

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS
7 Evidentiary Hearing
8 April 24, 2008
9 Jefferson City, Missouri
Volume 15

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

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

2 JUDGE STEARLEY: All right. We're back
3 on the record in Case No. EM-2007-0374, and before we
4 begin testimony today, we'll take up some preliminary
5 matters. Mr. Fischer, do you have any matter to
6 bring up?

7 MR. FISCHER: Yes, Judge. I just wanted
8 to introduce to the Bench a lawyer that will be
9 joining us for issues next week, Chuck Hatfield, and
10 I believe he'd like to make an entry of appearance.

11 JUDGE STEARLEY: All right.
12 Mr. Hatfield, if you'd like to enter.

13 MR. HATFIELD: Judge, Chuck Hatfield on
14 behalf of Joint Applicants, Stinson, Morrison, Hecker
15 law firm. I've submitted an entry form to you
16 previously.

17 JUDGE STEARLEY: All right. Thank you,
18 Mr. Hatfield, and welcome.

19 A couple other matters. My standard
20 warning on shutting off BlackBerries, cell phones and
21 all other electronic devices. As we all saw last
22 night, apparently there are other things that can
23 interfere with our broadcast as well.

24 The witness list I have for today is
25 Bassham, Wright, Rush and Shallenberg. And did we

1 change the order of witnesses yesterday or are we
2 still appearing in that order?

3 MR. STEINER: That's correct.

4 JUDGE STEARLEY: Okay. All right. Are
5 there any other matters we need to take up at this
6 time before we proceed? Yes, Mr. Dottheim.

7 MR. DOTTHEIM: Judge, yesterday you
8 indicated, if I understood you correctly, that you
9 would take writings regarding GPE/KCPL's motion to
10 limit the proceedings by excluding issues X and XI
11 that are in the second list of issues. And as a
12 consequence, if I understood you correctly, I am
13 nearing completion of a written response, and I
14 should have that filed this morning.

15 JUDGE STEARLEY: Okay.

16 MR. DOTTHEIM: I -- because I thought
17 that it would be beneficial for the Bench, the
18 Commissioners and yourself and Ms. Dippell to have
19 something in writing, and once you afforded that
20 opportunity or I thought you were affording that
21 opportunity, I thought I would -- would take that,
22 and I should have that filed this morning.

23 JUDGE STEARLEY: Okay. Thank you,
24 Mr. Dottheim. I appreciate that. Depending on
25 timing today, we may be taking up that motion at the

1 close of -- you know, prior to the close of today's
2 session, the latest tomorrow, so that the parties can
3 be planning, because I know one of those issues
4 appears later in the day tomorrow with regard to the
5 testimony of Mr. Bassham and Cline, so -- the
6 additional-amortization issues -- so we need to rule
7 on that expeditiously. And my understanding is the
8 parties had no objections to ruling on that prior so
9 we can schedule appropriately. But we will look for
10 your writing on that as well, Mr. Dottheim.

11 MR. DOTTHEIM: Okay. Thank you.

12 JUDGE STEARLEY: All right. Thank you
13 very much.

14 MR. MILLS: Judge, just one other --
15 related to the first preliminary matter, I just
16 reread the letter that the Commission issued
17 yesterday, and since I -- I'm fairly confident
18 Mr. Hatfield knows who he represents, I think the
19 Commission is confused about who Mr. Hatfield
20 represents.

21 So the letter waiving the conflict said
22 they waived a conflict to allow Mr. Hatfield to
23 represent the City of Kansas City, not Kansas City
24 Power & Light Company. So I think perhaps we ought
25 to have that cleared up.

1 MR. HATFIELD: I talked to Judge Dale --

2 MR. CONRAD: Not only -- not only that,
3 specifically the second paragraph, and I have the
4 letter before me, "We note, in granting this waiver,
5 your firm's representation of the Commission is
6 generally at the federal level, and that the
7 individual attorney who usually represents the
8 Commission is located in DC.

9 "In Case No. EO-374, Kansas City's
10 interest and issues are discrete; representation of
11 the City is expected to be limited to issues such as
12 the franchise the City grants to Kansas City Power &
13 Light, which are unlikely to intertwine with other
14 issues."

15 It's darn difficult for me to understand
16 how, with that kind of a waiver, a colleague of the
17 Bar can come in and enter an appearance for one of
18 the Joint Applicants. And I'll -- and I'll go on
19 record as objecting to it.

20 MR. HATFIELD: Judge, as you know,
21 that's an issue between my firm and the Commission.
22 However, the letter has an error in it which I spoke
23 to Judge Dale about last night, and she clarified the
24 Commission voted last night on my request for a
25 waiver which was clear on who I represented. My

1 understanding is that Judge Dale will issue a
2 corrected letter this morning.

3 JUDGE STEARLEY: Okay. Very well. And
4 just for the record, Counsel, if you wouldn't mind
5 stating clearly for us right now what your -- the
6 extent of your representation is.

7 MR. HATFIELD: Well, as my entry of
8 appearance indicated, we represent Great Plains
9 Energy Inc. and Kansas City Power & Light. We have
10 been asked to enter for addressing the issues listed
11 on the issue list dealing with the City of Kansas
12 City.

13 JUDGE STEARLEY: All right. Thank you,
14 Mr. Hatfield. And Mr. Conrad, with regard to your
15 objection --

16 MR. CONRAD: Well, the objection,
17 regardless of that, will stand. This is a gentleman
18 who is associated with the law firm that represents
19 this Commission and it's -- to me it is unseemly, and
20 whether or not the Commission may waive it, I do not.

21 JUDGE STEARLEY: Very well. Well, your
22 objection, I guess, will be listed as a continuing
23 objection to his presence.

24 MR. CONRAD: And his participation.

25 JUDGE STEARLEY: And participation, and

1 it will be overruled.

2 MR. MILLS: And Judge, for the record, I
3 don't object to Mr. Hatfield. I just think the
4 record needs to be clear exactly what conduct the
5 Commission waived, and at this point it's not.

6 COMMISSIONER MURRAY: May I inquire,
7 Judge, since I missed the very first --

8 JUDGE STEARLEY: Yes, Commissioner
9 Murray. Apparently there was a typographical error
10 in the letter yesterday regarding Mr. Hat -- the
11 extent and scope of his representation. And my
12 understanding is that is being corrected, and
13 regardless of the correction, Mr. Conrad has lodged
14 an objection to his appearance and participation on
15 that.

16 COMMISSIONER MURRAY: All right. Thank
17 you, Judge.

18 MR. CONRAD: With all due respect, your
19 Honor, it's a lot more than a typographical error.
20 It's permeated throughout the letter. So they had --
21 somebody had to be deeply and profoundly confused,
22 and that raises a question as to whether they were
23 provided with full and complete information.

24 JUDGE STEARLEY: All right, Mr. Conrad.
25 Well, hopefully the correction that will be filed

1 today will clear that issue up. Anybody else want to
2 be heard on this issue?

3 (NO RESPONSE.)

4 JUDGE STEARLEY: Very well. We will
5 move to our witness list. And GPE, you may call your
6 first witness.

7 MR. ZOBRIST: Thank you. Great Plains
8 Energy and Kansas City Power & Light Company would
9 recall Mr. Bassham to the stand, please.

10 JUDGE STEARLEY: Good morning,
11 Mr. Bassham. I remind you that you are still under
12 oath.

13 THE WITNESS: Yes, sir.

14 JUDGE STEARLEY: And Mr. Zobrist, you
15 may proceed.

16 MR. ZOBRIST: Thank you. Judge, we've
17 already made introductions of Mr. Bassham and the
18 testimony that was previously introduced but not --
19 but not yet offered into evidence what he will be
20 testifying on today, and I have no further questions.
21 Mr. Bassham, you don't have any further
22 corrections -- any other additional corrections to
23 your testimony, do you?

24 THE WITNESS: No, sir.

25 MR. ZOBRIST: Okay. I tender the

1 witness for cross-examination.

2 JUDGE STEARLEY: All right. Thank you.

3 I'm going to run through my list of parties here.

4 Cross-examination by IBEW Locals, Dogwood Energy,

5 Joint Municipals, City of Kansas City, City of

6 St. Joseph, City of Lee's Summit, City of

7 Independence, Cass County, South Harper residents.

8 And I repeat my previous instructions to

9 the parties, that while their appearance and

10 participation is not required obviously on every

11 issue, if they are not present during the testimony

12 of a given witness, they are thereby waiving their

13 examination of that witness. And having run through

14 that list, we are up to AgProcessing, Mr. Conrad.

15 MR. CONRAD: And we do not have

16 questions for Mr. Bassham on this issue, your Honor.

17 JUDGE STEARLEY: Thank you, Mr. Conrad.

18 Office of Public Counsel.

19 MR. MILLS: No questions on this issue.

20 JUDGE STEARLEY: Thank you, Mr. Mills.

21 Staff.

22 MR. WILLIAMS: Yes, thank you.

23 CROSS-EXAMINATION BY MR. WILLIAMS:

24 Q. Thank you. Good morning, Mr. Bassham.

25 A. Good morning.

1 Q. Is Kansas City Power & Light Company
2 wholly owned by Great Plains Energy Incorporated?

3 A. Yes, sir.

4 Q. Are the shares of Great Plains Energy
5 publicly traded?

6 A. Yes, sir.

7 Q. Are you an officer of Great Plains
8 Energy?

9 A. Yes, sir.

10 Q. Are you an officer of Kansas City Power
11 & Light Company?

12 A. Yes, sir.

13 Q. Do Great Plains Energy and Kansas City
14 Power & Light Company operate for profit?

15 A. Yes, sir.

16 Q. And as an officer of Great Plains
17 Energy, do you have fiduciary responsibilities to
18 your shareholders?

19 A. Yes, sir.

20 Q. Do you have any specific objectives that
21 guide you in your performance of your fiduciary
22 obligations to those shareholders?

23 MR. ZOBRIST: Judge, I'm going to lodge
24 an objection. Unless I misunderstood the procedural
25 schedule, we were to be inquiring into transaction

1 costs.

2 JUDGE STEARLEY: That's correct, we are
3 on the transaction cost issue.

4 MR. ZOBRIST: I don't -- right. I don't
5 know what fiduciary duties to shareholders or to a
6 corporate entity has to do with transaction costs.

7 JUDGE STEARLEY: Okay. Mr. Williams?

8 MR. WILLIAMS: Judge, the Applicants in
9 this case are asking that the ratepayers bear 100
10 percent of the transaction cost in this transaction
11 if the Commission does approve it, and how this is
12 relevant is that Great Plains Energy's interest in
13 minimizing those transaction costs is related to --
14 how do I put this -- their obligation is to maximize
15 shareholder value, and that does not -- how it's
16 related to transaction costs is there's not an
17 incentive for them to minimize transaction costs
18 whenever they're asking that those be just a
19 pass-through that the Commission approves, so it's
20 related in that regard.

21 JUDGE STEARLEY: Okay. I'll allow a
22 little further questioning on this, Mr. Williams, and
23 hopefully it will tie it all together for us shortly.

24 MR. WILLIAMS: Thank you.

25 BY MR. WILLIAMS:

1 Q. Do you have any specific objectives that
2 guide you in performance of those fiduciary
3 responsibilities to your shareholders?

4 A. Well, we have many, many objectives.
5 I'm not exactly sure how to answer the question.
6 Obviously, again, as you mentioned before, we're a
7 for-profit organization so we have shareholders.

8 Obviously, we believe that the best way
9 to return value to shareholders is to be a good
10 provider of service to our customers. So number one,
11 good customer service, efficient cost structure.
12 There -- we have many goals you will see -- you would
13 see on our score cards for performance and
14 compensation related to those kinds of things.

15 Q. Are there any other objectives?

16 A. There's many. We have a long list of
17 scorecard objectives that are very detailed in terms
18 of how we provide service internally, externally, how
19 we deal with the public, the kind of community
20 service we provide. It's a long list.

21 Q. Is one of the objectives to maximize
22 shareholder value?

23 A. Of course.

24 Q. And as the Joint Applicants have
25 currently proposed that, will Great Plains Energy's

1 acquisition of Aquila enhance the value of Great
2 Plains Energy's shares?

3 A. We believe so.

4 Q. How will it enhance the value of Great
5 Plains Energy's shares?

6 A. Well, we believe that the combination of
7 these two companies over -- over a long period of
8 time will provide a more efficient way to provide
9 service, a more reliable way to provide service to
10 our customers, reduce rates, therefore allowing us to
11 maintain lower costs to our customers which turns
12 into better customer service, and as a result
13 provides us the ability to provide stronger
14 shareholder returns.

15 So over the long term, we believe this
16 combination makes a great deal of sense from -- from
17 the community's and shareholders' perspective as well
18 as customers.

19 Q. As part of their application in this
20 case, are the Joint Applicants asking the Commission
21 to allow the Joint Applicants to recover 100 percent
22 of what they've identified as the transaction cost?

23 A. Not in our new proposal. We removed
24 costs associated with senior executives at Aquila.

25 Q. So you're not asking for any transaction

1 costs?

2 A. No, you asked me was I asking for 100
3 percent, and in our revised proposal we removed some
4 of the transaction costs.

5 Q. Are you still identifying those senior
6 executive costs as transaction costs?

7 A. Well, they're identified as -- they are
8 transaction costs, but we've not asked for those to
9 be recovered from ratepayers, if I understand your
10 question correctly.

11 Q. Aside from those senior executive costs
12 which are those costs related to Mr. Green and
13 others?

14 A. There are, I think the way they're
15 identified, as six senior-level officers which had
16 specific change of control and certain pension
17 benefits that were a concern of the parties. And so
18 we removed all the costs associated with those
19 specific employees in total.

20 Q. Aside from those particular senior
21 executive costs that you're saying are transaction
22 costs, are you asking that the Commission authorize
23 the Joint Applicants to recover 100 percent of the
24 other transaction costs that you've identified?

25 A. On a Missouri-allocated basis, yes, we

1 are.

2 Q. And can you provide a definition of what
3 transaction costs are?

4 A. Certainly. Transaction costs would
5 be -- and I'm giving you the layman's version. There
6 may be a more specific technical accounting
7 definition, but, you know, basically, they're costs
8 that are required or needed to be incurred to cause a
9 transaction to happen.

10 For example, obviously in this day and
11 age, to get a transaction of this type done, you have
12 to have lawyers which would help drive contracts.
13 And so costs associated with the work to actually do
14 the transaction would be transaction costs. I think
15 there's a list of them in Mr. Zabors' testimony
16 specifically.

17 Q. Can you also provide a definition of
18 transition costs?

19 A. Transition costs would be those costs
20 that are incurred after the transaction to generate
21 synergies and integrate the companies and transition
22 our companies from two separate entities into one.

23 Q. Are transaction costs readily
24 distinguishable from transition costs?

25 A. Well, we have -- we have specifically

1 outlined them in our request so that they are readily
2 discernible in our request. There's certainly
3 accounting issues with regard to how you take
4 someone's time, for example, and allocate it or make
5 sure it's booked correctly to transaction or
6 transition, for example, but -- because someone could
7 be in the same day working on both. They could work
8 on a transaction issue and a transition issue.

9 But we've broken them out clearly so
10 that the parties could see what we're asking for and
11 what's made up.

12 Q. Haven't you reclassified 19.9 million
13 Missouri jurisdictional and severance costs from
14 being transaction costs to being transition costs
15 during the course of this proceeding?

16 A. We -- we've certainly reclassified --
17 reclassified the costs for that reason. That number
18 sounds -- can I have a minute? I've got my testimony
19 here.

20 Q. Sure. I think it's page 5, lines 4 to 9
21 on your supplemental direct.

22 A. Well, if you've got in it in my
23 testimony, I'm sure that's right. The number just
24 sounds kind of high, but yes, we've -- we've got
25 other severance that's related to transition as we

1 understand it or over time working with the parties
2 and working through this case.

3 It was -- it became clear to us that
4 those were transition-type expenses rather than
5 transaction, so we reclassified those in our last
6 request.

7 Q. Why did you originally classify them as
8 transaction costs?

9 MR. ZOBRIST: Judge, can I just
10 interrupt? And I apologize to Mr. Williams. I do
11 think he misspoke the number, and we're looking at
12 page 5. I'd like to have the witness at least for
13 the record identify the number. I don't think it's
14 19, I think it's --

15 MR. WILLIAMS: I said 9.9 million.

16 MR. ZOBRIST: I'm sorry, then. I heard
17 19, so ...

18 THE COURT REPORTER: I heard 19 as well.

19 JUDGE STEARLEY: I did as well, so let's
20 clarify that.

21 BY MR. WILLIAMS:

22 Q. Maybe I did misspeak.

23 A. Yeah, you're correct --

24 Q. If I did, I meant to say 9.9 Missouri
25 jurisdictional.

1 A. Yeah, and you're correct. I mean, it
2 did sound high. That's why I mentioned it. So --
3 but, yeah, on page 5, line 7, the number -- Missouri
4 jurisdictional is 9.9.

5 JUDGE STEARLEY: All right. Thank you
6 for the clarification.

7 BY MR. WILLIAMS:

8 Q. I apologize if I misspoke.

9 A. Oh, no problem.

10 Q. And again, why was it that you had
11 originally classified those costs as transaction
12 costs?

13 A. Well, obviously we had other severance
14 that was in transaction as well, and so we kind of
15 considered them transaction. But if you think about
16 it, these people -- well, we originally thought that
17 it was transaction. In talking and working with the
18 parties over time, it appears in Missouri it's more
19 typically called transition.

20 Q. Are all the transaction costs from Great
21 Plains Energy's acquisition of Aquila recorded on
22 Great Plains Energy's books and records?

23 A. I think that is true. I think the
24 majority in particular -- I think they are.
25 Ms. Wright would know specifically, but I think

1 that's true.

2 Q. Are any of the transaction costs from
3 Great Plains Energy's acquisition of Aquila recorded
4 on Kansas City Power & Light Company's books and
5 records?

6 A. I don't believe so.

7 Q. Are all the transition costs from Great
8 Plains Energy's acquisition of Aquila recorded on
9 Great Plains Energy's books and records?

10 A. Again, Ms. Wright could tell you
11 specifically, but I believe at this point in time
12 they are on Great Plains Energy records.

13 Q. Are any of the transition costs from
14 Great Plains Energy's acquisition of Aquila -- of
15 Aquila recorded on Kansas City Power & Light
16 Company's books and records?

17 A. Transition?

18 Q. Transition.

19 A. I don't think they are, but again,
20 Ms. Wright's our controller and she could tell you
21 for sure.

22 Q. At this point in time, what is the total
23 of the transition costs Great Plains Energy has
24 incurred in connection with acquiring Aquila?

25 A. Transition?

1 Q. Yes.

2 A. I'm not sure I have that number in front
3 of me. I think that what I had testified to the
4 other day was that we had approximately 20. I think
5 the number is more like \$23 million in costs incurred
6 to date related to the transaction. But that would
7 probably include -- not probably -- that would
8 include transition and transaction.

9 So I don't -- I don't think I have it in
10 front of me, the current number of transition dollars
11 spent to date. You're talking about actually spent
12 already as opposed to what we've provided in our
13 testimony, right?

14 Q. Yes.

15 A. Yeah. I just don't have that in front
16 of me, I don't think. We might have provided that in
17 a DR. I don't know.

18 Q. And at this time, what are the total
19 transition costs Kansas City Power & Light Company
20 has incurred in connection with Great Plains Energy's
21 acquisition of Aquila?

22 A. Well, again, I think that goes back to
23 your other question. I don't think to date we've
24 booked those costs to KCP&L, and if -- again,
25 Ms. Wright could tell you for sure. But if that's

1 true, then the answer would be zero to date or
2 actually booked, if you will, at KCP&L.

3 Q. Which witness for the Joint Applicants
4 has filed testimony -- testimony regarding the
5 controls Great Plains Energy and Kansas City Power &
6 Light Company have in place to ensure that all
7 transaction and transition costs are just and
8 reasonable?

9 A. Well, Ms. Wright could talk to you about
10 the accounting and how the -- how the dollars are
11 specifically booked and, you know, the GAP and/or
12 FERC accounting recordkeeping requirements for that.
13 And we provided testimony about these costs, what
14 they are, who's -- you know, how they were incurred.

15 I don't know that there's any specific
16 testimony about controls in prefiled testimony.
17 Again, we could provide those here on the stand, I
18 guess.

19 Q. Do Great Plains Energy or Kansas City
20 Power & Light Company have any -- any controls in
21 place to limit or reduce transaction or transition
22 costs?

23 A. Certainly.

24 Q. What controls do -- well, let's back up.
25 Does Great Plains Energy have the controls in place

1 to limit or reduce transaction costs?

2 A. Certainly.

3 Q. What are those controls?

4 A. Well, they range from specific controls
5 around how each dollar is contracted for. For
6 example, you know, I would have been responsible for
7 the negotiation of the fee for investment bankers.
8 The -- our law firm -- our lawyers would have been
9 responsible for fees related to lawyers. And so we
10 would have, you know, benchmarked and ensured that
11 those rates and that those charges were correct and
12 within industry standards.

13 Then once the agreements are in place
14 for the recurrence of those kind of costs, obviously
15 we would have people responsible. For -- for
16 example, again, I would be responsible to ensure that
17 the investment bankers and to some degree lawyers
18 were actually doing what they were billing us for.

19 The accountants would be responsible
20 that once we receive a bill, that they're
21 appropriately booked and placed in the right accounts
22 and ultimately allocated to the appropriate places.
23 Those are just a few.

24 Q. You indicated in your response that you
25 benchmarked with industry standards. How did you

1 establish those industry standards against what you
2 benchmarked?

3 A. Depends on -- depends on the cost. For
4 example, from an investment banker fee perspective, I
5 had one of our firms give me a listing of typical
6 transaction fees to make sure that before I began to
7 deal with the fee issue, I knew what was standard in
8 the industry and benchmarked what we pay against
9 that. Lawyers have in studies all the time about
10 what are fees for these kinds of transactions.

11 So depending on what the fee is, you
12 might do benchmarking one way or another.

13 Q. And you did that with regard to all of
14 the lawyers' fees and the investment banker fees
15 and -- that were incurred in this case?

16 A. Well, I did it for investment banker
17 fees and I know our lawyers continually watched the
18 hourly charges and rates for all our law firms. I
19 didn't do that myself.

20 Q. And you also indicated that there was a
21 verification of -- that billings were accurate?

22 A. Correct.

23 Q. And how did you verify that the work was
24 actually performed on the billings that you were
25 involved with?

1 A. Well, when -- well, for me personally, I
2 mean, I was obviously directly involved with the
3 investment bankers. Theirs is more of a set fee, so
4 they didn't submit hourly reporting. That's not the
5 way their fees were set up.

6 For lawyers, they would submit, you
7 know, bills that had hourly work done, and the
8 lawyers that were working with those lawyers ensured
9 that those were properly billed and accounted for.
10 So it depends on who was responsible for the -- for
11 the bill.

12 Q. Going to the lawyers' billings, do you
13 know how your lawyers ensured that the time was
14 actually spent on those billings?

15 A. I don't know exactly how our lawyers do
16 it. When I was in that position, you know, I
17 reviewed every bill, reviewed the entries and made
18 sure that the -- the lawyers who were listed as
19 lawyers having worked on a matter were lawyers that,
20 in fact, had worked for me on that matter, and then
21 looked at the hours spent to ensure that it made
22 common sense and that the descriptions of those kind
23 of hours were -- were in sync with what work had
24 actually been done. I didn't review our lawyers'
25 bills, so I don't know exactly how our firm -- our

1 company does that.

2 Q. Were you involved in the hiring of
3 Bridge Strategy Group?

4 A. No.

5 Q. Do you know who was?

6 A. I believe -- well, they -- they had --
7 they already had an existing relationship with us, so
8 in terms of hiring, they had done some work for us
9 previously. So I don't -- I don't know if they were
10 specifically hired for this task or if they had
11 been -- they'd already worked for us. So I guess the
12 answer is I don't know. I apologize.

13 Q. Now, I asked you about Great Plains
14 Energy's controls. You indicated that Kansas City
15 Power & Light Company also had controls in place to
16 limit or reduce transaction and transition costs, did
17 you not?

18 A. We have controls that would operate the
19 way I just explained them. So to the extent there
20 were costs incurred by KCP&L, they -- it would work
21 exactly the way I just described it. Now, as we
22 discussed before, I'm not sure how much has actually
23 been incurred at KCP&L yet, but it would be the same
24 as I just described.

25 Q. Do you know -- well, let me ask it this

1 way. Have Great Plains Energy or Kansas City Power &
2 Light Company performed any audit to ensure no
3 unnecessary transaction or transition costs have been
4 incurred to this date?

5 A. Well, again, to this -- to -- through
6 the description I just gave of how we monitor costs,
7 I'd consider what -- what I just described to be an
8 audit of the bills that we received. Whether or not
9 the audit department, internal audit department has
10 done audit work, I'm not sure.

11 But we certainly also went through those
12 numbers before we requested them to be recovered in
13 this case. So we would have reviewed those from that
14 perspective as well. So I guess it depends a little
15 on your definition of audit.

16 Q. Well, my understanding of what you
17 described is that you would receive a billing and
18 you'd review it for reasonableness. Is that an
19 accurate description?

20 A. That's fair.

21 Q. Did you do anything to look -- ask for
22 additional information to support what that billing
23 had at any point?

24 A. Again, it would depend on the contract
25 and it would depend on the vendor, but in general,

1 we're -- we require people to provide backup for
2 expenses and time spent. But again, every -- every
3 one would be slightly different, and I was
4 responsible for some and not for others.

5 Q. And what would be the nature of the
6 additional supporting documentation that you might
7 require?

8 A. Well, for example, I think -- I think
9 that if someone -- I think typically to get recovery
10 of expenses, you might ask for, you know, backup
11 support for expenses. Again, for lawyers, if it's
12 based on an hourly fee, you'd have specific
13 descriptions of time spent.

14 Q. Time sheets?

15 A. Yeah. Well, whatever -- again, whatever
16 was the agreement between -- every contract is
17 different, so some might require very detailed
18 backups, some may not.

19 Q. And for expenses would you be talking
20 about things like receipts?

21 A. Could be. Again, I don't know
22 specifically what we required in all instances.

23 Q. Do you know that if there was a
24 requirement at all of itemization of any expenses?

25 A. I don't -- I don't know -- I don't know

1 exactly what was required by the contract for
2 itemization.

3 Q. What officer at Great Plains Energy is
4 responsible for ensuring no unnecessary transaction
5 or transition costs have been incurred?

6 A. Well, I think we all are -- in the way
7 in which I just described, we're responsible for
8 outside consultants or costs that we've represented
9 here should be recovered.

10 Q. Does Kansas City Power & Light Company
11 have a written agreement for all the transition costs
12 that are recorded on its books?

13 A. Transaction or transition?

14 Q. Transition.

15 A. I'm sorry. I'm looking for a schedule
16 of transition. I don't think I have that. I don't
17 think I have that. The answer would be I'm not sure.
18 Certainly some would. I'm not sure we have a
19 contract for each transition expense. We may. I'm
20 not sure.

21 Q. And when you're talking about a
22 contract, you'd be talking about a contract with a
23 vendor?

24 A. Well, an example, again, for -- for --
25 when we engage an investment banker, we entered into

1 a contract which described the terms of their work to
2 be done and the fees to be paid. So that's an
3 example.

4 Q. And all of those contracts would be
5 written?

6 A. Again, to the extent we have them, yes.
7 I don't have a list of transition expenses in front
8 of me to be positive every single expense has a
9 contract behind it. But for a large engagement, you
10 would typically put that in writing, yes.

11 Q. And for transaction costs, would those
12 also have been -- contracts with vendors been done in
13 writing?

14 A. Again, for the large ones, yes. You
15 know, we have -- we have some legal HR support.
16 There may be some of those that don't tie directly to
17 a contract. I'm not sure. But for the large ones
18 such as, again, you know, attorneys and our
19 investment bankers, you would have an engagement
20 letter that would be in writing, yes.

21 Q. And how do you define a large contract?

22 A. Project-oriented. In other words,
23 someone who's working on a very specific project such
24 as an investment banker, he's got a specific task,
25 specific focus and a specific fee, and you'd outline

1 that in writing typically.

2 Q. Is there any dollar association with
3 what you define as a large contract?

4 A. No.

5 Q. Are all the transition -- transition
6 costs related to payments made to third-party
7 nonaffiliate entities? And that's with regard to
8 Great Plains Energy and Kansas City Power & Light
9 Company.

10 A. Just to be clear, I'm not as -- well,
11 ask the question again. I'm sorry.

12 Q. Are all transition costs related to
13 payments made to third-party nonaffiliate entities?
14 And that would be entities not affiliated with Kansas
15 City Power & Light Company or Great Plains Energy.

16 A. I think so. I'm not positive.

17 Q. Do you know what third-party entity has
18 charged Kansas City Power & Light Company or Great
19 Plains Energy the highest amount of transition --
20 transition costs?

21 A. Do I know what third-party vendor has
22 charged us the most dollars that we classify as
23 transition costs?

24 Q. Correct.

25 A. No.

1 Q. Do you know if Bridge Strategy Group has
2 charged Great Plains Energy or Kansas City Power &
3 Light Company what I would call are significant
4 amounts of transition costs?

5 A. We certainly paid Bridge Strategy a
6 significant amount of dollars to help us with the
7 transition process, absolutely.

8 Q. Can you give a -- an approximation of
9 the level of those costs?

10 A. Not really, no. I don't --

11 Q. Are we talking tens of thousands of
12 dollars, hundreds of thousands, millions?

13 A. I -- I really don't know. I mean,
14 they've been involved with our development of the
15 teams, they've provided us with resources that
16 obviously -- you know, we don't staff up for this
17 kind of transaction on a regular basis and they've
18 provided us with expertise and help in evaluating how
19 the integration -- we put together and they've worked
20 with those teams. It's been a great deal of work.

21 Q. Do you know who would know?

22 A. Mr. Marshall might be the witness that
23 would know that. He's, in general, the executive
24 responsible for coordination of integration and
25 transition.

1 Q. Do you know who chose Bridge Strategy
2 Group to provide service -- services in connection
3 with Great Plains Energy's acquisition of Aquila?

4 A. Well, I would say I chose them to help
5 us with the initial evaluation of possible synergies
6 as we evaluated the bid. And then I would say that,
7 you know, I guess from there, Mr. Marshall would have
8 determined that they would be the firm to help move
9 forward with the transition.

10 Q. So Bridge Strategy Group's provided two
11 distinct types of services in connection with Great
12 Plains Energy's acquisition of Aquila?

13 A. I don't know that they're distinct types
14 of services. I think there's a distinct time period.
15 Obviously, as we were working through a very
16 confidential process to make a bid, we had to make a
17 determination of our expected synergies with some
18 limited information from Aquila, and had to work
19 through those kinds of issues before we could engage
20 employees and other folks who were -- you know, knew
21 the specifics. And so they gave us that kind of
22 assistance as we made that bid process work.

23 Once we made the bid and we actually
24 signed the contract and moved forward, then it was a
25 matter of digging down very deeply with employees and

1 with more data to work on the actual transition teams
2 and processes and business plans that we've since
3 filed with the Commission.

4 And it's just a more in-depth process
5 than the first, so it's more time-divided, I would --
6 I would say, than necessarily distinct type of work.
7 Does that make sense? I'm sorry.

8 Q. Well, they're two separate engagements,
9 are they not?

10 A. Not necessarily. They started working
11 on the transaction when we started the bid and it
12 continued through. I don't know if it was documented
13 separately or not. Again, they had worked with us
14 before, so ...

15 Q. Was the original scope of the engagement
16 to work with Great Plains Energy and Kansas City
17 Power & Light Company post the bid being accepted?

18 A. I don't know.

19 Q. But you're the one that initially
20 engaged Bridge Strategy Group whenever you were
21 looking at acquiring Aquila?

22 A. I asked them to work with me on the
23 assessment of synergies as we started working through
24 the bid process, yes.

25 Q. And how was it that you selected Bridge

1 Strategy Group in the assessment and the bid process?

2 A. They had done work for us before. I
3 thought they did a good job, and they were -- knew --
4 knew a lot about us given their previous work with
5 us, so it seemed to be the most speedy,
6 cost-efficient way to get the -- the work done.

7 Q. Did you solicit bids for that work?

8 A. No. Again, they already worked for us.
9 They were doing work for us already.

10 Q. And once the Great Plains Energy's bid
11 was accepted, did you bid for the kind of services
12 Great -- Bridge Strategy Group has provided after the
13 bid was accepted -- let me try this again.

14 After Great Plains Energy's bid was
15 accepted by Aquila, did you bid out or request bids
16 for the types of services that Bridge Strategy Group
17 has been providing subsequent to the bid being
18 accepted?

19 A. You'd have to ask Mr. Marshall. Again,
20 that was -- he was responsible for the integration
21 process.

22 Q. Do you know if Great Plains Energy or
23 Kansas City Power & Light Company negotiated with
24 Bridge Strategy Group to lower their fees?

25 A. I believe we did, but again,

1 Mr. Marshall would be the one to tell you that.

2 Q. Are you referring to the services Bridge
3 Strategy Group has provided post the bid being
4 accepted --

5 A. Yes.

6 Q. -- in your answer?

7 A. Uh-huh. I'm sorry, yes.

8 MR. WILLIAMS: I think the best way to
9 do this is probably -- what I have is portions of a
10 data request response, and it may be cleaner for the
11 record to have the different portions of that
12 response identified as separate exhibits.

13 JUDGE STEARLEY: That would be fine,
14 Mr. Williams. If my current count is correct, we
15 left off with Staff Exhibit No. 125, so our first
16 would be No. 126, first new exhibit.

17 MR. WILLIAMS: I'm sorry, Judge. I
18 missed that.

19 JUDGE STEARLEY: I believe on my
20 numbering here, our last Staff exhibit was numbered
21 125, so we would start the new exhibits as No. 126.

22 MR. WILLIAMS: Why don't we make
23 Exhibit 126 the cover page of the data request
24 response which is -- it's a data request response
25 from -- I don't know if it's Great Plains or -- Great

1 Plains Energy or Kansas City Power & Light Company, I
2 guess both of them, regarding the Bridge Strategy
3 Group agreement. It also indicates that the
4 responses are highly confidential.

5 Then Exhibit 127 is one of the responses
6 to that data request. And I guess I need to ask
7 Great Plains Energy/Kansas City Power & Light Company
8 what, if anything, I can do to identify this document
9 since it's been marked as highly confidential in its
10 entirety.

11 MR. ZOBRIST: I have no objection to him
12 describing the letter -- the date. I think it's
13 going to start getting into the terms of the
14 engagement that we get into confidential information.

15 JUDGE STEARLEY: All right. Very well.

16 MR. WILLIAMS: It's a letter dated
17 January 4th, 2007, from Robert Zabors, partner of
18 Bridge Strategy Group, to John Marshall.

19 THE COURT REPORTER: That's 127?

20 MR. WILLIAMS: That's 127. It's two
21 pages.

22 MR. ZOBRIST: Was the first page 126?

23 MR. WILLIAMS: The very first page.

24 MR. ZOBRIST: The cover page?

25 MR. WILLIAMS: Yes. Exhibit 128 is a

1 series of invoices from Bridge Strategy Group that
2 indicated they're directed to Great Plains Energy.
3 And if I've not miscounted, it consists of 15 pages.
4 Exhibit 128.

5 JUDGE STEARLEY: I believe 128 was the
6 invoices.

7 MR. WILLIAMS: I thought that was 127.
8 I'm sorry -- you're right, 128. I'm sorry.

9 129 is a series of spreadsheets that
10 indicate their billing detail for a series of months.
11 If I've not miscounted, it consists of nine pages.

12 And then Exhibit 130 is a letter from
13 Bridge Strategy Group to Mr. John Marshall dated May
14 1, 2007. Those are the signatures of Steve Sheridan,
15 Robert Zabors and Chad Markle.

16 (EXHIBIT NOS. 126 THROUGH 130, ALL HC,
17 WERE MARKED FOR IDENTIFICATION BY THE COURT
18 REPORTER.)

19 MR. WILLIAMS: And I'll represent that
20 Exhibits 127 through 130 are parts of a data request
21 response that are shown and -- as listed as
22 attachments on Exhibit 126.

23 JUDGE STEARLEY: All right.
24 Mr. Williams, before you begin your questioning,
25 since these are marked -- since several of them are

1 marked highly confidential, please let me know when
2 we need to go in-camera for any questioning.

3 MR. WILLIAMS: Certainly. And as the
4 judge has noted, the Joint Applicants, Kansas City
5 Power & Light Company and Great Plains Energy, in the
6 responses has indicated that all of these particular
7 documents are highly confidential.

8 JUDGE STEARLEY: All right. You may
9 proceed.

10 BY MR. WILLIAMS:

11 Q. Mr. Bassham, earlier I asked you if you
12 could provide the total of the transaction costs that
13 Bridge Strategy Group had charged Great Plains Energy
14 or Kansas City Power & Light Company, and I believe
15 you were unable to do so?

16 A. Correct.

17 Q. Would you take a look at Exhibit 128?

18 A. Yes, sir.

19 Q. Have you ever seen Exhibit 128 before?

20 A. No, sir.

21 Q. Would you take a look at -- beginning on
22 the -- the third page of that exhibit and the
23 subsequent pages?

24 A. Yes, sir.

25 Q. Does that show a breakout of what are

1 described as transaction costs?

2 A. That's what it says here.

3 Q. Do you have any familiarity with those
4 numbers at all?

5 A. No, sir.

6 Q. Do you know who would?

7 A. Well, Mr. Zabors and Mr. Marshall are
8 both witnesses in the case, so I assume one of them
9 could ...

10 Q. Turning to Exhibit -- what's been marked
11 as Exhibit 127 which is the January 4th, 2007 letter.

12 A. Yes, sir.

13 Q. Do you know if that's the written
14 agreement between -- I don't know if it's Great
15 Plains Energy or Kansas City Power & Light Company.
16 According to the letter, it looks like it would be
17 Kansas City Power & Light Company and Bridge Strategy
18 Group for the engagement regarding the work that
19 Bridge Strategy Group has done post Aquila accepting
20 Great Plains Energy's bid?

21 A. I don't know. Again, the letter is --
22 it says is addressed to Mr. Marshall. So, I mean,
23 the DR asks for information and this is what was
24 provided, so -- but I personally don't know.

25 Q. Is Mr. Marshall an officer of Kansas

1 City Power & Light Company?

2 A. He is.

3 Q. Is Mr. Marshall an officer of Great
4 Plains Energy?

5 A. He is not.

6 Q. Do you know if Mr. Marshall is the
7 individual who accepted or made the agreement with
8 Bridge Strategy Group to perform services for Great
9 Plains Energy and/or Kansas City Power & Light
10 Company regarding Great Plains Energy's acquisition
11 of Aquila post Aquila accepting Great Plains Energy's
12 bid?

13 A. I believe he is.

14 Q. Do you know if Mr. Marshall engaged in
15 any negotiations to reduce Bridge Strategy Group's
16 fees?

17 A. I believe he did, but I don't know for
18 certain.

19 Q. Is Mr. Marshall the officer of Great --
20 of Kansas City Power & Light Company in charge of
21 procurement?

22 A. No. Ms. Cheatum who previously
23 testified is, I believe, responsible for procurement
24 and she reports to Mr. Downey.

25 Q. And in what capacity does she -- well,

1 what position does she hold with Kansas City Power &
2 Light Company?

3 A. I don't know her official title. It's
4 in the record. She testified the other day, but I
5 think she -- I don't know her official title, but
6 she's responsible for the procurement area.

7 Q. And you said she reports to Mr. Downey.
8 Is that in his capacity as an officer or employee of
9 Kansas City Power & Light Company or in some other
10 capacity?

11 A. Mr. Downey is the president and CEO of
12 Kansas City Power & Light.

13 Q. Do you know if Ms. Cheatum had any
14 participation in the engagement of Bridge Strategy
15 Group to perform services for Great Plains Energy and
16 Kansas City Power & Light Company post Aquila
17 accepting the bid from Great Plains Energy?

18 A. I don't know.

19 Q. Is how Kansas City Power & Light Company
20 or Great Plains Energy engaged Bridge Strategy Group
21 for providing services after Aquila accepted Great
22 Plains Energy bid -- Energy's bid standard purchasing
23 practice at Great Plains Energy or Kansas City Power
24 & Light Company?

25 A. I'm sorry. I didn't understand your

1 question.

2 Q. Okay. Is the process that was employed,
3 I guess, by Kansas City Power & Light Company for
4 retain -- for retaining Bridge Strategy Group to
5 provide services in connection with the acquisition
6 of Aquila by Great Plains Energy post Aquila
7 accepting the bid a standard purchasing practice at
8 Kansas City Power & Light Company?

9 A. And again, I didn't do that, so I'm
10 probably not the person to say that. I believe so,
11 but again, Mr. Marshall was the one responsible, as
12 his name's on the letter.

13 Q. And on whose behalf did -- or was Bridge
14 Strategy Group retained on behalf of Kansas City
15 Power & Light Company or on behalf of Great Plains
16 Energy or both?

17 A. Well, again, you'd --

18 Q. Or someone else?

19 A. -- you'd need to talk to Mr. Marshall
20 for sure. What I described earlier is where costs
21 would have been booked. And again, I could be
22 inaccurate. Maybe there are costs booked to Kansas
23 City Power & Light currently. Ms. Wright could tell
24 you where these are bucketed.

25 Now, in terms of this document, it's

1 addressed to Mr. Marshall of Kansas City Power &
2 Light and he could probably answer your questions in
3 that regard.

4 Q. So you don't know?

5 A. I don't.

6 Q. Do you know what -- do you know what
7 terms Bridge Strategy Group is -- do you know upon
8 what terms Bridge Strategy Group is providing
9 services to Kansas City Power & Light Company/Great
10 Plains Energy for activities they've been engaged in
11 post Aquila accepting Great Plains Energy's bid?

12 A. Again, no. I didn't -- I'm not the
13 person that was responsible for -- for that
14 engagement.

15 Q. Do you know if Mr. Marshall has a dollar
16 limit on expenditures he's authorized to incur on
17 behalf of Kansas City Power & Light Company?

18 A. We have a standard matrix that's
19 approved by -- maybe approved by the board, but it's
20 certainly approved for each officer's approval
21 limits. So certain officers have authority to
22 approve certain payments up to a certain dollar level
23 as part of a Sarbanes-Oxley control mechanism. So
24 yes, he would have a limit.

25 Q. Do you know what that limit is?

1 A. No, I don't.

2 Q. Would you take a look at Exhibit 128
3 again, and without revealing any of the numbers that
4 would appear on there --

5 A. Yes, sir.

6 Q. -- who at Kansas City -- which officers
7 at Kansas City Power & Light Company have the
8 authority to authorize the kind of payments that have
9 been made to Bridge Strategy Group according to the
10 invoices shown on Exhibit 128?

11 A. I don't know that off the top of my
12 head. Again, we have a formal matrix that sets out
13 that piece of governance, and different officers
14 would have different authority based upon that. I
15 don't know what that is per officer sitting here
16 today. I don't have that in front of me.

17 Q. And who does it indicate that those
18 invoices were remitted to?

19 A. Well, the first one on page -- on
20 Exhibit 128 is mailed to John Wallace, a manager in
21 strategic planning. Is that the one you're talking
22 about? The very front page of Exhibit 128.

23 Q. Actually, I was looking for the company
24 they were directed to as opposed to the particular
25 individual.

1 A. This is directed to Great Plains Energy.

2 Q. Who at Great Plains Energy -- which
3 officers have the authority to authorize the level of
4 payments that are shown on these invoices?

5 A. Again, that would be pursuant to a set
6 schedule of authorizations that I don't have sitting
7 here in front of me.

8 Q. Could you have authorized them?

9 A. Yes, sir.

10 Q. Without obtaining any approval from
11 anyone else?

12 A. Yes, sir. You're talking for the 120 --
13 well --

14 JUDGE STEARLEY: Excuse me.

15 THE WITNESS: -- you're talking for the
16 numbers there on the page? Sorry.

17 JUDGE STEARLEY: Thank you.

18 BY MR. WILLIAMS:

19 Q. And I'm not talking about this -- on
20 that page, but I'm talking about all of these pages.
21 The numbers vary considerably as you go through them.

22 A. I don't know. You'll have to ask me a
23 specific question. I apologize. I thought you were
24 talking about the first page of page 128.

25 Q. Okay. No, I was referring to the

1 entire -- all of the pages. Just flip through the
2 pages and look at the totals on the invoices.

3 A. Yes, sir.

4 Q. And my question to you is, are -- do you
5 have the authority to authorize that a payment be
6 made on each one of these invoices?

7 A. I believe I would.

8 Q. And would you have had the authority to
9 have authorized all of the invoices; in other words,
10 the aggregate amount?

11 A. Well, I haven't added them up, but most
12 likely.

13 Q. What I'm asking is a two-part. First, I
14 asked you if you had the authority for each specific
15 invoice, and then I'm asking you if in the aggregate
16 you would have had the authority to have authorized
17 that kind of a total amount for all of those
18 invoices.

19 A. Right. And my answer was, I certainly
20 have authority on an individual basis. I haven't
21 added these up, but -- but I might have authority in
22 aggregate. I don't know.

23 MR. WILLIAMS: We should go in-camera
24 now.

25 JUDGE STEARLEY: Very well. We'll be

1 going in-camera.

2 (REPORTER'S NOTE: At this point, an
3 in-camera session was held, which is contained in
4 Volume 16, pages 1962 through 1964 of the
5 transcript.)

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1 JUDGE STEARLEY: All right. We are back
2 in public forum.

3 CROSS-EXAMINATION (CONTINUED) BY MR. WILLIAMS:

4 Q. Do you know where Great Plains Energy or
5 Kansas City Power & Light Company, whichever engaged
6 Bridge Strategy Group, has a right to approve either
7 who -- which individuals performed the work at Bridge
8 Strategy Group or how that work is performed?

9 MR. ZOBRIST: Judge, I'm going to
10 interpose a preliminary objection because it looks
11 like we're getting into an examination of the
12 prudence of the amounts that are in these invoices,
13 and that isn't the purpose of the request by KCPL and
14 Great Plains Energy in this proceeding.

15 We're asking for the authority to defer
16 transaction and transition amounts and have them
17 amortized over a period of time and then to come
18 before the Commission and make certain specific
19 showings. So I don't have any objection going into
20 the -- some of the initial things that Mr. Williams
21 went into, but going into these details really smacks
22 at the prudence review which is not this proceeding;
23 that's, you know, a general rate case in the future.

24 JUDGE STEARLEY: All right.
25 Mr. Williams, your response?

1 MR. WILLIAMS: Judge, it's similar to
2 the response before. This is going into the
3 incentive of the companies to minimize the
4 transaction costs that they're asking that ratepayers
5 pick up down the road.

6 JUDGE STEARLEY: All right. I will
7 allow some inquiry into this. Again, Mr. Zobrist,
8 you're welcome to renew your objection as questions
9 continue to be asked or make a continuing objection.

10 MR. ZOBRIST: Thank you, Judge.

11 THE WITNESS: You'll have to restate
12 your question. I apologize.

13 BY MR. WILLIAMS:

14 Q. I was afraid of that. For the work that
15 Bridge Strategy Group has provided to -- I don't know
16 if it's Great Plains Energy or Kansas City Power &
17 Light Company, but whichever, post Aquila accepting
18 Great Plains Energy's bid, does Great Plains -- do
19 Great Plains Energy or Kansas City Power & Light
20 Company have the right to approve either which
21 individuals perform the work at Bridge Strategy Group
22 or how many perform that work?

23 MR. ZOBRIST: Same objection, relevancy.

24 JUDGE STEARLEY: What's the response
25 on -- oh, never mind. Yes, we've touched on

1 relevance. You may answer the question. I will
2 overrule.

3 THE WITNESS: I don't know. Again,
4 that's something Mr. Marshall, as indicated by the
5 letter, would be responsible for.

6 BY MR. WILLIAMS:

7 Q. For Bridge Strategy Group's billings for
8 the work it's performed post Aquila accepting Great
9 Plains Energy's bid, did -- was that billing for the
10 work performed by individuals include a description
11 of the work those individuals performed?

12 A. Again, I don't know. I wasn't the
13 senior executive responsible for that oversight.

14 Q. Would you have any reason to dispute or
15 disagree with the data request responses that are
16 included in Exhibits 128 and 129?

17 A. This was our response to the DR, so
18 I'm -- I'm sure we prepared it and presented it to
19 you. I just personally wasn't involved with the
20 level of detail you're asking about.

21 Q. Do you know if Bridge Strategy Group
22 provided an itemization for expenses it's charged for
23 work it's performed post Aquila accepting Great
24 Plains Energy's bid?

25 A. Same answer. I wouldn't know.

1 Q. Do you know if Bridge Strategy Group
2 provided any supporting documentation for expenses
3 it's charged for work that it's performed subsequent
4 to Aquila accepting Great Plains Energy's bid?

5 A. Again, I wasn't the responsible officer
6 for this task, so no, I don't know. I wouldn't know.

7 Q. Does Kansas City Power & Light Company
8 require that vendor invoices be approved before they
9 are paid?

10 MR. ZOBRIST: Judge, I'm going to object
11 again. That's a vendor question. He said that's not
12 his area of responsibility. That witness has already
13 testified here.

14 JUDGE STEARLEY: Mr. Williams, your
15 response?

16 MR. WILLIAMS: If he knows, he can
17 answer the question. I mean, if -- if it's a
18 question that should be posed to a different witness,
19 then we may need to re-call someone later.

20 JUDGE STEARLEY: Okay. We'll overrule.
21 You can answer to the extent that you know. If you
22 don't know, you can simply say you don't know.

23 THE WITNESS: And the question was
24 related to --

25 BY MR. WILLIAMS:

1 Q. Kansas City Power & Light Company.

2 A. No, I know, but this vendor --

3 Q. No, it's more broad.

4 A. So do we require approval of bills

5 before they're paid to vendors, is that the question?

6 I'm sorry.

7 Q. Does Kansas City Power & Light Company

8 require that vendors' invoices be approved before

9 they are paid?

10 A. Yes.

11 Q. Does Great Plains Energy require that

12 vendor invoices be approved before they are paid?

13 A. Yes.

14 Q. Does Kansas City Power & Light Company

15 have a system to indicate that an invoice is approved

16 for payment?

17 A. Yes.

18 Q. Does Great Plains Energy have a system

19 to indicate that vendor invoices are approved for

20 payment?

21 A. Yes.

22 Q. Do you know who approved the Bridge

23 Strategy Group invoices for payment that are shown in

24 Exhibit 128?

25 A. No.

1 Q. Do you know what steps, if any, were
2 taken to verify the accuracy of the charges that are
3 invoiced in the invoices that are -- constitute
4 Exhibit 128?

5 A. Again, I don't want -- no, I wasn't
6 involved in that -- in that process.

7 Q. Do you know who would have done that?

8 A. Well, again, Mr. Marshall is the name on
9 the contract. If he -- if he's not the person, he
10 probably knows who is.

11 MR. CONRAD: Judge, at the risk of
12 interfering with this, Mr. Marshall's name has come
13 up several times, and I have not seen him on this
14 list of witnesses for this issue. Now, is he -- and
15 I do not recall whether he has previously appeared.
16 I do not think so.

17 MR. ZOBRIST: He has previously appeared
18 and he was excused in December. But I agree with
19 Mr. Conrad, he's not listed on this issue.

20 JUDGE STEARLEY: No, he's listed on
21 issues for next week.

22 MR. CONRAD: I mean, I'm -- I'm just
23 questioning if there's an intent -- because there's
24 several questions being referred to him, and if
25 there's an attempt to call him back or whatever, he

1 needs to know and hold this issue open.

2 MR. ZOBRIST: Well, he's already
3 testified on synergies. He did it in December,
4 Judge, and he was excused. And so, you know, we've
5 now gone beyond that issue for Mr. Marshall. He's
6 only on the list with regard to certain other matters
7 not relating to transaction costs or synergies.

8 JUDGE STEARLEY: So if the Commissioners
9 decide they'd like to call him for questions on that
10 issue, I'm sure they'll let me know. But at this
11 point, he's not on our list and he has already
12 provided testimony, so ...

13 MR. WILLIAMS: Judge, at this time I'd
14 like -- Judge, at this time I'd like to go ahead and
15 offer Exhibits 126, 127, 128, 129 and 130.

16 JUDGE STEARLEY: Taking them one at a
17 time, any objections to the admission of Exhibit 126?

18 MR. ZOBRIST: No objection.

19 JUDGE STEARLEY: Hearing none, it shall
20 be received and admitted into evidence.

21 (EXHIBIT NO. 126HC WAS RECEIVED INTO
22 EVIDENCE AND MADE A PART OF THE RECORD.)

23 JUDGE STEARLEY: Exhibit 127?

24 MR. CONRAD: No objection.

25 MR. ZOBRIST: No objection.

1 JUDGE STEARLEY: Hearing none, it shall
2 be received.

3 (EXHIBIT NO. 127HC WAS RECEIVED INTO
4 EVIDENCE AND MADE A PART OF THE RECORD.)

5 JUDGE STEARLEY: Exhibit 128?

6 MR. CONRAD: No objection.

7 MR. ZOBRIST: None.

8 JUDGE STEARLEY: Hearing none, it shall
9 be admitted and received.

10 (EXHIBIT NO. 128HC WAS RECEIVED INTO
11 EVIDENCE AND MADE A PART OF THE RECORD.)

12 JUDGE STEARLEY: 129?

13 MR. ZOBRIST: No objection.

14 JUDGE STEARLEY: Hearing none, it shall
15 be admitted and received.

16 (EXHIBIT NO. 129HC WAS RECEIVED INTO
17 EVIDENCE AND MADE A PART OF THE RECORD.)

18 JUDGE STEARLEY: Then 130?

19 MR. ZOBRIST: No objection.

20 JUDGE STEARLEY: Hearing none, it too is
21 admitted and received into evidence.

22 (EXHIBIT NO. 130HC WAS RECEIVED INTO
23 EVIDENCE AND MADE A PART OF THE RECORD.)

24 BY MR. WILLIAMS:

25 Q. Mr. Bassham, are Great Plains Energy and

1 Kansas City Power & Light Company requesting this
2 Commission at this time to make a decision regarding
3 the ratemaking treatment for the transaction costs
4 that they've identified in this case? And I'm
5 setting aside the executive salaries that you've said
6 are not part of your request in future rate cases.

7 A. We have asked for authority to defer
8 those costs and for the specific purpose of
9 requesting they be included in rates. In the future
10 case we said, obviously, in that rate case when we
11 ask for them, we'll have to justify those expenses.
12 And we've further said that we would only ask for
13 those expenses to the extent that we've generated
14 synergies in excess of those amounts.

15 Q. So you're seeking the opportunity to
16 recover those costs in the future case?

17 A. Well, from an accounting perspective, if
18 we don't get an order from the Commission, we have
19 difficulty deferring them rather than expensing them.
20 So the request is to allow us to defer those for
21 future recovery.

22 Q. So you're seeking accounting authority?

23 A. I don't know the technical term, but
24 effectively, we're seeking whatever authority from
25 the Commission necessary to defer those rather than

1 write them off.

2 Q. I'm going to ask you to make an
3 assumption. Assume the Commission treats the
4 transition costs for the acquisition of Aquila as
5 being 100 percent recoverable in future rate cases
6 for purposes of this application and the Commission
7 grants your pending application.

8 Is Kansas City Power & Light Company
9 taking the position that such a Commission decision
10 would prohibit the Staff or any other party from
11 challenging a recovery of those costs in future
12 Kansas City Power & Light Company rate cases?

13 A. No. I think I just described that our
14 expectation would be if we have the right to defer
15 them, then we would expect to present the expenses
16 for approval in a future case, and we would expect
17 parties to have the ability to, you know, review
18 them.

19 Q. Are Great Plains Energy and Kansas City
20 Power & Light Company projecting five-year total
21 cumulative synergy savings of \$607 million?

22 A. That number doesn't sound correct. We
23 have testimony on our projections for synergies, and
24 I believe it's in our testimony.

25 MR. WILLIAMS: Judge, may I approach?

1 JUDGE STEARLEY: Yes, you may.

2 BY MR. WILLIAMS:

3 Q. I believe we've seen this before, and
4 it's my understanding it's marked as Exhibit 123.

5 A. Yes, sir.

6 Q. Okay. Turn to this page. I think you
7 may --

8 A. Yeah. I thought you said 605. Is it
9 675?

10 Q. (Indicated.)

11 A. Oh, okay. I have what's been marked as
12 Exhibit 123, and your question is, are we projecting
13 607 which is the combination of 302 corporate and 305
14 Missouri jurisdictional, correct?

15 Q. For a five-year total of cumulative
16 synergy savings.

17 A. It -- well, it excludes the interest
18 savings, so that's why the number didn't sound right
19 to me. The total savings are -- include additional
20 interest savings, but the addition of those two
21 buckets is -- is 607, yes.

22 Q. Well, aside from the interest savings
23 that you're projecting, just the synergy savings
24 alone, you're projecting over a five-year period that
25 that will total \$607 million; is that correct?

1 A. Yeah. Well, I mean, I would consider
2 this interest -- not to bicker -- I would consider
3 the interest synergy as well, but yes, just those two
4 alone without interest savings would be 607, is our
5 projection.

6 Q. Well, how much -- how much is the
7 interest savings as well?

8 A. 68 million. That's what's shown on
9 here, Exhibit 123 that we just discussed.

10 Q. And are Great Plains Energy and Kansas
11 City Power & Light -- Light Company projecting \$302
12 million of that total five-year -- that five-year
13 total of cumulative synergy savings will be synergy
14 savings that are not allocated to regulated
15 utilities?

16 A. Yeah, it's difficult to have a synergy
17 if it's not already in rates, if I'm making sense.
18 If you -- if you eliminate a cost through the
19 combination and that cost isn't in rates, then it
20 can't really reduce rates, so that's how we kind of
21 back those out. To the extent we had dollars in
22 rates and we were able to reduce them, eliminate
23 them, then that's part of the 305.

24 There are costs at Aquila which were
25 never in rates; for example, interest costs that were

1 excluded from ratemaking. So the corporation had
2 these interest expenses that weren't in rates. Those
3 dollars would be the interest, for example.

4 The building where corporate
5 headquarters is wasn't completely in rates, so to the
6 extent we eliminate that building, that's a savings
7 but it wasn't in rates to start with, so it couldn't
8 reduce rates in Missouri, if I'm making -- if I'm
9 making sense. So those kind of things are what the
10 302 is.

11 Their employees -- for example, a big
12 chunk of this is employees which were at Aquila and
13 supported what's now going to be the Black Hills
14 properties, so they were never allocated to Missouri
15 or Kansas. And to the extent those folks leave and
16 that's a savings, that would be part of the 302 as
17 opposed to the 305.

18 Q. Now, the 302 million that's not
19 allocated to regulated utilities, is it necessary
20 that transaction and transition costs be incurred in
21 order to realize those savings?

22 A. Well, the same transaction generates the
23 synergies -- all the synergies. So the transaction
24 costs are necessary to generate all the synergies, if
25 that answers your question.

1 Q. I think your answer is yes, that you had
2 to -- that it will be necessary to incur transition
3 and transaction costs in order to realize the
4 \$302 million of savings?

5 A. The transaction costs, yes. Transition
6 are specifically related to merger, I believe.

7 Q. Are you familiar with how Mr. Rush has
8 allocated transaction costs or is proposing they be
9 allocated?

10 A. Somewhat -- I should say no. I don't
11 know the details of how he proposed allocation.

12 Q. Do you know what basis he used? Did he
13 use the \$305 million of cumulative synergy savings
14 that have been allocated to regulated utilities?

15 A. Again, I don't know for sure, but I
16 would assume so. But I -- I don't know for sure.

17 Q. Are you familiar with the case State
18 ex rel. AgProcessing versus Public Service Commission
19 which is -- the citation is 120 S.W. 3d 736 (Mo. Banc
20 2003)?

21 A. I've heard that name used a lot. I'm
22 not -- I'm not testifying as a legal expert, if
23 that's the question. I mean, I've heard the name
24 used in this case.

25 Q. You're an attorney, are you not?

1 A. No more. I don't currently hold a legal
2 license, I guess is the way to say that. I have a
3 law degree and practiced for almost 20 years, but I
4 don't -- I do not currently have a law license.

5 Q. Let me give you a copy of an opinion.

6 MR. WILLIAMS: May I approach?

7 MR. ZOBRIST: Judge, I object. Though
8 Mr. Bassham may have a law degree, he's not a
9 licensed member of this state, he's not -- does not
10 hold a current license. And to hand a witness a
11 case, a Missouri Supreme Court case, and ask him to
12 begin to interpret I think goes beyond -- certainly
13 beyond the scope of any reasonable cross-examination
14 of his testimony and beyond anything that I think
15 could be beneficial to the Commission. So I object
16 on relevancy, also object on lack of qualifications.

17 JUDGE STEARLEY: Mr. Williams?

18 MR. WILLIAMS: Judge, he's an attorney,
19 he's in here as a regulatory personnel for Kansas
20 City Power & Light Company/Great Plains Energy. My
21 intent is to ask him about how the court has used the
22 term "acquisition premium" which witnesses in this
23 case have -- have used in their testimony.

24 MR. ZOBRIST: Judge, if he wants to ask
25 about the meaning of the word acquisition premium, I

1 have no objection to that. I would clarify, he's not
2 being offered as a regulatory witness, he's the chief
3 financial officer of the company. But if this deals
4 with acquisition premium, I've got no problem with
5 that.

6 JUDGE STEARLEY: As long as the question
7 is restricted to that, I don't have a problem either,
8 Mr. Williams.

9 THE WITNESS: You want me to read this
10 page you gave me in total, is that kind of -- I mean,
11 I'm just --

12 BY MR. WILLIAMS:

13 Q. I want you to take the opportunity to
14 review the entire document. And what my question is,
15 is -- I'm not going to ask you at this stage your
16 understanding of the term acquisition premium, but I
17 do want to ask you what your understanding is of how
18 the courts used that term in that case.

19 MR. ZOBRIST: Well, then I do object.
20 If he's asking for him to give a legal interpretation
21 of how the Supreme Court of Missouri uses that term,
22 I object. If he wants to ask him about the
23 definition of acquisition premium, then I don't have
24 a problem. But -- and I also object to him being
25 given a Supreme Court case and say, Here, review this

1 whole case. I object.

2 JUDGE STEARLEY: Okay. I will sustain
3 that objection.

4 BY MR. WILLIAMS:

5 Q. Mr. Bassham, what's your understanding
6 of the term "acquisition premium"?

7 A. Well, there's -- there's an acquisition
8 adjustment and an acquisition premium. The premium
9 would be the price paid over market value for an
10 asset. And then I think, as the testimony indicated
11 yesterday, you would also add potential transaction
12 costs to arrive at an acquisition adjustment, and
13 Mr. Shallenberg described that yesterday.

14 Q. Has the Missouri Public Service
15 Commission ever allowed a utility to directly recover
16 an acquisition premium through rates?

17 A. I don't know the answer to that
18 question. We -- we've not asked for the recovery of
19 an acquisition premium in this case either.

20 MR. WILLIAMS: Thank you for your time
21 today.

22 THE WITNESS: Thank you.

23 JUDGE STEARLEY: Thank you, Mr.
24 Williams.

25 MR. WILLIAMS: Judge, may I collect my

1 exhibits?

2 JUDGE STEARLEY: Certainly. Just to be
3 sure I didn't miss any other parties who wish to
4 cross-examine this witness, we'll move to questions
5 from the Bench. Commissioner Murray.

6 COMMISSIONER MURRAY: No questions.
7 Thank you, Judge.

8 JUDGE STEARLEY: Commissioner Clayton.

9 COMMISSIONER CLAYTON: No questions.

10 QUESTIONS BY JUDGE STEARLEY:

11 Q. I have only one question for you,
12 Mr. Bassham. If the Commission were to approve the
13 transaction as proposed but disallowed the recovery
14 of transaction costs, would that be a deal-breaker?

15 A. How do you define "deal-breaker"?

16 Q. Well -- well, would that cause the
17 companies to not go forward with the merger?

18 A. Well, there -- there are two -- there
19 are two -- two things, I think, in response to your
20 question. The first is I was asked, I think, the
21 last time I was on the stand whether or not failure
22 to allow transaction costs would cause us to lose our
23 investment-grade rating, and I answered in and of
24 itself, I'd have to say no. So that's -- that's one
25 part of the answer.

1 Ultimately, I guess I'd have to say
2 because of that, if that were -- everything else
3 being equal, if we got everything else we asked for
4 and that was the only thing we didn't receive, it
5 would not stop the transaction from going through.

6 JUDGE STEARLEY: All right. Thank you,
7 Mr. Bassham. Any recross based on my singular
8 question?

9 MR. CONRAD: No.

10 JUDGE STEARLEY: Hearing none, redirect?

11 MR. ZOBRIST: Just briefly.

12 REDIRECT EXAMINATION BY MR. ZOBRIST:

13 Q. Mr. Bassham, you were asked -- and I
14 think you've clarified this point. You were asked
15 early by Mr. Williams if you were seeking recovery,
16 and I thought he said in this case, in this merger
17 case of transaction costs and transition costs. Are
18 you?

19 A. No. Again, we're not seeking authority
20 to recover rates in this case.

21 Q. So the testimony where you've talked
22 about the deferral process that you expounded upon,
23 that has not changed from your additional
24 supplemental direct testimony?

25 A. It has not.

1 MR. ZOBRIST: Okay. Thank you. Nothing
2 further, Judge.

3 JUDGE STEARLEY: All right. Thank you,
4 Mr. Zobrist. Thank you, Mr. Bassham. You may step
5 down at this time.

6 Depending on timing today, will you be
7 available for affiliate transactions if we are able
8 to move on to that issue?

9 THE WITNESS: Yes, sir.

10 JUDGE STEARLEY: All right. Thank you.

11 Before we start up with our next
12 witness, we're going to go ahead and take about a
13 ten-minute break here, and we are off the record.

14 (A RECESS WAS TAKEN.)

15 JUDGE STEARLEY: All right. We are back
16 on the record, and GPE/KCPL may call their next
17 witness.

18 MR. CONRAD: Judge, before we -- I'm
19 sorry. Before we get to that, I need to revisit
20 something with your -- by your leave.

21 JUDGE STEARLEY: Certainly, Mr. Conrad.

22 MR. CONRAD: Earlier today we had an
23 entry of appearance by a gentleman from the Morrison,
24 Hecker firm here locally, and I indicated at that
25 time that I was not waiving any rights that we might

1 have. You overruled what I believe you thought was
2 an objection. The letter raises some other issues.
3 I'm not going to remake an objection, as you'll see
4 when we get through this, but I do need to put this
5 on the record for the benefit of the Bench and the
6 parties.

7 The letter raises some questions about
8 what the Commission was told about this gentleman's
9 proposed representation, and there may not have been
10 clarity on that in any event. But even beyond that,
11 I know from my own experience that Morrison, Hecker
12 does represent the Commission.

13 And this situation is not dissimilar,
14 Judge, from -- from that in which a private attorney,
15 which Morrison, Hecker certainly is, representing the
16 judge, and then that private attorney accepting
17 representation from a litigant before that same
18 judge. And the judge, then, talks to his attorney
19 and says, It's okay with me if you want to represent
20 them before me.

21 The Commission is the decision-maker in
22 this case. It is not a private entity like the rest
23 of us are. And that raises some very interesting
24 issues about waiver of that conflict, and it is, as I
25 understand it, my right, whether -- whether now or at

1 a later time, to file a motion to disqualify that
2 counsel from that representation.

3 Moreover, I would caution in the sense
4 of waving a yellow flag, they're -- they're free
5 agents. But I would respectfully caution my
6 colleagues who are representing Kansas City Power &
7 Light, Aquila or any of the other Joint Applicants
8 before this body, that if they confer or visit or
9 confab -- or whatever phrase is appropriate to use --
10 this gentleman with respect to the merits of this
11 case and the facts of it, then that will -- will, if
12 necessary, be explored through a deposition. If the
13 situation arises and that is shown, I may very well
14 seek to have them disqualified also. So that's --
15 that's fair warning. I need to put that on the record.

16 This is -- with all due respect, Judge
17 Stearley, to your position, this is not an objection
18 that you can overrule. There is nothing for you to
19 overrule. It is my client's rights and their
20 position and, sir, you will not overrule those. And
21 ultimately if we have to, that will be taken to some
22 other folks that do understand the rules of conflicts
23 and how it's waived. That concludes my statement on
24 this issue.

25 JUDGE STEARLEY: Thank you, Mr. Conrad.

1 I take your statement for what it is and it's not an
2 objection and I have no ruling on it, and anything
3 you would like to file in this matter we would
4 certainly welcome.

5 And if we will proceed now, GPE/KCPL may
6 call its next witness.

7 MR. STEINER: Great Plains Energy and
8 KCPL call Lori Wright.

9 JUDGE STEARLEY: Ms. Wright, I remind
10 you that you're still under oath for this testimony.
11 And you may proceed.

12 MR. STEINER: Your Honor, this witness
13 has been introduced and I would tender her for cross
14 and questions from the Bench.

15 JUDGE STEARLEY: All right. Thank you
16 very much, Mr. Steiner. And we shall start
17 cross-examination with AgProcessing. Mr. Conrad.

18 MR. CONRAD: No questions.

19 JUDGE STEARLEY: Office of Public
20 Counsel, Mr. Mills.

21 MR. MILLS: No questions.

22 JUDGE STEARLEY: Staff, Mr. Williams.

23 MR. WILLIAMS: Thank you, Judge.

24 CROSS-EXAMINATION BY MR. WILLIAMS:

25 Q. Is Kansas City Power & Light Company

1 wholly owned by Great Plains Energy Incorporated?

2 A. Yes, it is.

3 Q. Are the shares of Great Plains Energy
4 publicly traded?

5 A. Yes, they are.

6 Q. Are you an officer of Great Plains
7 Energy?

8 A. Yes, I am.

9 Q. Are you an officer of Kansas City Power
10 & Light Company?

11 A. Yes, I am.

12 Q. Do Great Plains Energy and Kansas City
13 Power & Light Company operate for profit?

14 A. Yes, they do.

15 Q. As an officer of Great Plains Energy and
16 Kansas City Power & Light Company, do you have
17 fiduciary responsibilities to your shareholders?

18 A. Yes, I do.

19 Q. Do you have any specific objectives that
20 guide you in your performance of your -- those
21 fiduciary duties?

22 A. Yes, similar to what Mr. Bassham
23 indicated this morning -- or earlier, we have several
24 goals and objectives that are set forth in balance
25 score cards, and -- and they're very varied -- varied

1 in nature.

2 Q. Can you provide some examples of the
3 objectives?

4 A. There are several. Some of them are
5 safety-related, some of them are with respect to a
6 SAIDI, SAIFI. Some are obviously financially
7 related.

8 Q. Do those objectives including -- include
9 maximizing shareholder value?

10 A. Yes.

11 Q. As currently proposed, will Great Plains
12 Energy's acquisition of Aquila enhance Great Plains
13 Energy's share value?

14 A. Yes.

15 Q. How?

16 A. By combining together the -- the
17 operations, we can find more efficient ways of
18 providing service to our customers and enhance
19 customer service which ultimately improves customer
20 satisfaction, reduces cost which ultimately results
21 in improved shareholder value.

22 Q. And would you define transaction costs?

23 A. Yes. Transaction costs are the costs
24 that are incurred to consummate the acquisition
25 itself.

1 Q. And would you define transition costs
2 and in that division, contrast them with transaction
3 costs?

4 A. The transition costs are those costs
5 required to ensure that we have efficient operations
6 and effective operations subsequent to the
7 transaction closing; whereas, transaction costs are
8 the costs associated with the necessity of closing
9 and consummating the transaction itself.

10 Q. Are transaction costs and transition
11 costs readily distinguishable?

12 A. Yes, they are.

13 Q. Hasn't Great Plains Energy and Kansas
14 City Power & Light Company reclassified \$13.6 million
15 in severance costs from being originally classified
16 as transaction costs and now being classified as
17 transition costs?

18 A. Yes, in our rate filing, that is
19 correct.

20 THE COURT REPORTER: I'm sorry?

21 THE WITNESS: In our filing, that is
22 correct.

23 BY MR. WILLIAMS:

24 Q. Where are the transaction costs from
25 Great Plains Energy's acquisition of Aquila being

1 recorded?

2 A. The costs themselves reside at Great
3 Plains Energy.

4 Q. Are any transaction costs in connection
5 with Great Plains Energy's acquisition of Aquila
6 being recorded on the books and records of Kansas
7 City Power & Light Company?

8 A. Some costs originate at KCP&L and then
9 they are billed directly to Great Plains Energy, and
10 then Great Plains Energy reimburses KCP&L for those
11 costs.

12 Q. Why are they originally booked at Kansas
13 City Power & Light Company?

14 A. In some cases if there are certain costs
15 that may be incurred at that company itself, they may
16 be -- at that point they're paid by KCP&L and then
17 reimbursed. The majority of that is not
18 transition -- transaction costs. The majority of
19 that is transition-related cost. In fact, there may
20 not be any transaction costs themselves that
21 originate at KCP&L.

22 Q. Well, the questions I asked you were
23 pertaining to transaction costs --

24 A. I'm sorry.

25 Q. -- so are you modifying your answers?

1 A. If -- I'm sorry. If the question was
2 transaction costs, then I don't believe -- I take
3 that back. Yes, there are some.

4 Q. What would be the nature -- or what
5 types of costs or transaction costs are being
6 initially paid by Kansas City Power & Light Company
7 and then billed to Great Plains Energy?

8 A. I believe there are some Bridge Strategy
9 costs that were paid originally by KCP&L and then
10 reimbursed by GPE.

11 Q. When would those -- would those costs
12 have been incurred before Aquila accepted Great
13 Plains Energy's bid? And I'm referring to the Bridge
14 Strategy costs that are booked -- that KCP&L
15 originally paid.

16 A. You said incurred?

17 Q. Yes.

18 A. Yes, some may have been, yes.

19 Q. Were any of those transaction costs that
20 originated from Bridge Strategy Group that Kansas
21 City Power & Light Company originally paid incurred
22 post Aquila accepting Great Plains Energy's bid?

23 A. I don't know for certain. I'd have to
24 check.

25 Q. Are all of the transition costs

1 associated with Great Plains Energy's acquisition of
2 Aquila being recorded on the books and records of
3 Great Plains Energy?

4 A. Yes, they are.

5 Q. Are any of the transition costs in
6 connection with Great Plains Energy's acquisition of
7 Aquila recorded on the books and records of Kansas
8 City Power & Light Company?

9 A. Some costs do originally -- do originate
10 at KCP&L. Labor is an example of that. And then
11 those costs, though, are billed to GPE and then GPE
12 reimburses KCP&L for those costs.

13 Q. Are those labor costs that are billed to
14 Kansas City Power & Light Company or are those labor
15 costs for labor that Kansas City Power & Light
16 Company provides which is then billed to Great Plains
17 Energy?

18 A. If I understood your question there,
19 labor costs incurred by KCP&L employees that are
20 billed to GPE and then reimbursed.

21 Q. So there are items that are categorized
22 as transaction costs that can -- wait a minute. Let
23 me start with transaction costs. Are there costs
24 that are categorized -- wait a minute. When we were
25 talking about labor, were we talking about transition

1 or transaction costs?

2 A. I believe you were talking about
3 transition.

4 Q. Okay. I lost my train, so thank you.
5 For the labor costs that Kansas City Power & Light
6 Company has billed to Great Plains Energy, are those
7 labor costs of -- for the services provided by Kansas
8 City Power & Light Company employees, is that what
9 you're referring to?

10 A. Yes. However, I'll note that those
11 labor costs are not included in the transition costs
12 that the company is requesting an accounting
13 authority with -- to defer or to recover
14 prospectively. That's not included in that piece,
15 but those are categorized as transition costs.

16 Q. Aside from those labor costs that Kansas
17 City Power & Light Company bills to Great Plains
18 Energy for services that Kansas City Power & Light
19 Company employees have provided, are there any other
20 transition costs associated with Great Plains
21 Energy's acquisition of Aquila that are recorded on
22 the books and records of Kansas City Power & Light
23 Company?

24 A. Yes, there are.

25 Q. And what would be those types of costs?

1 A. It varies in nature to the extent that
2 there may be some services under contracts that KCP&L
3 may have in place that benefit or are part of the
4 transition. They would then be paid by KCP&L and
5 reimbursed by Great Plains Energy.

6 Q. Do you know what the total transition
7 costs that have been incurred to date for the
8 acquisition of Aquila by Great Plains Energy?

9 A. The -- the total transition costs
10 through the end of March, I believe, are
11 approximately \$19 million of which approximately
12 seven are -- is the labor component that we are not
13 requesting any special accounting treatment with
14 respect to those costs.

15 Q. Do Kansas City Power & Light Company and
16 Great Plains Energy have any agreement for Great
17 Plains Energy's transaction or transition costs be
18 paid by Kansas City Power & Light Company?

19 A. None that I am aware of.

20 Q. Do you know what the total of the
21 transition costs that Kansas City Power & Light
22 Company has incurred to date for -- in connection
23 with Great Plains Energy's acquisition of Aquila?

24 A. You said transition?

25 Q. Yes.

1 A. That was the 19 that we said, the --

2 Q. That was for Great Plains Energy. Is
3 there a different figure for --

4 A. Oh, I'm sorry. What was your question?

5 Q. What total transition costs has Kansas
6 City Power & Light Company incurred to date in
7 connection with Great Plains Energy's acquisition of
8 Aquila?

9 A. I don't -- I don't know what portion of
10 that.

11 Q. Do you know what controls Great Plains
12 Energy and Kansas City Power & Light Company have in
13 place to ensure that all transition and transaction
14 costs are just and reasonable?

15 A. Well, we have the approval requirement
16 for -- for every invoice before it is paid. That's
17 consistent with the appropriate approval authority,
18 and that individual is responsible for ensuring that
19 the billing is accurate and appropriate.

20 With respect to any labor that is
21 billed, that -- or that is charged, it's the approver
22 authority, the supervisor's responsibility to ensure
23 that that is handled correctly, accounted for
24 correctly. And then my organization, the accounting
25 group, does an analysis and looks at all of the items

1 that are charged to transition and transaction and
2 reviews them for overall appropriateness.

3 Q. What is the approval process for paying
4 invoices?

5 A. The invoice is received and it's -- it's
6 reviewed by the appropriate -- by the appropriate
7 individual, and then that is routed to the accounts
8 payable department and -- and entered into the
9 accounts payable system, and then that is reviewed
10 against the approval authority. And if the approver
11 has the appropriate authority, then it's ultimately
12 paid.

13 Q. Is the same process used for invoices
14 remitted to Kansas City Power & Light Company as is
15 used for invoices remitted to Great Plains Energy?

16 A. Yes.

17 Q. And what -- you indicated individuals --
18 responsible individuals are to ensure the accuracy of
19 invoicing. Do you know what steps they take in order
20 to ensure that accuracy?

21 A. I -- I don't know what each and every
22 individual uses, but as a -- as a general rule, I can
23 tell you if I'm reviewing an invoice, I ensure that
24 the billing is -- is correct, it's at the appropriate
25 rate, that work was actually done, if it's a

1 contract, it's consistent with the contract. And
2 then ultimately it's approved and then paid.

3 Q. You also said your accounting group does
4 some kind of a review?

5 A. Uh-huh, that's correct.

6 Q. What -- what is that process or what --
7 what does that review entail?

8 A. Okay. They -- in the context of
9 reviewing our financial information, primarily at
10 quarter end, the transaction costs especially, we
11 review every -- every vendor, it's a vendor listing,
12 the amounts that were paid to ensure that they were
13 appropriate and reasonable.

14 Q. And what criteria do you employ to
15 decide if they look appropriate and reasonable, those
16 vendor amounts?

17 A. As a general rule, it's -- you know, the
18 person that reviews it is -- has an understanding of
19 what transaction costs are and they ensure that the
20 vendor is a vendor that would likely be an individual
21 or a vendor that would provide those types of
22 services.

23 And if they're not certain -- or if it
24 appears to be an odd name, they'll certainly contact
25 the approver and ensure that they understand what the

1 work was that that particular vendor performed.

2 Q. Do you employ that same process with
3 regard to transition costs?

4 A. At a high level, yes.

5 Q. Does Kansas City Power & Light Company
6 have a written agreement with every vendor for all
7 the transition costs that it has recorded on its
8 books?

9 A. I don't know if they do for every
10 vendor.

11 Q. Do you know if Kansas City Power & Light
12 Company has a written agreement with every vendor for
13 all transaction costs recorded on its books?

14 A. Once again, I don't -- I don't know if
15 they do for every cost.

16 Q. Do you know if Great Plains Energy has a
17 written agreement for every -- with every vendor for
18 every transition cost recorded on its books and
19 records?

20 A. I don't know for every -- every cost. I
21 don't -- I don't know.

22 Q. Do you know if it has a written
23 agreement with Kansas City Power & Light Company?

24 A. I -- none that I'm aware of.

25 Q. Does Great Plains Energy have a written

1 agreement with every vendor for every transaction
2 cost recorded on its books?

3 A. I'm not certain if they do for every --
4 every cost.

5 Q. Do you know which vendor has charged
6 Kansas City Power & Light Company or Great Plains
7 Energy the highest level of transition costs?

8 A. No, I do not.

9 Q. Are you familiar with Bridge Strategy
10 Group and the cost they've charged at all?

11 A. Yes, I am.

12 Q. Would you characterize them as having
13 charged significant amounts of transaction and
14 transition costs?

15 A. Significant? Yes.

16 Q. Do you know who selected Bridge Strategy
17 Group to provide services to Great Plains Energy
18 and/or Aquila for services to be provided post Aquila
19 accepting Great Plains Energy's bid to acquire it?

20 A. I believe -- you said subsequent to
21 the -- for the transaction -- transition, rather?

22 Q. For the work that's done post the bid
23 being accepted.

24 A. I believe Mr. Marshall did.

25 Q. Do you know what services Bridge

1 Strategy Group has provided?

2 A. Well, I'm familiar with the services
3 that I've seen them provide with respect to the
4 transition, and that's assisting with overall
5 guidance and -- and assisting the transition teams
6 and ensuring that there's smooth operations
7 subsequent to day one.

8 Q. Do you know anything about the process
9 that was employed to have Bridge Strategy Group
10 provide those services?

11 A. No, I do not.

12 Q. Do you know what the total is of the
13 transition costs that Bridge Strategy Group has
14 charged at this time?

15 A. The transition costs?

16 Q. Transaction costs.

17 A. Transaction costs, 4.3 million.

18 Q. Do you know at this time what the total
19 is of the transition costs that Bridge Strategy Group
20 has charged?

21 A. Approximately 5.2 million.

22 Q. Do you have any familiarity of the
23 agreement between Kansas City Power & Light Company
24 or Great Plains Energy and Bridge Strategy Group for
25 those services that it is providing?

1 A. No, I do not.

2 Q. Do you know if Bridge Strategy Group is
3 providing its services to Great Plains Energy, to
4 Kansas City Power & Light Company or both?

5 A. I believe they're providing it to both.

6 Q. What's your basis for that belief?

7 A. Because I believe a great deal of the
8 work that they are actually performing ultimately
9 benefits KCP&L and Aquila ideally post day one.

10 Q. Do you know which officers at Kansas
11 City Power & Light Company would have the authority
12 to authorize the level of payments that were made to
13 Bridge Strategy Group?

14 A. Not without specifically checking, no, I
15 do not.

16 Q. Do you know what rates Bridge Strategy
17 Group is -- is charging Kansas City Power & Light
18 Company and/or Great Plains Energy for the services
19 it's currently providing? And I'm referring -- the
20 rates I'm referring to are those for the services of
21 different categories of individuals.

22 A. No, I do not.

23 Q. Do you know whether or not Kansas City
24 Power & Light Company or Great Plains Energy have any
25 right to control who at Bridge Strategy Group

1 actually performs the services, the individuals?

2 A. I don't know for certain, but I believe
3 that they do.

4 Q. And what's the basis of your belief that
5 they do?

6 A. From experience, the assistance that --
7 that the accounting group has -- has received has
8 been in some cases based on specific requests of what
9 particular Bridge person is assigned to assist our
10 team.

11 Q. Do you know if anyone at Great Plains
12 Energy or Kansas City Power & Light Company approves
13 who performs the services at Bridge Strategy Group,
14 particular individuals?

15 A. Officially approves?

16 Q. Yes.

17 A. No, I do not.

18 Q. Do you know if anyone at Great Plains
19 Energy or Kansas City Power & Light Company approves
20 how many individuals at Bridge Strategy Group perform
21 work on any particular project?

22 A. That would be a question for
23 Mr. Marshall. I -- I -- I don't know for certain.

24 Q. Whenever Bridge Strategy Group billed
25 under the agreement it's currently providing services

1 under, did it identify the work performed by the
2 particular individuals in its billings?

3 A. I -- I have not reviewed those
4 particular billings. I do not know.

5 Q. Do you know if on its invoices Bridge
6 Strategy Group itemized expenses it charged?

7 A. I -- I have not reviewed those invoices.
8 I do not know.

9 Q. Do you know if Bridge Strategy Group has
10 provided any receipts for the expenses it's invoiced?

11 A. Once again, I don't know the answer to
12 that.

13 Q. Is it standard practice at Kansas City
14 Power & Light Company and Great Plains Energy to
15 require receipts be provided before expenses are paid
16 on invoices?

17 A. If you're talking about specific
18 receipts from contractors or those sorts of things,
19 no, not necessarily. Not detailed, itemized like
20 meal receipts or things like that, no.

21 Q. Do you know who approved for payment
22 Bridge Strategy Group's invoices?

23 A. I don't know for certain all of them,
24 but I know they're currently being approved by John
25 Marshall. There could have been some early invoices

1 that were approved by someone other than
2 Mr. Marshall.

3 Q. Do you know what, if any, steps were
4 taken to verify the accuracy of the invoiced charges?
5 And I'm referring to Bridge Strategy Group's
6 invoices.

7 A. No, I do not.

8 Q. If a vendor provided invoices that
9 provided a breakdown between transaction and
10 transition costs, what, if anything, would Kansas
11 City Power & Light Company and Great Plains Energy do
12 to verify the accuracy of that breakdown?

13 A. What would the approver do or what would
14 we do?

15 Q. Well, assume a vendor has made a --
16 allocated certain expenses as being transaction costs
17 and allocated other expenses as being transition
18 costs.

19 A. Okay.

20 Q. What, if anything, would Great Plains
21 Energy/Kansas City Power & Light Company do to verify
22 that those are appropriately categorized?

23 A. What -- what I would -- I can only speak
24 for -- for me. I don't know exactly what
25 Mr. Marshall did or whomever approved those invoices,

1 but what I would do is ensure that I understood what
2 it was that Bridge Strategy had done on the actions
3 and the items that they considered to be transaction
4 and the items that they considered to be transition
5 costs.

6 Q. If I understood -- and let me -- this is
7 for clarification.

8 A. Uh-huh, uh-huh.

9 Q. You indicated that the approver would
10 be -- there's one individual who would make that
11 determination or is there some other process in
12 place?

13 A. It's the person that would approve
14 ultimately the invoice. In this case it would be
15 Mr. Marshall, if you're speaking of Bridge now, what
16 happens currently.

17 And then on the -- on the back end when
18 my organization -- when the accounting group reviews
19 the detail by vendor of transition/transaction, we
20 look at that detail, ensure that that breakdown looks
21 reasonable, understanding the work that Bridge is
22 currently working on.

23 Q. And when you're saying "approve the
24 invoice" in your response, are you saying approve it
25 for payment?

1 A. Yes, yes.

2 Q. Is there any -- you indicated what you
3 would do, but you don't know what Mr. Marshall would
4 have reviewed in making his determination whether to
5 approve invoices; am I correct?

6 A. That's correct.

7 Q. Is there any standard process in place
8 at Kansas City Power & Light Company or Great Plains
9 Energy for approval of payment of invoices?

10 A. Well, the standard process is the -- the
11 accountability of that approver to ensure that what
12 they're approving for payment is -- is correct and
13 accurate and appropriate.

14 Q. And to whom is that approver
15 accountable?

16 A. They're ultimately accountable to
17 their -- their supervisor for carrying out their
18 work, and ultimately they have a fiduciary
19 responsibility to ensure that they are accurately --
20 or appropriately safeguarding assets by ensuring that
21 they are appropriately approving invoices.

22 Q. At the current time, aside from some
23 executive compensation, are Great Plains Energy and
24 Kansas City Power & Light Company seeking the
25 opportunity to recover all of the transition --

1 transaction costs they've incurred in connection with
2 the acquisition of Aquila?

3 A. We are seeking the authority to defer
4 those costs. We're not currently seeking recovery of
5 those.

6 Q. And is seeking the authority to defer
7 create an opportunity for recovery of those costs in
8 the future that would not be available otherwise, if
9 you know?

10 A. Well, I believe -- I believe that the
11 Commission would ultimately have the authority to
12 provide the opportunity to recover that later, but
13 yes, this does provide us the opportunity to recover
14 those at some subsequent point in time.

15 Q. Well, just what does "authority to
16 defer" mean?

17 A. It's ultimately the determination by the
18 ruling here in the regulatory arena whether those
19 costs, those transaction costs are deferred as a
20 regulatory asset for potential future recovery or
21 whether those transaction costs absent that
22 regulatory authority ultimately end up as a -- a part
23 of the acquisition adjustment that end up ultimately
24 as good will.

25 Q. And not being account -- an accountant,

1 I'm not sure what your answer is. What happens with
2 good will?

3 A. Well, good will will remain on the books
4 of Great Plains Energy and then is -- or excuse me,
5 good will will remain on the books and then is
6 subject to impairment testing prospectively.

7 Q. And what, if anything, does that mean
8 for Kansas City Power & Light Company in recovery of
9 costs in the future?

10 A. The company is not requesting recovery
11 of good will itself, but ultimately what happens and
12 what the company is requesting is that transact --
13 transaction costs be deferred for potential future
14 recovery. If indeed the Commission does not allow us
15 that authority, then ultimately it will end up in
16 good will.

17 Q. The authority to defer transaction costs
18 that you're -- you've described as Great Plains
19 Energy and Kansas City Power & Light Company
20 currently is seeking, are Kansas City Power -- is
21 Kansas City Power & Light Company taking the position
22 that that would prevent any -- the Staff or any other
23 party from opposing recovery of any deferred costs in
24 some future rate case?

25 A. No.

1 Q. What five-year total cumulative synergy
2 savings are Kansas City Power & Light Company and
3 Great Plains Energy projecting at this time?

4 A. I believe Mr. Marshall -- or Mr. Bassham
5 just mentioned that number in his testimony.

6 Q. Is it \$607 million or some --

7 A. That is -- well, that's the sum of the
8 302 and the 305. That's the total projection.

9 Q. And are they proposing that \$302 million
10 of synergy savings be allocated to unregulated
11 operations, operations other than regulated utility
12 services?

13 A. Excuse me. Say -- say that again,
14 please.

15 Q. Are Great Plains Energy and Kansas City
16 Power & Light Company projecting \$302 million of
17 savings that would -- of synergy savings that would
18 not be allocated to regulated utility operations?

19 A. There obviously is a portion of synergy
20 savings that will be achieved that aren't currently
21 included in rates to customers, so they'll -- there
22 are synergy savings, but they're not in customers'
23 rates initially. They wouldn't reduce customers'
24 rates, if I understood your question.

25 Q. And are Kansas City Power & Light

1 Company and Great Plains Energy projecting that there
2 will be \$302 million of those savings cumulative over
3 a five-year period?

4 A. Subject to check, I can't recall sitting
5 here if it's the 302 or the 305 because they're so
6 similar in nature.

7 MR. WILLIAMS: May I approach?

8 JUDGE STEARLEY: You may.

9 BY MR. WILLIAMS:

10 Q. This is what's been marked as
11 Exhibit 123, and if you turn to the 12th page.

12 A. Okay. Yes, the -- now ask your question
13 again. I'm sorry.

14 Q. Is the amount of the projected
15 cumulative synergy savings attributable to
16 nonutility -- nonregulated utility operations the
17 amount of \$302 million?

18 A. Yes. Yes, it is.

19 Q. And were transaction costs -- will it be
20 necessary for those savings to be realized that Great
21 Plains Energy and Kansas City Power & Light Company
22 incur transaction costs?

23 A. Yes.

24 Q. Do you know if Bridge Strategy Group
25 performed any work related to the \$302 million of

1 nonutility -- nonregulated utility synergy savings?

2 A. Yes, they did.

3 Q. Are you familiar at all with how
4 Mr. Rush has proposed the allocation of transaction
5 and transition costs?

6 A. Not in detail, no.

7 Q. Are you aware that he's proposed that
8 they be allocated based on the \$305 million of
9 cumulative synergy savings Great Plains Energy and
10 Kansas City Power & Light Company project over a
11 five-year period for regulated utility operations?

12 A. I believe that's correct.

13 Q. I'm going to ask you to define some
14 terms for me. How do Great Plains Energy and Kansas
15 City Power & Light Company define the term
16 "acquisition adjustment"?

17 A. Acquisition adjustment? It's combined
18 of two pieces: One is the transaction cost, and the
19 second is that acquisition premium which is the
20 excess of the price paid to shareholders over the net
21 book value of the assets being acquired. I believe
22 that's consistent with the definition that
23 Mr. Shallenberg gave yesterday as well.

24 Q. You anticipated my next question. How
25 do Great Plains Energy and Kansas City Power & Light

1 Company define the term "good will"?

2 A. Good -- good will is the -- the excess
3 of the transaction cost -- the transaction cost over
4 the net book value -- not transaction costs, excuse
5 me -- the purchase price over the net book value,
6 considering the treatment of the regulatory
7 determination with respect to transaction costs.

8 Q. Can you provide a definition that uses
9 terms such as transaction costs and -- I'm not clear
10 on your definition, is where I'm at --

11 A. Okay. Sorry. I'm sorry.

12 Q. -- and I'm trying to get the
13 relationship between all these terms --

14 A. Okay.

15 Q. -- as far as how Great Plains Energy and
16 Kansas City Power & Light Company used them.

17 A. Okay.

18 Q. So would you take another crack in
19 defining good will?

20 A. Let me take another crack at it. The
21 acquisition adjustment is the summation of the
22 transaction costs and the acquisition premium. And
23 trans -- and the acquisition adjustment is consistent
24 with the term of good will.

25 Q. Well, what's the difference, if any,

1 between acquisition adjustment and good will as
2 you're using them?

3 A. They're -- they're -- they're
4 synonymous.

5 Q. And I've seen some other terms used, so
6 I'm going to ask you to define them as well.

7 A. Okay.

8 Q. How do Great Plains Energy and Kansas
9 City Power & Light Company define the term "merger
10 premium"?

11 A. Merger premium. I -- I consider merger
12 premium to be consistent with acquisition premium.

13 Q. If the Commission doesn't approve Great
14 Plains Energy and Kansas City Power & Light Company's
15 request of treatment of transaction costs, will the
16 transaction costs be recorded as a portion of the
17 acquisition adjustment related to Great Plains
18 Energy's acquisition of Aquila?

19 A. I believe the answer to that is yes.

20 MR. WILLIAMS: I have no further
21 questions at this time.

22 JUDGE STEARLEY: Thank you,
23 Mr. Williams. And there are no questions from the
24 Bench and consequently no recross based on those.
25 Redirect?

1 MR. STEINER: If I could have a moment,
2 your Honor?

3 JUDGE STEARLEY: Certainly, Mr. Steiner.

4 REDIRECT EXAMINATION BY MR. STEINER:

5 Q. Ms. Wright, Mr. Williams asked you a
6 question whether KCPL and GPE have written agreements
7 with every vendor. Do you recall that?

8 A. Yes, I do.

9 Q. Do the companies have agreements with
10 your vendors?

11 A. They do. Yes, they do.

12 MR. STEINER: That's all I have, Judge.
13 Thanks.

14 JUDGE STEARLEY: All right. Thank you,
15 Mr. Steiner. Ms. Wright, you may step down at this
16 time. I also understand that you, too, can be
17 available if we are able to move on to the affiliate
18 transactions rule issue today?

19 THE WITNESS: Sure. That's correct.

20 JUDGE STEARLEY: All right. Thank you
21 very much.

22 MR. WILLIAMS: Judge, if I might
23 retrieve my exhibits?

24 JUDGE STEARLEY: Certainly. And
25 GPE/KCPL may call its next witness.

1 MR. BLANC: Understanding that the
2 parties have exhausted their questions for Mr. Zabors
3 and that he's been excused from these proceedings,
4 Great Plains Energy and Kansas City Power & Light
5 Company call Tim Rush.

6 MR. WILLIAMS: Judge, I'm not sure that
7 Staff have exhausted its questions of Mr. Zabors yet.

8 MR. BLANC: I apologize if I
9 mischaracterized that. That was my understanding.
10 But he's not here today. We can make him available.

11 JUDGE STEARLEY: That was my
12 understanding as well was that further questioning
13 had already been waived of Mr. Zabors back when his
14 testimony was offered in. I don't -- I'm not sure
15 you were here that day, Mr. Williams.

16 MR. WILLIAMS: I'm sure I wasn't. I'll
17 check, but that wasn't my understanding at this
18 point.

19 JUDGE STEARLEY: Okay.

20 MR. FISCHER: Judge, I think I've
21 committed to Mr. Dottheim that if there are
22 additional questions, we could produce Mr. Zabors
23 again in the future, but it was our understanding
24 that all questions had been taken care of.

25 JUDGE STEARLEY: That was my

1 understanding as well. I will leave that to the
2 parties to work out. And Mr. Williams, you can --

3 MR. WILLIAMS: Well, I -- I understand
4 he's not here today --

5 JUDGE STEARLEY: Right.

6 MR. WILLIAMS: -- and we won't be
7 questioning, so I'm not raising that. I mean, if
8 my -- if Staff has done something to say that we have
9 no more questions, I mean, we'll just see where we
10 go.

11 JUDGE STEARLEY: Well, you -- you can
12 inform the Commission if there would be further
13 questioning.

14 MR. WILLIAMS: Thank you.

15 JUDGE STEARLEY: And Mr. Rush, I believe
16 we have had you on the stand and had you sworn in.

17 THE WITNESS: Yes.

18 JUDGE STEARLEY: And I'll remind you
19 that you're under oath. And you may proceed.

20 MR. BLANC: Thank you, your Honor.

21 DIRECT EXAMINATION BY MR. BLANC:

22 Q. Mr. Rush, you've previously testified
23 that you didn't have any additional corrections to
24 your testimony. Does that continue to be true?

25 A. Yes.

1 MR. BLANC: I tender the witness for
2 cross-examination and questions from the Bench.

3 JUDGE STEARLEY: And we'll start
4 cross-examination with AgProcessing. Mr. Conrad.

5 MR. CONRAD: We do not have questions
6 for Mr. Rush on this issue. I will have objections
7 at the time his testimony is offered. And by the
8 way, I took it that no offer was made of Ms. Wright's
9 material?

10 JUDGE STEARLEY: Not -- not at this
11 time.

12 MR. CONRAD: Okay. Because she -- she
13 will be reappearing or --

14 JUDGE STEARLEY: My understanding is
15 she's back for the affiliate transactions rule
16 waiver.

17 MR. CONRAD: All right. Very -- very
18 well. Then no questions at this point in time.
19 Thank you, Judge.

20 JUDGE STEARLEY: All right. Thank you,
21 Mr. Conrad. Mr. Mills.

22 MR. MILLS: No questions on this issue.

23 JUDGE STEARLEY: Mr. Williams.

24 MR. WILLIAMS: Thank you, Judge.

25

1 CROSS-EXAMINATION BY MR. WILLIAMS:

2 Q. Good morning, Mr. Rush.

3 A. Good morning.

4 Q. Do you have any familiarity with the --
5 how the agreement between either Kansas City Power &
6 Light Company or Great Plains Energy and Bridge
7 Strategy Group was reached?

8 A. No, I do not.

9 Q. Do you have any familiarity with any of
10 the billing by Bridge Strategy Group?

11 A. The familiarity I have is that I've seen
12 the bills on occasion through the data request
13 process.

14 Q. Are you familiar -- have you seen the
15 responses that were provided in -- by Kansas City
16 Power & Light Company/Great Plains Energy in response
17 to Staff's data request 392?

18 A. I'm sure I have seen it at some point in
19 time. Is this the one that you presented this
20 morning?

21 Q. Let me just hand you what --

22 A. Okay.

23 Q. -- was marked as Exhibits No. 126
24 through 130.

25 A. Okay.

1 Q. Have you seen those data request
2 responses before today?

3 A. Yes, I have.

4 Q. Would you have seen them at the time
5 they were provided to the Staff?

6 A. During the review process prior to
7 submission to the Staff, I would have seen them.

8 Q. And are those the -- not the entire
9 response, but portions of the response that Kansas
10 City Power & Light Company and Great Plains Energy
11 did provide to the Staff in response to the data
12 request that's -- question as shown as 392 on
13 Exhibit 126?

14 A. That's what it appears to be, yes.

15 Q. And is that the extent of your knowledge
16 of those materials?

17 A. Part of my role in the process of -- is
18 processing data requests, and I see pretty much all
19 of the data requests that are submitted by the
20 company. And, so, yeah, that -- my extent would have
21 been the review process during -- during that time.

22 Q. But do you -- well, do you know more
23 about Exhibit 127 other than you reviewed it in the
24 process of the data request being responded to?

25 A. No, I do not.

1 Q. And Exhibit 128, do you know anything
2 more about those invoices other than in the response
3 the company made to Staff's data request, the
4 preparation of that?

5 A. These aren't marked but is that the
6 invoices that follow on -- it's like the third page
7 on, is that what you're talking about?

8 Q. Yes.

9 A. That -- yes, that would be true. My
10 extent is the review process.

11 Q. And then following the invoices, there's
12 spreadsheets that are -- have been marked for
13 identification as Exhibit 129. Is your answer the
14 same to that, you don't have knowledge about the
15 information contained on that other than it was
16 provided to Staff in response to a data request?

17 A. Right, that's correct.

18 Q. And there's a letter dated May 1, 2007,
19 that's been marked for identification as Exhibit 130.
20 Is that the same situation, you don't have any
21 knowledge about the contents of that letter other
22 than it was provided to Staff by the companies in
23 response to a data request?

24 A. That's correct.

25 Q. Save you from a lot of questions, then.

1 A. Well, good.

2 Q. Are you familiar with Exhibit 123?

3 MR. WILLIAMS: Let me approach if I may?

4 JUDGE STEARLEY: You may.

5 THE WITNESS: Your question is am I

6 familiar with this exhibit?

7 BY MR. WILLIAMS:

8 Q. Yes.

9 A. No.

10 Q. Do you know what total cumulative

11 synergy savings over a five-year period that Great

12 Plains Energy and Kansas City Power & Light Company

13 are projecting?

14 A. As we've -- as you've been asking

15 questions, are you referring to the \$305 million that

16 we look at as synergy savings beyond rates, or are

17 you talking about the aggregate total, how many

18 dollars we have to reduce before we can get to --

19 there's several numbers that have floated around to

20 this question.

21 Q. Well, which -- which numbers are you

22 familiar with and what's the difference between them

23 on synergy savings that have been projected over a

24 five-year period?

25 A. I'm -- I'm familiar with the 305 million

1 number.

2 Q. And what --

3 A. I've -- I've -- you know, it's been
4 presented to me, the 302, but I've looked at a lot of
5 information about the 305 million.

6 Q. And what is the 305 million number
7 attributable to?

8 A. Those are synergy savings that are
9 achieved by the integration of the operations of the
10 two utilities that are accomplished beyond day one of
11 the -- if the transaction occurs.

12 Q. And those two utilities are Kansas City
13 Power & Light Company and Aquila?

14 A. Whatever Aquila is renamed, yes.

15 Q. And did you propose an allocation based
16 upon the 305 million -- an allocation of transaction
17 costs based on the 305 million?

18 A. Yes, I did.

19 Q. And were transaction costs incurred that
20 would cause synergy savings over and above the 305
21 million?

22 A. I'm not following. Help me understand.

23 Q. Will there -- is -- are Kansas City
24 Power & Light Company and Great Plains Energy
25 projecting over that cumulative five-year period more

1 than \$305 million of synergy savings?

2 A. I'm not really sure if I understand that
3 because I understand that -- from my understanding
4 is, the five years and the \$305 million are those
5 that are associated with the regulated rates and the
6 operations of a -- of what is Aquila -- or what will
7 be left of Aquila after the merger is consummated.

8 Q. Are there projections of merger synergy
9 savings that are not attributable to the integration
10 of those two entities?

11 A. As I understand, there are, and that --
12 that -- there are costs that -- well, I'm not sure
13 you can call them merger savings. There are costs
14 that have to be reduced from the operations in order
15 to achieve the 305 million synergies over the
16 five-year period. And I think that is -- as my
17 understanding is represented by the \$302 million
18 or -- and some interest costs.

19 Q. Is the realization of those \$302 million
20 of savings dependent upon the transaction going
21 forward?

22 A. Yes, I believe so.

23 Q. And aren't the transaction costs
24 incurred so that the transaction takes place? Aren't
25 those necessary for the transaction to take place?

1 A. The transaction cost is required to have
2 the transaction take place, yes.

3 Q. But you allocated transaction costs
4 solely based on the 305 million of synergy savings
5 attributable to regulated operations of Kansas City
6 Power & Light Company and Aquila?

7 A. It's -- it's beyond regulated
8 operations. We're not -- the allocation was
9 associated with the entities that would be remaining
10 after the close of the -- of the merger. So they
11 went to unregulated operations, they went to
12 wholesale operations and to regulated entities.

13 And that -- you can see that in the
14 schedules I presented as well as those that were
15 updated in Mr. Giles' testimony.

16 Q. But you didn't propose any allocation of
17 transaction costs, that any of those transaction
18 costs be allocated to those synergy savings other
19 than those related to the integration of the two
20 utilities, did you?

21 A. That's not correct. I allocated them
22 to, as I just said, to the wholesale operations to
23 the nonregulated operations and to the Kansas
24 operations of Missouri MoPub; Missouri Kansas City
25 Power & Light; Missouri -- what's called St. Joe,

1 or I'm not -- Light & Power. I'm not sure of the
2 name, as well as the steam operations.

3 Q. Is that reflected on your schedule, your
4 testimony?

5 A. According to which schedule you're
6 looking at. I think the easiest way to see it would
7 be to look at Mr. Giles' testimony in his schedule
8 that he has attached, but I think it's probably shown
9 also in mine. Yes, it is.

10 Q. And which schedule are you referring and
11 what line?

12 A. Well, I think the easiest way to look at
13 it would be to look at schedule TMR-1, schedule
14 TMR-1, and that depicts the allocation between all
15 the entities I just described.

16 And if you'll look at the top -- the row
17 that goes across, you'll see where it identifies the
18 "Total Synergies" as the first -- as the column after
19 the descriptors of what we're allocating.

20 And then it says "KCPL Missouri, KCPL
21 Kansas, KCL -- KCPL wholesale," which is represented
22 by FERC, "MoPub or Missouri Public Service Retail,
23 Missouri Public Service Wholesale," which would also
24 be FERC. It says "L&P Electric" so that would be
25 what was -- St. Joe or whatever term was used, and

1 L&P Industrial Steam. And then there's "Merchant"
2 which would be the nonregulated entity. And that's
3 the allocations that are used.

4 Q. And what you've allocated is based on
5 the 305 million; is that correct?

6 A. It's based on the -- the cost drivers
7 associated with the synergies reflected in the
8 \$305 million, yes. And so, for example, it's all
9 fundamentally based on, you know, how you're going to
10 accomplish the synergies. So we're trying to have
11 cost track savings in this.

12 Q. But aren't the companies saying that the
13 cumulative synergy savings over a five-year period
14 will be 607 million or something more?

15 A. Where does 607 million more come --
16 there's 305 million, and that's represented by the
17 savings that will be achieved through the integration
18 process once the merger is consummated. There's the
19 302 which have to be a reduction in cost because they
20 don't have anyplace to go. They're -- they're costs
21 that we are burdened with or, you know, take over at
22 the time the merger occurs.

23 Q. And then there's also a reduction in
24 the --

25 A. There's an interest component too. And

1 those two, I'm just not really familiar with those
2 pieces.

3 Q. But what you relied on in developing
4 your allocator of transaction costs was the 305
5 million?

6 A. Because that is -- that is the entity
7 that will be remaining after the result of the
8 merger, that's correct.

9 Q. You've got a "Merchant" column. What
10 savings are related to the merchant operations on
11 your schedule TMR-1?

12 A. Well, if you look at the process that we
13 came through in allocating, we are allocating -- of
14 the savings, we are allocating approximately 2.7
15 percent of the savings attributable to that. And
16 there are certain cost drivers that we used to help
17 define that, and you can kind of go through a process
18 that looks at each one of the components that are
19 described on that page.

20 And if you turn the page to schedule
21 TMR-2, then the description of those cost drivers is
22 there, for example -- you know, and what the
23 allocator was used to allocate that. So, for
24 example, there are certain, you know, administrative
25 savings, there are certain shared services savings,

1 there are facilities savings, I believe, associated
2 with that. So that's the process and how merchant
3 was allocated a portion of this.

4 Q. Why is the merchant savings allocated to
5 the 305 million as opposed to the other savings?

6 A. Because it's part of the remaining
7 operations that we are taking on. As I said in my --
8 I mean my -- the concept and the allocation process
9 is, is costs follow savings in this, this whole
10 process.

11 And -- and so everything that's
12 remaining is what the savings are coming to, and what
13 I did was I allocated the costs or the transaction
14 costs we're talking about here associated with those
15 savings. So we expect to see as a result, you know,
16 of the synergy allocation, a certain proportion of
17 savings attributable in the merchant operation.

18 MR. WILLIAMS: Thank you, Mr. Rush. No
19 further questions.

20 JUDGE STEARLEY: Thank you,
21 Mr. Williams. Questions from the Bench. Commissioner
22 Murray?

23 COMMISSIONER MURRAY: No questions,
24 thank you.

25 JUDGE STEARLEY: No questions from the

1 Bench. There is no need for recross. Any redirect?

2 MR. BLANC: No, your Honor.

3 JUDGE STEARLEY: Thank you, Mr. Blanc.

4 Mr. Rush, you may step down. Is this Mr. Rush's last
5 scheduled appearance?

6 MR. BLANC: Yes, it is, your Honor, and
7 we would move at this time for the admission of his
8 testimony which has been previously marked as
9 Exhibit 23.

10 JUDGE STEARLEY: Are there any
11 objections to the admission of Exhibit No. 23,
12 Mr. Conrad?

13 MR. CONRAD: Yes. Those objections
14 would be listed for your Honor's benefit on page 7 of
15 the November 28th Motion in Limine. They're not
16 long. I can read them very quickly, if you like.

17 The basis for the objection is that
18 stated in the Motions in Limine, both that and the
19 second one as well as the verbal supplementation that
20 I had made to that heretofore during our -- our live
21 hearing. So whatever your Honor prefers.

22 JUDGE STEARLEY: Thank you, Mr. Conrad.
23 I do have your motion in front of me. You don't have
24 to read those into the record. And consistent with
25 our prior rulings, we will also overrule. Any other

1 objections to the admission of Exhibit No. 23?

2 (NO RESPONSE.)

3 JUDGE STEARLEY: Hearing none, it shall
4 be received and admitted into evidence.

5 (EXHIBIT NO. 23 WAS RECEIVED INTO
6 EVIDENCE AND MADE A PART OF THE RECORD.)

7 JUDGE STEARLEY: At this point by my
8 schedule, Mr. Shallenberg would be up. If the
9 parties wish, we can break now for lunch and pick up
10 with him after lunch. We could resume at
11 approximately 12:45.

12 MR. ZOBRIST: It's -- if he's available
13 now, I'm ready, but if you want to take an early
14 lunch break, that's -- we have no objection.

15 JUDGE STEARLEY: Okay. We'll go ahead
16 and take an early lunch break. Before we go, I do
17 want to announce that the Commissioners have no
18 questions for witnesses Spring, Mahlberg, Grotzinger,
19 Janssen and Volpe regarding the RTO issues that were
20 scheduled for next Monday and Tuesday. And my
21 understanding is the parties have all waived cross on
22 those witnesses.

23 MR. BLANC: That's correct, your Honor.
24 And with that understanding, we would like to move at
25 this time for the admission of Mr. Spring's direct

1 and surrebuttal testimony which have been previously
2 marked as Exhibits 24 and 25.

3 JUDGE STEARLEY: Mr. Conrad, objections
4 to Mr. Spring's testimony?

5 MR. CONRAD: Yes. With respect to, I
6 believe it would be the direct which is 24, those
7 objections will be found on page 5 of subparagraph H
8 of our November 28th Motion in Limine. I'll be happy
9 to repeat them into the record if your Honor would
10 prefer.

11 The basis of the objection -- well, and
12 let me go ahead on 25, if that's acceptable. That's
13 found on page 8 of -- the subparagraph is (a)(b) and
14 the objections -- basis of the objections on both
15 cases is as stated in the Motions in Limine as well
16 as the verbal supplementation I have given previously
17 throughout the live portion of this hearing. I stand
18 at your Honor's pleasure about handling this.

19 JUDGE STEARLEY: Again, I have those
20 motions in front of me, Counselor, and consistent
21 with our prior rulings, we will also overrule those
22 objections. Any other objections to the admission of
23 Exhibits Nos. 24 and 25?

24 (NO RESPONSE.)

25 JUDGE STEARLEY: Hearing none, they

1 shall be received and admitted into the evidence.

2 (EXHIBIT NOS. 24 AND 25 WERE RECEIVED
3 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

4 JUDGE STEARLEY: Are there any other
5 matters we need to take up before breaking for lunch?

6 (NO RESPONSE.)

7 JUDGE STEARLEY: Hearing none, we are
8 off the record.

9 (THE NOON RECESS WAS TAKEN.)

10 JUDGE STEARLEY: All right. We are back
11 on the record, and Staff, you may call your witness.

12 MR. WILLIAMS: Mr. Shallenberg? It's my
13 understanding Mr. Shallenberg's testimony has already
14 been marked as an exhibit, so he's now available for
15 questioning.

16 JUDGE STEARLEY: All right. Thank you,
17 Mr. Williams. And Mr. Shallenberg, I'll remind you
18 that you're still under oath today.

19 THE WITNESS: Yes.

20 JUDGE STEARLEY: And we will begin
21 cross-examination with the Office of the Public
22 Counsel.

23 MR. MILLS: No questions.

24 JUDGE STEARLEY: AgProcessing,
25 Mr. Conrad.

1 MR. CONRAD: No questions at this time,
2 your Honor.

3 JUDGE STEARLEY: Black Hills.

4 MR. DeFORD: No, thank you.

5 JUDGE STEARLEY: Aquila.

6 MS. PARSONS: No questions.

7 JUDGE STEARLEY: Great Plains/KCPL.

8 MR. ZOBRIST: Just a few questions, your
9 Honor.

10 CROSS-EXAMINATION BY MR. ZOBRIST:

11 Q. Mr. Shallenberg, am I correct that you
12 are opposed to the recovery of any element of the
13 \$47 million in transaction costs?

14 A. With the clarification of the
15 transaction costs as I understood them related to
16 this transaction, yes.

17 Q. Right. And I meant in this proceeding.

18 A. Yes.

19 Q. Yes. And you understand that the
20 company's request is not -- is that it not be
21 recovered in this proceeding but, rather, that they
22 be deferred and amortized and then KCPL come back at
23 a future time to seek recovery, correct?

24 A. There was a lot to that. I -- I can
25 tell you what my understanding is.

1 Q. That would be fine.

2 A. Is -- my understanding is the company
3 wants the Commission to allow it to defer the
4 transaction costs on its books and begin -- the
5 current position I believe in Mr. Bassham's
6 testimony, and then begin amortizing that amount over
7 five years beginning with the time the rates are
8 effective in the next rate case.

9 Q. All right. That's correct. Thank you.
10 Now, have you provided the Commission with any
11 guidance on any elements of the transaction costs
12 that you think are reasonable?

13 A. Well, I guess -- see, the only element
14 that I've presented in my case is that these costs
15 aren't even on the books. They're not a KCP&L cost,
16 they're a Great Plains cost. So I guess the element
17 would be is before you'd even consider recovery in
18 rates, which there's a big threshold to get to,
19 they'd have to at least be the utility's cost.

20 Q. Well, assuming that they are the
21 utility's costs and apart from the deferral and the
22 recovery issue, have you presented any guidance to
23 the Commission on what, if any, elements of the
24 transaction costs proposed by the Joint Applicants
25 are reasonable?

1 MR. CONRAD: Objection. Assumes facts
2 not in evidence.

3 JUDGE STEARLEY: Mr. Zobrist?

4 MR. ZOBRIST: Well, if I'm not mistaken,
5 this goes to Mr. Conrad's continuing objection about
6 the nature of the merger and consolidated ask. And
7 if I'm missing something, Mr. Conrad, then enlighten
8 me because I think we've been discussing transaction
9 costs here all -- all day so far, but ...

10 MR. CONRAD: Your Honor, counsel's
11 assumption presupposed that the aforesaid costs were
12 incurred by a utility. That's an incorrect
13 assumption. It's not supported by the facts in
14 any -- in any set of this record.

15 JUDGE STEARLEY: Mr. Zobrist --

16 MR. CONRAD: If he wants -- if he
17 wants -- if he'd like to alter his assumption or
18 delete it entirely, that would be fine.

19 JUDGE STEARLEY: I was going to say
20 maybe you can rephrase in a way that's not
21 objectionable in that fashion.

22 MR. ZOBRIST: Well, I'll try.

23 BY MR. ZOBRIST:

24 Q. Have you provided the Commission with
25 any guidance on what elements of the transaction

1 costs in this case that you consider to be
2 reasonable?

3 A. No, because the -- if you're talking
4 about transaction in this case and the transaction,
5 the answer is no because the utility is not a party
6 to it.

7 Q. Well, you haven't done any analysis of
8 the transaction costs that are contained in the ask
9 presented by the Joint Applicants; is that correct?

10 A. No.

11 Q. Okay. I mean, you've done no particular
12 analysis to say these transaction costs might be
13 reasonable, these might be not reasonable, but in any
14 event, you shouldn't recover any of them for a policy
15 reason; you haven't attempted to define any of the
16 costs as either reasonable or not reasonable?

17 A. That's not true either.

18 Q. I thought that's just what you told me.

19 A. No. You asked me that I had done no
20 analysis -- was it true that I had done no analysis.
21 I said no, it's not true.

22 Q. Have you recommended any particular
23 element or transaction cost to the Commission that
24 you believe are not reasonable?

25 A. I have not in my testimony, that's --

1 that's true.

2 Q. Is your position that while certain
3 transaction costs may be reasonable and necessary to
4 accomplish the merger, that you shouldn't as a policy
5 matter be deferred for future consideration of
6 recovery by the Commission?

7 A. Which merger are you talking about?

8 Q. This merger.

9 A. Okay. Well, if it's this merger, this
10 merger doesn't involve KCP&L, so ...

11 Q. Well, that -- that's your legal
12 argument, I understand, sir. But can you -- can you
13 answer my question?

14 A. Okay. With the understanding that the
15 merger here is the merger between Great Plains and
16 Aquila, no.

17 Q. So your contention is that all
18 transaction costs, whether reasonable or
19 unreasonable, should be absorbed by Great Plains
20 Energy as a matter of policy?

21 A. Well, when you say -- I don't -- what --
22 I don't know if you understand the transaction.
23 There are some transaction costs that are Aquila's
24 that are in your number that will stay with Aquila.
25 It just happens to be Great Plains will own the

1 company afterwards.

2 And then there's a portion of costs that
3 are Great Plains' transaction costs, and then there's
4 a portion that was change of controls that was
5 classified as a transaction cost that I think the
6 Staff suggested had a transition cost element, and I
7 think some of those have been transferred to
8 transition costs.

9 Now, with that understanding, I'm --
10 I'm -- did we give that kind of guidance and
11 understanding, that's what we have.

12 Q. I'm sorry. What did you say at the end
13 there?

14 A. That's what we have. I have that
15 understanding and we did make the recommendation or
16 suggestion that some of the transaction costs related
17 to change and control really did have a transition, a
18 cost element, and that they -- they had -- there was
19 a shift. I think that's in the -- the last round of
20 testimony by the company from transaction costs to
21 transition costs.

22 Q. And your position on the transition
23 costs is that it's all right to amortize those and
24 defer those for potential future recovery?

25 A. I think our position was -- has been, is

1 transition costs will be related -- if it's related
2 to the utility. Now, that is different than just
3 incurring transition costs to do nonutility business
4 and put it on the utility's books. And to date, I've
5 not seen any separation of the transition costs to do
6 that.

7 But it has been the Staff's view that
8 transition costs can be booked on the utility's books
9 when incurred and then brought up in rate cases for
10 the reasonableness and prudence when they become an
11 error in the rate case. Now, if the company is
12 seeking --

13 MR. ZOBRIST: Judge, I think I've got an
14 answer to my question. I think we're going into a
15 narrative, and I would object to any further
16 narrative by the witness.

17 JUDGE STEARLEY: All right. You may
18 cease answering.

19 THE WITNESS: That's fine.

20 BY MR. ZOBRIST:

21 Q. Now, let me shift, if I might, sir, to
22 acquisition premium. I believe you stated yesterday
23 that acquisition premium is the amount paid to
24 shareholders of the company being acquired, is in
25 excess of the net book value of that company's

1 assets; is that correct?

2 A. Or the value of the company being
3 acquired. It's the consideration given in relation
4 to the value of the asset being acquired -- or the
5 property being acquired.

6 Q. Okay. And that means the amount paid to
7 shareholders of the company that is being acquired,
8 correct?

9 A. That's part of it. You also have to
10 look at liabilities and other things. When you do
11 the consideration, there's also --

12 Q. It is -- I'm sorry. I'm just talking
13 about acquisition premium.

14 A. And I'm -- I'm trying to answer --

15 Q. All right. I apologize.

16 A. I mean, if you cut me off, I can't --

17 Q. Okay.

18 A. I mean --

19 Q. Well, I -- I didn't want to talk about
20 consideration. I was just talking about acquisition
21 premium.

22 A. Well, you've got to have -- you've got
23 to have two pieces.

24 Q. Okay.

25 A. You've got to know what you're paying

1 for and you've got to know what you're getting and --
2 for what you're paying for. And you -- you asked me
3 about is it just the piece that goes to the
4 shareholders, and I'm saying not necessarily if
5 you're assuming liabilities, because you're also
6 assuming liabilities plus making payments to the
7 shareholders, and that's part of the consideration
8 that you give for the property.

9 Q. Do you disagree with this definition:
10 An acquisition premium is defined as the amount paid
11 to shareholders of the company being acquired that is
12 in excess of the net book value of that company's
13 assets? Do you agree or disagree with that
14 definition?

15 A. I would agree with that definition if
16 there's no liabilities being assumed.

17 Q. Okay. Thank you. Am I correct that
18 Great Plains Energy is not requesting to recover in
19 any future rate case any amount that is paid to
20 Aquila's shareholders in excess of the net book value
21 of Aquila?

22 A. Yes. Great Plains Energy doesn't file
23 rate cases.

24 Q. But neither GPE nor either KCPL nor
25 post-merger Aquila is requesting to recover any such

1 amount?

2 A. Not at this time.

3 Q. Okay. Now, are you aware that in the
4 Union Electric CIPS merger in Case No. EM-96-149 that
5 actual prudent and reasonable merger transaction and
6 transition costs were permitted to be amortized?

7 A. I'm aware that there was a stipulation
8 about amounts. You mentioned transaction costs, and
9 as I recall in that case, it was a pooling of
10 companies, and I'm -- I think there was an
11 outstanding question about whether there actually
12 were any transaction costs. But I know there were
13 transition costs.

14 And as part of that stip in that case, I
15 know there was an agreement as to an amount that
16 could be amortized and trued up over, I think it's
17 ten years, but I'd have to check to be certain.

18 Q. I think you're correct, it was ten
19 years. But isn't it true that the costs which were
20 estimated, I believe, at \$71.5 million included both
21 transaction and transition costs?

22 MR. WILLIAMS: Judge, I'm going to --
23 I'm going to object on the basis of relevance.

24 JUDGE STEARLEY: Mr. Zobrist, response?

25 MR. ZOBRIST: Well, I think there's been

1 some suggestion about recovery of transaction costs,
2 that they've never been permitted by the Commission,
3 and I think this is fair cross-examination in the
4 area of transaction costs, their nature and whether
5 they might be recovered in a future case.

6 MR. CONRAD: Well, I have another
7 objection, I guess.

8 JUDGE STEARLEY: I'll rule on that one
9 first. That's overruled. Mr. Conrad.

10 MR. CONRAD: My objection pertains to
11 clarification from counsel if he is referring to a
12 stipulation in this jurisdiction.

13 MR. ZOBRIST: I'm sorry?

14 MR. CONRAD: Are you referring to a
15 stipulation, Counsel, that was submitted in this
16 jurisdiction to this Commission?

17 MR. ZOBRIST: Absolutely, yes.

18 MR. CONRAD: Do you have a copy of that?

19 MR. ZOBRIST: Judge, I don't think I
20 need to be cross-examined. I'll be glad to rephrase
21 my question and Mr. Conrad --

22 MR. CONRAD: Well, here's -- here's the
23 nature of my objection. The standard, and although
24 we sometimes call it boilerplate and it does
25 sometimes vary, but it typically does not vary in

1 this regard with respect to a stipulation. A
2 stipulation is entered into for that case and for
3 that case only and creates no precedent and is not to
4 be cited anywhere else as -- as substantiation that
5 anyone has -- has agreed on any principle of
6 ratemaking or principle of cost of service
7 whatsoever.

8 And I'm just inquiring if that's -- if
9 that is counsel's purpose. If he wants to make
10 reference to that stipulation, it can certainly be
11 acknowledged and -- and made of record in this
12 proceeding, but I think it ought to be to the entire
13 stipulation and not selected portions of it.

14 JUDGE STEARLEY: I believe Mr. Zobrist's
15 question is a fair question and I'm going to overrule
16 the objection. And Mr. Conrad, you don't need to
17 answer the question for Mr. Shallenberg. And you may
18 proceed, Mr. Zobrist.

19 BY MR. ZOBRIST:

20 Q. Can you answer the question, sir?

21 MR. CONRAD: Excuse me, Judge. I'm
22 in -- I made an objection. Is that in the form of
23 suggesting an answer to him? Is that what your Honor
24 is attempting to suggest? I made a legitimate
25 objection. I inquired of counsel whether the

1 stipulation to which he was referring was a matter
2 before this Commission and contained that material,
3 and I went on to point out and articulate for the
4 Bench the basis of my objection.

5 If that's not satisfactory, then if the
6 Bench also wants to tell me how to frame objections,
7 I'll be happy to take instruction from you. But I've
8 done it for some 32 years, and I think I do it fairly
9 well.

10 JUDGE STEARLEY: Thank you, Mr. Conrad.
11 You may proceed, Mr. Zobrist.

12 MR. ZOBRIST: Thank you.

13 BY MR. ZOBRIST:

14 Q. Do you remember the question,
15 Mr. Shallenberg?

16 A. Yes.

17 Q. Okay.

18 A. It has an amount in the stipulation and
19 it has a ten-year amortization in it, and I -- you --
20 you said that the stip says merger and transition.
21 It may. I know there was an issue in the case about
22 whether there actually was any transaction cost, but
23 the stip -- you know, the language will say what it
24 was, but it was limited to an amount.

25 Q. Did the Commission in its Report and

1 Order approving the Stipulation and Agreement state
2 that actual prudent and reasonable merger transaction
3 and transition costs estimated to be \$71.5 million
4 shall be amortized over ten years beginning the date
5 the merger closes?

6 A. I don't -- the order says -- I don't
7 recall the order to that level of detail, but the
8 order says what it says.

9 Q. Okay. If I represent to you that I read
10 that from the order, would you accept that?

11 A. Well, I mean, the order is what it says.
12 I mean, if you want to show me the order, I can look
13 at it and verify it.

14 Q. Do you disagree with what I've just
15 said? Do you think that I'm misquoting the order?

16 A. I do not -- I told you, I don't remember
17 the order.

18 Q. So you -- I mean, you don't remember if
19 the order approved the actual prudent and reasonable
20 merger transaction and transition costs being
21 amortized?

22 A. I don't remember in the approval of the
23 Stipulation and Agreement whether it noted that
24 special provision or not.

25 Q. Okay. All right. Fair enough. Do you

1 also recall that when Atmos Energy Corporation
2 applied to the Commission to purchase United Cities
3 Gas Company that the -- that the stipulation approved
4 by the Commission in an order similarly provided the
5 actual prudent and reasonable merger transaction
6 costs shall be amortized over ten years beginning the
7 date the merger closes?

8 A. Yeah. I mean -- I mean, yes, I remember
9 that stipulation, and I know we've looked at that in
10 this case.

11 Q. And you recall it was approved by the
12 Commission?

13 A. Yes.

14 MR. ZOBRIST: Nothing further, your
15 Honor.

16 JUDGE STEARLEY: Thank you, Mr. Zobrist.
17 Questions from the Bench. Commissioner Murray.

18 COMMISSIONER MURRAY: I have no
19 questions. Thank you.

20 JUDGE STEARLEY: All right. I don't
21 mean to delay things, but Commissioner Clayton had
22 commented yesterday that he wanted to ask you
23 questions regarding synergies, Mr. Shallenberg. I'm
24 in the process of trying to locate him now, so I'm
25 going to suggest we take a ten-minute break while I

1 try and find him before we excuse you from the stand.

2 Thank you very much.

3 (DISCUSSION HELD OFF THE RECORD.)

4 JUDGE STEARLEY: All right. We are back
5 on the record.

6 QUESTIONS BY COMMISSIONER CLAYTON:

7 Q. Mr. Shallenberg, good afternoon.

8 A. Good afternoon.

9 Q. Welcome back.

10 A. Thank you.

11 Q. I hope you had a good night's sleep.

12 A. I did.

13 Q. Tell me why you believe transaction
14 costs should be recovered by the Applicants.

15 A. I don't hold that belief.

16 Q. Oh, you don't? Well, what is your
17 position on this issue?

18 A. That the transaction costs should not be
19 recovered from -- by the Applicants through their --
20 their rates.

21 Q. And can you give me further explanation
22 why you don't think that's appropriate?

23 A. Well, generally speaking, in this case,
24 the utility, KCP&L, is not a party to the
25 transaction. The transaction is Great Plains Energy

1 through a sub that it will create, and in fact, I
2 think the sub's already created. It will acquire the
3 ownership of Aquila. And so those -- and those costs
4 are -- are on Great Plains' books, they are costs of
5 Great Plains.

6 So generally speaking, as a matter of
7 regulatory philosophy, utilities don't pay the costs
8 of their nonregulated parents. And so I'm opposed to
9 the suggestion that KCP&L should in some way transfer
10 those costs to its books and then have those deferred
11 for recovery in a future rate case because they're
12 not -- they're not KCP&L's costs. KCPL is not even a
13 party to that.

14 On the other hand, in Aquila's case
15 which is another component of the transaction cost
16 in -- as it exists today, there is a commitment from
17 Aquila, or an understanding that these transaction
18 costs from their merger and acquisition activity were
19 not going to be included in rates.

20 So a continuation of that philosophy
21 today would be -- is that that still wouldn't -- that
22 that would still be applied and customers still
23 wouldn't pay those costs.

24 Q. What is your understanding of the
25 Applicants' request associated with transaction

1 costs? And when I ask that, I mean because Great
2 Plains is not a regulated entity, what are they
3 asking -- what is your understanding of what the
4 Applicants are asking in transaction costs?

5 A. My understanding is that they are asking
6 for now, because my understanding it has changed from
7 what's in the application -- they're asking for the
8 deferral on -- on their books, the utilities' books.

9 Q. Which -- whose books?

10 A. Well, it would be on KCP&L and then
11 they'll assign some of it to Aquila.

12 Q. So Great Plains and Aquila are asking
13 for relief for the nonparty, KCP&L. Is that what
14 you're saying? They're asking for something for
15 KCP&L which is not a party?

16 A. They're not a party to the agreements;
17 they're a Joint Applicant, though.

18 Q. They are a Joint Applicant? Okay.
19 Okay.

20 A. KCP&L is a Joint Applicant --

21 Q. Okay.

22 A. -- they're just not a party to the
23 transaction.

24 Q. Okay.

25 A. They're asking for those to be deferred.

1 I don't -- I don't think there's any specificity in
2 how much will be deferred on KCP&L's books versus how
3 much will be deferred on Aquila's books. I think
4 that's subject to their determination when it's over.

5 And then they are to be held for the
6 next rate case, the two entities, and then in those
7 rate cases, they are to be allowed a five-year
8 amortization of that amount to be included in their
9 cost of service.

10 Q. Okay. And -- and you're opposed to
11 the -- you're opposed to the original proposal as it
12 was -- as it was made, and you're opposed to the
13 alternate proposal that is now before the Commission;
14 is that correct?

15 A. In -- yes.

16 Q. The amount of -- I've lost my note pad.
17 The amount of the transaction costs for their --
18 their Missouri jurisdictional is either 43 or
19 \$47 million. Did Staff evaluate the reasonableness
20 of those costs? Are they in line with a -- with a
21 merger of this sort? Are they -- are they costs that
22 are to be expected in a merger of this sort?

23 A. When you say did we -- I mean, we're
24 aware of the general nature of them because not all
25 the transaction costs have been incurred because they

1 haven't closed the transaction. So we're aware -- or
2 I'm aware of the general nature of those costs.

3 Now -- so, if they're reasonable, you
4 really can't tell yet until they've actually been
5 incurred whether they were reasonable. Now, as to
6 the amount, is the total amount reasonable? I know
7 it's significantly higher than the transaction costs
8 from the prior UtiliCorp/KCP&L --

9 Q. Do you know what causes that or why --
10 why that is anticipated?

11 A. Well, one of those is the change in
12 control agreement that exists and the severance costs
13 that are being paid for the Aquila employees. That's
14 an element that's active in this transaction that
15 wasn't there in the prior one.

16 Q. There were no severance costs built into
17 the transaction associated with the prior merger of
18 UtiliCorp and St. Joe Light & Power?

19 A. No. That was -- that -- that -- that
20 merger was predicated on achieving its synergies
21 through attrition, that they would -- people would
22 leave, retire, and then they would accomplish the
23 lower workforce.

24 Q. Gradual reduction rather than -- than an
25 immediate reduction?

1 A. Right, or a designated -- designated
2 people that are going to leave or not have a job.

3 Q. Now, some of the severance costs have
4 supposedly been removed from the request for
5 transaction cost recovery. Is that your
6 understanding?

7 A. Yes. There is -- in the last round of
8 testimony filed by Great Plains and KCP&L, they
9 have -- they have taken the position that they won't
10 ask for all the change-in-control cost.

11 Q. But there is still some severance costs
12 that are still built into that figure?

13 A. Yes.

14 Q. Okay. And typically, if you look at --
15 if you look at the last five or ten merger cases, not
16 just the last one, but are severance costs typically
17 included in the calculation of transaction costs?

18 A. No, not -- not really, because most
19 transactions, the synergy for reduction in workforce
20 is done through the attrition method, not the
21 designation of actually laying people off.

22 Q. Okay. I think yesterday you mentioned
23 that transaction costs in the context of a merger
24 case are included in the calculation of the
25 acquisition premium or the -- an amount that

1 typically Staff would argue against including in
2 rates. Do I -- do I recall that correctly?

3 A. Well, it was -- the transaction costs
4 are added to the acquisition premium to drive the
5 acquisition adjustment, and the acquisition
6 adjustments Staff traditionally does not recommend
7 inclusion in customer rates.

8 Q. So the acquisition adjustment is
9 different from the acquisition premium?

10 A. Yes. The acquisition premium is a
11 subset of an acquisition adjustment.

12 Q. And typically are those costs included
13 in some ratemaking proposal in a merger case or -- or
14 not?

15 A. They're not in contested cases.
16 There -- there have been some stipulations done where
17 there has been consideration given for those -- for
18 those costs. But outside of a stipulation and
19 agreement, there has not been any consideration in
20 rates for -- of Missouri consumers.

21 COMMISSIONER CLAYTON: Okay. I don't
22 think I'm going to have any more questions. Thank
23 you, Mr. Shallenberg.

24 JUDGE STEARLEY: Thank you, Commissioner
25 Clayton. Commissioner Murray, did you have any

1 others?

2 COMMISSIONER MURRAY: No.

3 JUDGE STEARLEY: All right. Recross

4 based on questions from the Bench, starting with

5 Black Hills.

6 MR. DeFORD: No questions, thank you.

7 JUDGE STEARLEY: Aquila.

8 MS. PARSONS: No questions.

9 JUDGE STEARLEY: Great Plains/KCPL.

10 MR. ZOBRIST: No questions.

11 JUDGE STEARLEY: Redirect, Mr. Williams.

12 MR. WILLIAMS: Thank you.

13 REDIRECT EXAMINATION BY MR. WILLIAMS:

14 Q. Mr. Shallenberg --

15 MR. CONRAD: Did we -- did we miss some

16 of the rest of us?

17 JUDGE STEARLEY: Oh, I'm sorry,

18 Mr. Conrad. I did.

19 MR. CONRAD: And possibly Public Counsel

20 also.

21 JUDGE STEARLEY: Yes, I did. I skipped

22 to the bottom of my list too quickly. Mr. Conrad,

23 recross.

24 MR. CONRAD: Well, I'll go ahead of

25 Public Counsel even though it's out of order.

1 MR. MILLS: For the record, I have no
2 questions.

3 MR. CONRAD: Okay. So now I'll not be
4 ahead.

5 CROSS-EXAMINATION BY MR. CONRAD:

6 Q. Commissioner Clayton was asking you
7 about transaction costs and what was being requested
8 by the Joint Applicants here, and I believe your
9 response, if I understood it, was that these were the
10 costs of Great Plains. Am I -- did I understand you
11 correctly?

12 A. Yes.

13 Q. I had a question to kind of follow up on
14 that. Were you here when I believe Great Plains'
15 controller was on the stand?

16 A. No.

17 Q. And were you listening?

18 A. No.

19 Q. Well, I'll try to recap that, but just
20 assume for the purpose of this question that she had
21 indicated that some costs -- and it's not -- it
22 wasn't clear to me, frankly, or maybe to anyone else
23 whether they were transaction or transition costs,
24 but there seemed to be a mix that some costs were
25 incurred by Kansas City Power & Light and then were

1 somehow rebooked to Great Plains and reimbursed -- I
2 believe that was the term she used -- by Great Plains
3 to Kansas City Power & Light.

4 First of all, is -- does that offer a
5 solution to the concern that Commissioner Clayton
6 had? I mean, did they -- the fact that they
7 originally -- or originated at KCPL and then somehow
8 managed to get upstream to Great Plains, does that
9 address his concern in your view?

10 A. I'm not -- I'm not sure that I
11 understand what -- what is portrayed as Commissioner
12 Clayton's concern. I am aware that KCP&L will
13 initially handle invoices on behalf of Great Plains
14 and then arrange for the payment and then charge the
15 payment to Great Plains to put on Great Plains'
16 books; I am aware of that. Now, I don't -- I don't
17 know for sure if that was expressed by Commissioner
18 Clayton as a concern.

19 Q. Well, I think his -- his question was
20 perhaps both broader and narrower because he was
21 spurring you about the handling of transaction costs
22 and what your objections to them are.

23 If that was the case and there were a --
24 I guess a dollar-for-dollar reimbursement, how would
25 these costs get anywhere other than Great Plains if

1 there -- if they end up there and Great Plains
2 reimburses them to KCP&L and Great Plains as you
3 responded to Commissioner Clayton, not a utility, how
4 would they get back to KCP&L for whatever purpose,
5 whether deferral or anything else?

6 A. If -- if the Commission were to grant
7 KCP&L authority to defer these transaction costs,
8 there would be a transfer from Great Plains to put
9 those transaction costs on KCP&L's books. And then
10 according to what they're asking for, beginning with
11 the first rate cases after the merger, one-fifth of
12 those costs assigned to the jurisdictions would be
13 included in rates.

14 Q. All right. Commissioner Clayton also
15 queried you again about the transaction costs. And
16 one response you gave, that you had difficulties with
17 regulated utilities, and I believe your phrase was
18 "paying these costs." I may have gotten that wrong.
19 Do you recall that question and response?

20 A. I recall the response regarding having
21 utilities pay for nonregulated expenses.

22 Q. Well, tell me what in your view is wrong
23 with that.

24 A. Well, that would be -- I guess the
25 simple answer is that would be a subsidization by the

1 utility of a -- nonregulated affiliate operations.

2 Q. Now, you also responded to Commission --
3 Commissioner Clayton's question discussing there have
4 been some stipulations where there was consideration
5 given. Is it possible in your experience to achieve
6 something sometimes through a contract, what we call
7 a stipulation in a formal sense, that you couldn't
8 achieve otherwise?

9 A. Yes.

10 Q. Why is that? Why -- why would parties
11 be willing to do that?

12 A. Well, the -- the answer is they perceive
13 that the overall agreement, the pluses or minus --
14 pluses or minuses in the agreement are such that
15 it's -- it's beneficial to them than what they can
16 achieve -- achieve or what they expect to achieve
17 outside of the agreement.

18 Q. So they'd be looking at the -- the
19 agreement as the total package?

20 A. Oh, most definitely.

21 MR. CONRAD: Okay. Thank you. That's
22 all.

23 JUDGE STEARLEY: Thank you, Mr. Conrad.
24 Just to be sure, I don't believe I missed anybody
25 else, did I, for recross?

1 (NO RESPONSE.)

2 JUDGE STEARLEY: Okay. Mr. Williams,
3 redirect.

4 MR. WILLIAMS: Thank you.

5 REDIRECT EXAMINATION BY MR. WILLIAMS:

6 Q. Mr. Shallenberg, do you recall that
7 Mr. Zobrist asked you some questions regarding
8 Stipulations and an Agreement involving AmerenUE CIPS
9 and I believe United Cities?

10 A. Yes.

11 Q. Were those merger cases postured
12 similarly to the acquisition case here, or were they
13 materially different in terms of the proposed
14 transaction?

15 A. They -- I mean, those -- those
16 transactions and those steps involved the utility as
17 a party to the transaction.

18 Q. And the transaction you're referring to
19 is the merger or the acquisition itself?

20 A. Yes.

21 Q. And following up on some questions by
22 Mr. Conrad in response to queries by Commissioner
23 Clayton, if Kansas City Power & Light Company were
24 initially booking transaction costs in association
25 with the merger and then being reimbursed for those

1 costs by Great Plains Energy, would that have any
2 impact on your analysis or Staff's position regarding
3 the treatment of transaction costs in association
4 with the transaction that's before the Commission in
5 this case?

6 A. No, but I don't necessarily agree that
7 because KCP&L processes invoices for Great Plains,
8 that they would necessarily book that on their books,
9 but ...

10 Q. Well, assuming they have done so, would
11 that have any impact on your -- Staff's position?

12 A. No, because it's -- if they do book it,
13 they're booking it only for the time before they get
14 reimbursed from Great Plains for the expenditure.

15 MR. WILLIAMS: No further questions.

16 JUDGE STEARLEY: Thank you,
17 Mr. Williams. Mr. Shallenberg, you may step down at
18 this time.

19 And we are going to pick up with the
20 affiliate transaction rule issue. Will you be
21 available later today if we make it that far to give
22 testimony on that?

23 THE WITNESS: Yes, yes.

24 JUDGE STEARLEY: All right. Thank you
25 very much. And GPE/KCP&L, you may call Ms. Wright

1 back up to the stand.

2 MR. STEINER: Call Lori Wright.

3 MR. WILLIAMS: Judge, if I might have a
4 moment? That's not an issue I was planning on
5 handling for Staff.

6 JUDGE STEARLEY: Oh, certainly. Would
7 you -- would you like a short break, Mr. Williams?

8 MR. WILLIAMS: (Nodded head.)

9 JUDGE STEARLEY: Okay. We'll go off the
10 record for about ten minutes.

11 (DISCUSSION HELD OFF THE RECORD.)

12 JUDGE STEARLEY: We are back on the
13 record. And Ms. Wright, I do remind you that you're
14 still under oath. You may proceed. We've already
15 had introductions, so we'll just start down our list
16 of cross. Beginning with AgProcessing, Mr. Conrad.

17 MR. CONRAD: No questions at this time,
18 your Honor.

19 JUDGE STEARLEY: Public Counsel,
20 Mr. Mills.

21 MR. MILLS: No questions.

22 JUDGE STEARLEY: Staff, Mr. Dottheim.

23 MR. DOTTHEIM: No questions.

24 JUDGE STEARLEY: Any questions from the
25 Bench, Commissioner Murray?

1 COMMISSIONER MURRAY: Yes. We're on the
2 affiliate transaction rule?

3 JUDGE STEARLEY: Yes.

4 QUESTIONS BY COMMISSIONER MURRAY:

5 Q. Ms. Wright, would you explain how if the
6 affiliate transaction rule were applied post merger
7 to Aquila/KCP&L that would affect what the companies
8 could do?

9 A. Okay. Well, the affiliate transaction
10 rule and the purpose of that rule, it was to prevent
11 subsidization of nonregulated operations by regulated
12 entities. And so therefore, in this case, we don't
13 believe that the affiliate transaction rule itself is
14 applicable because that would be -- isn't applicable
15 between Aquila and KCP&L.

16 If, indeed, the Commission did believe
17 that it were applicable in this case, the
18 asymmetrical nature of the affiliate transaction rule
19 itself would -- it prevents even being able to comply
20 with the rule because you can't comply with that
21 asymmetrical in nature and have any transactions
22 between Aquila and KCP&L.

23 Q. Okay. But it is -- it is your position
24 that it -- it does not apply?

25 A. That's correct. That's correct.

1 COMMISSIONER MURRAY: Okay. Thank you.

2 JUDGE STEARLEY: Commissioner Clayton.

3 COMMISSIONER CLAYTON: No questions.

4 JUDGE STEARLEY: Any recross based upon
5 Commissioner Murray's question?

6 MR. CONRAD: Yes. Hopefully, just one
7 or two.

8 RECROSS-EXAMINATION BY MR. CONRAD:

9 Q. Ms. Wright, in response to Commissioner
10 Murray's question, I think she asked you what your
11 position was, and I thought I heard -- it was a
12 little difficult because you turned away --

13 A. Excuse me.

14 Q. -- that you said that your position was
15 that the rule did not apply?

16 A. That's -- that's correct.

17 Q. Well, then, if it does not apply, why
18 are you seeking a waiver of it?

19 A. We -- I believe the testimony says we
20 don't believe that it applies, but if indeed the
21 Commission finds that they believe it does apply, we
22 seek a waiver from that rule.

23 MR. CONRAD: Okay. Thank you.

24 JUDGE STEARLEY: Thank you, Mr. Conrad.

25 Any other recross?

1 (NO RESPONSE.)

2 JUDGE STEARLEY: Redirect?

3 MR. STEINER: No, your Honor.

4 JUDGE STEARLEY: All right. Thank you
5 very much, Ms. Wright. You are excused at this time.
6 You are not finally excused, however, just in case
7 the Commission would have further questions of you at
8 a later time. Is this Ms. Wright's last scheduled
9 appearance?

10 MR. STEINER: That's correct. I'd like
11 to offer her direct testimony which is Exhibit 29
12 into the record.

13 JUDGE STEARLEY: Any objections to the
14 offering of Exhibit 29?

15 MR. CONRAD: Yes. And your Honor will
16 find those objections or the segments to which we
17 object of Ms. Wright's testimony, Exhibit 29, laid
18 out on page 5 of our November 28th Motion in Limine.
19 The basis for those objections is as stated in that,
20 and the subsequent motion as well as what I have
21 stated earlier in these proceedings verbally.

22 JUDGE STEARLEY: Thank you, Mr. Conrad.
23 And remaining consistent in our rulings, that
24 objection will be overruled. Are there any other
25 objections to the admission of Exhibit 29?

1 (NO RESPONSE.)

2 JUDGE STEARLEY: Hearing none, it shall
3 be received and admitted into evidence.

4 (EXHIBIT NO. 29 WAS RECEIVED INTO
5 EVIDENCE AND MADE A PART OF THE RECORD.)

6 JUDGE STEARLEY: And you may call your
7 next witness.

8 MR. ZOBRIST: Terry Bassham.

9 JUDGE STEARLEY: Mr. Bassham, I remind
10 you that you're still under oath.

11 THE WITNESS: Yes, sir.

12 MR. ZOBRIST: As we've already covered,
13 the witness has no additional corrections to his
14 testimony, so I tender him for cross-examination and
15 questions from the Bench.

16 JUDGE STEARLEY: Thank you, Mr. Zobrist.
17 And we begin cross-examination with AgProcessing.

18 MR. CONRAD: And your Honor, we do not
19 have questions of this witness at this time.

20 JUDGE STEARLEY: Okay. Office of Public
21 Counsel.

22 MR. MILLS: No questions on this issue.

23 JUDGE STEARLEY: Staff.

24 MR. DOTTHEIM: No questions.

25 JUDGE STEARLEY: Questions from the

1 Bench, Commissioner Murray.

2 COMMISSIONER MURRAY: No questions.

3 JUDGE STEARLEY: Commissioner Clayton.

4 COMMISSIONER CLAYTON: No.

5 JUDGE STEARLEY: Well, no recross. Any

6 redirect?

7 MR. ZOBRIST: Well --

8 JUDGE STEARLEY: I think that's --

9 MR. ZOBRIST: -- I think I'm precluded

10 even if I'd want to ask something, so --

11 JUDGE STEARLEY: I think that's the

12 fastest testimony yet. Thank you, Mr. Bassham, for

13 your appearance. You will not be finally excused,

14 though, just in case the Commission should have

15 additional questions for you.

16 THE WITNESS: Yes, sir.

17 JUDGE STEARLEY: Is Mr. Bassham

18 appearing for another issue in this matter?

19 MR. ZOBRIST: Yes, he is, your Honor.

20 JUDGE STEARLEY: Well, Mr. Dottheim, you

21 may call Mr. Shallenberg back for this issue.

22 MR. DOTTHEIM: Yes, the Staff calls

23 Mr. Shallenberg back to the stand.

24 JUDGE STEARLEY: Mr. Shallenberg, you've

25 already heard me say just moments ago to remind you

1 that you're still under oath.

2 THE WITNESS: Yes.

3 JUDGE STEARLEY: And you may proceed.

4 Since we've already had him tendered, we'll just pick
5 up with cross with Public Counsel.

6 MR. MILLS: No questions.

7 JUDGE STEARLEY: AgProcessing.

8 MR. CONRAD: No questions at this time,
9 your Honor.

10 JUDGE STEARLEY: Black Hills.

11 MR. DeFORD: No questions, thank you.

12 JUDGE STEARLEY: Aquila.

13 MS. PARSONS: No questions.

14 JUDGE STEARLEY: Great Plains/KCP&L.

15 MR. ZOBRIST: Just a few, your Honor.

16 CROSS-EXAMINATION BY MR. ZOBRIST:

17 Q. Am I correct that today the Commission
18 and Staff have jurisdiction over the books and
19 records of both KCPL and Aquila?

20 A. Yes.

21 Q. And both Aquila and KCPL are regulated
22 electrical corporations in this state?

23 A. Yes.

24 Q. And post merger under the proposal of
25 the Joint Applicants, will the Public Service

1 Commission and Staff continue to have jurisdiction
2 over Aquila's books and records?

3 A. Yes.

4 Q. And post merger, will both the
5 Commission and Staff continue to have jurisdiction
6 over the books and records of Kansas City Power &
7 Light Company?

8 A. Yes.

9 Q. So if the merger is approved, there will
10 be no change in the status of these two electrical
11 corporations as far as the Commission's access to
12 their books and records; is that true?

13 A. Are you talking about in terms of the
14 jurisdiction or just the culture of the entity you
15 have to deal with?

16 Q. I didn't say anything about culture. I
17 just said post merger will the Commission still have
18 jurisdiction over the books and records of Aquila and
19 KCPL?

20 A. The jurisdiction will not change.

21 Q. The jurisdiction over the books and
22 records will not change, correct?

23 A. Over those two entities, the
24 jurisdiction is not changed.

25 Q. Are you -- are you excluding books and

1 records or am I missing something in your answer?

2 A. No. If you're talking about the
3 Commission's jurisdiction over the books and records
4 of Aquila and the -- and the Commission's
5 jurisdiction over KCP&L, if the proposed transaction
6 is -- is adopted and completed as proposed as of
7 today, the Commission's jurisdiction over books and
8 records is not changed.

9 Q. Now, is the purpose of the affiliate
10 transaction rule to prevent regulated utilities from
11 subsidizing their nonregulated operations?

12 A. Yes.

13 Q. Are you opposed to transactions between
14 Aquila and KCPL post merger on a cost-only basis?

15 A. As a general principle of cost, the
16 answer would be no, but depending on the nature of
17 the transaction, there could be an objection that the
18 transaction is not valid.

19 MR. ZOBRIST: Thank you, Judge. That's
20 all I have, I believe.

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

23 COMMISSIONER MURRAY: I have no
24 questions. Thank you.

25 JUDGE STEARLEY: Commissioner Clayton.

1 COMMISSIONER CLAYTON: No questions.

2 JUDGE STEARLEY: Eliminates recross.

3 Any redirect?

4 REDIRECT EXAMINATION BY MR. DOTTHEIM:

5 Q. Mr. Shallenberg, Mr. Zobrist asked you
6 about the Commission's affiliate transactions rules.
7 Were you involved in the Commission's promulgation of
8 those rules?

9 A. Yes.

10 Q. Could you identify your involvement in
11 those, promulgation of those rules?

12 A. The Commission gave me the
13 responsibility to initiate the establishment of
14 affiliated transaction rules after -- I think it was
15 the second Bell complaint case. And then I worked
16 with -- I think it was Lena Mantle who did a lot of
17 the drafting and the specifics, but I was involved
18 with the roundtables and discussions with the
19 industry in trying to find a set of rules that they
20 would agree to.

21 Q. Did you work with other individuals on
22 the Staff of the -- the Commission other than
23 Ms. Mantle?

24 A. Yes. I mean, there was an internal
25 group that -- because the rules were done for gas and

1 electric, telephone and I think there was even --
2 there was water at the time when they were first
3 started. So we had representatives from each of the
4 industries.

5 Q. Did you work with the General Counsel's
6 office?

7 A. Yes.

8 MR. DOTTHEIM: Thank you,
9 Mr. Shallenberg.

10 JUDGE STEARLEY: Thank you,
11 Mr. Dottheim. And I believe, Mr. Shallenberg, you're
12 back next week for service quality issues.

13 THE WITNESS: Okay.

14 JUDGE STEARLEY: You may step down and
15 we will see you at the time we reach that issue.

16 At this point our witness list has run
17 up against one of the issues, the additional
18 amortization issue which is the subject of a --
19 GPE/KCPL's motion to limit the scope, and so I wanted
20 to take that motion up at this time.

21 Over the lunch break, Staff had filed a
22 written response to that motion. Have the parties
23 had an opportunity to review that written response?

24 MR. CONRAD: I have -- I have not.

25 JUDGE STEARLEY: If we take about a

1 15-minute break, will we give everyone adequate time
2 to review that?

3 MR. CONRAD: Yeah, I had -- I had
4 downloaded it, I just haven't had a chance to read
5 it. I will try to do that.

6 JUDGE STEARLEY: Okay. We'll -- we'll
7 reconvene here about two o'clock and we'll take up
8 the motion at that time.

9 (A RECESS WAS TAKEN.)

10 JUDGE STEARLEY: All right. We are back
11 on the record, and at this time the Commission will
12 take up Great Plains Energy's and KCPL's motion
13 regarding the scope of this proceeding that was filed
14 on April 17th.

15 Being the preponderant of the motion,
16 Mr. Fischer and Mr. Zobrist, I will ask you if you
17 have any further argument you'd like to make at this
18 time.

19 MR. ZOBRIST: Yes, Judge. If I could
20 briefly summarize the motion. And although you
21 mentioned only the additional-amortizations issue, my
22 understanding is that you want me to address the
23 whole motion at this time?

24 JUDGE STEARLEY: Yes, I do. I think
25 it's imperative in terms of scheduling as well from

1 this point forward.

2 MR. ZOBRIST: Thank you, Judge. The
3 nature of our motion is to limit the scope of the
4 proceedings to evidence relating to the standard that
5 applies to this proceeding, which is whether the
6 acquisition of Aquila by Great Plains Energy is not
7 detrimental to the public interest.

8 And in that regard there were really
9 three elements to the motion. The first deals with
10 evidence that may relate to Iatan generating station,
11 in particular, the construction projects at Iatan 1
12 and Iatan 2.

13 The second element deals with the
14 additional-amortizations issue, and the third deals
15 with Staff's questions into the Corporate Code of
16 Conduct and the gift and gratuities policy.

17 The second element of the motion
18 regarding additional amortizations can be disposed of
19 most quickly. All of the Joint Applicants' witnesses
20 have testified that the additional-amortizations
21 request has been withdrawn, it is not a part of the
22 request to the Commission at this time.

23 Mr. Bassham, in particular, in his
24 additional supplemental direct indicated that while
25 in the future Great Plains Energy and Aquila

1 post-merger will meet, hope to meet with the parties
2 to develop a regulatory plan that may be -- that may
3 contain an additional-amortizations element similar
4 to the Kansas City Power & Light Company regulatory
5 plan, that is not an element to be asked to the
6 Commission in this case.

7 And so we don't think that there needs
8 to be any testimony with regard to whether additional
9 amortizations have any effect on the case.

10 Now, the way that Staff phrased the
11 issue, it did relate to creditworthiness, and we've
12 stated in our motion that we have no objection to
13 Mr. Bassham and Mr. Cline coming back next week and
14 testifying about the creditworthiness issues. The
15 other two areas we do have a dispute on.

16 What we're really asking the Commission
17 to do is to enforce the order that it issued on March 20
18 which denied KCPL and GPE's motion to quash. And in
19 that order the Commission stated that the integral
20 relationship of the Iatan projects and Great Plains
21 Energy's acquisition of Aquila is fair game for
22 evidence. And we agree. We have no objection to
23 that. And, in fact, we've said that Mr. Bassham and
24 Mr. Downey will be available for questioning with
25 regard to those projects and how they relate to the

1 acquisition of Aquila and to the financial condition
2 of those companies.

3 The second point of the March 20 order
4 of the Commission said that the parties could inquire
5 into KCPL's procurement function and asserted merger
6 savings estimates. That's already been brought
7 before the Commission without any objection.
8 Ms. Cheatum and others have already testified about
9 the procurement function and asserted merger savings
10 estimate, so I don't see that we need to have any
11 more evidence on that.

12 The third issue is credit agency debt
13 rating information and debt ratings. We've already
14 had evidence on that mainly through Michael W. Cline
15 and through Terry Bassham. We, again, will bring
16 them back to discuss the creditworthiness issue more
17 particularly.

18 The order that the Commission issued
19 properly stated that it did not sanction a fishing
20 expedition by Staff regarding Iatan construction
21 projects or enlarging the scope of this case. We
22 agree wholeheartedly with that assessment. On page 3
23 the Commission at the bottom went on to say, "While
24 discovery could occur on those issues..." and it did
25 for two weeks during the course of which thousands of

1 e-mails were produced, hundreds of documents were
2 produced, hours of depositions were taken, but the
3 Commission did state it was not granting a blank
4 check to any party to harass another party with
5 discovery or to attempt to burden the record in this
6 case with irrelevant information or issues, and that
7 the Commission will not allow a full reevaluation of
8 the comprehensive energy plan in the context of this
9 case. And that's really all that our motion is
10 seeking, to limit the evidence to not going beyond
11 those parameters set forth in the March 20th order.

12 The last part of our motion seeks to
13 limit evidence to the proposal here without going
14 into the corporate codes of conduct, into gift and
15 gratuity policies, into the substance of the
16 anonymous letters that have been filed by unknown
17 persons periodically for the past three or four
18 months. And as we stated in our motion, the
19 Commission in a financing case in February stated
20 that it was not proper to use these anonymous letters
21 that were not supported by sworn -- by a sworn
22 witness and not subject to cross-examination to reach
23 a decision in a contested case. And to extend that,
24 as we believe Staff is trying to do. To launch an
25 investigation in the context of this merger case to

1 investigate these anonymous letter allegations would
2 be inappropriate and would burden the record in this
3 case with issues that are not relevant to be brought
4 before the Commission at this time. And, Judge,
5 that's all I have at this time.

6 JUDGE STEARLEY: All right. Thank you,
7 Mr. Zobrist. Staff, you have filed a written
8 response at this point. Would you like to start
9 first with your response to the motion?

10 MR. DOTTHEIM: Yes. And just very
11 briefly because of the -- of the written response
12 that was filed earlier today and I've previously made
13 comments on the additional amortization. And I think
14 the company consistently equivocates from what the
15 documents clearly show. And the documents clearly
16 show, which I've previously named, and there's even a
17 later presentation by the company later than the
18 March 25 presentation in New York, there's an
19 April 10 presentation in Chicago by Mr. Cline and
20 others which would show what the company believes its
21 present ask, what its present plans are, and that --
22 and that is that in the very next Aquila case, the
23 company will ask for an additional amortization for
24 Aquila. It is very much part of the merger that is
25 before this Commission now as is shown in the

1 Standard & Poor's and Moody's letters.

2 And I will move from that matter to the
3 matter of creditworthiness, which, although the
4 company does indicate that that is an area that it is
5 willing for the Staff to inquire into next week, it
6 seeks to limit that to certain individuals and not
7 others that the Staff has previously deposed and
8 would like to call as witnesses, which are
9 individuals associated with the -- the plant site
10 that can provide detail which others cannot regarding
11 cost and schedule of the comprehensive energy plan
12 and the -- as a consequence, the -- what the Staff
13 believes is the creditworthiness or the impact on the
14 creditworthiness of the company and its ability to
15 maintain its creditworthiness in fulfilling the
16 comprehensive energy plan and carry out the -- what
17 is -- is proposed as the merger pending before the
18 Commission and what the Commission has heard as
19 testimony regarding the company's ability to maintain
20 its investment-grade credit standing.

21 Regarding the matter of the anonymous
22 letters and gifts and gratuities, the Commission has
23 heard testimony, for example, on the \$131 million in
24 supply chain synergy savings. Those are purported
25 savings related to procurement. Those are areas that

1 are impacted by the company's policies regarding
2 gifts and gratuities.

3 The two entities, GPE, KCPL, Aquila have
4 different policies, have different practices. Should
5 the Commission approve the merger that presumably the
6 GPE/KCPL policies will be applied to KCPL, there is,
7 of course, the CEP which is in excess of one or more
8 billions of dollars involved, and as a consequence,
9 this is not just a matter that the company would
10 depict as just gifts and gratuities involving
11 anonymous letters that -- that have been received at
12 the -- at the Commission. It is a much broader
13 matter than that, and it is a matter that fits into
14 areas that are traditionally investigated by the
15 Commission.

16 It just so happens that it occurs at the
17 time when there is a case pending before the
18 Commission and a not inconsequential case involving
19 not inconsequential dollars.

20 Aquila has not objected to producing
21 witnesses, and the Commission should make note of
22 that. And on the basis even if GPE/KCPL has
23 objected, Aquila has not, and the Aquila witnesses
24 should be permitted to appear so that the Staff can
25 put before the Commission at least what the Aquila

1 policies and practices are.

2 So on that basis I think I have covered
3 the matters that are otherwise covered in the
4 pleading filed today. This is nothing anywhere in
5 the nature of a fishing expedition. The Staff is not
6 proceeding on the hearsay of these anonymous letters.
7 The Staff will be -- would be proceeding on the basis
8 of the witnesses that it would be putting on the
9 witness stand, and the Staff believes that with the
10 rapidity that the hearing has proceeded, time does
11 permit the Commission to hear these matters

12 JUDGE STEARLEY: Thank you,
13 Mr. Dottheim. Does any other party wish to be heard
14 on this motion? Mr. Mills.

15 MR. MILLS: Thank you, your Honor. And
16 I'll be brief. I support the Staff's position on
17 this issue. I think with regard to the question of
18 whether or not this is a fishing expedition, as you
19 are aware, the Commission, part way through this
20 case, appointed essentially a discovery judge to deal
21 with issues that might come up.

22 I think it's noteworthy that during the
23 course of the recent discovery conducted by the
24 Staff, I don't believe that there were any issues
25 with respect to discovery, so it's a little late now

1 for KCPL and GPE to claim that this is simply a
2 fishing expedition when throughout the discovery
3 process I don't believe there were any objections at
4 all. If there were, there certainly weren't any
5 significant ones.

6 The evidence that is presented, of
7 course, will have to withstand challenges to
8 relevance, and so the fact that we desire to move
9 forward to take evidence on these issues does not, of
10 course, bind the Bench to simply, you know, taking
11 everything in that's offered. The parties will be
12 able to object to evidence and the Commission will be
13 able to rule on those objections.

14 But I think it's of paramount importance
15 that the Commission fully investigate all of the
16 issues that may pertain to whether or not this
17 transaction is detrimental to the public interest.
18 And with respect to that, I certainly think that the
19 Commission needs to look at creditworthiness. I
20 don't think the company has any disagreement that
21 creditworthiness is a hugely important issue, not
22 only for this particular case, but in general.

23 And with respect to purchasing practices
24 and supply chain savings, I think the company has
25 made that a -- certainly one of the strong parts of

1 their arguments in favor of approval of the merger,
2 that supply chain savings and purchasing practices at
3 KCPL are very good and superior to those at Aquila,
4 and I think the Staff certainly has the right and the
5 Commission has the obligation to hear issues
6 concerning GPE and KCPL's purchasing practices.

7 And with respect to the question of
8 additional amortizations, you know, there is some
9 dispute, I believe, among the parties as to whether
10 or not the AGP versus PSC case that had to do with
11 the St. Joe Light & Power decision requires the
12 Commission to look at the question of additional
13 amortizations and whether it's truly pending in this
14 case or whether it's being held in abeyance until the
15 next case. But that's essentially a legal question,
16 and ultimately, if it gets to that, the courts will
17 decide which side is right.

18 But I think certainly with respect to
19 this proceeding, in order to be able to present that
20 legal question to a court, the parties would be well
21 served to take advantage of the provisions of
22 536.070(6) which is essentially the offer of proof
23 section, and I would think that regardless of how the
24 Commission decides on whether or not additional
25 amortizations are truly still an issue in this case,

1 I would think the parties would likely want to
2 preserve evidence on that issue, nonetheless,
3 pursuant to that section of 536.070.

4 And finally, I can't help but think that
5 KCPL/GPE's response is really not so much a motion to
6 limit the scope of the hearing because they have
7 essentially conceded that most of the issues that are
8 listed are within the scope of the hearing. Rather,
9 it's a motion to limit the scope of the witnesses
10 that the Staff can be called. They're not contending
11 that the CEP issues are not relevant; they're not
12 contending that supply chain issues are not relevant;
13 they're not contending that creditworthiness is not
14 relevant. They're simply contending that because
15 they didn't produce certain witnesses from within
16 their own companies, that those witnesses should not
17 be produced, and I think that's a very different kind
18 of approach than a typical motion to limit the scope.
19 And I think the motion to limit the scope should be
20 denied. Thank you.

21 JUDGE STEARLEY: Thank you, Mr. Mills.
22 Anyone else? Mr. Conrad.

23 MR. CONRAD: I, too, will be brief, your
24 Honor, because I'm able to virtually concur
25 wholeheartedly in what Mr. Mills has stated. Let me

1 put a slightly different spin on this from the
2 perspective of the customer.

3 There has been throughout this case,
4 almost from the very beginning, a massive amount of
5 confusion involving the blurring of parties. First
6 it's Great Plains, then it's KCPL, then it's Great
7 Plains back again, then it's Aquila, then Aquila will
8 disappear, then Aquila will not disappear but it will
9 be renamed, then it will be preserved in some way,
10 and then it will be subordinating.

11 The blurring has even gotten to the
12 point where it's confusing apparently Great Plains
13 and Kansas City Power & Light with the City of Kansas
14 City based on occurrences of yesterday afternoon and
15 this morning. So I think it's not subject to dispute
16 there's been a lot of confusion in this case.

17 I turn back at base to what the
18 parties -- and by this, I mean Great Plains Energy
19 and Aquila as Joint Applicants said in their
20 application, and I look at paragraph 30 which is
21 found on page 12 of that document. And there I read,
22 "Great Plains Energy is fully qualified in all
23 respects to own Aquila and oversee the operation of
24 Aquila's Missouri electric and steam systems and
25 otherwise to ensure the provision of safe, adequate

1 and reliable electric service at just and reasonable
2 rates."

3 Then in paragraph 2 -- excuse me, 32, on
4 the very next page: "As a consequence, existing
5 Aquila customers will continue to experience quality
6 day-to-day utility service at just and reasonable
7 rates without incident or interruption. Similarly
8 KCPL will continue to operate in its existing
9 Missouri service territories under the rates, rules,
10 regulations and other tariff provisions applicable to
11 it until such time as they deem may be modified
12 according to law. Accordingly, KCPL customers will
13 also continue to experience quality day-to-day
14 utility service at reasonable rates without incident
15 or interruption."

16 I won't read from them, but your Honor
17 might also make note of allegations or assertions,
18 however you may want to call them, in paragraphs 40
19 and 47 of the Joint Application.

20 In basis, KCPL, the Joint Applicants,
21 whether it's Great Plains -- it fuzzes back and forth
22 as to who's doing what -- but the Applicants have
23 placed Great Plains, and through it, KCPL, I guess,
24 business practices in issue before this Commission,
25 and specifically in the context of whether it can

1 perform under this transaction.

2 I would agree that the very specifics of
3 compliance, prudence, whatever may be the case with
4 respect to the regulatory plan, what they call the
5 comprehensive energy plan, in its infinite specifics,
6 may not be necessary to be gone into here, and it
7 probably would be inappropriate to do so.

8 However, that said, KCPL's/Great
9 Plains'/Aquila's -- whatever you want to call this --
10 the entity's joint ability to continue to perform the
11 provisions of that regulatory plan is of immense
12 interest to my clients and to ratepayers generally.

13 One of the problems that you get into
14 with a transaction like this, although we've danced
15 all around it for the last three and a half days, is
16 you cannot unscramble eggs. And you may have heard
17 that phrased in other context.

18 We've got to be sure. Not only do the
19 parties need to be sure, but the Commission needs to
20 be sure. Because these Commissioners, however many
21 are left and sitting on the bench at the time this
22 case is over, are going to have to take upon their
23 shoulders the responsibility to make a decision that
24 may impact well beyond their respective terms in
25 office and that they simply will not be able to fix.

1 And therefore, it behooves us to look at all of the
2 facts and circumstances, including the commitments
3 and representations that the Joint Applicants have
4 made as to whether they are really up to this task.

5 That's not an investigation into the
6 intricacies of the regulatory plan. It simply is an
7 investigation into whether they're capable of doing
8 it. The regulatory plan was not designed with this
9 transaction in mind. This is an added layer, and it
10 behooves us to find out with that added layer whether
11 these Joint Applicants, however they want to call
12 themselves and whatever's left, are able to do that.

13 I would also, with respect, point out
14 that on the first day of this hearing in response to
15 an objection that we've kind of shorthanded
16 thereafter, you responded to me at page 1309 as it
17 turns out in what will be the transcript, "Therefore,
18 the Commission finds that any evidence on benefits of
19 the transaction are relevant and essential to the
20 Commission making that determination, and the
21 objection is overruled."

22 Now, surely, if we're willing to use an
23 expansive definition of relevance with respect to
24 benefits, a similarly expansive definition of
25 relevance should be used with respect to an

1 investigation of detriments.

2 The table needs to be level, the playing
3 field needs to be level. And all you ask when you go
4 to the ball park is that the ump calls them, uses the
5 same strikes for both teams. That said, I'll leave
6 it in your good hands.

7 JUDGE STEARLEY: Thank you, Mr. Conrad.
8 Would you like to respond, Mr. Zobrist?

9 MR. ZOBRIST: Well, just a couple of
10 points. I think that the motions in limine that the
11 Industrials in this case filed were seeking to, by
12 virtue of a legal theory on the merger/consolidate
13 issue, to exclude the issue of merger synergies.
14 We're dealing with a different animal here. As far
15 as the Joint -- as far as KCPL and GPE's motion, this
16 is to limit it to the not-detrimental-to-the-public-
17 interest standard in the context of a merger. And
18 while we've said that the creditworthiness of the
19 company in relation to what is going on at the Iatan
20 station is generally relevant, calling people such as
21 the unit 1 project director and director of project
22 controls for CEP projects and people like that delves
23 into the details that Staff at least says they're not
24 interested in getting into, but, in fact, they did
25 get into throughout the depositions.

1 The other alternative that we propose,
2 which apparently is opposed by some of the parties,
3 is designation -- designating portions of the
4 depositions pursuant to Rule 57.07(a) of the Rules of
5 Civil Procedures which state that a deposition may be
6 used for any purpose. And if there are some portions
7 that Staff would propose to designate, we would be
8 glad to look at them, and perhaps we wouldn't have an
9 objection, perhaps we might have an objection.

10 The final point is, is that this may be
11 a merger that affects two companies and a holding
12 company, but this should not be viewed as a
13 proceeding giving carte blanche to this Commission or
14 Staff or any other party to go and investigate any
15 nook and cranny, you know, with regard to a gift and
16 gratuity policy as may relate to the entire
17 corporation.

18 If Staff wants to open an EO docket, you
19 know, a miscellaneous docket to look at these types
20 of policies and to investigate these types of things
21 with the regulated utilities in Missouri, I suppose
22 it's got the power to do that, but not in this case.
23 This case has already been extended, you know, for
24 many, many reasons, and this is not the time to go
25 off on what the Commission says, you know, was either

1 a fishing expedition or the granting of a blank check
2 to burden the record with information that just goes
3 far into details that are not relevant to the
4 not-detrimental-to-the-public-interest test. Thank
5 you, Judge.

6 JUDGE STEARLEY: Thank you, Mr. Zobrist.
7 Mr. Dottheim, would you like to respond?

8 MR. DOTTHEIM: Yes. The Staff would be
9 willing to talk to the parties about seeing if we
10 might be able to reach some sort of agreement in
11 looking at the depositions, if there are portions of
12 depositions where we might be able to certify to the
13 Commission some stipulation of facts or something of
14 that nature, what Mr. Zobrist has been speaking to,
15 but I don't know that we'll be able to reach
16 agreement, and that the concern would be how much
17 further down the road will we be, how many more days
18 and how much more of the schedule will be gone where
19 we might have to come back to you, Judge, and tell
20 you we have not been successful and we need for you
21 to make a ruling from the bench and we have lost X
22 number of days.

23 So, you know, I don't know. Maybe if we
24 took a break -- it's 20 minutes to three -- and see
25 if we could -- see if we can -- if there's any reason

1 to believe that we might be able to have some common
2 ground on that basis within the next half hour and
3 come back to you and tell you either that there is or
4 is not, and if there is not, then you can come back
5 and make your ruling, and if there is, for whatever
6 we're not able to resolve, you can make your ruling
7 on what remains.

8 But I don't want to indicate that the
9 Staff is unamenable to trying to reach some sort of
10 common ground where that makes sense to the Staff,
11 but the Staff is not the only party that is involved
12 in this process.

13 JUDGE STEARLEY: Thank you,
14 Mr. Dottheim. I think a definitive ruling on this
15 may help expedite any further process with that, and
16 I want to make sure I hear everybody to their fullest
17 on this. Does anyone else wish to add any other
18 remarks at this time regarding this motion?

19 MR. ZOBRIST: Judge, I was just going to
20 respond to Mr. Dottheim's technical point about the
21 depositions. I don't have any other argument to add.
22 But if I may proceed on that. I mean, the way I read
23 Rule 57.07, it gives any party the freedom to
24 designate a deposition. And while I'd be glad to
25 talk with counsel for Staff and do whatever we could

1 maybe toward a stipulation, I don't think that's
2 necessary, I don't think we need to take the time to
3 do that. I think if the Commission would find it
4 helpful to advise the parties that they, you know,
5 should prepare deposition designations by such a
6 period of time and submit them into the record, then,
7 you know, any opposing party can object just like you
8 do in Federal Court all the time, and then the
9 Commission would decide that, you know, when it takes
10 the case.

11 I mean, I don't see that as being a
12 procedural delay, but like I said, I'd be glad to
13 talk to Mr. Dottheim about that process. I just
14 don't think it would set us back any period of time.

15 JUDGE STEARLEY: Yes, Mr. Dottheim.

16 MR. DOTTHEIM: And I don't mean to be
17 difficult, but this is -- this is a matter that's
18 interpretation of Rule 57 and it's had a longstanding
19 dispute here at the Commission, and I don't expect
20 we're going to resolve it now, and I expect one of
21 these days we'll probably get some judicial
22 determination.

23 I myself have tried to raise it at CLE
24 conferences I've gone to to see if I could find
25 weighty authority or something definitive myself, and

1 I have not been able to find any great guidance or
2 case law or what have you other than basically
3 strictly how the rule itself reads.

4 But I hear Mr. Zobrist. But, Judge,
5 maybe it's best for you to make your ruling

6 JUDGE STEARLEY: All right. Thank you,
7 Mr. Dottheim. Does anyone else wish to add anything
8 further?

9 MR. MILLS: Judge, I'll talk about my
10 position about the deposition thing if you want me
11 to, but unless you need to hear it, I don't feel any
12 need to tell it to you.

13 JUDGE STEARLEY: All right. I don't
14 know that I need to.

15 MR. MILLS: Okay.

16 JUDGE STEARLEY: The Commission at this
17 time believes that any purported evidence on the
18 anonymous letters would be wholly irrelevant to this
19 proceeding, and it will not hear testimony on that
20 purported evidence.

21 The Commission would also find that
22 purported evidence regarding Codes of Corporate
23 Conduct or policies on gifts and gratuities would
24 also be wholly irrelevant, and it will not hear
25 purported evidence on those issues.

1 With regard to the additional
2 amortizations, the Commission believes that too is
3 probably irrelevant but not wholly irrelevant, and
4 the Commission will hear that evidence as an offer of
5 proof and preserve it in the record.

6 With regard to the evidence on the
7 interrelationship between Iatan projects and the
8 debt-rating information, the Commission would limit
9 the scope of evidence as requested by Great Plains
10 and KCPL on page 2 of their motion.

11 Having made those rulings, we need to
12 address our schedule of witnesses at this time.
13 Current schedule has Mr. Bassham and Mr. Cline
14 tomorrow for additional amortization and
15 creditworthiness. Now, given that we are going to
16 take the evidence of the additional amortization as
17 an offer of proof, it may be more expeditious to do
18 that all on one setting. And if the parties wish to
19 split the creditworthiness issue out to a different
20 day, since we are going to hear evidence on that, we
21 can do that as well.

22 MR. ZOBRIST: Judge, my understanding is
23 that that April 25 day in the Staff's list of issues
24 was not to be April 25, it was supposed to be April 28.
25 I can tell you Mr. Cline is not available tomorrow

1 and was going to come back next week on the
2 creditworthiness issue. So I'll turn to my colleague
3 here, Mr. Fischer. I don't know if we had any
4 discussion off the record on that, but...

5 MR. FISCHER: Yeah, other parties can
6 correct me, but we had a discussion about just
7 beginning that next week on the creditworthiness
8 issue when both witnesses were available. And I
9 believe that was really at least the understanding of
10 some of the parties before the list was filed.

11 JUDGE STEARLEY: All right. At this
12 point we have merger synergy savings with
13 Mr. Herdegen and the service quality issues. Would
14 you like to tack on the creditworthiness following
15 that on Monday the 28th?

16 MR. ZOBRIST: I think that's our
17 preference.

18 JUDGE STEARLEY: Okay. We have the RTO
19 issue off the plate. So any other parties have a
20 preference on that?

21 (NO RESPONSE.)

22 JUDGE STEARLEY: Hearing none, we will
23 hear those issues in that order, then, for Monday,
24 April 28th. And assuming we're not substituting
25 anything else for Friday, we will have a break from

1 hearing tomorrow.

2 MR. ZOBRIST: Judge, I understand your
3 ruling is granting the request of Great Plains
4 Energy. I want to be, though, particular. In our
5 "Wherefore" clauses beginning on page 4 we ask for
6 certain things, and we had agreed -- pardon me, GPE
7 and KCPL had proposed, with the exception of
8 Mr. Downey, the other six witnesses listed there in
9 paragraph 1 of the clause at the bottom of page 4,
10 not be called. Is that -- is that properly
11 interpreting your order?

12 JUDGE STEARLEY: No. I want to get a
13 full record set on the additional-amortizations
14 issue, and that offer of proof I would expect all
15 witnesses listed for that to appear.

16 MR. ZOBRIST: Okay. Then I need to have
17 an understanding as to -- so you're saying these
18 witnesses need to be available, but that the scope of
19 the inquiry to these witnesses will be limited in
20 accord with the request by the Applicants?

21 JUDGE STEARLEY: It will be limited to
22 the additional-amortization issue. In what regard
23 are you speaking, Mr. Zobrist?

24 MR. ZOBRIST: Well, I'm a little at loss
25 because we're the party that initially requested

1 additional amortizations. We now do not request it,
2 so we do not have an offer of proof. We have
3 withdrawn it. So I don't see how any of the GPE,
4 KCPL or even Aquila witnesses can offer anything on
5 that issue in terms of an offer of proof. So if some
6 other party wants to make an offer of proof --

7 JUDGE STEARLEY: Right. And with no
8 testimony on that issue, there will be no
9 cross-examination of those witnesses as well, and
10 that involves witness -- is it Chessser, Jones,
11 Easley, Grimwade, Davis and Foster?

12 MR. ZOBRIST: Correct.

13 JUDGE STEARLEY: Is any party planning
14 to subpoena those witnesses or want them here for any
15 other purpose for that issue, since Mr. Zobrist
16 points out --

17 MR. MILLS: Judge, they're listed for an
18 issue that's described as creditworthiness as well as
19 additional amortizations.

20 JUDGE STEARLEY: That's what I want to
21 clarify. So do they need to be here for the
22 creditworthiness portion of the testimony --

23 MR. MILLS: Well, I think so, yes.

24 JUDGE STEARLEY: -- which would be on
25 Monday the 28th?

1 MR. MILLS: Yes.

2 MR. DOTTHEIM: Yeah.

3 JUDGE STEARLEY: We can shift those six
4 witnesses to Monday on the creditworthiness issue and
5 pull them out of any evidence offered on the
6 additional-amortization issue.

7 Does that provide clarity, Mr. Zobrist?

8 MR. ZOBRIST: Well, it --

9 MR. CONRAD: Let me throw another rock
10 in the pile.

11 JUDGE STEARLEY: We need some more
12 rocks, Mr. Conrad.

13 MR. CONRAD: I'm sure you need more
14 ripples. I'm not clear, first of all, as to what it
15 is that at least under your ruling is being done under
16 an offer of proof. And as to item Roman Numeral XI,
17 that was not an issue that was added by us, but we
18 did support Staff in the ability to inquire into it.

19 It would seem to me -- and of course I'm
20 just new at this -- that an offer of proof is not
21 something that the judge or the Commission in this
22 case can simply say we're not going to hear it. And
23 if that is to be your ruling, then that needs to be
24 explicit, that you are denying not only Staff the
25 ability to put these people on, but you are denying

1 them even the ability to make an offer of proof with
2 respect to that.

3 And how that would probably be done is
4 by putting those people on and questioning them just
5 as though we were really on the record, albeit,
6 pursuant to a box, whatever you want to call it,
7 that says this is being done as an offer of proof.

8 The evidence needs to be preserved for
9 review, and I think it is flat out error for the
10 Commission to attempt to preclude a party -- if they
11 don't want to do it, that's their call. But I think
12 it is flat out error for the Commission to seek to
13 preclude a party from making an offer of proof.
14 That's under Section 536. You're entitled to be able
15 to do that.

16 JUDGE STEARLEY: I believe, Mr. Conrad,
17 536 says "...unless wholly" -- it's found to be
18 wholly irrelevant, repetitious, et cetera. So I do
19 not believe the statute or the Commission's rules of
20 evidence requires the Commission to hear an offer of
21 proof. And you can please illuminate me if you
22 believe my reading of that is incorrect.

23 MR. CONRAD: Well, then, if that's --
24 I'm simply asking that if that is to be your ruling,
25 that a party is completely precluded even from making

1 an offer of proof to protect the record, I would like
2 that very much to be explicitly so stated on the
3 record.

4 JUDGE STEARLEY: I believe I've stated
5 that the Commission's position is it's wholly
6 irrelevant and it would not hear evidence or allow an
7 offer of proof. And you're certainly free to file a
8 motion for reconsideration of that ruling. And I
9 believe I'm following the statute in the Commission's
10 rule. And as I said, if not, you're certainly free
11 to explain to me why not.

12 MS. PARSONS: And your Honor, if -- just
13 with respect to the Aquila witnesses too, I would
14 like just some additional clarification if I could.
15 In Staff's -- although all five of the Aquila
16 witnesses are listed under issues X and XI, in
17 Staff's response to KCP&L's/Great Plains' motion to
18 limit the scope, Staff suggested that Max Sherman
19 would be the only witness called for Aquila under the
20 additional amortization and creditworthiness, and
21 that Daryl Uffelman, Lynn Fountain and James Rose
22 would be called under issue XI, the anonymous public
23 allegations.

24 And since that issue -- no evidence is
25 being heard on those issues, I just want to clarify

1 that those witnesses will not be called to testify in
2 this case.

3 JUDGE STEARLEY: And let's see. It's
4 Max Sherman, James Rose and Lynn Fountain?

5 MS. PARSONS: And Daryl Uffelman.
6 Excuse me. Max Sherman has been called -- let me
7 back up. Max Sherman is the only witness that Staff
8 is now, it's my understanding, calling under the
9 additional amortization and creditworthiness.

10 MR. DOTTHEIM: Correct.

11 MS. PARSONS: And Staff -- is that
12 correct?

13 MR. DOTTHEIM: That is correct.

14 JUDGE STEARLEY: Okay. So the other
15 three, they're all only going to be here for the
16 anonymous --

17 MR. DOTTHEIM: Yes.

18 JUDGE STEARLEY: -- allegations?

19 MR. DOTTHEIM: Yes, that is correct.

20 Daryl Uffelman, Lynn Fountain and James Rose the
21 Staff was calling for issue XI, the anonymous
22 public-allegations comments related to the proposed
23 acquisition.

24 JUDGE STEARLEY: Then those three
25 witnesses would be excused.

1 MS. PARSONS: As well as Scott Heidtbrink
2 too. He's not mentioned but it's my understanding
3 Staff was not going to call Mr. Heidtbrink
4 for either issue.

5 MR. DOTTHEIM: That is correct. The
6 Staff was not going to call Mr. Scott Heidtbrink.

7 JUDGE STEARLEY: Very well. He is also
8 excused.

9 MS. PARSONS: Thank you, your Honor.

10 JUDGE STEARLEY: And Mr. Zobrist, if we
11 could get back to your witnesses then.

12 MR. ZOBRIST: Okay.

13 MR. MILLS: Well, okay. I do have some
14 more questions about the Aquila witnesses, but I can
15 take that up after we deal with Mr. Zobrist.

16 JUDGE STEARLEY: While I'm on the Aquila
17 witnesses now, Mr. Mills, go ahead.

18 MR. MILLS: Okay. And I'm -- I'm trying
19 to -- I guess first I'm trying to figure out who's
20 going to be coming here, and then after that, what
21 we're going to be able to talk to them about. So was
22 it your ruling just now that Scott Heidtbrink, I
23 believe Staff has said they don't need to call in any
24 event?

25 MR. DOTTHEIM: Correct.

1 MR. MILLS: And you're ruling in
2 addition that we will not be calling James Rose,
3 Daryl Uffelman and Lynn Fountain even to testify on
4 questions such as XI (b), which is whether or not
5 KCPL has adequate control of the Iatan projects to be
6 able to operate the non-dispatch functions of Aquila
7 in addition to those of KCPL in a manner not
8 detrimental to the public interest?

9 And I guess in a more general way to ask
10 that, are you saying that all of the issues, (a), (b)
11 and (c) at the bottom of page 10, are wholly
12 irrelevant to the question of whether the proposed
13 transaction is not detrimental to the public
14 interest?

15 JUDGE STEARLEY: Let's see. And you're
16 looking at?

17 MR. MILLS: I'm looking at page 10. The
18 main heading apparently seems to be tied to, at least
19 the beginning, to anonymous public allegations --

20 MR. DOTTHEIM: Right.

21 MR. MILLS: -- but questions under it
22 are not necessarily tied to any anonymous public
23 allegations. And my question is whether we will be
24 able to -- whether the Staff will be able to call and
25 whether we will be able to cross-examine witnesses

1 listed under (a), (b) and (c) at the bottom of page
2 10.

3 JUDGE STEARLEY: Mr. Dottheim, I believe
4 a moment ago -- and I don't want to confuse this
5 farther -- you were telling me they were only being
6 called for that issue, and my understanding was that
7 there was not a sub issue.

8 MR. DOTTHEIM: Well, yes.

9 JUDGE STEARLEY: So please clearly state
10 your position on that so I know what to do with these
11 witnesses.

12 MR. DOTTHEIM: Yes. Daryl Uffelman,
13 Lynn Fountain and James Rose are not being called for
14 the CEP-related issues, but, yeah, if -- or Iatan-
15 project-related issues.

16 MR. MILLS: And I guess my question is
17 more to clarify your ruling, and I think I understood
18 that you thought that the gift and gratuity practice
19 was related to the anonymous allegations. I think
20 the other two issues, (b) and (c), even though they
21 appear under the heading of anonymous allegations,
22 are not tied to the anonymous allegations, and I'm
23 trying to find out whether your ruling is -- well,
24 whether it falls under these are going to be allowed
25 to be made under an offer of proof, being able to be

1 offered as regular evidence or not being able to be
2 offered at all as to issues (b) and (c).

3 MR. DOTTHEIM: Yeah. These --

4 JUDGE STEARLEY: Go ahead, Mr. Dottheim.

5 MR. DOTTHEIM: I'm sorry.

6 JUDGE STEARLEY: That's all right.

7 MR. DOTTHEIM: The anonymous public
8 allegations and comments related to proposed
9 acquisition are not limited to gift and gratuity
10 practices. They encompass (b) and (c) also, which
11 are related to the Iatan projects and other matters,
12 merger-related matters. So issue XI is not just
13 solely the gift and gratuity matter.

14 JUDGE STEARLEY: Okay. From
15 Mr. Dottheim's explanation and my examining of this,
16 these all appear to be sub issues under the anonymous
17 allegations, and therefore, they are all excluded.

18 MR. MILLS: Okay. So it's your ruling
19 that the questions listed as (b) and (c) are wholly
20 irrelevant and we will not even be allowed to offer
21 those witnesses under an offer of proof?

22 JUDGE STEARLEY: As Mr. Dottheim has
23 clarified, sub issues (b) and (c) came in as a
24 product of the anonymous allegations.

25 MR. DOTTHEIM: Yes.

1 JUDGE STEARLEY: So they are encompassed
2 within the ruling and they are excluded.

3 MR. MILLS: Okay. I think that's clear.

4 MR. DOTTHEIM: That is correct. Those
5 subject matters were part of the anonymous allegations,
6 the anonymous letters that the Commission received
7 and the Commission or Commissioners placed in EFIS
8 in Case No. EM-2007-0374 and I also believe in
9 Case No. ER-2007-0291, the KCPL rate case.

10 MR. MILLS: And Judge, I don't want to
11 belabor this, but simply because some topics happen
12 to be mentioned in the anonymous letter does not make
13 them wholly irrelevant. I mean, the source may be
14 irrelevant, but if they are issues that have to do
15 with determination of detriment or non-detriment,
16 simply because they're mentioned in anonymous letters
17 does not remove them from the scope of this
18 proceeding.

19 If it does, I mean, I could steer the
20 course of any proceeding by simply submitting
21 anonymous letters and having issues automatically
22 thrown out on that basis. And I think the fact that
23 they are listed under this document that the Staff
24 filed under that heading does not necessarily make
25 them irrelevant.

1 But I think you've already ruled that
2 they are wholly irrelevant, and as long as that --

3 JUDGE STEARLEY: As the way --

4 MR. MILLS: -- is the ruling, I'm not
5 trying to argue you out of that.

6 JUDGE STEARLEY: As the way the issues
7 have been framed before this case and presented to
8 the Commission, they fall under this category, and
9 therefore they have been excluded.

10 MR. MILLS: Okay.

11 MR. ZOBRIST: Judge, could we go back to
12 my issues?

13 JUDGE STEARLEY: Yes, we can go back to
14 your witnesses now, Mr. Zobrist.

15 MR. ZOBRIST: As I understand it, under
16 the additional-amortization and creditworthiness
17 issue, the ruling is that the additional
18 amortizations don't need to be gone into except for
19 perhaps somebody making an offer of proof, and we're
20 not going to make an offer of proof so I'll leave
21 that to other parties to argue with you about that.

22 But as far as the creditworthiness,
23 there are a number of these six witnesses who were
24 not asked any questions about creditworthiness. I
25 mean, you've got a group of engineers who work up at

1 the plant. You know, we've offered to bring in the
2 CFO, the treasurer, the CEO. But you have Mr. Easley
3 who is the vice president of supply, you've got
4 Mr. Davis who's the Iatan unit 1 project director,
5 you've got Mr. Foster, the director of project
6 controls, Mr. Jones who's the procurement director
7 for the CEP and Mr. Grimwade who doesn't work in this
8 area now but did work there about two years ago.

9 I mean, none of these folks have any
10 creditworthiness testimony to offer. Mr. Chesser is
11 not on the CEP oversight committee. He is the CEO of
12 the company, so he's in a little bit different
13 category. But certainly those other five witnesses,
14 I mean, they've never offered any creditworthiness
15 testimony as far as it relates to the merger.

16 MR. DOTTHEIM: But they're --

17 JUDGE STEARLEY: So just for my
18 clarification again, which of these witnesses would
19 be providing testimony on the creditworthiness issue?

20 MR. ZOBRIST: Well, we've offered to
21 bring back Mr. Bassham and Mr. Cline, and we've
22 offered to bring Mr. Downey who was requested by
23 Staff. Mr. Downey is the president and chief
24 executive officer of KCPL.

25 And it's difficult for me, in light of

1 the ruling which tended to grant what GPE and KCPL
2 asked for, to decide what to do because you're
3 telling me a lot of these witnesses who are engineers
4 up at the plant, you know, are going to come and
5 testify about creditworthiness.

6 And maybe Mr. Dottheim and I can have a
7 conversation or we can have a debate here on the
8 record, but they were asked questions about specific
9 things concerning cost overruns, scheduling delays,
10 you know, "How you getting along with your architect,
11 engineer? What about the guy that's putting up the
12 chimney? What about these folks that are building
13 the boiler?" And, you know, that's -- if I
14 understand the Commission's ruling, that is not to be
15 permitted to go into, and that's what just about 99
16 percent of the depositions dealt with.

17 JUDGE STEARLEY: All right. Very well.
18 So in that regard, then, Jones, Easley, Grimwade,
19 Davis and Foster, is that the complete list, those
20 witnesses have no testimony regarding the
21 creditworthiness?

22 MR. DOTTHEIM: Well, Judge --

23 MR. MILLS: Well, Judge, at this -- oh,
24 I'm sorry.

25 MR. DOTTHEIM: I thought that the

1 comprehensive energy program was permissible to go
2 into for the creditworthiness because it is very
3 relevant to the creditworthiness, the
4 investment-grade standing of the company, the cost
5 and schedule, whether -- the cost overruns and
6 schedule slippage.

7 MR. ZOBRIST: Well, I think that's for
8 the financial people to analyze. It has to be
9 analyzed in the context of this merger. And I think
10 we, at the very least, ought to begin with the
11 financial people who worked with the credit rating
12 agencies, who analyzed the finances of the company,
13 and then Mr. Downey who's heading the reforecast
14 process, to come and tell you about those things.

15 But to go down to the folks that are
16 supervising the construction of the boiler, you know,
17 the rest of the Iatan 1 balance of plant, the
18 chimney, the stack, things like that --

19 MR. DOTTHEIM: Yeah, I'm not sure if
20 there's not a question as to whether Mr. Downey is
21 heading the reforecast effort, but --

22 MR. ZOBRIST: Well, he's certainly here
23 to be cross-examined on those issues.

24 MR. MILLS: And, Judge, at this point
25 we're sort of prejudging what the witnesses may or

1 may not say. I mean, at this point they have no
2 testimony. Simply because depositions covered one
3 particular topic does not mean that they don't know
4 anything that's relevant to other topics. We don't
5 know that now; we won't know it until we start to ask
6 the questions.

7 So I think it's -- having already ruled
8 as I think you did, that the CEP projects in general,
9 if not in great detail, are relevant to this case, I
10 think it's -- I think it's -- would be inconsistent
11 to say we're not going to talk to anybody --

12 MR. DOTTHEIM: Yes.

13 MR. MILLS: -- who's not a financial
14 type person. I think you need to talk to some of the
15 people who know what's going on to see if the
16 information that the financial-type people are
17 getting is accurate, and I think that's a lot of
18 what's going on with these witnesses.

19 The financial people can say what they
20 talked to the rating agencies about and what they
21 talked to investment bankers about, but what -- the
22 information they're giving them has to come from
23 somewhere. Because Mr. Bassham, Mr. Cline don't work
24 out at Iatan, we need to talk to the people who do
25 work out at Iatan to find out whether the information

1 is accurate and whether the information that is sent
2 on to the credit rating agencies is accurate.

3 MR. DOTTHEIM: And that will become very
4 quickly apparent.

5 MR. ZOBRIST: And there's the fishing
6 expedition, Judge. There we go.

7 JUDGE STEARLEY: Well, I believe the
8 ruling was restricting the scope on the
9 interrelationship between those products and the
10 current acquisition that's been proposed. I'm not
11 going to excuse any witness that could offer relevant
12 information in that regard.

13 However, if the questions start
14 expanding into other areas, I would expect parties to
15 register relevant objections to that and that
16 testimony can be limited, but I'm not going to excuse
17 witnesses if they can provide relevant testimony as
18 to that subject matter.

19 MR. CONRAD: Since you, your Honor is
20 placing a great deal of weight on where issues are
21 placed and how they're worded and under what they're
22 worded, you might also want to place some weight on
23 the language that appears on paragraph 9 on page 3 of
24 the same listing.

25 JUDGE STEARLEY: Which document are you

1 referring to, Mr. Conrad?

2 MR. CONRAD: The second list of issues
3 that your Honor is referring to with respect to
4 items, particularly (b) and (c), under the item
5 identified as Roman XI.

6 JUDGE STEARLEY: Well, I believe that we
7 had just discussed those.

8 MR. CONRAD: Yeah. I just wanted to
9 commend your attention to paragraph 9. The listing
10 is nonbinding on any party and isn't intended to
11 preclude a party from raising issues that come up
12 during the process. I just simply want to call that
13 to your attention as you proceed with your ruling.

14 JUDGE STEARLEY: Okay. Thank you,
15 Mr. Conrad. Yes, Mr. Zobrist.

16 MR. ZOBRIST: Judge, I think, in part,
17 at least, I'm still a little bit confused. Under
18 issue Roman Numeral X, on the first paragraph that
19 deals with the regulatory plan, that's the additional
20 amortizations that you've said is irrelevant but
21 you'll hear an offer of proof; am I correct on that?

22 JUDGE STEARLEY: That's correct.

23 MR. ZOBRIST: Okay. Now, the second one
24 says, Is the current expected cost and schedule
25 outcome relating to KCPL's infrastructure commitments

1 from the regulatory plan an indication of the GPE and
2 KCPL's ability to complete the acquisition in a
3 manner that's not detrimental to the public interest?
4 And then the third issue deals with creditworthiness.

5 Now, I understand on the third issue,
6 creditworthiness, you've said we need to have
7 witnesses available to us on that. What about the
8 second issue? Because my understanding was that
9 except for the financial effect and the underlying
10 costs and discussions with regard to what's going on
11 at Iatan, that we weren't going to get into details
12 of the cost and schedule outcome, and, indeed, the
13 depositions have said that information isn't even
14 available today; won't be available until the end of
15 the month, early May. So I just --

16 MR. DOTTHEIM: Well, I think that
17 information is relevant in and of itself as to the
18 creditworthiness of the present status of GPE/KCPL,
19 that that information does not exist.

20 MR. MILLS: And, Judge, to be consistent
21 with your earlier ruling, all of those sub issues
22 under Roman Numeral X have to do with additional
23 amortization and creditworthiness. And so I think if
24 that topic is relevant, then all those issues are
25 relevant similarly to the way that if all the issues

1 under XI are not relevant simply because they're
2 framed under issue XI.

3 JUDGE STEARLEY: In terms of the
4 creditworthiness portion of that --

5 MR. DOTTHEIM: Yes.

6 JUDGE STEARLEY: -- you're referring?

7 MR. MILLS: Yes.

8 JUDGE STEARLEY: Mr. Zobrist, I think
9 you should produce those witnesses. If the
10 questioning goes off course from the scope of the
11 interplay between these projects and the current
12 merger, you know, we'll take individual objections
13 and rule on those at that time.

14 MR. ZOBRIST: Okay. So although
15 generally you're saying we'll deal with this at a
16 high level rather than a low -- at a level -- very
17 detailed manner, you do want me to produce the six
18 witnesses that I asked to be excused?

19 JUDGE STEARLEY: Yes.

20 MR. ZOBRIST: All right.

21 JUDGE STEARLEY: And going back to our
22 calendar then.

23 MR. CONRAD: Your Honor, if that's going
24 to conclude the discussion on this issue and Kansas
25 City Power & Light's motion and we're going to go to

1 calendar, I would like to ask your leave to ask the
2 reporter to certify to me the portion of the
3 transcript that began when we began the discussion of
4 this motion and ended just now.

5 JUDGE STEARLEY: Thank you, Mr. Conrad.
6 So at this point, the way I have it, tomorrow we will
7 not be here. We will resume our hearing on Monday
8 the 28th. We will pick up with Mr. Herdegen on
9 merger synergy savings; again, Mr. Herdegen and
10 Mr. Shallenberg on service quality issues, the
11 witnesses for the creditworthiness testimony.

12 Following, then, creditworthiness, we
13 will pick up with the municipal franchise issue.
14 That would be on Tuesday most probably, or later,
15 depending on how things go, just the ordering out the
16 issues, and we will conclude with the final issue
17 being -- or taking the offer of proof on the
18 additional amortization, however that falls in this
19 scheme of things.

20 MR. ZOBRIST: Judge, I understand that
21 the City of Kansas City witnesses are only available
22 on Monday. I don't know if that's been communicated
23 to the other parties, but that's our understanding.

24 JUDGE STEARLEY: Are only available on
25 Monday? You're referring to witness Cauthen, I

1 guess?

2 MR. ZOBRIST: And Hix; is that right?

3 JUDGE STEARLEY: And Hix.

4 MR. ZOBRIST: That's what Mr. Comley had
5 advised us.

6 JUDGE STEARLEY: Okay. I had them
7 listed on Tuesday and Wednesday on my schedule. If
8 those witnesses are only available on Monday, then we
9 should shift the municipal franchise issue to follow
10 the service quality issue and proceed in order from
11 that point.

12 MR. ZOBRIST: Judge, I might just say in
13 terms of the six or so witnesses that GPE and KCPL
14 will call, I don't know their individual
15 availability, so some -- they may have to be taken
16 out of these particular alphabetical order here.

17 JUDGE STEARLEY: That's quite
18 understandable, Mr. Zobrist.

19 MR. ZOBRIST: Thank you.

20 JUDGE STEARLEY: We can address that
21 Monday morning at the start of the hearing if you
22 wish.

23 MR. DOTTHEIM: Or, Judge, when we go off
24 the record, if the parties can continue meeting just
25 to make sure that we're all on the same page.

1 MR. ZOBRIST: Can I ask one question?
2 And maybe I need to talk with Mr. Dottheim. But, you
3 know, Ms. Cheatum did already come and talk about
4 supply chain. Is there further expected questions of
5 her on the same issues with supply chain?

6 JUDGE STEARLEY: At this point I don't
7 believe the Commissioners have any further questions.
8 The parties can talk amongst themselves if there's
9 any remaining questions from her.

10 MR. ZOBRIST: I'll talk with
11 Mr. Dottheim.

12 JUDGE STEARLEY: If not, she may be able
13 to be excused. Are there any other matters we need
14 to take up at this time?

15 (NO RESPONSE.)

16 JUDGE STEARLEY: Hearing none, we will
17 adjourn and go off the record. Mr. Dottheim?

18 MR. DOTTHEIM: And, Judge, you will be
19 here the remainder of the day and tomorrow, if need
20 be, if we need to visit with you?

21 JUDGE STEARLEY: Yes, I will.

22 (WHEREUPON, the hearing of this case was
23 recessed until April 28, 2008, at 8:30 a.m.)

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I N D E X

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ISSUE: TRANSACTION COST RECOVERY
 GREAT PLAINS ENERGY'S/ EVIDENCE

4

TERRY BASSHAM

Cross-Examination by Mr. Williams

1923

5

IN-CAMERA PORTION (TERRY BASSHAM)

6

Continued Cross-Examination by Mr. Williams

1963

7

TERRY BASSHAM

Continued Cross-Examination by Mr. Williams

1965

8

Questions by Judge Stearley

1982

Redirect Examination by Mr. Zobrist

1983

9

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LORI WRIGHT

Cross-Examination by Mr. Williams

1987

11

Redirect Examination by Mr. Steiner

2015

12

TIM RUSH

13

Direct Examination by Mr. Blanc

2017

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STAFF'S EVIDENCE

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ROBERT SHALLENBERG

17

Cross-Examination by Mr. Zobrist

2034

Questions by Commissioner Clayton

2049

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Cross-Examination by Mr. Conrad

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Redirect Examination by Mr. Williams

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ISSUE: AFFILIATE TRANSACTIONS RULE WAIVER/VARIANCE
 GREAT PLAINS ENERGY'S EVIDENCE

21

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LORI WRIGHT

Questions by Commissioner Murray

2064

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Recross-Examination by Mr. Conrad

2065

24

TERRY BASSHAM

25

(No questions)

1 STAFF'S EVIDENCE

2 ROBERT SHALLENBERG
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 3 Redirect Examination by Mr. Dottheim 2072
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Exhibit No. 23
 Supplemental Direct
 Testimony of Tim Rush * 2031

Exhibit No. 24
 Direct Testimony of
 Richard Spring * 2033

Exhibit No. 25
 Surrebuttal Testimony
 of Richard Spring * 2033

Exhibit No. 29
 Direct Testimony of
 Lori Wright * 2067

Exhibit No. 126HC
 Data request response
 regarding Bridge Strategy
 Group 1951 1971

Exhibit No. 127HC
 Letter dated January 4th,
 2007 from Robert Zabors 1951 1972

1	EXHIBITS INDEX (CONTINUED)		
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1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI)
3)ss.
4 COUNTY OF COLE)
5

6 I, PAMELA FICK, RMR, RPR, CSR, CCR #447,
7 within and for the State of Missouri, do hereby
8 certify that the foregoing proceedings were taken by
9 me to the best of my ability and thereafter reduced
10 to typewriting under my direction; that I am neither
11 counsel for, related to, nor employed by any of the
12 parties to the action to which this hearing was
13 conducted, and further that I am not a relative or
14 employee of any attorney or counsel employed by the
15 parties thereto, nor financially or otherwise
16 interested in the outcome of the action.

17
18
19
20 _____
21 PAMELA FICK, RMR, RPR, CSR, CCR #447
22
23
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25