHEIM:

3 Q. Mr. Kehm, I'd like to direct you back to page 7
4 of your testimony, lines 13 to 15, where you discuss
5 preclearing issues with the Securities and Exchange
6 Commission.

7 Could you please define or provide an
8 explanation of the term "preclearing" as you used it in
9 your surrebuttal testimony?

10 A. Certainly.

11 The process for accounting for a transaction is
12 for a company's accountants to go through the process of
13 determining whether or not it meets the criteria of
14 pooling accounting or whether or not it needs to be
15 accounted for as a purchase.

16 After they reach their conclusion, they often
17 will consult with their independent public accountant,
18 such as myself, and discuss the issues.

19 Sometimes the facts are not clear as to whether
20 or not the criteria is met. The company's accountants can
21 conclude one way, and so can the independent public
22 accountants. But there may be a certain amount of doubt
23 involved or there may be some concerns.

24 In those instances there is an informal process
25 to clear those issues with -- to talk to the SEC staff and

1 determine whether or not they're going to object to
2 accounting, either pooling or purchase accounting or
3 perhaps some other accounting issue, and that's the
4 process loosely referred to here as preclearing.

5 Q. Okay. And if I could direct you back to
6 Exhibit 731, at the bottom of the first page, which
7 contains a partial answer, which is actually the second
8 page of the three-page document and then the carryover to
9 the second page of the answer, you indicate, do you not,
10 that those items are that you've assisted UtiliCorp with
11 in preclearing with the staff of the SEC?

12 A. Yes.

13 Q. And were those three items in particular
14 relating to pooling-of-interest transactions?

15 A. Yes.

16 Q. And the indication is that on two occasions,
17 the first occasion, Utilicorp was successful in
18 preclearing the item with the SEC and having it treated
19 as -- or at least an indication that it would be treated
20 as a pooling of interests?

21 A. That is correct.

22 And two times the SEC staff said that based on
23 this issue and the facts, they would not object to the
24 application of pooling accounting.

25 Q. And the indication on the data request

1 response, there was a third time which the SEC staff did
2 not accept, objected to?

3 A. That's correct.

4 Q. Did UtiliCorp pursue in any way a pooling of
5 interests after the response was received from the SEC
6 staff?

7 Q. On which one?

8 A. On the third item.

9 A. At the time, or shortly after this, the merger
10 fell apart, and so they never completed that process.

11 Q. And what you are showing there, and you just
12 referred to the merger, the merger falling apart, that was
13 the -- that was in 1996, the proposed merger between
14 UtiliCorp and Kansas City Power & Light?

15 A. Yes.

16 Q. Did UtiliCorp preclear with the SEC staff, to
17 your knowledge, the November 1998 employee stock option
18 issuance?

19 A. Not to my knowledge.

20 Q. Do you happen to know why that there was no, to
21 your knowledge, effort to preclear the November 1998
22 employee stock option issuance with the SEC staff?

23 A. Yes.

24 Q. Okay. And could you please provide that
25 reason?

1 A. The process of taking issue -- or the issue at
2 hand is whether or not something has been done in
3 contemplation of the merger. If it can be shown through
4 factual information in the past that there are
5 independent -- that the merger and the action is
6 demonstratively independent of each other, in some
7 instances the SEC has accepted that transaction and not
8 allowed that transaction to influence whether or not they
9 would view a pooling as acceptable or not.

10 In the case of the '98 stock award, there were
11 very few facts and a very short history. The Company
12 concluded that the transaction was unusual and did not
13 qualify -- or that the awards violated the change in the
14 equity interest aspect and did not feel, and we concurred,
15 that there was not a demonstrated history that the Company
16 could point to, to be able to prove the notion that it was
17 not done in contemplation.

18 Q. I'd like to direct you back to your surrebuttal
19 testimony again, to page 12, line 7, where you indicate
20 during the week of November 9, 1998, SJLP representatives
21 contacted UtiliCorp.

22 Mr. Kehm, do you know on what date the
23 UtiliCorp Board of Directors approved the November 1998
24 stock option issuance?

25 A. No, I do not.

1 MR. DOTTHEIM: At this time I'd like to have
2 marked as Exhibit 732 the Staff's Data Request No. 260 in
3 Case No. EM-2000-292 and part of UtiliCorp's response.

4 It's in part only because of the voluminous
5 nature of various documents which are prospectuses and an
6 application with the Public Utilities Commission in the
7 State of Colorado.

8 JUDGE WOODRUFF: Okay.

9 MR. DOTTHEIM: So it is a partial and I will
10 ask Mr. Kehm to refer to it.

11 (EXHIBIT NO. 732 WAS MARKED FOR
12 IDENTIFICATION.)
13 BY MR. DOTTHEIM:

14 Q. Mr. Kehm, if you would take a look at the
15 questions and the answers, I would appreciate it.

16 Mr. Kehm, I'd like to direct you to the
17 Question No. 2 which asks, please provide the date when
18 the November 1998 employee stock option issuance was
19 approved by the Board of Directors of the Company's
20 management, and the answer to Question 2 is, the UtiliCorp
21 board approved the issuance of options on August 4, 1998.

22 Did I read that correctly?

23 A. Yes, sir.

24 Q. Okay. And is it indicated that Mr. Bob
25 Browning was responsible for answering this data request?

1 A. Yes, it does.

2 Q. Mr. Kehm, in your opinion did the UtiliCorp
3 November 1998 issuance of stock options to its employees,
4 did that occur in contemplation of effecting the
5 St. Joseph Light & Power merger?

6 A. In my opinion it could not be demonstrated that
7 it did not.

8 Q. I don't know that you've actually answered my
9 question. Let me ask you again: You responded that it
10 could not be demonstrated that it was not taken in
11 contemplation of effecting the St. Joseph Light & Power
12 merger.

13 Again, let me ask you: In your opinion did the
14 UtiliCorp November 1998 stock option issuance to its
15 employees occur in contemplation of effecting the
16 St. Joseph Light & Power merger?

17 MR. SWEARENGEN: I'm going to object. I
18 believe he's answered the question, one, and, two, I'm not
19 sure how this witness could know what would be the intent
20 of the UtiliCorp Board of Directors.

21 JUDGE WOODRUFF: I'll sustain the objection.

22 MR. SWEARENGEN: Thank you.

23 BY MR. DOTTHEIM:

24 Q. Mr. Kehm, I'd like to direct you to page 14 of
25 your surrebuttal testimony, and in particular to line 13.

1 And you state therein that if the November 1998 stock
2 option issuance had been rescinded, the employees would
3 have forfeited 1,278,713 options.

4 Do you know what the current market value of
5 those options are?

6 A. I don't understand your question.

7 Q. Those options had -- or have a stock -- a
8 strike price, do they not?

9 A. Correct.

10 Q. Do you know what the strike price is?

11 A. No. I believe the stock -- I believe that the
12 strike price, though, is greater than the current stock
13 value.

14 Q. Do you know whether since the issuance of those
15 stock options, the stock price has ever been at or above
16 the strike price?

17 A. No, I do not.

18 Q. But if I understood you correctly, you're aware
19 that at the present time the stock price is not at the
20 strike price?

21 Excuse me.

22 You are aware that, if I understand you
23 correctly, that the strike price has not presently been
24 reached, is not presently in existence as far as having
25 been attained?

1 A. It's my understanding and belief that the
2 strike price is greater than the current market price of
3 the stock.

4 Q. Mr. Kehm, when UtiliCorp and Kansas City
5 Power & Light announced their merger in 1996, I think
6 you've indicated that that merger was proposed as a
7 pooling of interests?

8 A. Yes, sir.

9 Q. Mr. Kehm, are you aware that the merger
10 agreement between UtiliCorp and Kansas City Power & Light
11 included requirements that both UtiliCorp and Kansas City
12 Power & Light take, quote, commercially reasonable
13 actions, close quote, to cure any potential pooling
14 problems?

15 A. I don't recall.

16 Q. Do you know whether the March 4, 1999 agreement
17 and plan of merger between UtiliCorp and St. Joseph
18 Light & Power had a similar provision or had a provision
19 of that nature?

20 A. No, I do not.

21 Q. Mr. Kehm, do you know whether there has been
22 any exercise of the stock options since they were -- since
23 they were issued?

24 A. You're talking about the employee stock
25 options?

1 Q. Yes. I'm sorry. Yes.

2 A. It's -- it's my belief that there has not been
3 any exercised.

4 Q. Would you agree with me that UtiliCorp could
5 rescind the November 1998 stock option issuance at this
6 time?

7 MR. SWEARENGEN: Objection, calls for a legal
8 conclusion.

9 JUDGE WOODRUFF: Overruled.

10 You can answer the question if you can.

11 THE WITNESS: It's my understanding that --
12 that legally they could rescind those options.

13 BY MR. DOTTHEIM:

14 Q. If those options were rescinded, could the
15 UtiliCorp/St. Joseph Light & Power merger be accounted for
16 as a pooling of interest?

17 A. I don't know.

18 Q. Mr. Kehm, I think you refer in your testimony
19 to an Arthur Andersen publication, Accounting for Business
20 Combinations, Interpretations of APB Opinion No. 16,
21 Business Combinations, Ninth Edition, do you not?

22 A. Yes, sir.

23 Q. Do you happen to have a copy of that
24 publication with you?

25 A. No, I do not.

1 MR. DOTTHEIM: At this time I'd like to mark as
2 an exhibit two pages from the Arthur Andersen Accounting
3 for Business Combinations, Interpretations of APB Opinion
4 No. 16, Business Combinations, Ninth Edition.

5 I believe that would be --

6 JUDGE WOODRUFF: 733.

7 MR. DOTTHEIM: 733.

8 (EXHIBIT NO. 733 WAS MARKED FOR
9 IDENTIFICATION.)

10 BY MR. DOTTHEIM:

11 Q. Mr. Kehm, in addition to the actual publication
12 which I'd like for you to verify, I'm going to hand you
13 the two-page excerpt, with a cover page on it, that I've
14 asked to be marked as an exhibit, Exhibit No. 733.

15 Q. The excerpt, the few pages that have been
16 marked as Exhibit 733 that are contained in that
17 publication on pages 223 and 224, at the top of page 223
18 are the headings APB Opinion No. 16, paragraph 18 --
19 excuse me -- paragraph 48, then the heading 48c-8,
20 Measuring the Significance of Asset Disposal.

21 Mr. Kehm, are you familiar with these pages
22 from the Arthur Andersen publication?

23 A. Yes.

24 Q. Are these two pages applicable in any manner to
25 the UtiliCorp/St. Joseph Light & Power merger transaction?

1 A. No.

2 Q. Why is that?

3 A. The St. Joseph/UtiliCorp merger is proposed to
4 be accounted for as a purchase.

5 Q. And the two pages that I've handed to you,
6 pages 223 and 224, apply to pooling-of-interest
7 transactions?

8 A. Yes.

9 Q. I'd like to direct you in particular to the
10 paragraph, the last full paragraph on the page, and if
11 you would take a look at it. I would like for you to
12 assume --

13 A. Excuse me. Are you talking about page 23 -- or
14 223?

15 Q. Yes. I'm sorry. Page 223.

16 A. Yes.

17 MR. SWEARENGEN: Excuse me. What was the
18 question?

19 MR. DOTTHEIM: I asked Mr. Kehm to look at the
20 last full paragraph on the page.

21 MR. SWEARENGEN: Oh, I see. Thank you.

22 BY MR. DOTTHEIM:

23 Q. And, Mr. Kehm, if you would assume with me, if
24 you would, that the St. Joseph Power & Light/UtiliCorp
25 merger transaction was a pooling-of-interests transaction

1 and Company A was St. Joseph Light & Power and Company B
2 was UtiliCorp, if one would substitute St. Joseph Light &
3 Power for Company A and UtiliCorp for Company B, would
4 that paragraph read, for example, assume that company --
5 excuse me -- let me start over again.

6 For example, assume that St. Joseph Light &
7 Power and UtiliCorp combine and the combined St. Joseph
8 Light & Power/UtiliCorp plans to dispose of some of former
9 St. -- some of former St. Joseph Light & Power's assets
10 and some of former UtiliCorp's assets, the test of
11 significance for disposition of St. Joseph Light & Power
12 assets should be in relation to the financial statements
13 of St. Joseph Light & Power and the test of significance
14 for the disposition of UtiliCorp assets should be in
15 relation to the financial statements of UtiliCorp.

16 In particular, those financial statements of
17 the most recent annual financial statements of each
18 respective company that are available at the consummation
19 date of a business combination.

20 If the St. Joseph Light & Power/UtiliCorp
21 merger transaction were a pooling-of-interest transaction,
22 would I have correctly substituted and read that paragraph
23 substituting St. Joseph Light & Power for Company A and
24 UtiliCorp for Company B?

25 A. Yes.

1 Q. Mr. Kehm, I'd like to hand you a copy of
2 St. Joseph Light & Power 10K405 annual report, filing date
3 March 30, 2000, period ending December 31, 1999.

4 MR. SWEARENGEN: Are you making it as an
5 exhibit?

6 MR. DOTTHEIM: No, I'm not marking this as an
7 exhibit.

8 MR. SWEARENGEN: Thank you.

9 BY MR. DOTTHEIM:

10 Q. Mr. Kehm, I'd like to direct you to page 25 of
11 that document. Does the net income for years 1999, 1998
12 and 1998 -- excuse me -- 1997 appear on that page?

13 A. Yes.

14 Q. Okay. And is the net income for 1999 shown as
15 \$6,127,000?

16 A. Yes.

17 Q. And is the net income for 1998 shown as
18 \$10,644,000?

19 A. No. 10,664,000.

20 Q. Excuse me. Thank you.

21 And finally, for 1997, is the net income shown
22 as \$10,840,000?

23 A. Yes.

24 Q. I'm going to ask you an assumption, a
25 hypothetical again, and if you would make a couple of

1 assumptions which I will state for you.

2 Once again, if you would assume that the
3 St. Joseph Light & Power/UtiliCorp merger were a pooling-
4 of-interests merger, could St. Joseph Light & Power
5 experience a gain on the transfer of its assets in excess
6 of 10 percent of net income and still remain a pooling-of-
7 interest transaction as far as the SEC would be concerned?

8 A. I don't follow your question.

9 Q. As far as a pooling-of-interest transaction, is
10 there a -- in essence, a prohibition that either two years
11 before the transaction or two years after the transaction,
12 neither of the companies can experience a gain on assets
13 in excess of 10 percent of net income and still be treated
14 as a pooling-of-interest transaction?

15 A. What the requirements are is that when a
16 transaction is accounted for as pooling, subsequent to the
17 consummation of the pooling, a company -- the combined
18 company cannot dispose of assets unless they meet certain
19 tests ordered by a regulatory agency, for example,
20 duplicate facilities or if they're not nonmaterial.

21 Being nonmaterial is in practice defined using
22 generally the criteria on page 223.

23 In addition, the company cannot have -- either
24 company cannot have a plan in place prior to the
25 consummation of the merger. That would result in a

1 transaction that is material, such as explained on
2 page 223.

3 Q. Mr. Kehm, I'd like to refer you one more time
4 back to your testimony.

5 A. Certainly.

6 Q. Your surrebuttal testimony, page 14, the
7 sentence that starts on line 24 and carries over to
8 page 15, lines 1 and 2.

9 Do you still agree with the statement that you
10 make starting on line 24 on page 14, carrying over to
11 page 15, lines 1 and 2?

12 A. Yes.

13 Q. At the top of page 15, the end of the line,
14 where it says UtiliCorp, should that be St. Joseph Light &
15 Power instead of UtiliCorp?

16 A. No.

17 Q. And why is that?

18 A. The proper application of the materiality test
19 for a disposition after the consummation of the merger
20 would be to apply it against the combined entity, pooled
21 entity.

22 And on that basis, unless there is a gain or
23 loss subsequent to the consummation of this pooling,
24 unless the gain or loss in the disposition of some assets
25 was greater than 10 percent of the combined earnings, it

1 would not be -- it would not be significant. It would not
2 cause pooling to -- to fail.

3 Q. Mr. Kehm, is that consistent with the last full
4 paragraph on page 223 of, I think, Exhibit No. 733?

5 A. Yes.

6 Q. And why is it consistent?

7 A. At the end of the first paragraph on that
8 page --

9 MR. SWEARENGEN: Excuse me. Which page are you
10 talking about?

11 THE WITNESS: Page 223 of Exhibit 733.

12 MR. SWEARENGEN: Thank you.

13 THE WITNESS: That paragraph says, in measuring
14 the significance of asset disposals (whether such
15 disposals are by sale or abandonment) we would look to the
16 following factors generally used to evaluate the
17 significance of the disposals as of the consummation date.

18 That's as of the date the two entities were put
19 together.

20 Subsequent to that period of time and the
21 reporting of the combined results of the newly pooled
22 company, the proper application of the test is now aimed
23 at the combined entity.

24 BY MR. DOTTHEIM:

25 Q. Is that set out anywhere, what you've just

1 said, anywhere on page 223?

2 A. Well, what I said was quoting the first
3 paragraph, yes.

4 Q. And that's what you rely on is that first
5 paragraph there?

6 A. The first paragraph and my experience and
7 knowledge of how these rules are applied.

8 MR. DOTTHEIM: Could I have a moment, please?

9 JUDGE WOODRUFF: Sure.

10 BY MR. DOTTHEIM:

11 Q. Mr. Kehm, do you know what the net income for
12 UtiliCorp United Inc. was for 1999?

13 A. Not offhand, no.

14 Q. I'm going to hand you a copy of data from
15 UtiliCorp United -- UtiliCorp United Inc.'s 10K, filing
16 date March 29, 2000, and if you would take a look at that
17 document, please.

18 Is the net income for UtiliCorp United Inc.
19 indicated?

20 A. Yes.

21 Q. What is UtiliCorp United Inc.'s net income for
22 1999?

23 A. 160.5 million.

24 Q. And what is UtiliCorp United Inc.'s net income
25 for 1998?

1 A. 132 million.

2 Q. And what is UtiliCorp United Inc.'s net income
3 for 1997?

4 A. 122 million.

5 MR. DOTTHEIM: Thank you, Mr. Kehm. You've
6 been very patient.

7 JUDGE WOODRUFF: Did you wish to offer 733?

8 MR. DOTTHEIM: Yes.

9 JUDGE WOODRUFF: And 732?

10 MR. DOTTHEIM: And 732. I don't believe I
11 offered 732.

12 JUDGE WOODRUFF: 732 and 733 have been offered
13 into evidence.

14 Are there any objections?

15 Hearing none, they will be received into
16 evidence.

17 (EXHIBIT NOS. 732 AND 733 WERE RECEIVED INTO
18 EVIDENCE.)

19 JUDGE WOODRUFF: Okay. There are no questions
20 from the bench, so no recross.

21 Is there any redirect?

22 MR. SWEARENGEN: I have just one question on
23 redirect.

24 REDIRECT EXAMINATION BY MR. SWEARENGEN:

25 Q. Mr. Kehm, I'm looking at the data request

1 response dated January 14, 2000, and Mr. Jerry Myers that
2 UtiliCorp answered. I think Mr. Dottheim asked you about
3 that.

4 MR. SWEARENGEN: And, Steve, I'm going to ask
5 you: Does that have an exhibit number?

6 MR. DOTTHEIM: I don't believe that I marked
7 that as an exhibit.

8 MR. SWEARENGEN: That's fine.

9 BY MR. SWEARENGEN:

10 Q. I'm going to hand you my copy of it. He may
11 have taken it back.

12 And the response was by Mr. Myers to the
13 question, the only documentation resulting from the
14 correspondence with our accounting firm was the Schedule
15 DJS-2 attached to the testimony of Daniel Streek, period.
16 This was a joint product of the Company and Arthur
17 Andersen.

18 Do you have any idea what Mr. Myers met by the
19 use of the words "joint product" with Arthur Andersen?

20 A. Yes. I think what he's referring to is the
21 process that I just referred a little bit earlier, is one
22 where the first cut is the company accountants make --
23 make an evaluation and then often we're consulted.

24 And clearly in this instance we were consulted
25 by the Company, by the Company's accountants, on whether

1 or not this -- the stock issuance would indeed be a
2 problem for pooling accounting.

3 MR. SWEARENGEN: All right.

4 THE WITNESS: And from that knowledge I'm sure
5 that is the basis on which Mr. Streek prepared his
6 schedule.

7 MR. SWEARENGEN: Okay. Thank you. That's all
8 I have.

9 JUDGE WOODRUFF: Thank you. You may step down.

10 (Witness excused.)

11 JUDGE WOODRUFF: I believe the next issue is
12 the fuel energy cost information condition which is shown
13 as a settled issue.

14 MR. DOTTHEIM: That is correct.

15 MR. SWEARENGEN: That is correct.

16 JUDGE WOODRUFF: Do you want to put Mr. Lin on,
17 I assume?

18 MR. DOTTHEIM: Yes.

19 MR. SWEARENGEN: Can Mr. Kehm be excused now?

20 JUDGE WOODRUFF: Yes. It's my understanding
21 that he's not going to testify on income taxes?

22 MR. SWEARENGEN: That's correct. Thank you.

23 JUDGE WOODRUFF: Okay. Mr. Lin, you testified
24 yesterday, so you are still under oath.

25 THE WITNESS: Yes.

1 JUDGE WOODRUFF: Why don't you tell us your
2 name for the record.

3 THE WITNESS: Tom Lin.

4 JUDGE WOODRUFF: And is he tendered for
5 cross-examination or do we need to deal with his testimony
6 first or his --

7 MR. DOTTHEIM: He's already taken the
8 stand. This is the last time he's taking the stand.

9 JUDGE WOODRUFF: Yes.

10 Actually we already received his evidence
11 yesterday.

12 Cross-examination then?

13 Are there any questions for Mr. Lin?

14 Mr. Conrad.

15 MR. CONRAD: I'll defer to Public Counsel.

16 JUDGE WOODRUFF: All right. Public Counsel?

17 MR. COFFMAN: All right.

18 CROSS-EXAMINATION BY MR. COFFMAN:

19 Q. Mr. Lin, I understand that there has been a
20 settlement of this issue which has been listed as fuel
21 energy cost information condition?

22 A. Yes.

23 Q. Could you describe the nature of the
24 settlement?

25 A. The Company agreed to provide Commission

1 20.080 data by division, by St. Joseph and Mo-Pub division
2 separated in electronic format.

3 Q. Okay. So the Company -- Company agreed to
4 provide you with certain information broken down between
5 its divisions? Is that what you're --

6 A. Yeah, right. Like right now they provide after
7 merger -- after merger, they still provide separated by
8 division.

9 Q. Okay. So is this -- did UtiliCorp, then, agree
10 to the condition as you set it out in your testimony on
11 pages 20 and 21?

12 A. Yes.

13 Q. Okay. So there was no change in the condition
14 as the Company agreed to it, then, other than how you
15 stated it in your testimony?

16 A. Yes.

17 Q. Yes, it is different?

18 A. No. I don't think it's different. I think
19 they're agreed.

20 Q. Oh, they did agree.

21 MR. COFFMAN: Okay. That's all of the
22 questions I have. Thanks.

23 JUDGE WOODRUFF: Any other cross-examination?

24 No questions from the bench.

25 No recross.

1 Any redirect?

2 REDIRECT EXAMINATION BY MR. DOTTHEIM:

3 Q. Mr. Lin, I think -- I think that Mr. Coffman
4 may have been referring to -- do you have a copy of your
5 testimony?

6 A. Yes.

7 Q. And if I could ask you to turn to page 20.

8 A. Uh-huh.

9 Q. And I think in particular, he was probably
10 referring to Item No. 2 which is at the bottom of 20.

11 A. Uh-huh.

12 Q. And over to page 21.

13 A. Yes.

14 Q. Is that part of your understanding, that's what
15 has been agreed to?

16 A. Yes, I understand.

17 JUDGE WOODRUFF: Anything further?

18 MR. DOTTHEIM: No. I'm sorry. I have no
19 further questions.

20 JUDGE WOODRUFF: All right. Thank you. You
21 may step down then.

22 (Witness excused.)

23 MR. SWEARENGEN: Your Honor, the next issue on
24 the list is the income tax condition. It is shown to be
25 an issue that has been litigated. I'm advised that that

1 issue has been settled.

2 Mr. Karlin's testimony which we've indicated
3 should be Exhibit 17, I have three copies of that, which I
4 will give to the reporter at this time, and I move its
5 admission.

6 JUDGE WOODRUFF: Okay.

7 Is Mr. Karlin going to testify?

8 MR. SWEARENGEN: He's not here.

9 JUDGE WOODRUFF: He's not here.

10 (EXHIBIT NO. 17 WAS MARKED FOR IDENTIFICATION.)

11 JUDGE WOODRUFF: Exhibit 17 has been offered
12 into evidence. Are there any objections to its receipt?

13 Hearing none, it will be received into
14 evidence.

15 (EXHIBIT NO. 17 WAS RECEIVED INTO EVIDENCE.)

16 MR. SWEARENGEN: And the other witness, of
17 course, that was listed for that issue has previously been
18 on the stand and excused and his testimony is Exhibit 26.

19 JUDGE WOODRUFF: And that was Mr. Kehm?

20 MR. SWEARENGEN: That's correct.

21 JUDGE WOODRUFF: Since Mr. Karlin is not here,
22 I assume the other parties are waiving their right to
23 cross-examine him?

24 MR. COFFMAN: I guess, yes.

25 MR. SWEARENGEN: That is my understanding.

1 JUDGE WOODRUFF: Okay.

2 Hearing no one voice an objection to that, I'll

3 make that assumption.

4 Was Mr. Hyneman going to testify about that

5 issue?

6 MR. FRANSON: Your Honor, he's here available

7 for cross-examination if the need should arise.

8 JUDGE WOODRUFF: Do we need to get his

9 testimony on to the record in any way?

10 MR. FRANSON: Your Honor, Mr. Dottheim has

11 informed me that that will be offered in the near future.

12 So at this --

13 MR. DOTTHEIM: Mr. Hyneman could do that now.

14 MR. FRANSON: We'll put him on for that

15 purpose.

16 JUDGE WOODRUFF: I believe it's the last time

17 he'll be on the stand.

18 MR. FRANSON: I believe it is, Your Honor.

19 JUDGE WOODRUFF: All right. Mr. Hyneman,

20 you've previously testified also, have you not?

21 THE WITNESS: Yes, sir.

22 JUDGE WOODRUFF: So you're still under oath.

23 MR. FRANSON: Your Honor, I believe

24 Mr. Hyneman's testimony has been previously offered -- I

25 mean previously marked as an exhibit.

1 JUDGE WOODRUFF: 707 and 707HC, I believe. Is
2 that right?

3 MR. FRANSON: I believe that's correct, Your
4 Honor. I apologize. I don't have that in front of me at
5 this particular moment.

6 JUDGE WOODRUFF: That's what appears on my
7 chart anyway.

8 MR. SWEARENGEN: Mine too. That is what is on
9 mine.

10 MR. FRANSON: Your Honor, at this time I'd
11 offer those exhibits into evidence.

12 JUDGE WOODRUFF: 707 and 707HC have been
13 offered into evidence. Are there any objections?

14 Hearing none, they will be received into
15 evidence.

16 (EXHIBIT NOS. 707 AND 707HC HAVE BEEN RECEIVED
17 INTO EVIDENCE.)

18 CHUCK HYNEMAN testified as follows:

19 DIRECT EXAMINATION BY MR. FRANSON:

20 Q. Mr. Hyneman, I should have asked you before:
21 Did you have any changes to your testimony?

22 A. No, I don't.

23 MR. FRANSON: Your Honor, at this time I offer
24 the witness for cross-examination.

25 JUDGE WOODRUFF: Okay. Thank you.

1 Does anyone have any cross-examination
2 questions for Mr. Hyneman?

3 MR. COFFMAN: Yes, Your Honor.

4 JUDGE WOODRUFF: Public Counsel.

5 CROSS-EXAMINATION BY MR. COFFMAN:

6 Q. Mr. Hyneman, is it true that there has been a
7 settlement between the Staff and the Commission and the
8 Applicants in this case regarding the issue listed today
9 as income taxes condition?

10 A. Yes.

11 Q. Would you please describe the exact terms of
12 that settlement?

13 A. Yes. Neither the Company, nor the Staff,
14 expect that this transaction will be taxable to St. Joe
15 Light & Power. If it is determined later on to be taxable
16 by the Internal Revenue Service, St. Joe would have to
17 eliminate its accumulated deferred income taxes, which for
18 ratemaking purposes is treated as a reduction to rate
19 base.

20 It is my understanding that the Company has
21 agreed that if this transaction is determined to be
22 taxable and the deferred taxes of St. Joe Light & Power
23 are eliminated, that in any future rate proceeding, that
24 the combined company would include those deferred taxes as
25 a rate base offset for the St. Joe Light & Power

1 jurisdiction.

2 Q. As you began your explanation, you said no one
3 expects this transaction to be taxable. Could you be more
4 precise by what you mean by "this transaction"?

5 A. I'm sorry. The proposed UtiliCorp/St. Joe
6 Light & Power merger transaction.

7 Q. Okay. And as I understand this settlement,
8 this would be an agreement with regard to how to treat
9 taxes in a future rate case, and if I understand it
10 correctly, there is no guarantee that this -- that this
11 rate case would occur in any particular future date?

12 A. That is correct.

13 And I will be more specific. It's the balance
14 of the accumulated deferred income taxes.

15 Q. Okay.

16 A. Okay.

17 Q. I think I understood that.

18 And in other words, if these unlikely events
19 were to transpire, as you described it, and the Commission
20 approved the Applicant's proposed moratorium as part of
21 some regulatory plan, ratepayers would not see the benefit
22 of that for the duration of the moratorium in your
23 settlement? Am I correct in understanding that?

24 A. Well, there will be -- under my assumption of
25 the moratorium, there will be no change at St. Joe's

1 Light & Power rates. Currently those deferred taxes are
2 reflected in the revenue requirement for St. Joe Light &
3 Power.

4 Q. I see.

5 A. So they're there now.

6 Q. Okay.

7 MR. COFFMAN: Thank you. That's all I have.

8 JUDGE WOODRUFF: Any other cross?

9 No questions from the bench, so no recross.

10 Any redirect?

11 MR. FRANSON: No, Your Honor.

12 JUDGE WOODRUFF: You may step down,

13 Mr. Hyneman.

14 (Witness excused.)

15 MR. SWEARENGEN: The next issue, gas safety
16 program condition, has been settled.

17 Mr. Pella's evidence is in and he has been
18 excused.

19 MR. FRANSON: That's correct, Your Honor.

20 Also yesterday we -- I don't believe he was
21 offered and nobody had any questions.

22 The Staff has Mr. Beck here, and I'd ask -- if
23 there aren't any questions on that, I'd just like to put
24 him up one time on the next issue.

25 JUDGE WOODRUFF: Which would also be the tariff

1 language condition?

2 MR. FRANSON: Yes.

3 JUDGE WOODRUFF: Is that agreeable with
4 everyone?

5 MR. SWEARENGEN: Yes. And that's also a
6 settled issue. Mr. McKinney is our witness and, of
7 course, Mr. McKinney is always here.

8 JUDGE WOODRUFF: Okay.

9 We'll put Mr. Beck on for both issues then and
10 then put Mr. McKinney on.

11 MR. FRANSON: Your Honor, I would call Dan
12 Beck.

13 (Witness sworn/affirmed.)

14 JUDGE WOODRUFF: You may sit down.

15 MR. FRANSON: May I proceed, Your Honor?

16 JUDGE WOODRUFF: You may.

17 DANIEL I. BECK testified as follows:

18 DIRECT EXAMINATION BY MR. FRANSON:

19 Q. Please state your name, please, sir.

20 A. Daniel I. Beck.

21 Q. Sir, did you have occasion in this case to
22 prepare some rebuttal testimony?

23 A. Yes, I did.

24 Q. In fact, the only testimony you prepared in
25 this case?

1 A. That's correct.

2 MR. FRANSON: Your Honor, I believe that's
3 previously been marked as Exhibit 701.

4 JUDGE WOODRUFF: That's correct.

5 MR. FRANSON: Your Honor, if you would note and
6 the record will reflect I'm providing three copies of
7 Exhibit 701, rebuttal testimony of Mr. Beck, to the court
8 reporter.

9 BY MR. FRANSON:

10 Q. Sir, did you have any changes in your
11 testimony?

12 A. No.

13 MR. FRANSON: Your Honor, at this time I'd
14 offer Exhibit 701.

15 JUDGE WOODRUFF: Okay. Exhibit 701 has been
16 offered into evidence. Are there any objections?

17 Hearing none, it will be received.

18 (EXHIBIT NO. 701 WAS RECEIVED INTO EVIDENCE.)

19 MR. FRANSON: Your Honor, at this time I tender
20 the witness for cross-examination on both the gas safety
21 program condition and the tariff language condition.

22 JUDGE WOODRUFF: All right. Is there any
23 cross-examination questions for Mr. Beck?

24 Public Counsel?

25 MR. COFFMAN: Yes, Your Honor.

1 I'd just like to make sure the record reflects
2 the settlements.

3 CROSS-EXAMINATION BY MR. COFFMAN:

4 Q. Mr. Beck, good morning.

5 A. Good morning.

6 Q. And I'd like to first ask you about the issue
7 listed as the gas safety program condition. Has there
8 been a settlement of this issue?

9 A. Yes. Basically there was 162 yard lines that
10 still need to be replaced as part of a previous agreement,
11 and the agreement is -- is that UtiliCorp agrees to
12 continue that program as previously agreed to with St. Joe
13 Light & Power.

14 Q. Okay. Let me ask you about the next issue
15 listed, the tariff language condition. Has there been a
16 settlement of this issue?

17 A. Yes.

18 Q. And could you describe the terms of that
19 agreement?

20 A. It's kind of standard that we have in some way,
21 shape or form acknowledgement of a merger transaction.
22 And in this case what I proposed was to put basically a
23 one-page description of that change in the front of the
24 tariffs so that the public could be informed exactly who
25 is serving them, and that -- and that -- that was agreed

1 to by the Company.

2 Q. So it's your understanding that the conditions
3 as you recommended them in your testimony, Exhibit 701,
4 they were agreed upon by the applicant in that way?

5 A. That's right, yes.

6 MR. COFFMAN: Thank you. That's all I have.

7 JUDGE WOODRUFF: Thank you. Any other cross-
8 examination?

9 Hearing none, there are no questions from the
10 bench, so no recross.

11 Any redirect?

12 MR. FRANSON: No, Your Honor.

13 JUDGE WOODRUFF: Thank you, Mr. Beck. You may
14 step down.

15 (Witness excused.)

16 MR. SWEARENGEN: Do you want to see
17 Mr. McKinney on this or -- we don't intend --

18 JUDGE WOODRUFF: Does anyone have any questions
19 for Mr. McKinney on this?

20 MR. FRANSON: Your Honor, has his testimony
21 come in or is he going to be back?

22 JUDGE WOODRUFF: He is back on market power, I
23 believe, so we can do it at that time.

24 MR. SWEARENGEN: Thank you.

25 JUDGE WOODRUFF: Then he's excused.

1 MR. SWEARENGEN: I think that takes us up to,
2 then, transmission access.

3 JUDGE WOODRUFF: Transmission access.

4 And Mr. Kreul.

5 MR. DUFFY: Your Honor, it's my understanding
6 that Mr. Kreul's testimony has already been marked and
7 perhaps already admitted. He's been on the stand before.
8 I'm not sure.

9 JUDGE WOODRUFF: I'm sure it has been marked.
10 12 and 13. 12 is his direct and 13 is his
11 surrebuttal.

12 (OFF THE RECORD.)

13 JUDGE WOODRUFF: We're back on the record then.

14 MR. DUFFY: Your Honor, the Company -- or
15 UtiliCorp, rather, has called to the stand Richard C.
16 Kreul.

17 It's my understanding he's been previously on
18 the stand and his testimony, his direct testimony, has
19 already been marked, his surrebuttal testimony has been
20 marked as an exhibit and has made corrections, and so I
21 believe I just tender the witness for cross-examination on
22 the transmission access and reliability issue.

23 JUDGE WOODRUFF: Do you want to offer 12 and 13
24 at this time?

25 MR. DUFFY: Sure.

1 JUDGE WOODRUFF: 12 and 13 have been offered
2 into evidence.

3 Any objection?

4 Hearing none, they will be received.

5 (EXHIBIT NOS. 12 AND 13 WERE RECEIVED INTO
6 EVIDENCE.)

7 JUDGE WOODRUFF: Mr. Kreul is tendered for
8 cross-examination. Does anyone have any questions for
9 Mr. Kreul on this issue?

10 You may proceed, the City of Springfield.

11 MR. KEEVIL: Thank you, Judge.

12 CROSS-EXAMINATION BY MR. KEEVIL:

13 Q. Good morning, Mr. Kreul.

14 A. Good morning.

15 Q. If I could direct your attention to page 18
16 (sic) of your surrebuttal, page 18, line 2 (sic) of your
17 surrebuttal.

18 You state that -- well, actually it begins on
19 line 17 of page 2, you state there that the results of the
20 loadflow analysis performed by UCU for the heavy transfer
21 case scenario (pre-contingency) showed zero loading
22 violations and only one voltage violation. Correct?

23 A. That's correct.

24 Q. Now, a loading violation means what?

25 A. It is outside the range of acceptable operation

1 for that particular facility.

2 Q. And the range is also sometimes referred to,
3 like, a line rating?

4 A. That's correct.

5 Q. So if a loadflow indicates that the power
6 flowing over a line is greater than the line rating, this
7 would be a loading violation. Correct?

8 A. Not necessarily. Typically it's within a
9 range, a percentage range, I think our standard is plus or
10 minus 5 percent. So if it's within that range, it's
11 within the loading of the facility.

12 Q. I mean, are you saying that it would be, like,
13 105 percent of the lines emergency rating?

14 A. No, not the emergency rating. The -- the
15 actual -- the design of the facility. The facilities are
16 designed to carry so much load, and if it's -- if it's
17 within a 5 percent range -- 5 percent of that loading,
18 then we consider that within the range.

19 Q. So if a line is carrying 5 percent more load
20 than it is rated to carry, UtiliCorp does not consider
21 that to be a loading violation?

22 A. We consider that within the range of operation,
23 yes, acceptable range of operation.

24 Q. Are all of your lines rated then at 105?

25 A. No. They're -- every one of the facilities

1 are -- are designed at a certain -- at a certain load.

2 Q. Would you repeat your last answer, Mr. Kreul?

3 A. All of our facilities are designed to carry a
4 certain amount of load.

5 Q. Right. But if you're 5 percent over whatever
6 that facility is designed to carry, that's fine as far as
7 UtiliCorp --

8 A. We -- we consider that to be good practices.
9 You can operate within plus or minus 5 percent.

10 Q. What is the purpose of a rating then?

11 A. It's the -- well, it sets the range, the
12 perimeter of the range.

13 Q. How long could you operate the line 5 percent
14 over emergency?

15 MR. DUFFY: Could I ask to rephrase the
16 question? When he threw in that last term "emergency",
17 I'm not sure how that --

18 JUDGE WOODRUFF: Yeah. What exactly are you
19 asking? You threw in the term "emergency."

20 BY MR. KEEVIL:

21 Q. The emergency rating.

22 A. Oh, okay.

23 Typically emergency, we don't like to operate
24 more than two or three, maybe four hours at the most.

25 Q. Now, Mr. Kreul, let me ask you: Are you

1 confusing voltage criteria with loading criteria here?

2 A. I don't believe I am.

3 Q. And what does UCU -- we mentioned emergency
4 ratings. Would you describe your understanding of what is
5 referred to by the term "emergency rating"?

6 A. Well, it's -- it's -- it would be at a higher
7 level of load on that particular facility, using different
8 calculations. It would be -- an emergency rating would be
9 probably under some contingency and certainly wouldn't be
10 under normal operating practices. But there is -- each
11 one of the facilities do have an emergency rating, and --
12 and we considered it -- consider it acceptable to operate
13 at an emergency rating for a short period of time.

14 Q. What is a short period of time? How do you
15 define short period of time?

16 A. Like I said earlier, two, maybe three, four
17 hours at the most.

18 Q. Does the Southwest Power Pool have criteria for
19 setting emergency ratings?

20 A. To be honest with you, I'm not sure what their
21 criteria is if they do have one.

22 Q. Do you know if Southwest Power Pool criteria
23 allows you to exceed whatever -- assuming they have a
24 criteria, whatever that emergency criteria is?

25 A. I don't know.

1 Q. So getting back to page 2, line 18 of your
2 surrebuttal, you refer there to the heavy transfer case
3 scenario precontingency.

4 Now, is this the same case that was provided to
5 Springfield in response to data requests?

6 A. Which data request?

7 Q. Oh, which one?

8 That would have been, I believe, EDSR-28, the
9 loadflow base cases.

10 A. I'm not familiar with that particular data
11 request.

12 Q. Who is Dennis Florom?

13 A. He's a planning engineer in our group.

14 Q. Does he work for you?

15 A. Yes. He works in the group that I supervise.

16 Q. Okay.

17 MR. KEEVIL: Judge, I apologize. I didn't
18 expect to have to introduce this, so I haven't written
19 down the little markings yet. This would be 304 actually,
20 I believe. I have premarked up through 303.

21 JUDGE WOODRUFF: We'll make it 304. And what
22 is it?

23 MR. KEEVIL: This is the UtiliCorp -- a portion
24 of the UtiliCorp response to that data request prepared
25 by -- or sent to us by Dennis Florom whom Mr. Kreul just

1 described.

2 (EXHIBIT NO. 304 WAS MARKED FOR
3 IDENTIFICATION.)

4 BY MR. KEEVIL:

5 Q. Now, Mr. Kreul, I've handed you what's been
6 marked as Exhibit 304. If you'd turn over to the third
7 page of that exhibit. Do you see where the 7502 Sibley,
8 underlined the Sibley to Duncan?

9 A. Yes, I see that.

10 Q. Okay. Do you see in the far right column 102?

11 A. I see that number, yes.

12 Q. What does that number represent, sir?

13 A. I'm not familiar with this sort of report, so
14 I'm -- I'm not sure.

15 Q. You're not familiar with this report?

16 A. No.

17 Q. But I believe indicated Mr. Florom works for
18 you?

19 A. Yes, I have.

20 Q. Look up at the top left, I guess, if you're
21 holding the page this way, the General Electric PSLF
22 Version 11.0.

23 A. Yes, I see that.

24 Q. Now, are you familiar with that being
25 UtiliCorp's model?

1 A. No, I'm not. I'm not sure if that is the
2 UtiliCorp model or not.

3 Q. You're not sure if that --

4 A. I don't -- I don't know what model we used in
5 those. I'm sorry.

6 Q. You don't know what model the people that work
7 for you use?

8 A. I do not, no.

9 Q. Okay. Flip back to the front page then. Do
10 you see where it says from Dennis Florom and a message to
11 Sedina Eric?

12 A. Yes, I see that.

13 Q. Do you have any reason to believe that is
14 not -- do you see the return address on Dennis Florom's?

15 A. Yes, I see that.

16 Q. So do you have any doubt that this document,
17 pages 1 through 3 of Exhibit 304, was from Dennis Florom
18 to Sedina Eric?

19 A. I don't have any reason to believe that it
20 didn't come from Mr. Florom.

21 MR. KEEVIL: Judge, I'd offer Exhibit 304.

22 JUDGE WOODRUFF: Exhibit 304 has been offered
23 into evidence. Are there any objections?

24 MR. DUFFY: I'll object on the basis of no --
25 inappropriate foundation was laid.

1 JUDGE WOODRUFF: And anything more specific?

2 MR. DUFFY: No.

3 JUDGE WOODRUFF: Okay. The objection is
4 overruled. It will be received.

5 (EXHIBIT NO. 304 WAS RECEIVED INTO EVIDENCE.)

6 BY MR. KEEVIL:

7 Q. So Mr. -- just to reiterate, Mr. Kreul, you
8 cannot explain Mr. Florom's study there on page 3 of
9 Exhibit 304?

10 A. No, I cannot.

11 Q. If you assume, Mr. Kreul, that that 102 shown
12 in that far right column, page 3 of Exhibit 304 on the
13 Sibley to Duncan line, indicates the -- let me make sure I
14 get the technical term correct -- if you assume that that
15 102 is the percentage of the emergency rating that that
16 line is carrying under that condition indicated up there
17 at the top of the schedule, would that line carrying
18 102 percent of the emergency rating and the 2000 summer
19 peak base case heavy north/south transfer constitutes a
20 loading violation?

21 A. If you assume that the far right column, what
22 you're speaking of, is 102 percent of the emergency
23 rating, I would -- I think I could state that it's over
24 the emergency rating.

25 Q. And would that constitute a loading violation?

1 A. I couldn't tell you if that's a loading
2 violation or not.

3 Q. Whose criteria -- well, let me ask this: Why
4 can you not say if that would be a load violation or not?

5 A. Well, I could say that it exceeds the emergency
6 violation. Again, I don't know what -- how you would
7 define a loading violation. It clearly exceeds -- it
8 would exceed the emergency viola-- emergency level.

9 Q. Do you know how UtiliCorp defines the loading
10 violation?

11 A. Not specifically, no.

12 Q. What's your position in the company again,
13 Mr. Kreul?

14 A. I'm vice-president of energy delivery.

15 Q. Energy delivery. Which would include electric
16 transmission?

17 A. Which includes electric transmission.

18 Q. All right. Now, if I could direct you to
19 line 16 there of page 2. You state that UtiliCorp studies
20 are superior to Springfield study because UtiliCorp has
21 more accurate information and a clear understanding of the
22 facts.

23 Now, do you believe that loadflow studies
24 should be conducted on a regional basis?

25 A. Loadflow studies are conducted on a regional

1 basis, yes.

2 Q. Okay. Do you believe that the Southwest Power
3 Pool has the requisite knowledge, information and
4 understanding to conduct regional loadflow studies?

5 A. They do that as a practice, yes.

6 Q. Now, recently UtiliCorp asked the Southwest
7 Power Pool to conduct an analysis of providing
8 transmission service necessary to run the post merger
9 UtiliCorp as a single control area. Correct?

10 A. That's correct.

11 MR. KEEVIL: Judge, I'm handing Mr. Kreul what
12 has been premarked as Exhibit 301.

13 BY MR. KEEVIL:

14 Q. Now, Mr. Kreul, I realize that this is not the
15 entire Southwest Power Pool study that I've handed you in
16 Exhibit 301, although I do have some -- another exhibit
17 that has the bulk of the remainder of the study, but I
18 will represent to you and see if you would agree with me
19 that Exhibit 301 is the first five pages of that Southwest
20 Power Pool system impact study that UtiliCorp requested
21 and essentially just contains a narrative of the findings
22 by the SPP based on the study.

23 Would you agree with that representation, sir?

24 A. I would agree with it, yes.

25 JUDGE WOODRUFF: Judge, I'd offer Exhibit 301.

1 JUDGE WOODRUFF: Exhibit 301 has been offered
2 into evidence. Are there any objections?

3 Hearing none, it will be received.

4 (EXHIBIT NO. 301 WAS RECEIVED INTO EVIDENCE.)

5 MR. KEEVIL: I hadn't planned to do it in this
6 order, Judge, but I figured while I'm here, I might as
7 well.

8 JUDGE WOODRUFF: You might as well.

9 MR. KEEVIL: I'm distributing now what's been
10 premarked as Exhibit 303.

11 (EXHIBIT NO. 303 WAS MARKED FOR
12 IDENTIFICATION.)

13 BY MR. KEEVIL:

14 Q. Mr. Kreul, do you recognize what I just handed
15 you that is marked as Exhibit 303 as the bulk of the
16 remainder of that Southwest Power Pool study?

17 If you'll notice the first page there of what I
18 just handed you begins on page 6, which would pick up
19 right after the previous exhibit I handed you?

20 A. Yes, it appears to be.

21 Q. All right.

22 MR. KEEVIL: Judge, I'd offer Exhibit 303.

23 JUDGE WOODRUFF: All right. Exhibit 303 has
24 been offered into evidence. Are there any objections?

25 Hearing none, it will be received.

1 (EXHIBIT NO. 303 WAS RECEIVED INTO EVIDENCE.)

2 BY MR. KEEVIL:

3 Q. Now, Mr. Kreul, the Southwest Power Pool impact
4 study represented in Exhibits 301 and 303 showed adverse
5 impacts of the integration or -- yes -- integration
6 necessary to run your post-merger company as a
7 single-control area, didn't it?

8 A. I recall that it did under these scenario --
9 under this scenario -- under the scenario that the study
10 was run, yes, sir.

11 Q. I'm glad you said that. What was the scenario
12 under which the study was run, Mr. Kreul?

13 A. Well, it was under existing facilities in
14 place.

15 Q. And those adverse impacts shown in the study
16 would be quite costly to correct. Am I accurate in that?

17 A. It would be costly, yes.

18 Q. And, Mr. Kreul, if I could have you look over
19 on page -- I believe it's page 4 of your surrebuttal. You
20 refer to Mr. Russell testifying or containing in his
21 rebuttal testimony reference to three lines that do not
22 exist. But then down there on line 13 -- you make that
23 criticism of Mr. Russell beginning on line 10, I believe.
24 But then on line 13 of that same page you state that the
25 buses to which Mr. Russell referred were added by

1 UtiliCorp to the loadflow models in the transmission
2 study. Is that correct?

3 A. That's correct.

4 Q. So the material which was provided by UtiliCorp
5 to Mr. Russell's firm contained these fictional buses
6 which were added by UtiliCorp; is that correct?

7 A. That's correct.

8 Q. Now, since there are no active connections with
9 other facilities at these fictional buses, the existence
10 of these buses on the line has no effect on the power flow
11 through the Lake Road to Nashua line. Correct?

12 A. That's my understanding.

13 Q. So whether you model that as one line or three
14 sections, three different lines all added together as one
15 line, it has no effect on the results of Mr. Russell's
16 loadflow study. Correct?

17 A. I'm not familiar with the details of modeling,
18 so I couldn't accurately answer that.

19 Q. Okay. Did you prepare this portion of your
20 testimony?

21 A. It was prepared under my direction, yes.

22 Q. By whom?

23 A. By engineers in my group.

24 Q. But you're unfamiliar with loadflow modeling?

25 A. The details of loadflow modeling, yes, I am.

1 Q. Okay. So personally you would not be in a
2 position to criticize the results of loadflow study done
3 by someone else?

4 A. I'm not quite sure what you mean by personally.

5 Q. You would not be in a position to --

6 A. Well --

7 Q. Go ahead.

8 A. I was -- it was obvious to me that these are
9 fic-- fictional points, and it was, again, obvious to me
10 that Mr. Russell was speaking to these as if they were not
11 fictional points. That was the point of my, as you call
12 it, criticism.

13 Q. But in terms of the impact of that on the
14 loadflow study, you I believe admitted a moment ago that
15 it has no bearing on the results of the loadflow. Is that
16 correct?

17 A. That's correct.

18 Q. Over on page 5 of your surrebuttal, you state
19 on line 15 that all of the lines noted by Mr. Russell are
20 being upgraded, thus no longer a problem. Correct?

21 A. That's what I state, yes.

22 Q. Now, when you say all of the lines noted by
23 Mr. Russell, which lines specifically are you referring
24 to?

25 A. I believe in his rebuttal testimony, actually

1 it's in the question beginning at Line No. 10 there, he
2 discusses the lines of Pleasant Hill to Lake Winnebago and
3 from Lake Winnebago to -- Lake Winnebago to Hook Road
4 experienced overloading.

5 Q. Okay.

6 A. Those are the lines I'm -- and then also the
7 Greenwood to Lee's Summit, I believe. Those are the
8 lines, yes.

9 Q. Okay. Now, when will those lines be upgraded?

10 A. They've -- they've been upgraded already. It's
11 completed.

12 Q. They are completed now?

13 A. That's correct.

14 Q. Okay. To what standard were they upgraded?

15 A. I'm not quite sure. I guess to UtiliCorp's
16 standard. I'm not sure what you mean by the question.

17 Q. Let me have you turn back to page 3 of your
18 surrebuttal, Mr. Kreul, beginning on line 14. I believe
19 what you're saying in that answer there is that you can
20 cure that loading violation problem on the Sibley to
21 Duncan line by redispatch. Is that correct?

22 A. That's what I'm stating there, yes.

23 Q. And beginning on line 17 you say that this
24 procedure calls for reducing generation at Sibley and/or
25 increasing generation at Greenwood. Is that correct?

1 A. That's correct, that's what it says.

2 Q. Does that mean you never have a situation at --

3 in which Greenwood cannot be increased?

4 A. I'm sorry. I don't understand your question.

5 Q. Is Greenwood ever fully loaded?

6 A. You know, I don't -- I don't know if it is or

7 not.

8 Q. If it was, that would certainly impact your

9 operating procedure, would it not?

10 A. If it was, that would, yes.

11 Q. Concerning redispatch, UtiliCorp has no

12 obligation to redispatch for firm point-to-point

13 transmission customers. Correct?

14 A. I believe that's correct.

15 Q. Okay. So if redispatch would allow UtiliCorp

16 to avoid curtailing a firm point-to-point transmission

17 customer, UtiliCorp would nevertheless curtail that

18 customer. Correct?

19 A. That's not necessarily true.

20 Q. Under what circumstances would you not?

21 A. I don't know of any circumstances.

22 Q. But hypothetically speaking you could imagine

23 such a situation?

24 A. I could imagine such a situation, yes.

25 Q. Would there be a charge to the customer in that

1 situation?

2 A. In which situation?

3 Q. Well, in the situation where you did not
4 curtail them.

5 A. No, I do not believe there would be.

6 Q. Would the same thing be true for a network
7 service customer?

8 A. I honestly don't know if there would be any
9 differences or not.

10 Q. Page 7 of your surrebuttal, beginning on
11 line 7, I guess it begins, with the word "after,"
12 continues on, after the completion of the upgrade to the
13 LR-Nashua line and the construction of the Nevada-Asbury
14 line, ATCs in these regions will be increased.

15 Do you see that, sir?

16 A. I see that, yes.

17 Q. Now, is it my understanding that UtiliCorp is
18 making a commitment to upgrade the LR-Nashua line and
19 construct the Nevada-Asbury line?

20 A. Upon merger -- consummation of the merger, yes.

21 Q. Upon consummation of the merger. Okay.

22 MR. DUFFY: I think that the Commission should
23 take notice of the fact that the people down there call it
24 Nevada.

25 MR. KEEVIL: You're right.

1 MR. DUFFY: This line doesn't go to the State
2 of Nevada.

3 MR. KEEVIL: I was getting ahead of myself. I
4 thought you were trying to keep the slot machines rolling
5 there.

6 BY MR. KEEVIL:

7 Q. Now, you said this would be done after the
8 consummation of the merger. Is that correct, Mr. Kreul?

9 A. That is correct.

10 Q. Okay. So if you don't start -- I assume that
11 would be when you would begin the upgrade or the
12 construction or when you would budget -- what exactly
13 would happen after the consummation of the merger as it
14 relates to the construction of these lines?

15 A. Well, we haven't worked out the intimate
16 details of when we would start engineering, construction,
17 material procurement, that sort of thing.

18 So I think it would be conceivable we could
19 start prior to the consummation, but it's -- most of the
20 work would probably follow after the closing of the deal.

21 Q. Now, is construction of those lines reflected
22 in the Company's savings calculation of the merger?

23 A. Yes, I believe they are.

24 Q. Okay. Now, is that budgeted then, the
25 construction and upgrades of those lines?

1 A. Yes, I believe it is.

2 Q. But you haven't gotten into the engineering
3 details?

4 A. Preliminarily we have, yes, sir.

5 Q. When will those lines be in service?

6 A. It's difficult to say. The one from Nashua to
7 Lake Road going into St. Joe is anticipated that will go
8 much quicker because the right-of-way has already been --
9 it's acquired. The arrangement -- we would be doing a
10 deal with KCP&L, currently has the right-of-way.

11 The one going south where we interconnect with
12 Empire, there is no right-of-way that has been acquired,
13 so that -- we anticipate that to take a little bit longer.

14 Q. Now, on page 7 where you're talking about those
15 lines, you state that ATCs will be increased. How much
16 ATC will be gained on a north/south transfer?

17 A. I'm not sure.

18 Q. Let me ask you this: How much ATC will
19 increase overall?

20 A. I'm not -- I'm not sure.

21 Q. How much will be gained south to north?

22 A. I'm not sure.

23 Q. But you're sure that they will be increased?

24 A. Yeah. We have committed that with -- with the
25 construction of these lines and then the dispatch, the

1 joint dispatch, we will not -- we will not be in a
2 situation where we actually lower the ATC. We will
3 increase the ATC in the area.

4 Q. Now, Mr. Kreul, in your -- well, let me start
5 that over.

6 After the Southwest Power Pool completed this
7 study, in response to a letter ordered from the FERC,
8 UtiliCorp filed a response to the FERC and included
9 therewith with some supplemental testimony on your behalf
10 at the FERC. Is that correct?

11 A. That's correct, yes. As it relates to this --
12 to the merger, I presume you're speaking of?

13 Q. Yes, in the FERC merger document.

14 A. Okay. Yes.

15 MR. KEEVIL: Judge, I'd like to hand out
16 Exhibit 302 at this time.

17 (EXHIBIT NO. 302 WAS MARKED FOR
18 IDENTIFICATION.)

19 BY MR. KEEVIL:

20 Q. Mr. Kreul, if I could have you look at what
21 I've handed you -- it has been premarked as
22 Exhibit 302 -- and ask you if that appears to be the
23 response of UtiliCorp to the FERC letter order in FERC
24 Docket No. EC00-28-000?

25 A. Yes, that appears to be.

1 Q. And if you'd flip, oh, about ten pages into it,
2 you come to the beginning of what is apparently the
3 supplemental testimony of Richard C. Kreul. Do you see
4 that, sir?

5 A. Yes, I see it.

6 Q. Is that the supplemental testimony that you
7 filed in those captioned FERC dockets?

8 A. Yes, it appears to be.

9 MR. KEEVIL: Judge, I'd offer Exhibit 302.

10 JUDGE WOODRUFF: Exhibit 302 has been offered
11 into evidence. Are there any objections to its receipt?

12 Hearing none, it will be received into
13 evidence.

14 (EXHIBIT NO. 302 WAS RECEIVED INTO EVIDENCE.)
15 BY MR. KEEVIL:

16 Q. Now, in your FERC testimony which is contained
17 as part of Exhibit 302, Mr. Kreul, I believe, if I could
18 find the reference there, the top of page 5 of your
19 supplemental FERC testimony, beginning on the bottom of
20 page 4 --

21 A. Yes.

22 Q. -- you refer to your willingness to limit the
23 amount of transfer capability that is reserved between the
24 three current control areas; is that correct?

25 A. Yes, that's right.

1 Q. So as I understand it, the post merger -- by
2 the way, just so everyone is clear, that two docket
3 numbers on the FERC case reflect the fact that the FERC
4 case covers both the UtiliCorp/St. Joe merger and the
5 UtiliCorp/Empire merger.

6 Is that your understanding, Mr. Kreul?

7 A. I couldn't tell you if it does or not. I'm
8 sorry.

9 Q. Well, flip back to the very first page of your
10 testimony -- or supplemental FERC testimony that we're
11 looking at, and look at the caption at the top of the
12 page.

13 A. Okay.

14 Q. Okay. Now, you see where it has two docket
15 numbers and two case captions?

16 A. Yes, I see that.

17 Q. All right. Now, as I was getting to -- as I
18 understand it, in this testimony, supplemental FERC
19 testimony, you have stated that the applicants -- and that
20 would be in the FERC case, UtiliCorp, St. Joe and Empire,
21 I believe, are willing to limit the amount of priority
22 transfer right to 100 megawatts and 200 megawatts for a
23 period of three years depending on the direction of the
24 export. Is that correct?

25 A. That's -- that's my testimony, yes.

1 Q. Now, have you reached -- well, let me back up.
2 On page 6 of your surrebuttal in the State case
3 here -- I believe it's page 6 -- yeah, page 6, line 10 of
4 your surrebuttal in the Missouri PSC docket, you state
5 that regional ATC will be increased approximately
6 700 megawatts.

7 A. That's what I state, yes.

8 Q. Now, is that as the result of the construction
9 of these two lines that you're referring to over on page 7
10 of your surrebuttal testimony?

11 A. That's the result of the construction of the
12 Lake Road to Nashua line that would interconnect St. Joe's
13 operations with Utilicorp's.

14 Q. Okay. And does it not take into account the
15 construction of the, as Mr. Duffy says, Nevada to Asbury
16 line?

17 A. No.

18 Q. Okay. Now, when you're referring to that
19 700 megawatt increase of ATC on page 6 of your
20 surrebuttal, have you reached that amount of ATC increase
21 by analyzing the loadflow base case?

22 A. As I understand what that 700 is, is when we
23 build the Nashua to Lake Road line, that increases -- the
24 regional ATC increases the ability to flow more energy
25 north to south.

1 Q. How is that 700 megawatt increase in ATC
2 arrived at? I mean, did you run a study? Did someone run
3 a study?

4 A. A study was run, yes.

5 Q. By whom?

6 A. Again, the engineering group within my group.

7 Q. Do you know the name of the engineer?

8 A. I could not tell you specifically, no.

9 Q. Okay. And does this have anything to do -- I
10 believe earlier you stated that you were not personally
11 familiar with running loadflow models.

12 A. I'm not personally familiar with that, no.

13 Q. Okay. Now, are you familiar with the fact that
14 the Southwest Power Pool ISO is responsible for the
15 calculations of ATC in the region?

16 A. I don't believe there is a Southwest Power Pool
17 ISO.

18 Q. Do you believe that an RTO should calculate the
19 ATC for a region?

20 A. That is one of the functions of -- proposed
21 functions of an RTO, yes.

22 Q. Okay. Rather than each individual utility
23 company calculating their own ATC?

24 A. Well, I think the way it would work, the two
25 would work in conjunction with one another.

1 Q. Is SPP responsible currently for calculating
2 ATC in the region?

3 A. You know, I don't -- don't think that they are.
4 They can do that, but I don't think that they are
5 deemed -- deemed to have the responsibility of doing that.

6 Q. Has SPP --

7 MR. KEEVIL: Just so the record is clear, Your
8 Honor, when I say SPP, I'm referring to Southwest Power
9 Pool.

10 BY MR. KEEVIL:

11 Q. Mr. Kreul, has SPP confirmed your unnamed
12 engineers' finding of an increase in ATC of 700 megawatt?

13 A. I don't believe they have. I -- I don't know.
14 I have no knowledge of them doing it.

15 Q. Would you take a look at Exhibit 303, if you'd
16 look at page 24. Do you see down there -- well, tell me
17 this first, Mr. Kreul: What is your understanding of what
18 is shown on page 24 of Exhibit 303?

19 A. According to the title on the top of the page,
20 this is a voltage report table.

21 Q. Okay. Can you explain to me the numerous
22 conditions with voltage lower than 90 percent in the
23 Empire and Missouri Public Service area reported in this
24 study and which are shown on the far right column as being
25 either accept risk or provide solution?

1 A. Um, not being intimately familiar with this
2 report, but what I -- I believe that is, with the
3 scenarios that the SPP ran the study under our request of
4 network service, and again, that did not include the new
5 construction of Lake Road to Nashua and the Asbury to
6 Nevada lines, that apparently there was some voltage
7 problems as -- as indicated in this report.

8 Q. Okay. So there were voltage problems found on
9 the SPP. Correct?

10 A. Under the scenarios they ran in the study, yes.

11 Q. Okay. On page 11 of your testimony,
12 surrebuttal testimony, in the Missouri Public Service
13 Commission proceeding, page 11, beginning on line 17, you
14 state that a look at the Southwest Power Pool 2001 summer
15 peak model reveals that the lowest bus voltage in the
16 Empire system is 92 percent (8 percent below nominal), and
17 this occurred on a a 34kV bus.

18 Five buses in the Empire system exhibited bus
19 voltages below 95 percent but still above 90 percent and
20 these were all a 34kV buses.

21 No buses at 69kV or above exhibited bus
22 voltages less than 95 percent. Did I read that correctly?

23 A. You read that correctly.

24 Q. If I could have you look on page 26 of
25 Exhibit 303. I believe it's the bus number. But the

1 column on the far left, the 59570, do you see that, down
2 at the second to the bottom?

3 A. 59579. On page 26?

4 Q. Yes.

5 A. Second from the bottom is 59579.

6 Q. Okay. I was actually on the -- over in the far
7 left side of the page, Mr. Kreul.

8 A. I'm sorry. Okay. Okay.

9 Q. Those may not be bus numbers. Is that -- on
10 the far left column, are those bus numbers?

11 A. I don't know.

12 Q. Okay. You see the second narrative there that
13 begins on the left side, 59570 --

14 A. Yes.

15 Q. -- to bus 59604.

16 If you follow that line over to the right side
17 of the page, you'll see a bus No. 59570 OZK330 269.0. Do
18 you see that?

19 A. Yes.

20 Q. Well, that 269.0 indicates that that's a 69kV
21 bus. Correct?

22 A. Okay. I don't -- I don't know that to be the
23 fact, no.

24 Q. You don't know --

25 A. I wouldn't know how they indicate it in this

1 report, no.

2 Q. Well, why not?

3 A. I'm not intimately familiar with this report.
4 I'm sorry.

5 Q. You testify about this report. Correct?

6 A. Yes, I do.

7 Q. And you state that no buses at 69kV or above in
8 this report exhibited bus voltages less than
9 95 percent. Correct?

10 A. That's what I stated, yes.

11 Q. So if you don't know how the 69kV buses are
12 indicated in this report which you just testified to, how
13 can you make that statement in your testimony?

14 MR. DUFFY: Well, Your Honor, I'm going to
15 object. There has been no foundation laid that the report
16 in Exhibit 303 is the same report that is being referred
17 to on page 11 as the 2001 summer peak model.

18 You first have to establish we're both talking
19 out of the same hymnal here.

20 JUDGE WOODRUFF: Mr. Keevil, can you make
21 that --

22 MR. KEEVIL: Certainly. Actually I think that
23 was the statement when the exhibit was introduced, but
24 we'll do it again.

25 BY MR. KEEVIL:

1 Q. Mr. Kreul, you are referring on page 11 to the
2 Southwest Power Pool study which was requested by
3 UtiliCorp and run according to the parameters UtiliCorp
4 gave the Southwest Power Pool, are you not?

5 A. Yes, I am.

6 Q. All right. And that would be Exhibit 303 as we
7 have previously determined. Correct?

8 A. That's correct.

9 Q. All right.

10 JUDGE WOODRUFF: Your objection is overruled
11 then.

12 BY MR. KEEVIL:

13 Q. So when you state on line 20 of page 11 that no
14 buses at 69kV or above exhibited bus voltages less than
15 95 percent in this study but you also indicated you don't
16 know how to tell from looking at this study which buses
17 are 69kV buses and which aren't, how can you make the
18 statement you make on page 11 of your surrebuttal
19 testimony?

20 A. Well, again, this testimony was prepared under
21 my direction. I do not -- I'm not familiar -- intimately
22 familiar with these reports, and -- you know, I see your
23 point, if, in fact, you designate -- your correction --
24 you're correct about the 69kV bus as designated like you
25 said earlier, that this report does indicate that there

1 are voltages below 95 percent.

2 Q. Mr. Kreul, did you prepare the portions of your
3 testimony which refer to the Southwest Power Pool study as
4 shown in Exhibit 303 or did someone else?

5 A. It was prepared under my direction, yes.

6 Q. You directed someone else to prepare it.
7 Correct?

8 A. Yes.

9 Q. But you do not know if what they prepared based
10 on the study was correct. Is that a true statement?

11 A. Well, no, I -- I assume it is correct.

12 Q. No. No. Excuse me, sir. I didn't ask if you
13 assumed that it was correct. This is your testimony, is
14 it not?

15 A. It is my testimony.

16 Q. Has an affidavit signed by you and notarized?

17 A. It is my testimony.

18 Q. So this is your testimony. But you do not know
19 if the references prepared by someone else in your
20 testimony to the Southwest Power Pool study are correct.
21 True?

22 A. Yes, they're correct.

23 Q. Okay.

24 MR. KEEVIL: Judge, I'm going to move to strike
25 all references -- I didn't know he was going to say that.

1 It will take me a while if you want me to go through one
2 by one -- but any references in his surrebuttal testimony
3 to the -- what would this be -- criticizing
4 Mr. Russell's study on the basis of his interpretation of
5 the Southwest Power Pool study which he now said he
6 doesn't know how to read and someone else prepared for
7 him.

8 MR. DUFFY: Your Honor, that goes to the weight
9 and not the admissibility of the evidence.

10 JUDGE WOODRUFF: I believe your objection is
11 correct, that it does go to the weight. I will give you
12 an opportunity to mark and reindicate on the record what
13 portions are involved here.

14 We're going to take a break --

15 MR. KEEVIL: Before we do that, just for
16 clarification, Judge, like I said, I had no idea he was
17 going to say that. Can I have some time to late-file
18 that? It will take me some time.

19 JUDGE WOODRUFF: I thought you wanted to do it
20 right now.

21 MR. KEEVIL: No. I'd like a week or ten days
22 or whatever.

23 JUDGE WOODRUFF: Okay. Yeah, we can do that,
24 ten days. And that will give the other parties a chance
25 to respond to that when it's filed.

1 MR. KEEVIL: That's fine. Thank you.

2 JUDGE WOODRUFF: But it is time to take a
3 break. Let's come back at 10:45.

4 (A RECESS WAS TAKEN.)

5 JUDGE WOODRUFF: We're on the record.

6 MR. DUFFY: Your Honor, during the break the
7 witness informed me that he realized that he had made some
8 incorrect responses in his previous testimony just prior
9 to the break and he would like to correct those erroneous
10 statements at this time.

11 MR. KEEVIL: Judge, I'd like to explore the
12 basis of his discovery on that.

13 JUDGE WOODRUFF: You certainly may.

14 BY MR. KEEVIL:

15 Q. Mr. Kreul, did you discover you made erroneous
16 statements in your previous testimony --

17 MR. DUFFY: Well, Your Honor, can we make the
18 corrections first and then allow Mr. Keevil to ask
19 whatever questions that he wants to do about that.

20 MR. KEEVIL: No, because then they'll be in
21 there. You know, they'll be on the record.

22 JUDGE WOODRUFF: Go ahead and ask your
23 questions first, Mr. Keevil.

24 BY MR. KEEVIL:

25 Q. Mr. Kreul, did you discover you had made

1 erroneous answers in response to the previous questions
2 after consultation with anyone from UtiliCorp?

3 A. Yes.

4 Q. Who was it that you consulted with that
5 informed you that you had given incorrect answers?

6 A. One of my engineers, engineers in my group.

7 Q. Okay. So it was the engineer in your group
8 that realized you had made incorrect answers to your
9 previous testimony?

10 A. Yeah. Upon discussing with him we both dis--
11 discovered that there were errors in my testimony.

12 Q. You both discovered. After --

13 A. After -- after consulting with him, I
14 discovered there were errors in my testimony.

15 Q. Based on what he told you?

16 A. Yes.

17 Q. Okay.

18 MR. KEEVIL: This is still not his testimony.
19 He's testifying -- somebody else apparently has knowledge
20 on this matter. They put him up there on the stand to
21 testify.

22 MR. DUFFY: Your Honor, that's just
23 argumentative.

24 JUDGE WOODRUFF: He's making an objection, so
25 it needs to be argumentative.

1 MR. KEEVIL: I object to them now coming back
2 after he's had the chance to be coached by this other
3 engineer and change his answers that he's previously --
4 you know, we spent an hour and a half going through a
5 minute ago.

6 JUDGE WOODRUFF: All right. Your objection is
7 noted. It will be overruled. It certainly goes to the
8 credibility of the witness rather than his admissibility
9 as previously argued.

10 You may go ahead and make your corrections.

11 THE WITNESS: Previously we were speaking to my
12 responses to Mr. Russell's comments that -- well, I'm
13 sorry.

14 In my surrebuttal testimony I stated that there
15 is no bus -- no buses at 69kV or above exhibited bus
16 voltage less than 95 percent. And that was in the SPP
17 2001 summer peak model.

18 That is not referred -- that is not the case in
19 this network service flow model that SPP did for us. So
20 it's two different reports.

21 He'd asked earlier -- you asked me -- I think
22 your previous question, was it the same report and I said
23 yes, it was, and it's really two different reports.

24 Q. Mr. -- so that's a different report entirely
25 then the SPP report that you're referring to?

1 A. The SPP -- that was a 2001 summer peak model
2 where there were no buses at 69kV or above that
3 exhibited --

4 Q. Okay.

5 A. -- bus voltage.

6 MR. KEEVIL: Well, Judge, I'm going to --

7 BY MR. KEEVIL:

8 Q. Or let me ask you this, Mr. Kreul: Was that
9 SPP study to which you are referring on page 11 of your
10 surrebuttal provided to Springfield in response to DR
11 request?

12 A. No, it's not.

13 Q. That was not?

14 A. No.

15 Q. But it was requested by Springfield in
16 discovery. Correct?

17 A. Well, this would be available to Springfield.
18 They're a member of SPP. It's a --

19 Q. No. Springfield requested you to provide them
20 with studies of the -- such as that on the bottom of
21 page 11 of your testimony, correct --

22 A. That's correct.

23 Q. -- in the discovery?

24 Did you provide that response to Springfield in
25 response to their discovery asking for it?

1 A. Yes, we -- yes.

2 Q. You provided the 2001 summer peak?

3 A. Oh, I don't know -- I don't know if we provided
4 that particular model to them or not. Again, that's --
5 that's a SPP model that is available to anybody and
6 everybody as a member of SPP.

7 Q. But you don't know if UtiliCorp responded in
8 response to discovery or not?

9 A. No, I do not.

10 MR. KEEVIL: Well, Judge, I'm going to -- a
11 different basis this time, since he -- since he changed
12 his study on me.

13 I am going to again move to strike --

14 MR. DUFFY: Well, Your Honor, he didn't change
15 the study --

16 MR. KEEVIL: I am not finished, Mr. Duffy. May
17 I finish my --

18 JUDGE WOODRUFF: Please let him finish his
19 objection.

20 MR. KEEVIL: Springfield requested studies from
21 UtiliCorp, their copy. The only studies that were
22 provided to us in response to the data response -- data
23 request -- excuse me -- were the SPP studies that we have
24 here and the UtiliCorp information upon which Mr. Russell
25 prepared his own study.

1 We didn't get this new study that Mr. Kreul has
2 now remembered after discussing it with another engineer
3 of UtiliCorp, and it's a direct violation of the
4 Commission's own new discovery rules that require
5 supplemental information be provided to other parties if
6 they come in the possession of something that is
7 responsive to a previous data request.

8 So I would move again to strike his new
9 supplemental answer changing his previous testimony.

10 JUDGE WOODRUFF: I'm not sure what exactly
11 we're at now.

12 Mr. Duffy, do you want to say anything?

13 MR. DUFFY: I don't -- I don't understand the
14 objection. I don't know what he's trying to do.

15 I understand that there are two different
16 studies that are being argued about here. One is
17 Exhibit 303 and Exhibit 301, and there is a totally
18 different study that is referred to on page 11.

19 And I understand that Mr. Keevil tried to -- or
20 asked Mr. Kreul whether those were the same things, and
21 Mr. Kreul said, yes, they were, and then Mr. Kreul said
22 no, they weren't the same things.

23 And that is as much as I understand, and that
24 the -- and the record now reflects that these are two
25 different things.

1 I also understand that Mr. Keevil is objecting
2 about, apparently, whether Springfield asked for the 2001
3 summer peak model from SPP, and I don't know whether there
4 is any facts to substantiate at this point that they, in
5 fact, requested that specific model from UtiliCorp or that
6 UtiliCorp gave it to them or didn't give it to them.

7 You know, that information is not at my
8 fingertips, and Mr. Keevil hasn't demonstrated by showing
9 us some specific data request that he, in fact, asked for
10 these things.

11 So I don't think that there is any basis for
12 his objection here other than he's aggravated that
13 Mr. Kreul changed his answer once Mr. Kreul found out what
14 the facts were.

15 JUDGE WOODRUFF: Mr. Keevil, did you
16 specifically request -- can you provide the specific
17 information about the data request?

18 MR. KEEVIL: We requested -- hang on a second,
19 Judge.

20 MR. DUFFY: Of what little assistance I may be
21 able to make, the reference made on page 11 of Mr. Kreul's
22 surrebuttal testimony to an SPP base case loadflow. It's
23 my understanding that SPP on an annual basis prepares base
24 case load flows.

25 What is -- Exhibit 303 is a special study that

1 was done specifically for one situation, and it is not an
2 SPP base case loadflow.

3 That's our understanding of why there -- we're
4 talking about two different things here.

5 And if Springfield asked us for SPP base case
6 load flows, my understanding is we would not have given
7 them what is in Exhibit 303 because it's not an SPP base
8 case loadflow.

9 MR. KEEVIL: Judge, let me, if I could --

10 JUDGE WOODRUFF: Yes, Mr. Keevil. Go ahead.

11 MR. KEEVIL: If you'd turn to page 23 of
12 Exhibit 303, you see there on page 23 where it says 2001
13 summer peak, Missouri Public Service, area 540.

14 Go two pages further and you run into Empire.
15 That's the 2000 -- at page 25, 2001 summer peak, area 544.

16 Go another two pages of the 2001 summer peak,
17 St. Joseph Light & Power, area 679.

18 So those are, I believe, responsive to the
19 issue being addressed at the bottom of page 11.

20 But to get back to my original objection, that
21 he has in his testimony on page 11 something that he is
22 now claiming based on some other study they did not
23 provide us. We had requested --

24 MR. DUFFY: We haven't --

25 JUDGE WOODRUFF: Let him finish, Mr. Duffy.

1 Mr. Keevil, can you explain again what you're
2 asking the Commission to do?

3 MR. KEEVIL: Yes. My objection is, is that on
4 the bottom of page 11, apparently now Mr. Kreul is basing
5 that on some study that was not provided to Springfield.
6 After we took the break, he changed his mind as to what
7 study he was basing it on. Now, it's a study that only
8 they have apparently.

9 Data Request No. 28 -- and again, I apologize
10 Judge. I don't have the requisite number of copies of
11 this because I never dreamed this would become an issue,
12 but let me read it and then I'll show it to you.

13 It says, please provide power system data bases
14 for the years 1999 and 2001 peak and off peak and PSS/E
15 electronic format of the SPP transmission system with more
16 detailed modeling of UtiliCorp, MoPub, St. Joe and Empire
17 transmission systems.

18 In addition, please provide all power flow data
19 bases used by the applicants in any modeling conducted to
20 simulate power lever. That is one.

21 We have other ones here, four or five of them
22 where the response of the Company was, the study by SPP
23 has been requested, expect results in two to three months.

24 We did, like I said, eventually receive the
25 study which has been introduced as 303 but that's the only

1 study by SPP which we have received from the applicant.

2 JUDGE WOODRUFF: Do you want to ask these
3 questions to the witness explaining -- and get his
4 response as to what was sent to you?

5 MR. KEEVIL: Well, I think we covered that.

6 BY MR. KEEVIL:

7 Q. You don't know what was sent to Springfield, do
8 you, Mr. Kreul?

9 A. Under that particular data request?

10 Q. Yes.

11 A. I know that we -- I believe we sent them the
12 SPP network service, the flow study for the network
13 service. I don't believe we sent them any other report.
14 They have the SPP 2001 summer peak loadflow. I mean,
15 again, like I said earlier, that's available to anyone,
16 and I think that is what Mr. Russell was speaking to in
17 his rebuttal testimony, and that is how I -- that's what I
18 was responding to.

19 I mean, it's just -- line 13 of the question
20 was -- I mean, he made the statement in his rebuttal, some
21 voltages in the Empire area are more than 10 percent below
22 nominal in the SPP base case loadflow. And that's what I
23 was reporting to.

24 I'm not sure where he got that information.
25 It's obvious to us, to me, that that was the 2001 loadflow

1 study and that is what I was responding to.

2 Q. So you don't know where he got his information
3 but you, therefore, responded that the study which you had
4 not provided to him was somehow different?

5 A. Well, again --

6 Q. Is that my understanding?

7 A. -- he states in his -- in his statement he
8 says, base case loadflow and that's -- that is what I was
9 responding it.

10 Q. Where is that?

11 A. It's line 14, page 11.

12 Q. Can we get a copy of the document to which you
13 are referring at the bottom of page 11, Mr. Kreul?

14 MR. DUFFY: Are you talking about the SPP 2001
15 summer peak model?

16 MR. KEEVIL: Whatever Mr. Kreul is talking
17 about is what I'm talking about.

18 JUDGE WOODRUFF: The study that they don't
19 have, apparently.

20 MR. KEEVIL: Which he's basing his testimony
21 on.

22 MR. DUFFY: I'm trying to be cooperative here.

23 JUDGE WOODRUFF: Right. I understand.

24 MR. DUFFY: I want to understand if he's asking
25 about the 2001 summer peak model, I thought I heard Mr.

1 Kreul say that that's a product of the SPP, that any
2 member of the SPP can get it or that it's publicly
3 available and that Springfield can get it by asking for
4 it. And I ask Mr. Kreul to make sure that what I just
5 said is accurate.

6 It doesn't have to come from UtiliCorp, is what
7 I'm saying. It's a publicly available document, if my
8 facts are correct. But Mr. Kreul needs to confirm that.

9 JUDGE WOODRUFF: I think he's already testified
10 to that, actually.

11 MR. DUFFY: Well, that was my understanding.

12 JUDGE WOODRUFF: Mr. Keevil, are you simply
13 asking if there is a copy of that in this room somewhere?

14 MR. KEEVIL: Yes.

15 JUDGE WOODRUFF: Is there a copy of that in
16 this room somewhere?

17 MR. KEEVIL: Has it been introduced into the
18 record or anything?

19 THE WITNESS: I'm unaware of a copy of it being
20 available in this room. I mean, it's apparent to me that
21 he has a copy of it because he referred to it in his
22 rebuttal testimony.

23 BY MR. KEEVIL:

24 Q. And the results in that study would be
25 different than the results in Exhibit 303?

1 A. Yes.

2 Q. Why?

3 A. Again, the base case flow study is normal SP --
4 the way that the grid operates and the normal study SPP
5 does, what the report, which you have, Exhibit 301, that
6 is a study we asked SPP to do for us, assuming a number of
7 things, and one is, the major assumption is, providing
8 joint dispatch back and forth from Empire to MoPub, MoPub
9 to St. Joe, which is not in the base case flow study as --

10 Q. During the break did you learn how to interpret
11 the study shown in Exhibit 303?

12 A. No, I did not.

13 Q. Okay. So I can't ask you any questions about
14 that?

15 MR. DUFFY: It's argumentative. Mr. Keevil can
16 try to ask any question he wants.

17 JUDGE WOODRUFF: The objection will be
18 overruled.

19 Go ahead and ask the questions that you want.

20 BY MR. KEEVIL:

21 Q. Did you learn, Mr. Kreul, how bus voltages are
22 designated in Exhibit 303?

23 A. I did not.

24 MR. KEEVIL: Judge, it would be useless to ask
25 Mr. Kreul about Exhibit 303, then, if he can't answer any

1 questions about it.

2 MR. DUFFY: Object to Mr. Keevil testifying.

3 JUDGE WOODRUFF: Overruled.

4 BY MR. KEEVIL:

5 Q. Mr. Kreul, what is the UtiliCorp voltage
6 criteria?

7 A. It's a criteria that I believe we operate plus
8 or minus 5 percent, normally operate within that range, if
9 that's what you mean, if that's what you're asking.

10 Q. Under what conditions do you operate at plus or
11 minus 5 percent?

12 A. Under normal conditions, no contingencies.

13 Q. What about the contingency situation?

14 A. I believe at that point it's plus or minus
15 10 percent.

16 Q. What is St. Joseph Light & Power's voltage
17 criteria?

18 A. I believe it's the same.

19 Q. You believe it's the same.

20 On what do you base that belief?

21 A. Just the common knowledge and discussion with
22 St. Joe, but nothing in particular.

23 Q. So St. Joseph Light & Power does not have a
24 higher voltage criteria standard than UtiliCorp?

25 A. I'm unaware of one.

1 Q. When was St. Joe's criteria last changed?

2 A. I don't know.

3 Q. Okay. Regarding voltage, Mr. Kreul, tell me

4 what devices provide the reactive power that support it.

5 A. There is capacitors. Is that your question?

6 Q. Well, capacitors would be one.

7 A. Yeah, capacitor is one.

8 Q. Would generators be another?

9 A. I don't know.

10 Q. You don't know if electric generators provide

11 reactive power to support --

12 A. Yes, I believe generators provide reactive

13 power, yes.

14 Q. Thank you.

15 So if a generator is taken out of service,

16 there is no reactive power available from that generating

17 unit. Is that correct?

18 A. That would be my understanding, yes.

19 Q. Now, is it possible to dispatch a generator

20 with one megawatt output if the installed capacity of the

21 generator is 100 megawatts?

22 A. I really don't know.

23 Q. so you think you can dispatch a 100-megawatt

24 generator running at one megawatt?

25 A. That's not what I said. I said I don't know.

1 Q. Well, let's assume that that's what -- the
2 situation where we have a 100-megawatt generator at one --
3 being run at one megawatt. If that situation was input
4 into a loadflow state, what would be the reactive power
5 output of that generator bus?

6 A. I'm sorry. I wouldn't know.

7 Q. Why is that?

8 Is that -- I'm not trying to be hard to get
9 along with either.

10 But does that go back to your unfamiliarity
11 with performing loadflows?

12 A. I'm just -- I don't -- under that scenario
13 where you have a 100-megawatt unit and the output is only
14 one megawatt, I'm not sure what that would do to the
15 system, if it would provide reactive power or not.

16 Q. Okay. Well, this may be a different spin on
17 the same thing. If it is, I apologize.

18 Would you agree that simulated voltages would
19 be higher than they would be if that generator were taken
20 out of service rather than assumed to be in service at one
21 megawatt?

22 A. Could you repeat that? I'm sorry.

23 Q. Okay. Do you agree that simulated voltages
24 will be higher in the situation we've been talking about
25 than they would be if that generator were completely taken

1 out of service instead of being assumed to be in service
2 at an unrealistically low loading like one megawatt?

3 A. Are the voltages higher with one-megawatt input
4 than they are without the one megawatt? Is that your
5 question?

6 Q. Basically, yeah.

7 A. I would think that's a reasonable assumption.

8 Q. Okay. Now, in the loadflow cases which
9 UtiliCorp provided to Springfield in response to data
10 requests, are you aware that some of the Empire District
11 generators are modeled at one megawatt?

12 A. I'm unaware -- unaware of that.

13 Q. Unaware of that.

14 Who performed that modeling for UtiliCorp?

15 A. Which modeling?

16 Q. Well, the loadflows that were provided in
17 response to the data requests.

18 A. Are you speaking about the SPP network -- the
19 loadflow study? SPP provided that.

20 Q. But UtiliCorp provides the inputs. Correct?

21 A. We provide data to SPP, yes.

22 Q. If I could have you turn over to page 12 of
23 your surrebuttal. Down there at the bottom of page 12 of
24 your surrebuttal you state that UCU is -- excuse me --
25 this is beginning on line 18.

1 UCU is now committed to building the necessary
2 facilities to interconnect the merged company as described
3 in the UCU - SJLP Interconnection Study and the UMC -
4 Empire Connection Study. Correct, Mr. Kreul?

5 A. That's what I state, yes.

6 Q. Okay. Now, as I recall those interconnection
7 studies, there were various options talked about in that.

8 What lines exactly are you -- or facilities, I
9 should say, are you committing to build there at the
10 bottom of page 12?

11 A. The St. Joe interconnect study would be the
12 Nashua to Lake Road 161kV line, and what I recall, the
13 UCU - Empire interconnect study. It's the Nevada to
14 Asbury 161kV line.

15 Q. Now, in regard to the UCU - St. Joe facility,
16 are you talking about what shows up in your Schedule
17 RCK-10 as Option 2B or Option 2B modified?

18 A. I believe it would be 2B modified.

19 Q. And those really are the same facilities that
20 we spoke about earlier when you said -- when I asked you
21 when they would be completed. Is that correct?

22 A. That's correct.

23 Q. And to refresh my memory, when would the
24 in-service dates for those facilities be?

25 A. Each one would be different, different timing.

1 The St. Joe would be, I think, within a year.

2 Q. Within a year from?

3 A. From commencement of construction.

4 Q. Which would commence when?

5 A. I'm not sure when that would have happened.

6 Q. Has the equipment or supplies been ordered for
7 that?

8 A. Not that, no.

9 Q. Has it been budgeted?

10 A. Yes, it has.

11 Q. Mr. Kreul, this hasn't been premarked. I may
12 or may not offer it as an exhibit.

13 MR. KEEVIL: For reference purposes, Judge,
14 what would my next number be?

15 JUDGE WOODRUFF: It would be 305.

16 BY MR. KEEVIL:

17 Q. Okay. Mr. Kreul, I've handed you what may or
18 may not wind up as Exhibit No. 305. And can you identify
19 the -- what the material on that exhibit represents here?

20 A. No, I cannot.

21 Q. Are you familiar with the reference at the top
22 here, the PTI information, Mr. Kreul?

23 A. I've heard that, yes. It's a flow -- flow
24 model, yes.

25 Q. And is that the flow model that UtiliCorp uses

1 or has the ability to run in?

2 A. Yes.

3 Q. Okay. Can you tell from looking at this if
4 this is the UtiliCorp material -- input data which was
5 provided to Springfield in response to data request?

6 A. No, I cannot tell what -- if that was provided
7 to SPP or not by UtiliCorp. It appears to be -- just with
8 handmarkings at the top of the page, it says Empire
9 machines. So I'm not sure if you believe that for what it
10 means. It's not UtiliCorp generators. It would be Empire
11 generators.

12 Q. Empire generators.

13 But in the studies that were done at the
14 request of UtiliCorp, the Empire machines were included,
15 were they not?

16 A. They were part of the study, yes. I'm not
17 sure -- and this information could have been -- it's just
18 from the database that SPP would have. I don't -- I don't
19 know where it came from.

20 Q. So, Mr. Kreul, if I understood you correctly on
21 that last item we were just talking about, you are not
22 aware that some of the Empire generators in the loadflow
23 cases which UtiliCorp provided to Springfield are modeled
24 at one megawatt when they're a 100-megawatt generator?

25 A. No. I think what you're getting to, we didn't

1 provide that information to SPP. SPP ran models with
2 certain assumptions.

3 And one of the assumptions it appears that they
4 made would, one, a particular generator would be one
5 megawatt.

6 I think what SPP did is what they call worst-
7 flow modeling, where they crank up the generator on one
8 end and crank it down on the other end and see what that
9 does to the system. I think that's where you're getting
10 the -- where the one megawatt is coming from. That is
11 where they take a generator and crank it down to almost
12 zero.

13 Q. So you think that is SPP information rather
14 than your -- modeling rather than UtiliCorp?

15 A. Yeah. Those are assumptions SPP -- SPP was
16 making in the flow modeling that was requested.

17 MR. KEEVIL: Judge, if I could have just a
18 moment here.

19 JUDGE WOODRUFF: Yes, you may.

20 MR. KEEVIL: Judge, do you show Exhibits 301
21 through 304 as having been received?

22 JUDGE WOODRUFF: Yes.

23 Okay. And you referred to a previous document
24 as 305 but it was not offered.

25 MR. KEEVIL: Right.

1 I have no further questions, Judge.

2 JUDGE WOODRUFF: Any other cross-examination?

3 Okay. There are no questions from the bench,
4 so no recross.

5 Any redirect?

6 MR. DUFFY: Yes.

7 REDIRECT EXAMINATION BY MR. DUFFY:

8 Q. Let's talk briefly, Mr. Kreul, about what was
9 referred to recently as, I guess, option 2B modified. Do
10 you remember that question?

11 A. Yes.

12 Q. Just so the record is clear, I think you refer
13 in your testimony to something called 2C, and is 2C the
14 same thing as 2B modified or can you just explain what you
15 mean by 2B modified in layman's terms so we know what 2B
16 modified means.

17 A. Well, in the St. Joe/UtiliCorp interconnection
18 study, we made a number of -- we looked at different ways
19 of interconnecting the two systems.

20 One way was to build a line from Nashua --
21 that's a substation within the UtiliCorp area -- to
22 St. Joe Lake Road power plant.

23 KCP&L has a line there already in place.

24 Option 2A would have been to purchase that line
25 from KCP&L and upgrade it to fit our needs.

1 Option 2B would be to build a line parallel to
2 KCP&L, assuming that KCP&L would not be interested in
3 selling that line to us.

4 The benefits of them selling it to us would be
5 we would not have to go out and acquire additional
6 right-of-way. But clearly that line is a weak link in --
7 in the region and needs to be upgraded.

8 So Option 2B would be for us to build parallel
9 to us, and 2B is assuming KCP&L's line is intact and our
10 new line is intact, so there is two lines parallel.

11 Option 2B modified would be taking out the
12 KCP&L line. It would no longer be parallel. The only
13 line between Lake Road and Nashua would be our new line,
14 upgraded line.

15 Q. What role would KCP&L play in the construction,
16 if any, of those lines?

17 A. In that particular -- in 2B they would not have
18 a role. 2C is where that -- that comes into play, I
19 think.

20 2C was to have KCP&L -- actually 2C came up
21 after having conversations with KCP&L and their interest
22 in building the line -- or selling the line to us and we
23 rebuilding it.

24 They expressed to us that they were not
25 interested in selling the line, but they were willing to