

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS
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12 Hearing
13 October 17, 2006
14 Jefferson City, Missouri
15 Volume 6

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12 In the Matter of the Application)
13 of Kansas City Power & Light)
14 Company for Approval to Make)
15 Certain Changes in its Charges for) Case No. ER-2006-0314
16 Electric Service to Begin the)
17 Implementation of Its Regulatory)
18 Plan)

16 RONALD D. PRIDGIN, Presiding,
17 REGULATORY LAW JUDGE.

18 CONNIE MURRAY,
19 LINWARD "LIN" APPLING,
20 COMMISSIONERS.

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

2 JUDGE PRIDGIN: Good morning. We're back
3 on the record in Case No. ER-2006-0314, and I talked to
4 Mr. Fischer briefly before we went on the record, and I
5 understand that there's a witness from KCP&L, Mr. Blunk,
6 who is on the road and that we will need to go out of
7 order to keep the hearing going.

8 And if I understood correctly, we will
9 begin this morning with injuries and damages and then keep
10 going through accounting issues until Mr. Blunk arrives,
11 then we will double back and hit those issues that he's
12 here to testify about; is that correct?

13 MR. FISCHER: Yes, your Honor, that's what
14 KCPL would propose.

15 JUDGE PRIDGIN: Is there any party that
16 objects to that proposal?

17 (No response.)

18 JUDGE PRIDGIN: Hearing nothing, is there
19 anything we need to take up before Ms. Wright gets back on
20 the stand and we begin cross-examination on injuries and
21 damages?

22 (No response.)

23 JUDGE PRIDGIN: Okay. Hearing nothing,
24 Ms. Wright, if you'll come forward to the stand. You're
25 still under oath from yesterday. And, Mr. Fischer,

1 anything we need to cover, any corrections or anything on
2 her testimony before cross-examination?

3 MR. STEINER: No, your Honor.

4 JUDGE PRIDGIN: All right, Mr. Steiner.

5 Thank you. Anyone have any cross-examination for
6 Ms. Wright on injuries and damages?

7 MR. FREY: Could we have a moment, your
8 Honor?

9 JUDGE PRIDGIN: Mr. Frey, yes, sir.

10 MR. FREY: I'm not sure we have our
11 attorney here for injuries and damages, so I have to find
12 that out. Could we hold, go off the record for a second?

13 JUDGE PRIDGIN: I think Mr. Frey's got a
14 quick issue. He wants to make sure they have counsel
15 ready to cross-examine on injuries and damages, so we'll
16 go off the record briefly.

17 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

18 JUDGE PRIDGIN: We'll go back on the
19 record. We're back on the record. We were leading off
20 with Ms. Wright being on the stand to testify and be
21 cross-examined on injuries and damages, and I'll ask if
22 anyone has any cross-examination of Ms. Wright on this
23 issue?

24 MR. THOMPSON: One moment, please.

25 JUDGE PRIDGIN: Certainly. Anyone besides

1 Staff anticipate cross-examining her on this issue?

2 MR. THOMPSON: I have some questions.

3 JUDGE PRIDGIN: When you're ready, sir.

4 LORI A. WRIGHT testified as follows:

5 CROSS-EXAMINATION BY MR. THOMPSON:

6 Q. Good morning.

7 A. Good morning.

8 Q. Tell me if I understand this issue
9 correctly. The difference between the company position
10 and the Staff position is your assertion that the Staff
11 position does not account for the time value of money; is
12 that correct?

13 A. You're speaking with respect to the
14 comments regarding the lead lag study?

15 Q. I just want to know if I understand the
16 issue correctly. Would you or would you not agree with
17 the characterization I just gave?

18 A. Say it again. Sorry.

19 Q. The difference has to do with the time
20 value of money; is that right?

21 A. To -- well --

22 Q. If that's not right, you can say no, that's
23 not right.

24 A. Not really. My understanding, there are
25 two issues. One, the company -- Staff has advocated that

1 a portion of injuries and damages should be recovered
2 based upon a cash method of accounting, and the company
3 recommends that recovery be based upon the accrual method
4 of accounting, consistent with the way that the company
5 records and keeps their books and consistent with most of
6 the other items that are recovered in cost of service.

7 Q. Keep going.

8 A. Okay. And the second issue has to do with
9 how you reflect that in the lead lag study. The company's
10 position is that if the Commission finds that it's
11 appropriate to recover injuries and damages based upon the
12 accrual method of accounting, then the cash lead lag study
13 as recommended by the Staff, the lag on injuries and
14 damages of 185 days is appropriate.

15 However, if the Commission finds that the
16 appropriate method of recovering injuries and damages is
17 consistent with what the Staff recommends, that it be on a
18 cash basis of accounting, then the lead lag study should
19 not reflect a 185-day lag in the lead lag study.

20 Q. I see that. Now, in the accrual method of
21 accounting, is it not true that you would book some amount
22 for injuries and damages at the time that you believe the
23 liability has attached? For example, somebody driving a
24 company truck is involved in an accident. The accident is
25 reported using the proper forms through the proper

1 channels, and you would then book some amount of money to
2 reflect the company's liability for that accident at that
3 time. Is that not how it works?

4 A. That's correct, where it's probable and
5 estimatable.

6 Q. Now, isn't it true that the actual amount
7 of cash money that the company is going to pay on that
8 accident is not known and measurable at that time?

9 A. Well, it's measurable to the company's best
10 estimate, based upon their judgment and experience.

11 Q. Thank you. But you did use the word
12 estimate?

13 A. That's correct.

14 Q. Okay. And an estimate is a guess; is that
15 not true?

16 A. That's correct.

17 Q. It may be a very good guess, it may be an
18 educated guess, but it's a guess, right?

19 A. That's correct.

20 MR. THOMPSON: Okay. No further questions.
21 Thank you.

22 JUDGE PRIDGIN: Mr. Thompson, thank you.
23 Any further cross-examination?

24 (No response.)

25 JUDGE PRIDGIN: Commissioner Appling, any

1 questions of this witness?

2 QUESTIONS BY COMMISSIONER APPLING:

3 Q. Good morning, Lori.

4 A. Good morning.

5 Q. On the reconciliation, you have a half a
6 million dollars listed there for injuries and damages?

7 A. Uh-huh.

8 Q. Is that what you-all expended and how far
9 did that go back?

10 A. That's the difference between the company's
11 position that it be on a cash basis, which would be
12 2005 --

13 JUDGE PRIDGIN: Ms. Wright, to the best
14 that you can, can you speak so the other Commissioners who
15 are listening --

16 THE WITNESS: Sorry. That's the difference
17 between the company's position that injuries and damages
18 be recovered on an accrual basis, so it's a test year
19 amount, versus a three-year average of third-party damages
20 that the Staff has recommended.

21 BY COMMISSIONER APPLING:

22 Q. I make the assumption that your payouts are
23 more on damages than they are on injuries?

24 A. They are for 2005. If you look at the
25 average of the three years of company payouts versus

1 what's been accrued, we have paid out 90 percent of what
2 we have accrued over a three-year period.

3 COMMISSIONER APPLING: Okay. Thank you
4 very much.

5 JUDGE PRIDGIN: Commissioner, thank you. I
6 don't have any questions. Any recross based on Bench
7 questions?

8 MR. THOMPSON: I have some.

9 RE CROSS-EXAMINATION BY MR. THOMPSON:

10 Q. Your testimony to the Commissioner as I
11 understand was that over a three-year period you've paid
12 out 90 percent of what you had estimated; is that correct?

13 A. That's correct, based upon the third-party
14 piece, the estimates.

15 Q. Okay. So the reality does not reflect the
16 estimate; isn't that correct? They're not the same?

17 A. Not necessarily. There's a timing
18 difference. In many, many cases there's a timing
19 difference.

20 MR. THOMPSON: Thank you. No further
21 questions.

22 JUDGE PRIDGIN: Mr. Thompson, thank you.
23 Any further recross?

24 (No response.)

25 JUDGE PRIDGIN: Redirect?

1 MR. STEINER: Yes. One moment, your Honor.

2 JUDGE PRIDGIN: Yes, sir.

3 REDIRECT EXAMINATION BY MR. STEINER:

4 Q. Ms. Wright, Mr. Thompson asked you some
5 questions about the difference between the accrual and
6 cash method and how that relates to the lead lag study.
7 Do you recall that?

8 A. Yes, I do.

9 Q. If the company's rates are based on the
10 cash basis of accounting as the Staff proposes, is there a
11 lag in the expense side?

12 A. There is a lag in the expense side, but
13 there would be no lag between the time that it is built
14 into rates and when the customer -- when we would
15 ultimately pay the liability. So the lag in that sense
16 would be gone.

17 Q. Is there a lag on revenue?

18 A. There's a lag in --

19 Q. Is there revenue lag?

20 A. There's a revenue lag in terms of when the
21 customer's bill -- when it goes into the customer's bill
22 and what the customer pays, so that lag is still there.
23 But assuming that what's included in the customer's bill
24 is based upon a cash method, then the expense lag is zero.

25 MR. STEINER: Thank you. I have nothing

1 you're ready, sir.

2 PHILLIP K. WILLIAMS testified as follows:

3 CROSS-EXAMINATION BY MR. STEINER:

4 Q. Good morning, Mr. Williams.

5 A. Good morning, sir.

6 Q. Do you have your Accounting Schedule 8 that
7 you filed in your direct testimony with you up there?

8 A. No, I do not.

9 Q. I can hand you a copy.

10 A. Okay. Didn't bring the accounting
11 schedules up. I'm sorry.

12 Q. Mr. Williams, you prepared this schedule;
13 is that correct?

14 A. Yes, sir, I did.

15 Q. Line 12 is the injuries and damages issue;
16 is that correct?

17 A. Yes, sir, it is.

18 Q. And line -- Column C is the revenue lag of
19 a little over 21 days. Do you see that?

20 A. That applies to all revenues, yes, sir.

21 Q. So help me out here. This is the
22 difference between when a customer is billed and when a
23 customer pays? This is the amount of time it takes for a
24 customer to pay?

25 A. That's correct. At Kansas City Power &

1 Light, they sell most of their receivables to KCREC, and
2 therefore, the collection lag is assumed, I believe, in
3 this case to be right at two days.

4 Q. The next column, the expense lag?

5 A. Yes, sir.

6 Q. You have it as 185 days?

7 A. Yes. That measures the time between when
8 an expense actually happens or the service happens and
9 when that expense is paid. What the injuries and damages
10 is measuring is when the injury and damage occurred and
11 when the injury and damage is actually paid, not when the
12 company accrues it on their books and records.

13 Q. So you're recommending that the rates be
14 based on your study which shows that in part there's a
15 185-day delay between, let's say, when Mr. Thompson's
16 example of an auto accident occurs and when the payments
17 are made by KCPL?

18 A. That's correct. That's cash working
19 capital that has been in existence at this Commission
20 since I started in 1980, and that's the way it's been
21 measured that whole time.

22 Q. Thank you. But Staff is recommending in
23 this case that for a piece of the injuries and damages,
24 rates are based on a cash basis of accounting?

25 A. That's correct. You would have to speak to

1 Mr. Vesely about the annualization of that.

2 Q. And the cash basis of accounting would mean
3 that the company can't recover a dollar of injuries and
4 damages until it actually pays that dollar out; is that
5 correct?

6 A. I don't believe that's what it says at all.
7 I believe what they're doing is annualizing based on
8 what's actually paid out as the expenses for injuries and
9 damages over a period of time.

10 MR. STEINER: Thank you, Mr. Williams.

11 THE WITNESS: You're welcome.

12 JUDGE PRIDGIN: Mr. Steiner, thank you.
13 Any further cross-examination?

14 (No response.)

15 JUDGE PRIDGIN: Commissioner Appling, any
16 questions?

17 COMMISSIONER APPLING: No, thank you.

18 JUDGE PRIDGIN: I don't have any questions.
19 Anything else for this witness on this issue?

20 MR. THOMPSON: Do I get redirect?

21 JUDGE PRIDGIN: Yes, I'm sorry, you do get
22 redirect.

23 MR. THOMPSON: Also, Judge, help me with
24 this. Are we still offering testimony? Are we waiting
25 for the end of the hearing?

1 JUDGE PRIDGIN: I think Mr. Mills had
2 addressed this yesterday, and it is kind of awkward when
3 we have witnesses testifying on a lot of different issues.
4 I think the solution he suggested, which made some sense
5 to me, is to wait until the witness has testified on the
6 last issue on which he or she plans to testify and then
7 offer the exhibit at that time.

8 MR. THOMPSON: I notice you've already
9 received this witness's testimony.

10 THE WITNESS: I still have one more time to
11 testify.

12 JUDGE PRIDGIN: I believe I have
13 received -- I think his evidence has been offered and
14 admitted.

15 REDIRECT EXAMINATION BY MR. THOMPSON:

16 Q. Mr. Williams --

17 JUDGE PRIDGIN: Is your microphone on,
18 Mr. Thompson?

19 MR. THOMPSON: I apologize, your Honor.

20 BY MR. THOMPSON:

21 Q. Mr. Williams, could you tell us briefly
22 what cash working capital is?

23 A. Cash working capital is defined by the
24 Staff as a measurement of when the revenues are collected
25 in relationship to when service is provided to the

1 customer. It is also a calculation of when expenses are
2 incurred by the company, i.e., I purchased a piece of
3 material that wasn't paid for until a later date, and it's
4 a measurement of that time, or as an employee I work for
5 you during the week of this week and I'm not paid until
6 two weeks later. It's a measurement of the midpoint for
7 the period of which I worked for which I'm getting paid
8 and the pay date, payroll date.

9 Q. So if I understand you correctly, it's an
10 amount of cash that the company has on hand to cover
11 necessary expenses --

12 A. What it is, is it's --

13 Q. -- until it receives its revenues?

14 A. Not exactly. What it's doing is, it's
15 measuring the intake of cash and how long it takes and the
16 outflow of cash for expenses and how long that takes and
17 who has provided the money to make those payments, whether
18 it is the customer or whether it is the company.

19 Q. Okay. And you use a lead lag study to
20 determine that amount?

21 A. Yes, sir, we do.

22 Q. Okay. And in your lead lag study, is there
23 an allowance for injuries and damages?

24 A. Yes, there is.

25 MR. THOMPSON: No further questions. Thank

1 you.

2 JUDGE PRIDGIN: Mr. Thompson, thank you.

3 Any further questions for this witness on this issue?

4 (No response.)

5 JUDGE PRIDGIN: All right. Mr. Williams,
6 thank you.

7 THE WITNESS: Thank you, sir.

8 JUDGE PRIDGIN: I understand Mr. Vesely
9 also testifies on injuries and damages.

10 MR. THOMPSON: That is correct, your Honor.

11 JUDGE PRIDGIN: Mr. Vesely, if you'll come
12 forward to be sworn, please. If you'll raise your right
13 hand to be sworn, please.

14 (Witness sworn.)

15 JUDGE PRIDGIN: Thank you very much, sir.
16 If you would please have a seat.

17 Anything we need to cover with this witness
18 before going on to cross?

19 GRAHAM A. VESELY testified as follows:

20 DIRECT EXAMINATION BY MR. THOMPSON:

21 Q. Do you have any corrections to your filed
22 testimony?

23 A. No, sir, I don't.

24 MR. THOMPSON: Tender the witness for
25 cross.

1 JUDGE PRIDGIN: All right. Thank you.

2 KCPL wish to cross this witness?

3 MR. STEINER: Yes.

4 JUDGE PRIDGIN: Any other parties?

5 MR. MILLS: No questions.

6 JUDGE PRIDGIN: Mr. Steiner, when you're
7 ready, sir.

8 CROSS-EXAMINATION BY MR. STEINER:

9 Q. Good morning, Mr. Vesely.

10 A. Good morning, sir.

11 Q. If the Commission adopts your position, and
12 the position being that KCPL should use a cash method of
13 accounting, that will impact how rates are set in this
14 case; is that correct?

15 A. Yes, sir.

16 Q. And the impact will be that KCPL can't
17 recover for injuries and damages until it pays out an
18 amount for injuries and damages; is that correct?

19 A. I don't believe that's -- that would be the
20 consequences of that, and also the Staff's position
21 doesn't amount to accounting for injuries and damages on a
22 cash basis. We're recommending that a cash basis be used
23 for setting rates. We understand that the company has to
24 account for injuries and damages using the accrual method.

25 Q. Why does the company have to do that?

1 A. Generally accepted accounting principles
2 require recognizing a liability when -- when the company
3 believes that a liability has been incurred, but this does
4 require an estimate in advance of actual payouts.

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

7 JUDGE PRIDGIN: Mr. Steiner, thank you. I
8 think I just have one, maybe two questions.

9 QUESTIONS BY JUDGE PRIDGIN:

10 Q. Mr. Vesely, is it accurate to say that
11 Staff believes that KCP&L following generally accepted
12 accounting principles is accurately booking the estimated
13 injuries and damages at the time that they occur?

14 A. What do you mean by accurately booking?

15 Q. That that is generally accepted accounting
16 principle to book an estimated amount of injuries and
17 damages before they're actually paid?

18 A. Yes, that is for a -- for financial
19 statement presentation, that is the way the accounting has
20 to be done. That is not the ratemaking method.

21 Q. Which was my next question. That's part of
22 the whole concept behind accrual accounting, is it not, is
23 that sometimes you book things before the cash changes
24 hands?

25 A. Well, that's part of it, but the other

1 issue here is that this is a flat-out estimate. Not every
2 accrual is an estimate by any means. In this case we have
3 both an accrual as well as an estimated amount, and for
4 ratemaking purposes, we would much rather wait and take a
5 look at the actual cash payouts and compare them to what
6 the accrual had been.

7 And I have -- I have a display of that
8 comparison of the experience over five years, and it does
9 indeed show that typically the amounts accrued have been
10 overaccrued compared to cash actual payouts. So the true
11 cost to the company are the cash amounts paid, not the
12 estimated amounts.

13 JUDGE PRIDGIN: Okay. I think that answers
14 my questions. Thank you.

15 THE WITNESS: Sure.

16 JUDGE PRIDGIN: Further questions?
17 Mr. Thompson?

18 MR. THOMPSON: I'll do redirect, if that's
19 okay.

20 JUDGE PRIDGIN: Absolutely, if we have no
21 cross.

22 REDIRECT EXAMINATION BY MR. THOMPSON:

23 Q. Mr. Vesely, you testified that generally
24 accepted accounting principles require the company to book
25 accrual or estimate of a liability at the time the

1 liability is incurred, did you not?

2 A. Yes, sir.

3 Q. You also testified that for ratemaking
4 purposes, Staff prefers to use actual cash payments as
5 opposed to estimates; is that correct?

6 A. Yes.

7 Q. As far as you know, does FAS 71 allow the
8 Commission to deviate from generally accepted accounting
9 principles with respect to that amount?

10 A. Well, yes.

11 Q. And now, you testified as well that there
12 are, in fact, three components to the injuries and damages
13 amount, did you not? I think you testified, for example,
14 that there's an insurance premium payment --

15 A. Yes.

16 Q. -- correct?

17 A. Yes, I did.

18 Q. And you testified that there's an amount of
19 cash payments that are made?

20 A. Yes, there are -- some of the cash payments
21 are booked directly to the injuries and damages expense
22 account.

23 Q. And you did not make any adjustment to
24 either the cash payments booked directly to that expense
25 account or to the insurance premium amounts, did you?

1 A. That's right.

2 Q. The only amount you adjusted were the
3 estimated accruals?

4 A. The estimated accruals, yes.

5 Q. And you replaced the estimated accruals
6 with a three-year average of actual cash payments?

7 A. Yes.

8 Q. And in your opinion, sir, is the company
9 collecting revenue to cover the annualized level of
10 injuries and damages every month?

11 A. Yes, it is, because the -- we're
12 recommending that the cash payments actually made by the
13 company be included into rates, and that represents what
14 the company actually on average has been paying out.

15 MR. THOMPSON: Thank you. No further
16 questions.

17 JUDGE PRIDGIN: Mr. Thompson, thank you.
18 Any further questions for this witness on this issue?

19 (No response.)

20 JUDGE PRIDGIN: Seeing none, Mr. Vesely,
21 thank you. You may step down.

22 And, Mr. Fischer, I'll trust you or
23 somebody else from KCPL to alert me when Mr. Blunk
24 arrives, but otherwise we'll plan on going on schedule and
25 then we'll double back.

1 MR. FISCHER: That's fine, your Honor.

2 JUDGE PRIDGIN: Unless I hear something
3 else from the parties.

4 MR. THOMPSON: You make it sound like a
5 hike.

6 JUDGE PRIDGIN: I try. Rate case expense
7 looks like the next item. Ms. Wright, if you'll come
8 back, you're still under oath. Anything for this witness
9 before she's tendered for cross?

10 MR. STEINER: No, your Honor.

11 JUDGE PRIDGIN: Mr. Steiner, thank you.

12 Mr. Thompson, you have questions?

13 MR. THOMPSON: I do.

14 JUDGE PRIDGIN: Any other parties have
15 cross? Mr. Mills. Anyone else?

16 (No response.)

17 Mr. Mills, when you're ready, sir.

18 LORI A. WRIGHT testified as follows:

19 CROSS-EXAMINATION BY MR. MILLS:

20 Q. Ms. Wright, is it your proposal that rate
21 case expense dollars be normalized or be amortized in this
22 case?

23 A. That actual rate case expense be deferred
24 and amortized over two years.

25 Q. And are you familiar with any Missouri

1 cases in which the Commission has amortized rather than
2 normalized rate case expense?

3 A. I didn't do research historically to look
4 at what Missouri has done.

5 Q. Is that a no?

6 A. That's a no.

7 MR. MILLS: Okay. Thank you. No further
8 questions.

9 JUDGE PRIDGIN: Mr. Mills, thank you.
10 Mr. Thompson?

11 CROSS-EXAMINATION BY MR. THOMPSON:

12 Q. Ms. Wright, if I understand the difference
13 between the company position and the Staff position is
14 that the company wants to amortize over two years and
15 Staff wants to amortize over three years; is that correct?

16 A. That's my understanding.

17 MR. THOMPSON: No further questions.

18 JUDGE PRIDGIN: Mr. Thompson, thank you. I
19 have no questions. Mr. Steiner?

20 MR. STEINER: No redirect.

21 JUDGE PRIDGIN: Anything further for this
22 witness on this issue?

23 (No response.)

24 JUDGE PRIDGIN: Ms. Wright, thank you. Is
25 Mr. Harris available?

1 MR. THOMPSON: I'll go find him, Judge.

2 JUDGE PRIDGIN: We'll go off the record
3 briefly.

4 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

5 JUDGE PRIDGIN: We're back on the record,
6 and Mr. Harris has taken the stand again.

7 Mr. Harris, you're still under oath. And
8 he is here to be cross-examined on rate case expense.

9 Anything to take up before he's tendered for cross?

10 MR. THOMPSON: I don't believe so.

11 JUDGE PRIDGIN: All right. Thank you.

12 And, Mr. Steiner, do you have questions? Mr. Mills? Any
13 other parties have questions for Mr. Harris?

14 (No response.)

15 JUDGE PRIDGIN: Mr. Mills, when you're
16 ready, sir.

17 V. WILLIAM HARRIS testified as follows:

18 CROSS-EXAMINATION BY MR. MILLS:

19 Q. Mr. Harris, you made a correction to your
20 testimony yesterday that I believe you changed the word
21 amortization to normalization in one spot. Can you
22 explain the rationale for that change to me?

23 A. Well, the rationale was simply that was --

24 MR. STEINER: What page are we on in your
25 testimony? Where was that correction made?

1 THE WITNESS: Page 5, line 3. Excuse me.
2 That's -- yeah, that's the one. When I prepared my
3 prefiled testimony, I started with a boilerplate in the
4 beginning with educational background and all that, and
5 then I went through and did issue by issue. On the
6 section on rate case expense, which I believe is on
7 page 22 -- yes, at the top of page 22 --

8 MR. THOMPSON: Which of your pieces of
9 testimony are we in?

10 THE WITNESS: The direct testimony.

11 MR. THOMPSON: Thank you.

12 THE WITNESS: Line 6, I made the statement,
13 which has been the case since the Staff's position all
14 along, this adjustment -- the question was, please
15 describe adjustment S79.3, and the answer was, this
16 adjustment normalizes rate case expense over a three-year
17 period.

18 In putting together my executive summary,
19 which is the last thing I did, I inadvertently put in the
20 word amortize instead of normalize, but it's always been
21 the Staff's position, as it has been for as long as I'm
22 aware of, as long as I've been with the Commission at
23 least, that rate case expense has always been normalized.

24 BY MR. MILLS:

25 Q. And is that your position in this case?

1 A. If you need a reference again, that's
2 page 22 of my direct.

3 MR. MILLS: May I approach?

4 JUDGE PRIDGIN: You may.

5 BY MR. MILLS:

6 Q. I'm going to show you what's Staff's
7 Supplemental Prehearing Brief filed in this case just a
8 few days ago. Is it your position -- hang on a second.

9 MR. MILLS: I don't have any further
10 questions. Thank you.

11 JUDGE PRIDGIN: Mr. Mills, thank you.
12 Mr. Steiner?

13 MR. STEINER: Thank you.

14 CROSS-EXAMINATION BY MR. STEINER:

15 Q. Good morning, Mr. Harris.

16 A. Good morning, Mr. Steiner.

17 Q. Go to page 22 of your direct.

18 A. Yes, I'm there.

19 Q. Lines 13 and 14, you indicate Staff will
20 work with KCPL to establish an ongoing normalized level of
21 rate case expense for inclusion in rates. Do you see
22 that?

23 A. Yes.

24 Q. What do you mean by the term normalized
25 here?

1 A. By normalized I mean that it's an expense
2 that doesn't occur, is not expected to occur on an annual
3 basis, and it's therefore put into the case, and in this
4 case normalized over three years rather than expense it
5 all in one year, since it's not a normal expense. And as
6 far as the ongoing level, I'm getting monthly updates, I
7 believe it's Data Request 357 from the company updating
8 their monthly expenses, their rate case expenses, and we
9 will take that through the September 30th period.

10 Q. Thank you. So you chose three years, then,
11 as your figure to normalize rate case expense; is that
12 correct?

13 A. Yes.

14 Q. So you believe it's more likely that a KCPL
15 rate case will occur every three years than every two
16 years or every one year; is that correct?

17 A. That's rather hard to gauge based on the
18 fact that, you know, it's been 20 years. The reason I
19 chose the three is because they're not required -- their
20 regulatory plan doesn't require it for another three
21 years. So that was -- that was why I chose three.

22 MR. STEINER: Thank you, Mr. Harris.

23 JUDGE PRIDGIN: I have no questions for
24 this witness.

25 Redirect?

1 MR. THOMPSON: No questions, your Honor.

2 JUDGE PRIDGIN: All right. Thank you. May
3 this witness be excused on this issue?

4 (No response.)

5 JUDGE PRIDGIN: Okay. Mr. Harris, thank
6 you.

7 Next looks like corporate projects and
8 strategic initiatives, Ms. Wright. Ms. Wright, you're
9 still under oath. Anything we need to cover before she's
10 tendered for cross?

11 MR. STEINER: No, your Honor.

12 JUDGE PRIDGIN: Thank you. Mr. Thompson,
13 do you wish cross? Any other parties wish cross of
14 Ms. Wright on this issue?

15 MR. THOMPSON: I want cross.

16 JUDGE PRIDGIN: When you have time.

17 MR. THOMPSON: Thank you, your Honor. I
18 think now would be convenient.

19 LORI A. WRIGHT testified as follows:

20 CROSS-EXAMINATION BY MR. THOMPSON:

21 Q. Help me understand this issue. It is the
22 company's position that the amount that's been deferred
23 should be included in rate base; is that correct?

24 A. That's correct.

25 Q. In which case you would earn a return on

1 the deferred amounts?

2 A. That's correct.

3 Q. Are you aware of any situation where the
4 Commission has allowed a return on a deferred amount of
5 that type?

6 A. I didn't research that particular issue,
7 no.

8 MR. THOMPSON: Okay. So no further
9 questions.

10 JUDGE PRIDGIN: Mr. Thompson, thank you. I
11 don't have any questions for this witness.

12 Any other questions on corporate projects
13 for Ms. Wright?

14 (No response.)

15 JUDGE PRIDGIN: All right. Ms. Wright,
16 thank you.

17 Mr. Vesely. Would you rather put
18 Mr. Hyneman on first? Mr. Hyneman. Mr. Hyneman, you're
19 under oath from yesterday. Anything we need to cover
20 before he's tendered for cross?

21 CHARLES R. HYNEMAN testified as follows:

22 DIRECT EXAMINATION BY MR. THOMPSON:

23 Q. Any corrections to your testimony that you
24 haven't made yet?

25 A. No.

1 MR. THOMPSON: Very good. I tender the
2 witness for cross, your Honor.

3 JUDGE PRIDGIN: Thank you. Mr. Steiner,
4 will you have cross?

5 MR. STEINER: Yes.

6 JUDGE PRIDGIN: Any other parties?

7 (No response.)

8 JUDGE PRIDGIN: Mr. Steiner, when you're
9 ready.

10 CROSS-EXAMINATION BY MR. STEINER:

11 Q. Good morning, Mr. Hyneman.

12 A. Good morning.

13 Q. If you go to page 14 of your surrebuttal,
14 line 2, you say, no material weakness in KCPL's management
15 existed to be corrected by these projects. Do you see
16 that?

17 A. Yes.

18 Q. Mr. Hyneman, can management simply rest on
19 its laurels once it achieves an acceptable level of
20 performance?

21 A. In my testimony, I did not indicate that
22 KCPL had an acceptable level of performance. I think
23 according to them it was outstanding.

24 Q. Okay.

25 A. Now, rest on its laurels, I would say no.

1 You always want to have a continuous improvement or
2 training program going on.

3 Q. On page 17 of your surrebuttal, lines 8
4 through 10 --

5 A. Yes.

6 Q. -- did KCPL propose the five-year
7 amortization of project costs?

8 A. No, they agreed to that.

9 Q. What did KCPL propose?

10 A. I believe they proposed that it all should
11 be included in the test year cost of service.

12 Q. So as an expense?

13 A. Yes.

14 Q. And Staff chose that -- not to kick out
15 that expense, correct?

16 A. When you say kick out, you mean eliminate
17 from recovery in rates?

18 Q. Yes.

19 A. Yes.

20 Q. I was using the vernacular.

21 A. Right. No. We decided that these costs
22 are nonrecurring, and nonrecurring costs can either be
23 eliminated because they're not a recurrent cost of
24 providing service or you can defer them and recover them
25 over a reasonable period. We chose that these costs were

1 reasonable, so we proposed a recovery period.

2 Q. You proposed five years?

3 A. Yes.

4 Q. Because there would be future benefits over
5 five years?

6 A. No. We chose five years as an amortization
7 or a recovery of an expense. Normally five years is kind
8 of the rule of thumb for expense recovery, as opposed to
9 capital recovery.

10 Q. So there's no -- Staff wasn't concerned
11 that there would be future benefits?

12 A. It's -- Staff was not prepared to make a
13 determination that there was or wasn't. When you look at
14 an expense, you look at is it reasonable, is it prudent,
15 and we determined that those costs were, so we allowed
16 normal recovery of one-fifth of those costs in the test
17 year.

18 Q. And these costs are, for lack of a better
19 word, constitute training and redevelopment of KCPL
20 employees?

21 A. I don't know if I would characterize it as
22 redevelopment. I'm not sure what that means, but they are
23 basically related to training.

24 Q. And you determined that the training,
25 expenses for training were reasonable; is that correct?

1 A. Yes. By its nature, training costs are
2 recurring each year and are reasonable costs.

3 Q. But these costs aren't recurring every
4 year, they occur during the test year and you're going to
5 allow recovery over five years; is that correct?

6 A. Well, these costs were part of a training
7 project. KCPL determined that it needed to upgrade the
8 skill level of its management for reasons which I outline
9 in my testimony are not known, but they determined that
10 they needed to upgrade the skill level, so they made these
11 major investments in these training programs and outside
12 consultants and decided to pursue a project.

13 Now, these projects don't recur every year,
14 so Staff was faced with a decision, do we eliminate the
15 cost as nonrecurring or do we propose a recovery over a
16 reasonable amortization period? We chose the latter.

17 Q. Would a training program that does not
18 provide future benefits be reasonable in Staff's opinion?

19 A. Again, I've seen no published Staff opinion
20 on that question. I can only give you my opinion on that.
21 My opinion is that if there was a need for training,
22 recurring training and it was provided, I think the
23 benefits in that way would be hard to measure.

24 Q. But you determined the benefits were
25 reasonable?

1 A. I determined that the costs of the training
2 program were reasonable, the nature of the costs. I made
3 no determination on the benefits.

4 Q. But you wouldn't allow a cost that did not
5 inure to the benefit of the company; is that correct?

6 A. You'd have to give me an example on that, I
7 can't -- I would be --

8 Q. If they paid \$10 for a consultant and the
9 consultant did no work, you would disallow that expense;
10 is that correct?

11 A. I would hope that the company would not
12 propose recovery of that. Now, given the --

13 Q. If they did, you would disallow it?

14 A. If they did, yes, I would recommend that
15 that cost not be recovered.

16 Q. So when you're looking at the
17 reasonableness of the cost, you make some determination as
18 to what benefits the company has received for paying that
19 cost?

20 A. No. When you look at training costs,
21 there's a presumption that those are expenditures the
22 company makes or made with the intention of securing
23 benefits. I don't know if any company would spend a \$1.2
24 million on training and expect no benefits. So the
25 presumption on training is that they will eventually

1 result in benefits. That's a presumption that we as a
2 Staff made in this case.

3 Q. Eventually result in benefits?

4 A. Potentially result in benefits.

5 Q. Potentially result in benefits?

6 A. Yes.

7 Q. Okay. And you made no determination of
8 when those benefits would occur based on the training?

9 A. I made assumption in my surrebuttal
10 testimony that if benefits did materialize, if they did
11 occur, if the management did produce better results as a
12 result of the training, that those benefits would last,
13 and I think at least 15, 20-year period. I mean, they
14 wouldn't be a snapshot period and the benefits go away.
15 They would last a longer period of time.

16 MR. STEINER: Thank you, Mr. Hyneman.

17 JUDGE PRIDGIN: Any further cross?

18 (No response.)

19 JUDGE PRIDGIN: I think I have just a few
20 questions.

21 QUESTIONS BY JUDGE PRIDGIN:

22 Q. Mr. Hyneman, if you're presented with a
23 cost for some sort of training program, you have to
24 determine at some time whether you think the concept
25 behind the training cost is reasonable and whether the

1 cost for that training program is reasonable and should be
2 allowed; is that correct?

3 A. When we -- when the company has their
4 normal management training every year, we don't look
5 closely at that time to make sure that it's, you know,
6 well designed. We don't claim to have expertise in that.
7 When a company makes a special expenditure, spends a
8 million dollars on outside projects that result in
9 training, we do look more closely at it and specifically
10 to determine how the cost should be recovered.

11 We did look at the nature of these. We did
12 determine that they had an intent to benefit the company.
13 So we determined that the cost should be recovered in
14 rates.

15 Q. It has the intent, but obviously nobody
16 knows --

17 A. No.

18 Q. -- what benefit, if any, the program will
19 have?

20 A. That's correct.

21 JUDGE PRIDGIN: All right. Thank you. Any
22 recross?

23 (No response.)

24 JUDGE PRIDGIN: Redirect?

25 REDIRECT EXAMINATION BY MR. THOMPSON:

1 Q. Mr. Hyneman, in your opinion, would Staff
2 have been justified in excluding all of these expenses
3 from the cost of service?

4 A. Would it have been justified? It would
5 have been a reasonable position to take, yes.

6 Q. And is that because these are nonrecurring
7 costs?

8 A. That is correct.

9 Q. And a nonrecurring cost that is a unique
10 cost is something the company doesn't absolutely have to
11 spend every year to provide service?

12 A. That is correct.

13 Q. But by allowing recovery of these costs,
14 Staff is recognizing, as I think you testified, that there
15 is benefit, correct?

16 A. Potential benefits. We have no idea if
17 they have or will result in benefits, but because the
18 expenditures were made with the intention of improving
19 management performance, we think it was a reasonable cost.

20 Q. But because it's a one-time expense, in
21 your opinion, it would be unreasonable, would it not, to
22 put the entire amount into rates?

23 A. The reason that it should not be in rate
24 base is because these costs do not constitute an asset,
25 and --

1 Q. I understand. My question, though, in
2 other words, the way Staff treated it or proposes to treat
3 it is to allow one-fifth of the cost to be recovered as an
4 expense every year; isn't that correct?

5 A. That is correct.

6 Q. And that is because of the nonrecurring
7 nature, if you put all of it into rate base as an expense
8 as the company evidently originally proposed, it would be
9 a windfall to the company, would it not?

10 A. Yes, it would.

11 Q. Now, the current fight is over the
12 company's proposal to treat the deferred portion as an
13 asset and include it in rate base, correct?

14 A. Correct.

15 Q. Are you aware of any instance where the
16 Commission has allowed that kind of treatment of a
17 deferred expense?

18 A. Not for any costs that are in the nature of
19 these costs, no.

20 MR. THOMPSON: Okay. No further questions.
21 Thank you.

22 JUDGE PRIDGIN: Any further questions for
23 Mr. Hyneman on corporate projects?

24 (No response.)

25 JUDGE PRIDGIN: Mr. Hyneman, thank you.

1 You may step down.

2 Mr. Vesely? Mr. Vesely, you're still under
3 oath. Mr. Thompson, anything, any house cleaning before
4 he's tendered for cross?

5 MR. THOMPSON: No, your Honor. Tender the
6 witness.

7 JUDGE PRIDGIN: Mr. Steiner, do you wish
8 cross?

9 MR. STEINER: Just a moment, your Honor.

10 JUDGE PRIDGIN: Certainly. Any other
11 parties anticipate cross-examination?

12 (No response.)

13 JUDGE PRIDGIN: Mr. Steiner, when you're
14 ready, sir.

15 GRAHAM A. VESELY testified as follows:

16 CROSS-EXAMINATION BY MR. STEINER:

17 Q. Mr. Vesely, on page 11 of your direct, you
18 state that Staff is proposing to defer the total costs of
19 these projects and amortize those costs over five years;
20 is that correct?

21 A. Yes.

22 Q. So I take it that the company was proposing
23 something different than five years, correct?

24 A. That's correct.

25 Q. So at this point, when you saw the

1 company's case, you had a choice, you could either
2 disallow the costs or allow the company to recover costs
3 in the future; is that correct?

4 A. That's correct.

5 Q. And you allowed the company to recover
6 costs in the future because you believe the project
7 provided a benefit in the future period of time?

8 A. Well, what I'd like to explain here is
9 Mr. Hyneman and I --

10 Q. Could you just give me a yes or no?

11 A. What I don't want to do is, I don't want to
12 echo or repeat Mr. Hyneman's testimony.

13 JUDGE PRIDGIN: Could you ask your question
14 again, Mr. Steiner? And try to answer the question.
15 You'll have the chance to explain on redirect.

16 BY MR. STEINER:

17 Q. Did you allow a five-year period of
18 recovery because you believed the -- did you allow a
19 five-year amortization because you believed the project
20 provided benefits over a future period of time?

21 A. We believed, as Mr. Hyneman stated, that it
22 was probable -- possible and probable that there were
23 benefits.

24 Q. Benefits in the future?

25 A. Benefits in the future.

1 MR. STEINER: That's all I have.

2 JUDGE PRIDGIN: Mr. Steiner, thank you.

3 Further cross?

4 (No response.)

5 JUDGE PRIDGIN: I have no questions.

6 Mr. Thompson, redirect?

7 REDIRECT EXAMINATION BY MR. THOMPSON:

8 Q. Mr. Vesely --

9 A. Vesely.

10 Q. -- how do you pronounce your name?

11 A. Vesely.

12 Q. Vesely. I apologize.

13 A. That's all right.

14 Q. Mr. Vesely, were you present in the room
15 when Mr. Hyneman was testifying?

16 A. Yes, I was.

17 MR. STEINER: Objection, your Honor. He
18 can only ask questions about my questions to him, not
19 about questions to Mr. Hyneman.

20 JUDGE PRIDGIN: I'm sorry. Asked and
21 answered. I think that is the normal scope of redirect,
22 but the objection wasn't timely so I'll overrule.

23 MR. THOMPSON: I was just trying to do this
24 quickly, but we can take longer. I don't have a problem
25 with that.

1 MR. STEINER: We're ahead of schedule. Go
2 ahead.

3 BY MR. THOMPSON:

4 Q. You testified that you allowed these
5 expenses to be recovered in rates at one-fifth the amount.

6 MR. STEINER: I don't believe he testified
7 in response to my question one-fifth the amount.

8 MR. THOMPSON: Are you going to sustain
9 that?

10 JUDGE PRIDGIN: I'm not sure what the
11 objection is. What's the objection?

12 MR. THOMPSON: Is this just a running
13 commentary?

14 MR. STEINER: I believe in redirect he's
15 allowed to ask questions based on my questions. I did not
16 get a response to he allowed one-fifth of the amount. I
17 don't recall that.

18 JUDGE PRIDGIN: We may have to go to the
19 transcript to verify that. If you'll let Mr. Thompson
20 finish his question and we'll see if it's based on recross
21 or not.

22 BY MR. THOMPSON:

23 Q. I believe you testified that you allowed
24 these expenses to be recovered because you believed there
25 was a possible benefit to the company and thus to the

1 ratepayers from the training; is that correct?

2 A. That's correct, yes.

3 Q. In your opinion, would the Staff be
4 justified in excluding these expenses from recovery?

5 A. Yes, as previously stated.

6 MR. THOMPSON: No further questions.

7 JUDGE PRIDGIN: Mr. Thompson, thank you.

8 Anything else for this witness on this topic?

9 (No response.)

10 JUDGE PRIDGIN: All right. Thank you. You
11 may step down.

12 Ms. Wright, payroll? Are we ready to move
13 on to payroll? Okay. Ms. Wright if you'd take the stand,
14 please.

15 MR. STEINER: I believe that issue has been
16 settled.

17 JUDGE PRIDGIN: Do I hear anything from
18 counsel to the contrary? I was unaware. Does anyone wish
19 any cross-examination of Ms. Wright, Ms. Bolin, Mr. Vesely
20 on payroll? And if you need a moment, that's fine. Do I
21 understand we're going to have no cross-examination on
22 payroll, including administrative and general salaries?

23 MR. THOMPSON: That's my understanding.

24 MR. STEINER: That's correct.

25 JUDGE PRIDGIN: Thank you.

1 MR. THOMPSON: I think the next live issue,
2 your Honor, is maintenance expense.

3 JUDGE PRIDGIN: Mr. Fischer?

4 MR. FISCHER: Yes, your Honor. I think, as
5 I understand it, there's no questions for Mr. Crawford.
6 There may be some questions from the Bench from -- that
7 were directed to John Marshall yesterday. He is also en
8 route. So we could go as far as I think to the true-up to
9 get to witnesses that are actually here. I could put
10 Mr. Rush on to talk about the true-up. I think that is
11 really a procedural question, procedural issue to
12 understand what items are included in true-up. I don't
13 think that's going to take very long.

14 MR. WOODSMALL: Is there a disagreement?

15 MR. FISCHER: So we can --

16 JUDGE PRIDGIN: What I'm hearing,
17 Mr. Fischer, is that we want at least -- that payroll's
18 been settled, that we need -- that we're not going to have
19 any -- no questions on other benefits?

20 MR. FISCHER: That's correct.

21 JUDGE PRIDGIN: That Mr. Marshall is on his
22 way, and we can deal with maintenance expense later.
23 There will be no questions on property taxes?

24 MR. FISCHER: Shannon Green is on the way
25 today. I'm sorry. No. I'm sorry. There are no

1 questions on that issue.

2 JUDGE PRIDGIN: No questions on other
3 benefits, no questions on property taxes. Maintenance
4 expense we'll save for later, and the parties wish to go
5 on to true-up.

6 MR. FISCHER: That's what I would suggest
7 to make some progress.

8 JUDGE PRIDGIN: Okay. Mr. Fischer wishes
9 to go on to true-up. Does anyone object?

10 Decommissioning is settled, Mr. Thompson;
11 is that correct?

12 MR. THOMPSON: That's correct, Judge.

13 JUDGE PRIDGIN: So, Mr. Fischer, you wish
14 to go on to Mr. Rush for cross-examination on true-up?

15 MR. FISCHER: Yes.

16 JUDGE PRIDGIN: Mr. Rush, if you'll raise
17 your right hand to be sworn, please.

18 (Witness sworn.)

19 JUDGE PRIDGIN: Thank you very much, sir.
20 If you would please have a seat. And, Mr. Fischer,
21 anything we need to clean up before cross-examination?

22 MR. FISCHER: Not on this issue, your
23 Honor. He can be tendered.

24 JUDGE PRIDGIN: All right. Thank you.
25 Mr. Thompson, will you have cross-examination?

1 MR. THOMPSON: I will.

2 JUDGE PRIDGIN: Any other parties have
3 cross-examination for Mr. Rush on true-up?

4 MR. WOODSMALL: Yes, your Honor.

5 JUDGE PRIDGIN: Okay. Mr. Woodsmall does,
6 Mr. Mills. Okay. Go back and look at my order of cross.
7 Mr. Woodsmall, when you're ready.

8 TIM M. RUSH testified as follows:

9 CROSS-EXAMINATION BY MR. WOODSMALL:

10 Q. Good morning, Mr. Rush.

11 A. Good morning.

12 Q. Can you tell me your understanding of what
13 the issue is regarding true-up?

14 A. I think I would posture it that it is
15 basically the uncertainty of what issues will be trued up
16 at the time that we get to the September 30 period and add
17 those numbers in, include the updated period.

18 Q. And have you talked to the parties about
19 those issues? Where did this uncertainty arise?

20 A. I think I would start out by saying that it
21 started with a discussion regarding property taxes with
22 the Staff. When there basically in the Stipulation &
23 Agreement, in the regulatory plan, it set out a number of
24 issues that were to be updated or trued up at that point,
25 one of them which was property taxes. During the

1 settlement discussion, parties basically -- or the Staff
2 indicated that they did not plan on updating the property
3 taxes.

4 Q. Is that the only issue that you're aware of
5 that there is a disagreement regarding true-up?

6 A. I think there's also a little bit of
7 uncertainty associated with off-system sales and how that
8 may be treated. It's -- it's a little bit unclear in the
9 Staff's testimony whether they will plan to update the
10 off-system sales and how they intend to do that.

11 They talked about if a certain allocation
12 factor is selected by the Commission, then that they look
13 at maybe updating a number, but if the Commission doesn't
14 do that, then they may not update the number. So there's
15 a little bit of uncertainty about that, which makes it
16 very difficult to try and determine what will and what
17 will not be trued up in this case.

18 Q. Okay. So property taxes, the level of
19 off-system sales and perhaps the allocation of those
20 off-system sales?

21 A. That's correct.

22 Q. Any other issues?

23 A. The third issue might be associated with
24 rate case expenses. I think there's been a lot of
25 discussion about, you know, how we would go about

1 recovering the rate case expenses. The company right now
2 is, you know, it's in October, the month of October. I
3 would say the lion's share of expenses for putting on a
4 rate case are now being incurred through this hearing and
5 the other things that will be required. I think there's a
6 little bit of uncertainty about the actual what numbers
7 will be included if it stops at September, which seems to
8 be the reference by a number of Staff people, or not.

9 So when you talk about the true-up and
10 what may be included in there, I think there are just a
11 lot of -- it's not clear at this time.

12 Q. Any other issues that you're aware of?

13 A. No.

14 Q. Okay. Now, procedurally I'm a little bit
15 confused. When is it your understanding that true-up
16 testimony's supposed to be filed?

17 A. I believe the company is to submit records
18 associated with the true-up of information -- I believe
19 it's October 21st. I think in early November the parties
20 are to file testimony associated with the true-up, and I
21 believe then there is a hearing scheduled after that to
22 address the true-up.

23 Q. Okay. When would you expect a Report and
24 Order out of the Commission in this case?

25 A. I would assume that would be in December.

1 Mr. Mills?

2 CROSS-EXAMINATION BY MR. MILLS:

3 Q. Mr. Rush, have you read KCPL's Prehearing
4 Brief on this issue?

5 A. Yes.

6 Q. Do you have anything -- do you disagree
7 with that Brief?

8 A. No.

9 MR. MILLS: I don't have any other
10 questions, then. Thank you.

11 JUDGE PRIDGIN: Mr. Mills, thank you.

12 Mr. Thompson?

13 CROSS-EXAMINATION BY MR. THOMPSON:

14 Q. Would you be surprised, Mr. Rush, if I told
15 you that in a rate case the specific accounts subject to
16 true-up are normally designated by the Commission in an
17 Order?

18 A. No, I wouldn't be surprised.

19 Q. To your knowledge, has there been such an
20 Order in this case?

21 A. I don't think so. There was an Order that
22 came out of the regulatory plan that said what would be
23 those trued-up items anticipated in the first rate case.
24 So I think in the EO docket there was actually a document
25 that addressed what items would be trued up.

1 Q. Are you referring to the Stipulation &
2 Agreement approved by the Commission in Case EO-2005-0329?

3 A. Yes.

4 MR. THOMPSON: May I approach, your Honor?

5 JUDGE PRIDGIN: You may.

6 BY MR. THOMPSON:

7 Q. I'm going to show you what's been
8 marked as Exhibit No. 143, which I believe includes that
9 Stipulation & Agreement.

10 A. All right.

11 MR. FISCHER: Page 30?

12 BY MR. THOMPSON:

13 Q. Have you found it?

14 A. Yes.

15 Q. Could you read it?

16 A. The entire page or where it starts talking
17 about those --

18 Q. Read the list of items to be trued up that
19 you've told us is included in that Stipulation.

20 A. The specific list of items to be included
21 in the true-up proceeding shall be mutually agreed upon
22 between KCPL and the signatory parties or ordered by the
23 Commission during the rate case. However, signatory
24 parties anticipate that the true-up items will include but
25 not necessarily be limited to revenues, including

1 off-system sales, fuel prices and purchased power costs,
2 payroll and payroll-related benefits, plant in service,
3 property taxes, depreciation, other items typically
4 included in a true-up proceeding before the Commission.

5 Q. You've already testified that, to your
6 knowledge, the Commission has not specified a list of
7 accounts by order, correct?

8 A. That's correct, in this case.

9 Q. In this case. In this case, are you aware
10 whether or not the parties have reached a mutual agreement
11 as to the accounts to be trued up?

12 A. I think I'm a little uncertain on that
13 issue.

14 Q. So is that a no?

15 A. No.

16 MR. THOMPSON: No further questions, your
17 Honor.

18 JUDGE PRIDGIN: Mr. Thompson, thank you.

19 MR. THOMPSON: I'll get my exhibit back.

20 JUDGE PRIDGIN: Certainly. Any other cross
21 before we go on to redirect?

22 (No response.)

23 JUDGE PRIDGIN: Mr. Fischer?

24 MR. FISCHER: Yes.

25 REDIRECT EXAMINATION BY MR. FISCHER:

1 Q. Mr. Rush, is it your understanding that the
2 Staff was a signatory in the Stipulation & Agreement and
3 that was approved in Case EO-2005-0329?

4 A. Yes.

5 Q. And I believe the reference you just read
6 included the statement that property taxes would be trued
7 up; is that your understanding?

8 A. That's correct.

9 MR. THOMPSON: I object. I think that
10 mischaracterizes the testimony. I believe that the
11 language that he read indicates that they anticipate, but
12 the language clearly provided that there would either be a
13 Commission order or an agreement of the parties.

14 JUDGE PRIDGIN: I will overrule the
15 objection simply because he's already answered the
16 question. The objection's not timely.

17 MR. THOMPSON: Move to strike.

18 JUDGE PRIDGIN: Mr. Fischer?

19 MR. FISCHER: I'm sorry. Move to strike on
20 what grounds?

21 MR. THOMPSON: That the question, the
22 response mischaracterized the agreement which he just
23 read.

24 MR. FISCHER: That's, I think, the opinion
25 of Mr. Thompson.

1 JUDGE PRIDGIN: I will overrule.

2 Mr. Fischer.

3 BY MR. FISCHER:

4 Q. Mr. Rush, have you read the Public
5 Counsel's Brief on this issue? I believe he asked you a
6 question about whether you'd read our Brief?

7 A. Yes, I have.

8 MR. WOODSMALL: Your Honor, I'd object to
9 any questions. They're clearly outside the bounds of any
10 cross-examination.

11 JUDGE PRIDGIN: Mr. Fischer?

12 MR. FISCHER: Your Honor, I think Public
13 Counsel asked whether he had read the Brief of KCPL.

14 JUDGE PRIDGIN: I believe he did as well.
15 So I'll overrule.

16 MR. WOODSMALL: But I don't recall any
17 questions regarding OPC's Brief, just as I don't recall
18 any questions regarding any other documents.

19 MR. FISCHER: I'll withdraw the question.

20 BY MR. FISCHER:

21 Q. Mr. Rush, do you understand the parties,
22 the Public Counsel's position on the true-up issue in this
23 case?

24 A. Yes. Office of Public Counsel's position
25 in their Brief basically says we will follow the

1 guidelines established in the EO docket that was
2 referenced, and it actually cites and then reads into the
3 record that those are the things to be updated.

4 MR. FISCHER: May I approach the witness?

5 JUDGE PRIDGIN: You may.

6 BY MR. FISCHER:

7 Q. Mr. Rush, I'd like to show you the Public
8 Counsel's Brief on that. Would you read the last sentence
9 on that that indicates what Public Counsel's position is
10 on that?

11 A. Public Counsel suggests that the above list
12 is the mandatory starting point for the elements to be
13 included in the true-up.

14 Q. Okay. Now I'd like to show you the Brief
15 of the Commission Staff on this issue, and ask you to read
16 into the record the statement regarding property taxes.

17 A. Yeah. This is addressing the items to be
18 trued up in Staff's position, and it's under the income
19 statement. It's item No. 13, and under the words it
20 states, No. 13, property taxes, then it has a dash, if
21 applicable and appropriate, and that's obviously where one
22 of the significant questions come in is when it says if
23 applicable and appropriate.

24 Q. Do you know what that means?

25 A. I have no clue. I mean, it means that they

1 will or will not based on some determination somewhere
2 decide whether they update in true-up those numbers.

3 Q. And what does it indicate on the off-system
4 sales?

5 A. It indicates that the -- under the income
6 statement again, under No. 2, it says, the true-up -- it's
7 talking about what things will be trued up and it says,
8 No. 2, margin from off-system sales. And again, is --
9 then reading the testimony of Mr. Traxler indicates it
10 will be a high -- it may be a different number than a
11 true-up, depending on what the outcome of the allocation
12 factor will be in Staff's position. Again, it's uncertain
13 of what they intend to do there.

14 Q. If the parties came to a mutual agreement
15 that property taxes would be trued up and that the margin
16 on off-system sales would be trued up, are there any
17 other -- would that take care of this issue from your
18 perspective?

19 A. I just think that we need to recognize
20 that rate case expenses, the significant nature of that
21 will need to -- we need to look at the actual expenses
22 being incurred today, rather than cutting it off at
23 September 30th. That's the position I would believe needs
24 to be reflected in there. I think the company should be
25 able to recover the actual rate case expenses that are

1 incurred in processing the case.

2 MR. FISCHER: I believe that's all the
3 questions I have, your Honor.

4 JUDGE PRIDGIN: Mr. Fischer, thank you.
5 Anything else for Mr. Rush on the true-up issue?

6 (No response.)

7 JUDGE PRIDGIN: Mr. Rush, thank you. You
8 may step down.

9 Will Mr. Featherstone be next on this
10 issue?

11 MR. THOMPSON: I believe so, your Honor.

12 JUDGE PRIDGIN: If you'll raise your right
13 hand to be sworn.

14 (Witness sworn.)

15 JUDGE PRIDGIN: Thank you very much. If
16 you would have a seat, sir. And, Mr. Thompson, anything
17 to clear up before cross?

18 CAREY G. FEATHERSTONE testified as follows:

19 DIRECT EXAMINATION BY MR. THOMPSON:

20 Q. Mr. Featherstone, do you have any
21 corrections to make to your prefiled testimony?

22 A. Not that I know of right now.

23 Q. And are you going to be testifying on any
24 further issues in this case?

25 A. I am.

1 MR. THOMPSON: Very well. No matters, your
2 Honor, we tender the witness.

3 JUDGE PRIDGIN: Mr. Thompson, thank you.
4 Mr. Fischer, you'll have cross?

5 MR. FISCHER: Yes, just a couple.

6 JUDGE PRIDGIN: Other parties?

7 (No response.)

8 JUDGE PRIDGIN: Mr. Fischer, when you're
9 ready, sir.

10 CROSS-EXAMINATION BY MR. FISCHER:

11 Q. Good morning, Mr. Featherstone.

12 A. Good morning.

13 Q. Does the Staff intend to true-up property
14 taxes in this case?

15 A. No, it does not.

16 Q. Did the Staff anticipate at the time it
17 signed the Stipulation & Agreement in EO-2005-0329 that it
18 would true-up property taxes in the first rate case filed
19 following the regulatory plan?

20 A. Not the way we annualize or calculate
21 property taxes. We would not be in a position to true-up
22 for what is referred to as additional plant that occurs or
23 that is installed on the company's system post January
24 1st, which is the assessment date of property taxes.

25 Q. I think my question was, at the time you

1 signed the Stipulation, did you anticipate that property
2 taxes would be trued up?

3 A. No.

4 Q. When you state -- or when the Stipulation &
5 Agreement states, however, the signatory parties
6 anticipate that the true-up items will include, but not
7 necessarily be limited to, and it includes property taxes,
8 you're saying that you didn't really anticipate that
9 property taxes would be trued up; is that correct?

10 MR. THOMPSON: I object. There's no
11 indication that Mr. Featherstone signed the document. I
12 mean, he's asking him what Staff intended. Is he asking
13 what Mr. Featherstone understands? Do you understand the
14 problem here?

15 JUDGE PRIDGIN: I believe I do.
16 Mr. Fischer, was your question what Mr. Featherstone's
17 understanding was?

18 MR. FISCHER: Well, I know the Staff does
19 not always speak with one voice. However, I thought that
20 Mr. Featherstone was the witness on the true-up issue.

21 JUDGE PRIDGIN: I'll overrule and let him
22 answer to the extent that he knows. So do you need to --
23 Mr. Featherstone, do you need the question asked again?

24 THE WITNESS: No. I was involved in the
25 regulatory plan process and was involved specifically with

1 the setting up the discussions that we had regarding the
2 four rate cases, the planning of the timing of them and
3 the filing dates and so on and so forth, so I'm -- I was
4 involved in this matter. That list was a partial list at
5 best. It was intended be a fairly noncontroversial list.
6 It was not intended to get into the merits of any
7 particular issue, including property taxes.

8 We did not want to get into a process where
9 we were trying to box or foreclose any opportunity for
10 parties to take different positions from the Staff. We
11 knew the position we were going to take with regard to the
12 annualization of property taxes even back when we were
13 doing the 0329 case.

14 BY MR. FISCHER:

15 Q. Is it your testimony, then, that although
16 you knew you didn't intend to --

17 MR. THOMPSON: I object. Who does he mean
18 by you?

19 MR. FISCHER: I'll withdraw the question.

20 BY MR. FISCHER:

21 Q. I'll ask the question, at the time the
22 Staff filed and signed the Stipulation & Agreement, are
23 you suggesting that the Staff, whoever the Staff might be,
24 knew at that time that it did not intend to update
25 property taxes in the true-up in the first rate case?

1 A. We knew that there was a very good
2 likelihood that this could be a contentious issue, that
3 there would be disagreement among the parties, including
4 the company, on how to annualize the property taxes. We
5 also knew the position that we had taken in prior cases,
6 of which I'm sure KCPL is aware of because they do
7 research of those cases. Certainly your firm is involved
8 in many of those cases.

9 So we knew that there was a possibility
10 that there was going to be a contentious issue with regard
11 to this issue. We were not going to litigate it in the
12 329 case.

13 Q. Mr. Featherstone, are you telling me, then,
14 that the signatory parties, specifically Staff, did not
15 anticipate that the true-up items would include property
16 taxes?

17 A. From the Staff perspective, we did not
18 anticipate annualizing property taxes in the manner of
19 which would involve a true-up. However, we understood and
20 believe very strongly that there were going to be other
21 parties, certainly including the company, that might want
22 to take a different position, and we were willing to
23 include that as part of the list so they had that
24 opportunity, which is why there's an issue in this case
25 that's going to be heard at some point, probably today.

1 Q. Are there other items on this list that you
2 did not really anticipate would be trued up at the time
3 you signed your Stipulation & Agreement in EO-2005-329?

4 A. If you could show me, I don't have it
5 memorized from the 329. It was a partial list. It was
6 not an all-inclusive list, and I think that the key
7 operative words is that the parties were to really get
8 together in this case and decide what -- what the list
9 would be, what it would include in total.

10 Q. Would you read that sentence into the
11 record again?

12 A. Well, this isn't the 329 stipulation. This
13 is the Public Counsel Brief.

14 Q. I'm sorry. It quotes from that. I can get
15 you the actual document, if you need it.

16 A. Please.

17 Q. Okay. Mr. Featherstone, I'm handing you
18 the Stipulation & Agreement on page 30 related to rate
19 Case No. 1, the 2006 rate case, and I'm referring you to
20 the first little I paragraph, the last sentence in that
21 stipulation. Would you read that into the record?

22 A. Which sentence are you referring to, the
23 last sentence on little I -- A, little I?

24 Q. Yes, it begins, however, the signatory
25 parties anticipate.

1 A. However, the signatory parties
2 anticipate the true-up items will include, but not
3 necessarily be limited to, revenues, including off-system
4 sales, fuel prices and purchased power cost, payroll and
5 payroll-related benefits, plant in service, property
6 taxes, depreciation and other items typically included in
7 true-up proceedings before the Commission.

8 Q. My question to you was, are there other
9 items on that list that at the time you signed that
10 Stipulation --

11 MR. THOMPSON: Objection. There's no
12 showing that Mr. Featherstone ever signed that document.

13 MR. FISCHER: Let me withdraw it.

14 BY MR. FISCHER:

15 Q. At the time the Staff signed the
16 Stipulation -- and who did sign that, by the way, at the
17 back of that document on behalf of the Staff?

18 A. Looks like it's Dana K. Joyce, and it's his
19 signature and Steven Dottheim.

20 MR. FISCHER: Okay. Your Honor, I think
21 the Stipulation speaks for itself, and I don't need to
22 make it difficult for this witness on property taxes.

23 BY MR. FISCHER:

24 Q. I would be interested in knowing, though,
25 if Staff does not intend to true-up in this case any of

1 the other items that are listed in that sentence?

2 A. No. We intend to true-up the other items.

3 Q. With the exception of property taxes?

4 A. Yes, sir.

5 MR. FISCHER: Okay. Thank you.

6 JUDGE PRIDGIN: Mr. Fischer, thank you.

7 Any further cross of this witness?

8 (No response.)

9 QUESTIONS BY JUDGE PRIDGIN:

10 Q. Mr. Featherstone, just briefly, is the
11 reason that Staff does not intend to true-up property tax
12 is because Staff doesn't believe that the amount of the
13 taxes is known and measurable?

14 A. That's correct.

15 JUDGE PRIDGIN: Okay. Thank you.

16 Redirect?

17 MR. THOMPSON: Thank you, your Honor.

18 REDIRECT EXAMINATION BY MR. THOMPSON:

19 Q. Mr. Featherstone, you understand that this
20 Stipulation & Agreement executed by the Staff as well as
21 other parties and approved by the Commission is, in fact,
22 binding on the parties that have signed it; is that
23 correct?

24 A. I do.

25 Q. Okay. But you don't understand this as

1 requiring Staff to true-up an area that is not known and
2 measurable, do you?

3 A. That's right.

4 MR. THOMPSON: No further questions.

5 JUDGE PRIDGIN: All right. Thank you.

6 Anything else for Mr. Featherstone on true-up?

7 (No response.)

8 JUDGE PRIDGIN: All right. I normally
9 don't like to break in the middle of an issue. Looks like
10 we still have two witnesses, Mr. Traxler and
11 Mr. Trippensee on true-up. Maybe I can briefly poll the
12 parties to see what kind of cross-examination they would
13 anticipate.

14 MR. FISCHER: The company won't have any.

15 MR. THOMPSON: Your Honor, I don't think
16 this issue is even properly in front of the Commission.
17 As Mr. Woodsmall pointed out, this is a matter for a
18 pleading, not a matter for testimony by witnesses.
19 Typically in my experience in rate cases, the Commission
20 sets a list of specific items to be trued up early in the
21 case.

22 In this case, where we had the regulatory
23 plan, it allows for that procedure, specifically
24 references the Commission order, and it refers to a mutual
25 agreement of the parties. It refers to that as something

1 to occur in the future. It doesn't speak of it as though
2 this Stipulation & Agreement is the mutual agreement of
3 the parties.

4 Now, I understand the company's concern
5 that there is a list of issues in here that specified as a
6 starting point, and that's acceptable, but we still don't
7 have a Commission Order or a mutual agreement, and I
8 just -- I don't think this matter is properly in front of
9 the Commission.

10 JUDGE PRIDGIN: Mr. Fischer?

11 MR. FISCHER: Your Honor, if I could just
12 address that briefly?

13 Typically we try to resolve all
14 methodological issues in the context of an evidentiary
15 hearing so that there aren't differences of philosophy to
16 be addressed in the true-up proceeding, and that's
17 certainly what the company would like to do in this case,
18 so that we're basically not arguing about philosophy but
19 only numbers at the true-up.

20 However, we thought we had an understanding
21 with signatory parties to that case what items would be
22 trued up, and apparently that was not correct, and that's
23 the reason we're raising it, just to understand the
24 intentions of the parties.

25 JUDGE PRIDGIN: I'm sorry. Mr. Mills, did

1 you have something?

2 MR. MILLS: I was just going to say, while
3 I'm not sure I disagree with Mr. Thompson, I think unless
4 he has questions for Mr. Trippensee, we're done with these
5 issues anyway, so I think all the other parties said they
6 had no more cross.

7 JUDGE PRIDGIN: I understand we have no
8 cross-examination for Mr. Traxler or Mr. Trippensee on the
9 true-up issue?

10 MR. THOMPSON: That's correct.

11 MR. MILLS: I certainly don't.

12 JUDGE PRIDGIN: All right. That seems to
13 be the perfect time to break. It looks like the time on
14 the clock at the back of the room is 10 after 10. Let's
15 take 15 minutes, we will resume at 10:25.

16 We're off the record.

17 (A BREAK WAS TAKEN.)

18 JUDGE PRIDGIN: We're back on the record.
19 It is about ten after one in the afternoon, and during the
20 break I received I guess what I would call a proposed
21 updated procedural schedule from Mr. Mills, and let me go
22 over it real quickly and see if everybody's on the same
23 page.

24 I understand that we would go ahead and
25 take fuel and purchased power expense testimony from

1 Mr. Blunk, and if I recall correctly, were there any
2 questions for Mr. Crawford?

3 MR. THOMPSON: There were not.

4 JUDGE PRIDGIN: And then Mr. Bender,
5 Mr. Hyneman, and Mr. Smith, of course, we would take out
6 of order, and then continue on as we had done in the old
7 schedule with Surface Transportation Board litigation, SO2
8 premiums, and the rest of the accounting issues. And then
9 I believe weather normalization has been moved up and
10 customer growth moved up from Friday, the 20th, until
11 tomorrow morning?

12 MR. THOMPSON: That is correct.

13 JUDGE PRIDGIN: And then Mr. Smith, an OPC
14 witness, correct me if I'm wrong, Mr. Mills, on fuel and
15 purchased power and Surface Transportation Board
16 litigation, are those his issues?

17 MR. MILLS: Yes. And the jurisdictional
18 allocation as well.

19 JUDGE PRIDGIN: Jurisdictional allocation.
20 Thank you.

21 MR. MILLS: And off-system sales.

22 JUDGE PRIDGIN: Okay. And we would take
23 Mr. Smith's cross-examination Thursday morning, the 19th.

24 MR. MILLS: He's available all day the 19th
25 and half a day on the 20th, so I'm just guessing that, you

1 know, we'll likely be able to get through with him in half
2 a day, but we have a day and a half if we need it.

3 JUDGE PRIDGIN: Okay. And then
4 depreciation and jurisdictional allocation has been moved
5 up to Friday the 20th.

6 MR. WOODSMALL: Your Honor, the only
7 mention I'd make there is, as I discussed with KCP&L,
8 Mr. Brubaker is only available next week, so even though
9 this indicates him for Friday, we can take him up first
10 thing Monday or at your pleasure next week.

11 JUDGE PRIDGIN: That's fine. Thank you. I
12 recall that being in the old schedule that he's only
13 available the week of the 23rd. And then looking at the
14 remainder of the schedule, that looks like it would leave
15 off-system sales for Monday, the 23rd, if we're taking
16 jurisdictional allocations and depreciation, and then --

17 MR. THOMPSON: That's correct, your Honor.

18 JUDGE PRIDGIN: -- depending on how long
19 that takes, perhaps also Monday getting into cost of
20 capital, and if not, I mean, that's already reserved for
21 Tuesday. And that would leave class cost of service, rate
22 design for Wednesday and Thursday.

23 Mr. Thompson?

24 MR. THOMPSON: We would request that you
25 ask the parties to have their cost of capital witnesses

1 here on Monday in the event that we get into that issue
2 that day.

3 JUDGE PRIDGIN: On Monday the 23rd, have
4 cost of capital witnesses available?

5 MR. THOMPSON: That is correct.

6 JUDGE PRIDGIN: Okay.

7 MR. MILLS: And the problem there is that
8 some of us have got witnesses coming from out of town who
9 have already made plane reservations, and it would be
10 fairly expensive to cancel what's been done and buy
11 another plane ticket with just a few days left, so --

12 JUDGE PRIDGIN: Okay.

13 MR. MILLS: -- we would oppose having --
14 trying to have him available a day early.

15 MR. PHILLIPS: And, Judge Pridgin, our
16 witness is actually testifying in Connecticut Monday and
17 Tuesday, will be in transit on Wednesday -- no, will be
18 here on Wednesday, will get here late Tuesday evening.

19 JUDGE PRIDGIN: Okay.

20 MR. FISCHER: The company also has a couple
21 of outside consultants that will be traveling, so it may
22 be more difficult to do that by Monday.

23 JUDGE PRIDGIN: I understand. I'm also
24 wondering as far as Friday, looks like we would have
25 weatherization and other customer programs left for

1 Friday. Depending on how long some of the other issues
2 take, I'm wondering if the parties would somehow be able
3 to at least potentially get those witnesses moved up,
4 because otherwise we may have a lot of dead space and then
5 have a lot to do that final Friday.

6 MR. FISCHER: We do have George McCollister
7 here today, and it would actually help his schedule if we
8 happen to get far enough along if we could take his
9 testimony on weather normalization.

10 MR. STEINER: I've spoken with Mr. Dottheim
11 and he's checking on whether he could do that today.

12 JUDGE PRIDGIN: Okay. All right.
13 Let's go ahead and begin where we left off, which will be
14 Mr. Blunk, I believe, from KCP&L.

15 Mr. Dottheim? I'm sorry.

16 MR. DOTTHEIM: For one minute, I've been
17 out of the room for a while, so I don't know if there was
18 an explanation regarding the regulatory plan additional
19 amortizations as to why that's not on the proposed revised
20 schedule. We believe that we have a settlement of that
21 issue, at least involving the company, the Staff and the
22 Office of Public Counsel, similar to the settlement that
23 we believe we have in the Empire case.

24 I'm endeavoring to commit the settlement to
25 writing. Because of other prehearing/post-hearing briefs

1 and what have you, I haven't been able to finalize that.
2 I'm hope to do that in the -- in the next day. But we
3 don't know for certain whether all the parties are on
4 board on that settlement, but there will be at least a
5 nonunanimous, I believe, Stipulation & Agreement involving
6 the Staff, the company and the Office of Public Counsel,
7 which I don't presume to speak on their behalf.

8 There are some small, very limited discrete
9 pieces to that that we propose to try at the same time on
10 the cost of capital issue, but that is why what otherwise
11 at one time had loomed as a very major, contentious and a
12 very time-consuming issue at the moment does not appear
13 that that will likely be the case.

14 JUDGE PRIDGIN: Okay. Mr. Dottheim, thank
15 you. It looks as though that would leave quite a bit of
16 time Thursday open, for example, if other parties had
17 cross-examination or the Bench had cross-examination for
18 these witnesses. For now it looks like all we have
19 scheduled for Thursday the 19th would be Mr. Smith's
20 testimony and it sounds like his schedule is pretty free
21 all day the 19th. That might be a good day to catch up on
22 any kind of amortization questions the Bench might have or
23 the other parties might have.

24 MR. DOTTHEIM: Certainly. I think that the
25 parties -- at least I can speak on behalf of Staff. The

1 Staff witnesses will be here. There's a company witness
2 who is a consultant who's based out of the state. The
3 company can speak to whether they were still planning to
4 have him here or not. Otherwise, I think all the other
5 witnesses except for L. Jay Williams, the Empire witness
6 who's shown on the schedule as being available on the
7 afternoon of October 20.

8 JUDGE PRIDGIN: And I believe -- I spoke to
9 Mr. Cooper, and I believe he told me he didn't believe any
10 parties had any cross-examination for him, but he would be
11 available for the Bench if the Commission had any
12 questions for him.

13 Okay. Mr. Dottheim, thank you. I
14 appreciate counsel's working hard to move things around to
15 keep the hearing flowing. Is there anything else from
16 counsel before we get Mr. Blunk on the stand?

17 MR. FISCHER: Not too much, Judge. I just
18 did want to note that Mr. Camfield, I think, who may have
19 been the expert that Mr. Dottheim was referring to, will
20 be here on October 27th. He is out of order on that. I'm
21 sorry. Robert Hriszko was the witness, and it's my
22 understanding that the cross has been waived and there's
23 no need for him to appear.

24 JUDGE PRIDGIN: Okay. Thank you. Anything
25 else before Mr. Blunk takes the stand?

1 (No response.)

2 JUDGE PRIDGIN: Okay. Mr. Blunk, if you'll
3 come forward to be sworn, please. And this will be
4 cross-examination on fuel and purchased power expense.
5 Mr. Blunk, if you'll raise your right hand to be sworn,
6 please.

7 (Witness affirmed.)

8 JUDGE PRIDGIN: Thank you very much. If
9 you would please have a seat.

10 And anything we need to clean up before
11 cross?

12 WM. EDWARD BLUNK testified as follows:

13 DIRECT EXAMINATION BY MR. FISCHER:

14 Q. Mr. Blunk, do you have any corrections to
15 your direct, rebuttal or surrebuttal testimony?

16 A. No.

17 MR. FISCHER: I would tender the witness
18 for cross.

19 JUDGE PRIDGIN: Thank you, Mr. Fischer.

20 And, Mr. Frey, will Staff have cross-examination?

21 MR. FREY: No.

22 JUDGE PRIDGIN: Anyone, cross-examination
23 for Mr. Blunk?

24 MR. MILLS: One second. I think I do have
25 a couple questions.

1 JUDGE PRIDGIN: Certainly.

2 CROSS-EXAMINATION BY MR. MILLS:

3 Q. Mr. Blunk, have you read the direct
4 testimony of Public Counsel witness Ralph Smith?

5 A. Yes.

6 Q. With respect to fuel and purchased power
7 expense?

8 A. Yes.

9 Q. Do you have any disagreement with his
10 testimony on page 9? I'm sorry. I'm on the wrong page.
11 It's the portion that begins on page 15 and carries on
12 through page 18 concerning natural gas prices.

13 A. As I understand, what Mr. Smith was laying
14 out there was that KCPL was to update -- or he was
15 recommending that we update our natural gas prices, and
16 that is also our understanding. In fact, we -- in my
17 direct testimony I stated we expected to update with
18 actual costs, which we'll do at the September true-up.

19 Q. So you're planning to true-up as he's
20 recommended in the true-up portion of this case?

21 A. We're planning to true-up to actuals, yes.

22 MR. MILLS: Thank you. That's all I have.

23 JUDGE PRIDGIN: Mr. Mills, thank you. Any
24 further cross-examination of Mr. Blunk on this topic?

25 (No response.)

1 JUDGE PRIDGIN: Seeing none, let me see if
2 we have any questions from the Bench. Commissioner
3 Murray?

4 COMMISSIONER MURRAY: Thank you.

5 QUESTIONS BY COMMISSIONER MURRAY:

6 Q. Good afternoon. Is the company's position
7 on this issue consistent with the Staff's position?

8 A. You're referring to the natural gas
9 pricing?

10 Q. Yes.

11 A. Yes.

12 Q. And with OPC's?

13 A. As I understand OPC's position, they simply
14 want us to update to actual data, and that's what we're
15 doing.

16 COMMISSIONER MURRAY: I think that's all I
17 have, then. Thank you.

18 COMMISSIONER APPLING: No questions.

19 JUDGE PRIDGIN: All right. Commissioner
20 Murray, thank you. Commissioner Appling? Thank you. I
21 don't have any questions.

22 Recross?

23 (No response.)

24 JUDGE PRIDGIN: Redirect?

25 MR. FISCHER: None.

1 JUDGE PRIDGIN: May this witness be excused
2 for this topic?

3 (No response.)

4 JUDGE PRIDGIN: Mr. Blunk, thank you.
5 We'll have you back later on. We're going topic by topic
6 here. Mr. Bender for Staff.

7 MR. FISCHER: Judge, I can waive cross on
8 Mr. Bender.

9 JUDGE PRIDGIN: Does anyone wish cross of
10 Mr. Bender?

11 MR. MILLS: I have no questions for
12 Mr. Bender.

13 JUDGE PRIDGIN: Does the Bench have any
14 questions for Mr. Bender? Commissioner Appling, any
15 questions you think for Mr. Bender?

16 COMMISSIONER APPLING: No questions.

17 JUDGE PRIDGIN: All right. Commissioner
18 Murray, do you need a moment?

19 COMMISSIONER MURRAY: None.

20 JUDGE PRIDGIN: All right. Thank you. If
21 we have no questions for Mr. Bender. All right.

22 MR. FREY: Then, your Honor, move for
23 admission of Mr. Bender's direct testimony, which I
24 believe is Exhibit No. 4 -- 104. Maybe somebody can help
25 me with that.

1 JUDGE PRIDGIN: I have his direct as being
2 Exhibit No. 104, and that's been offered into evidence.
3 Any objections?

4 (No response.)

5 JUDGE PRIDGIN: Hearing none, Exhibit
6 No. 104 is admitted.

7 (EXHIBIT NO. 104 WAS RECEIVED INTO
8 EVIDENCE.)

9 JUDGE PRIDGIN: Is that the only topic for
10 Mr. Bender to testify on?

11 MR. FREY: Yes.

12 JUDGE PRIDGIN: All right. Mr. Bender,
13 thank you.

14 Mr. Hyneman. Anybody have any
15 cross-examination for Mr. Hyneman on this topic?

16 (No response.)

17 JUDGE PRIDGIN: Anything from the Bench on
18 Mr. Hyneman on fuel and purchased power?

19 (No response.)

20 JUDGE PRIDGIN: All right. The parties
21 are -- and we'll have Mr. Smith on later in the hearing.
22 If I understand correctly, we'll move on to Surface
23 Transportation Board litigation.

24 Mr. Frey? I'm sorry.

25 MR. FREY: Your Honor, I believe

1 Mr. Hyneman is yet to come up on another issue, so we will
2 not be offering his testimony at this time.

3 JUDGE PRIDGIN: Yes, thank you. Anything
4 else before we move on to Surface Transportation Board?

5 (No response.)

6 JUDGE PRIDGIN: And, Mr. Blunk, if you'll
7 come back to the stand, please. Mr. Frey, will you have
8 cross?

9 MR. FREY: Your Honor, I need to confer
10 with counsel prior.

11 JUDGE PRIDGIN: Absolutely. Do any other
12 parties know if they have cross?

13 Mr. Mills, whenever you're ready.

14 WM. EDWARD BLUNK testified as follows:

15 CROSS-EXAMINATION BY MR. MILLS:

16 Q. Welcome back to the stand. The testimony
17 that you've got regarding surface transportation board
18 costs is essentially in your rebuttal testimony; is that
19 correct? That's where I'm going to focus most of my
20 questions.

21 A. That's where most of it would be, yes.

22 Q. Now, the very first page of your rebuttal
23 testimony, you have a question and answer at the bottom of
24 that page, lines 14 through 17. Have you had a chance to
25 read the surrebuttal testimony of Public Counsel witness

1 Smith on this issue?

2 A. Yes.

3 Q. Do you believe that your answer at line 16
4 and 17 on page 1 of your rebuttal testimony is an accurate
5 summary of what Public Counsel has proposed in this case
6 at this time?

7 A. If I take the last thing that Public
8 Counsel witness Smith said, it seems that he would be in
9 agreement to allow recovery of these costs. However, he
10 does throughout his surrebuttal -- or not throughout, but
11 he does in his surrebuttal speak of rejecting those costs.
12 So I'm not exactly sure what he wants to say.

13 Q. Can you -- do you have a copy of
14 Mr. Smith's surrebuttal testimony there with you?

15 A. Yes.

16 Q. Can you look at pages 7 and 8?

17 A. Yes.

18 Q. Just one second. I'm trying to get a line
19 number for you. Can you look at the answer beginning on
20 line 16?

21 A. Yes.

22 Q. And can you read that answer into the
23 record, please?

24 A. No, it is not. KCPL's costs associated
25 with STB rail case complaint should not be charged to

1 customers in the current KCPL rate case because such costs
2 are not known and measurable and there are no benefits
3 reflected in the current case. This does not mean that
4 there can be no recovery of such costs during a future
5 period when such costs can be appropriately matched with
6 the benefits that KCPL indicates its STB rail case
7 complaint could produce.

8 Q. And that's a fairly significantly different
9 position than your summary in which you say OPC
10 recommended that KCPL not be permitted to recover any of
11 the expense associated with the STB rail rate complaint
12 case. Do you not agree that there is a difference between
13 what you have said and what Mr. Smith has said?

14 A. As I read this answer of Mr. Smith's, it
15 seems that he is in agreement that we should have some
16 recovery at some time.

17 Q. Okay. Now, in your rebuttal testimony on
18 page 3, lines 1 through 6, you identify potential benefits
19 of KCPL's STB claim against the railroad; is that correct?

20 A. Yes.

21 Q. I believe the amounts there are highly
22 confidential, and I'm not going to mention them, at least
23 at this time.

24 On that same page, you note that KCPL
25 expected those refunds to be fully unencumbered at the

1 conclusion of the railroad's probable appeal or sometime
2 in the first quarter of 2009; is that correct?

3 A. Yes.

4 Q. KCPL has not received those refunds yet,
5 has it?

6 A. No.

7 Q. Can KCPL have another rate case before
8 2009?

9 A. I think so.

10 Q. Now, has the Surface Transportation Board
11 suspended KCPL's case?

12 A. Yes.

13 Q. And as a result, does KCPL expect
14 additional slippage in the date when refunds or freight
15 cost savings will be realized?

16 A. If you're referring to the first quarter
17 '09 date slipping, yes.

18 Q. When do you expect that you may get that
19 money?

20 A. We're not sure yet, but we're expecting it
21 to be about a one-year delay, maybe little bit longer than
22 that.

23 Q. So you're talking about recovery sometime
24 in 2010 or later rather than 2009?

25 A. Yes.

1 Q. Okay. Now, your current proposal is to
2 amortize an amount for the STB costs over a five-year
3 period commencing on January 1st, 2007; is that correct?

4 A. Yes.

5 Q. Have you changed the estimate of that cost
6 that you plan to amortize from the amount that you
7 included in your original filing?

8 A. We are reevaluating the estimate. The
9 reason I say that is with Order 657, which is what
10 suspended our case, the STB is rewriting certain key
11 rules, and we're not sure yet what the new evidentiary
12 and -- requirements are going to be under those new rules.
13 And that's where the major case costs come is from the
14 expert witnesses and the kind of things that have to be
15 put together for that case.

16 MR. MILLS: Your Honor, I'd like to have
17 some exhibits marked.

18 JUDGE PRIDGIN: Certainly.

19 MR. MILLS: If I understand the numbering
20 scheme, I think we're at 215, 216 and 217.

21 JUDGE PRIDGIN: Let me verify that. That
22 would be correct. Thank you.

23 (EXHIBIT NOS. 215, 216 AND 217 WERE MARKED
24 FOR IDENTIFICATION BY THE REPORTER.)

25 BY MR. MILLS:

1 Q. And just for purposes of the record, I'll
2 note that what I've caused to be marked as Exhibit 215 is
3 Staff Data Request 152 and KCPL's response thereto, 216 is
4 152.1 and the response, and 217 is 152.2 and its response.
5 And if I may, just to sort of go quickly, Mr. Blunk, do
6 you recognize all three of those Data Requests and the
7 responses?

8 A. Yes.

9 Q. In fact, you provided those responses on
10 behalf of KCPL; is that correct?

11 A. I contributed to them, yes.

12 Q. On at least the first two, your name is the
13 one that's noted under the responded to by line?

14 A. Yes. It's the third, 152.2, that I didn't
15 personally construct.

16 Q. Are you familiar with it and is it an
17 accurate --

18 A. I'm familiar with it.

19 Q. Is it an accurate rendition of KCPL's
20 response to that Data Request?

21 A. To the best of my knowledge, it is.

22 MR. MILLS: With that, I'll offer
23 Exhibits 215, 216 and 217 into the record.

24 MR. FISCHER: Your Honor, I have no
25 objection. I would note they have been designated as

1 highly confidential.

2 MR. MILLS: That is true. They should
3 probably be marked as 215HC, 216HC and 217HC. Thank you.

4 JUDGE PRIDGIN: All right. 215HC, 216HC,
5 217HC are all admitted.

6 (EXHIBIT NOS. 215HC, 216HC AND 217HC WAS
7 RECEIVED INTO EVIDENCE.)

8 JUDGE PRIDGIN: Mr. Mills, thank you.

9 BY MR. MILLS:

10 Q. Now, with respect to Exhibit 217, which is
11 the response to 25.2, can you tell me what that depicts?

12 A. The last table, which is really the
13 response to the request, delineates the results of a query
14 from our accounting system showing various invoices and
15 charges associated with our STB case.

16 Q. And would that be all of the expenses
17 related the to STB case?

18 A. I don't remember if this particular query
19 covers expense. It looks like it does, but I don't
20 remember for certain.

21 Q. Certainly most of the expenses, if not all?

22 A. Yes. Yes. I remember the total, but --

23 Q. And what is the total?

24 A. The total incurred to date is --

25 Q. I'm sorry. This is going to be HC.

1 You're correct. Let me ask you this: Would I be able
2 to -- just for the sake of trying to keep as much of this
3 in the open record as opposed to going in-camera, if I
4 were to total -- on the last page of Exhibit 217, if I
5 were to total the column labeled gross AMT, would that be
6 the total as of the date that this response was provided?
7 Is that the proper column to add?

8 A. I think you want to use the column labeled
9 amount.

10 Q. So that's the second-to-last column?

11 A. Right. There's a subtle difference, but I
12 think that's the correct one.

13 Q. And what is the difference between the
14 gross amount and the amount column?

15 A. It had something to do with how the charges
16 are split. For example, if an invoice -- we do more legal
17 issues using Slover & Loftus than just this case, and so
18 an invoice might be split between different issues.

19 Q. And is the -- are the amounts shown in
20 152.2 Missouri jurisdictional amounts or are they total
21 company amounts?

22 A. This would be total company.

23 Q. And what would be the appropriate
24 jurisdictional allocation factor to use for these?

25 A. I don't know.

1 you.

2 JUDGE PRIDGIN: Commissioner Appling,
3 questions?

4 COMMISSIONER APPLING: I have no questions.

5 JUDGE PRIDGIN: Anything further from this
6 witness on this issue?

7 MR. FISCHER: Your Honor, I have just a
8 couple on redirect.

9 JUDGE PRIDGIN: Yes, sir.

10 REDIRECT EXAMINATION BY MR. FISCHER:

11 Q. Mr. Blunk, Mr. Mills asked you about your
12 description of, I guess, his witness's position that was
13 contained in his rebuttal testimony.

14 A. Yes.

15 Q. Do you recall that?

16 A. Actually, his surrebuttal.

17 Q. I'm sorry. It was his surrebuttal. Your
18 rebuttal testimony would have been filed before his
19 surrebuttal; is that correct?

20 A. Yes.

21 Q. I'd like to refer you to his surrebuttal on
22 page 10, lines 8 through 14.

23 A. Yes.

24 Q. Could you read that into the record just
25 briefly?

1 A. If despite OPC's recommendations to the
2 contrary the Commission decides to permit KCPL to recover
3 some STB-related costs in the determination of revenue
4 requirement in the current case where there has been no
5 benefit to ratepayers demonstrated, at minimum only the
6 actual verifiable cost of the STB complaint incurred
7 through June 30, 2006 update period should be spread over
8 a representative period, such as five years or longer that
9 reflects the relative infrequency of such cases and the
10 future periods benefited from expenditure.

11 Q. Mr. Blunk, is that alternative
12 recommendation generally consistent with the position that
13 you're taking?

14 A. Yes.

15 MR. FISCHER: That's all I have.

16 JUDGE PRIDGIN: Thank you. Any further
17 from this witness on this topic?

18 (No response.)

19 JUDGE PRIDGIN: Okay. And, Mr. Blunk,
20 before I ask you to step down, I think the only other
21 witness we have on this today is Mr. Hyneman for Staff,
22 and before I have Mr. Blunk leave just to come back, will
23 any parties have cross-examination for him on this
24 litigation?

25 (No response.)

1 JUDGE PRIDGIN: All right. Does the Bench
2 anticipate any questions of Mr. Hyneman on Surface
3 Transportation Board litigation? Commissioner Appling,
4 Commissioner Murray?

5 COMMISSIONER MURRAY: I'm sorry. What was
6 the --

7 JUDGE PRIDGIN: That's all right. Do you
8 have any questions for Staff witness Hyneman on Surface
9 Transportation Board litigation?

10 COMMISSIONER MURRAY: No.

11 MR. THOMPSON: We're thinking that we need
12 to get his testimony in now, that he won't be back.

13 MR. MILLS: You're talking about Hyneman?
14 He's coming up for SO2 premiums on the very next issue.

15 MR. THOMPSON: Sorry.

16 JUDGE PRIDGIN: If there's nothing further,
17 we can move on to SO2 premiums and have cross-examination
18 on that issue. Does anyone have cross-examination for
19 Mr. Blunk on SO2 premiums?

20 MR. THOMPSON: No.

21 JUDGE PRIDGIN: No cross-examination?

22 MR. MILLS: I'm sorry. For Mr. Blunk on
23 SO2?

24 JUDGE PRIDGIN: Yes, on SO2.

25 MR. MILLS: No, I have no questions for

1 Mr. Blunk on SO2.

2 JUDGE PRIDGIN: Anything from the Bench?
3 Commissioner Appling, Commissioner Murray?

4 COMMISSIONER MURRAY: Just one.

5 QUESTIONS BY COMMISSIONER MURRAY:

6 Q. Mr. Blunk, I haven't had a chance to review
7 this issue. Can you tell me is your -- is the company
8 position consistent with Staff's position on this issue?

9 A. Yes.

10 Q. And OPC, or is there a difference there?

11 A. There's a difference with OPC.

12 Q. And can you briefly summarize that
13 difference?

14 A. As I understand it, KCPL and Staff are in
15 agreement that for that portion of the price we pay for
16 coal, which represents a premium for sulfur -- or actually
17 a premium for lower sulfur, that we would take that
18 portion and charge it to Account 254 where we've already
19 accumulated a significant quantity of funds related to
20 having sold sulfur dioxide emission allowances.

21 As I understand OPC's position,
22 OPC's position is that that's not permitted under the
23 Stipulation & Agreement. But Staff and company both view
24 that the Stipulation & Agreement provision on this will
25 end December 31, 2006, and there is no provision for 2007.

1 COMMISSIONER MURRAY: Okay. Thank you.

2 JUDGE PRIDGIN: Anything further from the
3 Bench?

4 (No response.)

5 JUDGE PRIDGIN: Any cross based on Bench
6 questions?

7 Redirect? Mr. Mills, I'm sorry.

8 MR. MILLS: I have questions based on the
9 questions from the Bench.

10 JUDGE PRIDGIN: Yes, sir.

11 RE-CROSS-EXAMINATION BY MR. MILLS:

12 Q. Mr. Blunk, where in your testimony do you
13 adopt the Staff's position on this issue?

14 A. It's my rebuttal, and I reaffirm that
15 adoption in my surrebuttal. I'm sorry. It's just in the
16 surrebuttal, at the very last on page 4 of my surrebuttal,
17 starting at line 8, the question is, do you agree with
18 Staff's recommendation to record all of KCPL's coal sulfur
19 premiums in Account 254, regulatory liability?

20 The answer is, yes, KCPL agrees that it is
21 appropriate to record all the company's coal sulfur
22 premiums in Account 254, regulatory liability.

23 Q. And do you have -- do you have there with
24 you a copy of the Stipulation & Agreement from EO-2005-329
25 regulatory plan?

1 A. Yes.

2 Q. The portion of that Stipulation & Agreement
3 that deals with the SO2 allowances at page 9, pages 9 and
4 10.

5 A. Thank you. Yes.

6 Q. Do you see the sentence that reads, but in
7 no event will the charges of the Missouri jurisdictional
8 portion of Account 254 for these premiums exceed \$400,000
9 annually?

10 A. On page 10? Yes.

11 Q. Yes. And the Staff's position, which you
12 adopt in your surrebuttal testimony, how much would that
13 put in Account 254?

14 A. In what year?

15 Q. In any year.

16 A. We have charged for Missouri jurisdiction
17 \$400,000 to Account 254 in 2006, and we charged 400,000 in
18 2005. So 400,000 is all accumulated in a calendar year.

19 Q. So it's your proposal that only \$800,000
20 goes into Account 254; is that correct?

21 A. No. It's my understanding that this
22 expires, because a few lines above that it says, to
23 the extent that KCPL pays premiums for lower sulfur coal
24 up until January 1, 2007, it will then do all that
25 charging the 400,000 to 254. So we read that as up until

1 January 1, 2007, we can charge \$400,000 a year, but as of
2 midnight December 31st, 2006, we can no longer charge
3 under the provisions in the Stipulation & Agreement for
4 coal sulfur premiums.

5 Q. So what does the phrase but in no event
6 mean to you?

7 A. It means that as long as it is applicable,
8 then it can't happen. But I also read that that is
9 expired on January 1, 2007.

10 Q. Now, I'm not -- I'm going to go back to the
11 earlier question because I'm not sure I understood your
12 answer, if you, in fact, answered it. How much in total
13 are you proposing to record in Account 254?

14 A. We're proposing to record into Account 254
15 the total, in this case it would Missouri jurisdictional
16 share of the sulfur premiums that we pay for the coal that
17 we purchased.

18 Q. And do you know what that is in dollars?

19 A. We do not have a defined limit. I can give
20 you a practical limit of what that might likely be, but we
21 don't have a defined limit.

22 Q. Can you give me a balance as of a specific
23 date?

24 A. That is --

25 MR. FISCHER: Is that a confidential

1 number?

2 THE WITNESS: I think so. I think so.

3 MR. MILLS: Your Honor, I'm trying to not
4 go in-camera unnecessarily. I think I will leave it here
5 and then probably need to go in-camera with Staff witness
6 Hyneman, at least in terms of this particular issue.

7 JUDGE PRIDGIN: Okay.

8 MR. MILLS: And I think that's all I have
9 for this witness on this issue.

10 JUDGE PRIDGIN: All right, Mr. Mills.
11 Thank you. Any further cross-examination on this issue?

12 (No response.)

13 JUDGE PRIDGIN: Okay. Anything else from
14 the Bench?

15 (No response.)

16 JUDGE PRIDGIN: Redirect?

17 MR. FISCHER: Just briefly.

18 REDIRECT EXAMINATION BY MR. FISCHER:

19 Q. Mr. Blunk, you were asked some questions
20 about a \$400,000 cap, I guess, for two of the years --

21 A. Yes.

22 Q. -- do you recall those?

23 Did KCPL recognize that \$400,000 cap in
24 those years?

25 A. Yes. We recognized it in 2005 and 2006.

1 Q. Did the actual cost exceed those?

2 A. Significantly.

3 MR. FISCHER: That's all I have. Thank
4 you.

5 JUDGE PRIDGIN: Mr. Fischer, thank you.
6 Anything else for this witness on this
7 topic?

8 (No response.)

9 JUDGE PRIDGIN: All right. Mr. Blunk,
10 thank you. You may step down, sir.

11 Mr. Hyneman?

12 MR. THOMPSON: Judge, if I may, is he
13 coming up for all three topics?

14 JUDGE PRIDGIN: I believe he's already been
15 offered and no cross-examination for fuel and purchased
16 power and Surface Transportation Board, but if other
17 counsel misunderstood or disagreed, I mean, he's here. I
18 understood nobody had any cross on those issues.

19 MR. THOMPSON: Very well, your Honor. We
20 believe this is the last time he's going to testify,
21 so at this time I would offer Exhibits 118 and 119,
22 Mr. Hyneman's direct and surrebuttal testimony.

23 JUDGE PRIDGIN: Okay. And 118 and 119 have
24 been offered. And, I'm sorry, Mr. Thompson, if I could
25 trouble you to hit the mic when speaking.

1 MR. THOMPSON: I apologize.

2 JUDGE PRIDGIN: That's all right. I
3 believe 118 and 119 have been offered. Any objections,
4 Mr. Hyneman's prefiled testimony?

5 (No response.)

6 JUDGE PRIDGIN: No objections. 118 and 119
7 are admitted.

8 (EXHIBIT NOS. 118 AND 119 WERE RECEIVED
9 INTO EVIDENCE.)

10 JUDGE PRIDGIN: Anything else to clear up
11 before he's tendered for cross?

12 MR. THOMPSON: No, your Honor.

13 JUDGE PRIDGIN: Thank you, Mr. Thompson.
14 Mr. Mills, I believe you said you wanted cross-examination
15 of this witness?

16 MR. MILLS: I do. Is it my turn?

17 MR. FISCHER: I have one question.

18 JUDGE PRIDGIN: Okay. I believe -- the
19 order of witnesses, I believe, Mr. Mills, it's your
20 opportunity. Please let me know when you need to go
21 in-camera.

22 CHARLES R. HYNEMAN testified as follows:

23 CROSS-EXAMINATION BY MR. MILLS:

24 Q. Mr. Hyneman, I'm going to do what I
25 probably should never do. I'm going to ask you some

1 open-ended questions. What is it that you proposed in
2 this issue?

3 A. Well, the Staff proposed to basically
4 continue the treatment, the accounting treatment that was
5 agreed to in the Stipulation & Agreement. That is,
6 instead of KCPL charging these SO2 premiums, that it pays
7 monthly or quarterly to its coal suppliers, that it charge
8 that to the SO2 liability that it has, Account 254. It's
9 a regulatory liability. So any charges that it pays its
10 coal suppliers would reduce the regulatory liability that
11 the company has.

12 And continue that treatment on until, you
13 know, it's proposed a change in some subsequent rate case.
14 And we also proposed to reduce that liability by kind of
15 like a normalized expense SO2 premium cost that KCPL has
16 been paying.

17 Q. And what is that normalized level?

18 A. The dollar amount?

19 Q. Is that HC?

20 A. I believe it is.

21 Q. In any event, let me -- let me refer you to
22 something that's not HC, and I believe the reconciliation
23 in this case. Do you have a copy of that?

24 A. Yes, I do.

25 Q. Line 89, is that your understanding of the

1 revenue requirement effect of the rate base difference
2 that Staff has with OPC?

3 A. I haven't looked at the calculation of that
4 number. That was prepared by Staff witness Traxler, and
5 I'm sure it was done correctly, but I haven't done the
6 math to calculate what the proposal, the rate base offset
7 that I propose multiplied by the gross-up factor in this.

8 Q. Does that look like it's in the ballpark?

9 A. I can't attest to that.

10 Q. Okay. Let's go back to Account 254 and the
11 Stipulation & Agreement in EO-2005-329. Were you here in
12 the hearing room when Mr. Blunk read that section of the
13 Stipulation & Agreement?

14 A. Yes.

15 Q. What is your understanding of the phrase
16 but in no event shall exceed \$400,000 a year? And I'm
17 paraphrasing there obviously, rather than quoting.

18 A. Now, my understanding in the context of
19 this paragraph in the Stipulation, that in no event up
20 through December 31st of 2006 will KCPL charge to its
21 fuel -- or to its regulatory liability more than \$400,000
22 on a Missouri jurisdictional basis.

23 Q. Okay. Now, the December 31st, 2006 does
24 not appear in that particular sentence, does it?

25 A. Well, in the paragraph.

1 Q. It does appear in the paragraph?

2 A. Yes. In the context of the paragraph,
3 that's how I understand but in no event.

4 Q. So how does the phrase but in no event in
5 any way limit the rest of that sentence?

6 A. I'm not sure I understand that question.

7 Q. Do you understand that in typical uses the
8 phrase but in no event would be a limitation on what
9 follows it?

10 A. Correct.

11 Q. Okay. In this particular sentence, how
12 does -- given your interpretation, how does the phrase but
13 in no event limit the remainder of that sentence?

14 A. It doesn't limit the remainder of the
15 sentence, but in context with the paragraph, that sentence
16 is no longer applicable after December 31st, 2006, because
17 that's the expiration of the whole agreement for this
18 clause.

19 Q. Now, absent this agreement in the context
20 of the EO-2005-329, would KCPL have been able to recover
21 anything in this case for the amounts it pays for these
22 SO2 premiums?

23 A. Yes.

24 Q. And what would that be? Would that be --
25 not in terms of dollars, just in terms of description?

1 A. It would be whatever annualized normalized
2 level that Staff proposed or it was ordered by the
3 Commission of fuel expense, their cost of, you know,
4 procuring coal, it's embedded in that cost.

5 Q. And as a fuel expense, wouldn't that have
6 normally flowed out of the Staff's fuel model rather than
7 being treated separately?

8 A. Yes, but the input to the fuel model would
9 have been increased by -- I'm not saying how we would have
10 treated it. We could have treated it a couple ways. We
11 could have increased the cost input the fuel model, or we
12 could have taken the premiums out and treated it as a fuel
13 adder, as an addition to fuel expense. It could have been
14 done either way. I think maybe the better way would be to
15 treat it as a fuel adder with an annualized level.

16 MR. MILLS: That's all the questions I
17 have. Thank you.

18 JUDGE PRIDGIN: Mr. Mills, thank you.
19 Mr. Fischer?

20 MR. FISCHER: Just briefly, your Honor.

21 CROSS-EXAMINATION BY MR. FISCHER:

22 Q. Mr. Hyneman, is it your understanding that
23 Staff and KCPL are in agreement that KCPL should be
24 required to charge all of its coal SO2 premiums against
25 the regulatory liability, Account 254 regulatory liability

1 after January 1st of 2007?

2 A. Yes.

3 Q. And could I refer you to page 10 of the
4 Stipulation & Agreement in EO-2005-0329 where it says, to
5 the extent that KCPL pays premiums for lower sulfur coal
6 up until January 1st, 2007, it will determine the portion
7 of such premiums it applied to retail sales and will
8 record the portion of costs to such premiums to Account
9 254. Do you see that?

10 A. Yes.

11 Q. Is your position consistent with that
12 provision?

13 A. Yes. Actually, my position is not affected
14 by that language. My position is for ratemaking treatment
15 post January 1st, 2007, but it doesn't conflict with this
16 language in any way.

17 MR. FISCHER: Very good. Thank you.

18 JUDGE PRIDGIN: Mr. Fischer, thank you.

19 Any questions from the Bench? Commissioner Murray?

20 COMMISSIONER MURRAY: No questions.

21 JUDGE PRIDGIN: Commissioner Appling?

22 COMMISSIONER APPLING: No.

23 JUDGE PRIDGIN: Redirect?

24 (No response.)

25 JUDGE PRIDGIN: If there's nothing further,

1 Mr. Hyneman, thank you.

2 And Mr. Vesely will testify, be
3 cross-examined on SO2 premiums. Are there any questions
4 for him?

5 MR. FISCHER: I have no questions, your
6 Honor.

7 JUDGE PRIDGIN: Mr. Mills, do you need a
8 moment, do you know?

9 MR. MILLS: I'm sorry?

10 JUDGE PRIDGIN: I'm sorry. Mr. Mills, will
11 you have any questions for Mr. Vesely on SO2 premiums?

12 MR. MILLS: No, I don't.

13 JUDGE PRIDGIN: Any cross-examination for
14 this witness on SO2?

15 (No response.)

16 JUDGE PRIDGIN: No questions from the
17 Bench.

18 MR. THOMPSON: Your Honor, this will be
19 Mr. Vesely's last appearance in the case, so we would also
20 offer his direct and surrebuttal, Exhibits 137 and 138, at
21 this time.

22 MR. FISCHER: No objection. Your Honor, I
23 would also note that Mr. Blunk is finished testifying, I
24 would offer his three exhibits as well.

25 JUDGE PRIDGIN: Let me go through these one

1 at a time. I believe that Staff has offered Mr. Vesely's
2 direct, which is 137, Mr. Vesely's surrebuttal, which is
3 138. Any objections?

4 (No response.)

5 JUDGE PRIDGIN: Hearing none, Exhibit 137
6 and 138 are admitted.

7 (EXHIBIT NOS. 137 AND 138 WERE RECEIVED
8 INTO EVIDENCE.)

9 JUDGE PRIDGIN: I believe Mr. Fischer has
10 offered Mr. Blunk's prefiled testimony, Exhibit No. 12NP
11 and HC is his direct, 13 his rebuttal, 14 his surrebuttal.
12 Any objections to those?

13 MR. THOMPSON: No objection.

14 JUDGE PRIDGIN: Hearing none, Exhibits 12,
15 13 and 14 are admitted.

16 (EXHIBIT NOS. 12NP, 12HC, 13 AND 14 WERE
17 RECEIVED INTO EVIDENCE.)

18 JUDGE PRIDGIN: If I'm not mistaken, that
19 would bring us to Mr. Kind to take the stand and be
20 cross-examined on SO2.

21 MR. THOMPSON: Your Honor, did you ever
22 receive the testimony of Mr. Bender, Exhibit 104?

23 JUDGE PRIDGIN: I believe so. Let me
24 double check. I did.

25 MR. THOMPSON: Thank you.

1 MR. FISCHER: Also, I'd inquire about
2 Burton Crawford. He didn't take the stand, but he
3 testified on these issues, and I would offer that
4 testimony if it's not been received.

5 JUDGE PRIDGIN: I don't show that it's been
6 offered. I have that as Exhibit No. 15NP and HC. Are
7 there any objections?

8 MR. THOMPSON: No objection.

9 JUDGE PRIDGIN: Okay. No. 15NP and HC are
10 admitted.

11 (EXHIBIT NO. 15NP AND 15HC WERE RECEIVED
12 INTO EVIDENCE.)

13 JUDGE PRIDGIN: Thank you, Counsel.
14 Anything else before I swear Mr. Kind and he stands
15 cross-examination on SO2?

16 (No response.)

17 JUDGE PRIDGIN: Okay. Mr. Kind, if you'll
18 raise your right hand to be sworn, please.

19 (Witness sworn.)

20 JUDGE PRIDGIN: Thank you very much, sir.
21 If you would please have a seat.

22 Mr. Mills, any housekeeping matters before
23 he's tendered for cross?

24 MR. MILLS: Yes.

25 RYAN KIND testified as follows:

1 DIRECT EXAMINATION BY MR. MILLS:

2 Q. Mr. Kind does have corrections to his
3 testimony, and I'll ask him to go through those now,
4 please.

5 A. Okay. The corrections that I have is to my
6 rebuttal testimony on page 6. And basically the
7 correction is a slight alteration in the recommendation
8 that I presented there after reviewing Mr. Blunk's
9 surrebuttal testimony, and I want my testimony to reflect
10 that.

11 So in the answer on page 6 that begins on
12 line 4, there's a change that I would make there to that
13 answer beginning on line 7. On line 7, there's a
14 reference to the date June 30th, 2006, and I would like to
15 delete June 30th and replace that with August 6th so that
16 that line, that sentence would then -- as it ends on line
17 7 would say the amount of SO2 premiums incurred from
18 August 7th, 2005, through August 6th, 2006.

19 The other change is that then at the end of
20 line 7, the sentence begins with the word since, and I
21 want to strike the beginning of that sentence, starting
22 with the word since and continuing about halfway through
23 line 8 through the word months and also the comma that
24 follows months, so that that sentence would then begin
25 with the statement, the amount of SO2 premiums, which is

1 the latter portion of line 8.

2 There is another change on line 9, and in
3 the middle of line 9 there's the word would, and I'd like
4 to strike line 9 from the word would through the end of
5 that line. And that strikeout continues through the end
6 of that sentence, which ends on line 12, and that
7 strikeout should be replaced with the words, should be
8 \$400,000.

9 So I'll just quickly reread the way it
10 should read with those strikeouts.

11 Q. And if you would, start at the beginning of
12 the answer, just so that it's clear.

13 A. Okay. That's fine. So beginning on line 4
14 on page 6, yes, it is necessary to make an adjustment to
15 Account 254 for SO2 premiums that were incurred by KCPL
16 subsequent to the effective date, paren, August 7, 2005,
17 close paren, of the order approving the Stipulation &
18 Agreement. This adjustment should reflect the annual
19 level of the amount of SO2 premiums incurred from
20 August 7th, 2005 through August 6th, 2006.

21 Then a new sentence begins, the annual
22 amount of SO2 premiums that could be reflected in
23 Account 254 in this case should be \$400,000.

24 MR. MILLS: Thank you. I'm not going to
25 offer Mr. Kind's testimony at this time because he's

1 coming up for an issue later, so I'll tender him for
2 cross-examination.

3 JUDGE PRIDGIN: Mr. Mills, thank you. Any
4 cross-examination of Mr. Kind?

5 (No response.)

6 JUDGE PRIDGIN: No volunteers.

7 MR. FISCHER: Your Honor.

8 JUDGE PRIDGIN: Mr. Fischer?

9 CROSS-EXAMINATION BY MR. FISCHER:

10 Q. Mr. Kind, could you refer to the
11 reconciliation on line 89?

12 A. Yes, my counsel has just handed me a copy
13 of that. I see that.

14 Q. Does that indicate the revenue impact of
15 this adjustment?

16 A. I think it indicates the -- not the revenue
17 impact of the adjustment I'm recommending. It indicates
18 the revenue requirement differences between the positions
19 on this issue of the Office of Public Counsel and the
20 Staff.

21 Q. Okay. You don't have a disagreement with
22 that?

23 A. You know, it seems to be in the ballpark.
24 I have not seen the work papers that underlie that, you
25 know, reconciliation figure.

1 Q. Would it be correct to conclude that if the
2 Commission adopted your adjustment, that the revenue
3 requirement would actually go up by \$99,654?

4 A. That should not be the effect of the
5 adjustment representative to the Staff position, no. It
6 wouldn't make sense. I guess if I read what that line
7 says as a description, offset to rate base, it evidently
8 purports to reflect the revenue requirement effect of
9 differing amounts of offsets to Account 254, and now that
10 you brought it to my attention, the figures should be in
11 the opposite direction.

12 MR. FISCHER: Okay. Thank you.

13 JUDGE PRIDGIN: Mr. Fischer, thank you.

14 (No response.)

15 JUDGE PRIDGIN: Any further cross?

16 Questions from the Bench?

17 COMMISSIONER MURRAY: No questions.

18 JUDGE PRIDGIN: All right. Anything else

19 for Mr. Kind on this topic?

20 (No response.)

21 JUDGE PRIDGIN: Okay. Mr. Kind, thank you
22 very much. You may step down.

23 It looks like the next topic that I have is
24 maintenance expense, and unless my memory fails me, I
25 think KCPL had two witnesses, Crawford, and there was no

1 cross-examination anticipated of either of them; is that
2 correct?

3 MR. FISCHER: That's correct, your Honor,
4 although Commissioner Appling asked some questions of Bill
5 Downy that related to customer outreach programs, I
6 believe, and he referred those to John Marshall.

7 JUDGE PRIDGIN: Yes, sir.

8 MR. FISCHER: We have Mr. Marshall here to
9 address those questions at this time, if that would be
10 appropriate. And I would move for the admission of Dana
11 Crawford's testimony, if there aren't any questions.

12 JUDGE PRIDGIN: Do I understand there's no
13 cross-examination of Mr. Dana Crawford?

14 MR. THOMPSON: That is correct.

15 JUDGE PRIDGIN: Let me find that exhibit
16 number for that testimony.

17 MR. FISCHER: That's No. 16, your Honor, NP
18 and HC.

19 JUDGE PRIDGIN: Thank you. It's been
20 offered. Any objections?

21 MR. THOMPSON: And 17.

22 MR. FISCHER: Oh, I'm sorry.

23 JUDGE PRIDGIN: And rebuttal 17. Thank
24 you. Any objections to --

25 MR. THOMPSON: No objection.

1 JUDGE PRIDGIN: -- 16NP, 16HC or 17?

2 (No response.)

3 JUDGE PRIDGIN: With no objections, those
4 are both admitted.

5 (EXHIBIT NOS. 16NP, 16HC AND 17 WERE
6 RECEIVED INTO EVIDENCE.)

7 JUDGE PRIDGIN: And, Mr. Fischer, you had
8 Mr. Marshall available.

9 MR. FISCHER: Yes, your Honor.

10 JUDGE PRIDGIN: Mr. Marshall will come
11 forward and be sworn. If you'll raise your right hand to
12 be sworn, please.

13 (Witness sworn.)

14 JUDGE PRIDGIN: Thank you very much. If
15 you would please have a seat.

16 Mr. Fischer, just by way of refreshing
17 recollection, if you would briefly examine Mr. Marshall on
18 the issues that Commissioner Appling had and we'll tender
19 him for cross.

20 MR. FISCHER: Yes, your Honor. I don't
21 know if I'll get this exactly right. I'll try to do that.

22 JOHN MARSHALL testified as follows:

23 DIRECT EXAMINATION BY MR. FISCHER:

24 Q. Mr. -- why don't you first of all give a
25 little bit of your name and background and your position.

1 A. I'm John Marshall. I'm the senior vice
2 president of delivery for Kansas City Power & Light, and
3 that includes the transmission system, substation systems,
4 our customer operations and our information technology
5 aspects of our company.

6 Q. Earlier in this proceeding we had the
7 testimony of Bill Downy, the president of Kansas City
8 Power & Light, and he was asked a couple of questions from
9 the Bench regarding, I believe, customer outreach
10 programs. I think it was specifically in regard to some
11 testimony or an opening statement by Mr. Dias related to
12 the Baptist Ministers Union of Kansas City and some of the
13 outreach programs that were being provided by Kansas City
14 Power & Light. Have you been told about that?

15 A. I have.

16 Q. Have you reviewed the PowerPoint
17 presentation that Mr. Dias submitted that included some of
18 those customer programs?

19 A. I have.

20 MR. FISCHER: Judge, just to reflect or
21 refresh everyone's memory, I did make copies of that
22 exhibit that was handed out so it would be available if
23 you'd like for me to have it marked.

24 JUDGE PRIDGIN: If you don't mind.

25 MR. FISCHER: Commissioner Appling, if I'm

1 off base on where you wanted to go, please stop me.

2 COMMISSIONER APPLING: I think you're right
3 on target. I'm interested in Mr. Dias's criticism of
4 KCPL, and I wanted to make sure that that's somewhat
5 cleared up before we leave here because I'm often in
6 Kansas City and I'm faced with the same issues, so I don't
7 want it to go unnoticed.

8 BY MR. FISCHER:

9 Q. Mr. Marshall, this was an exhibit that was
10 introduced earlier in the record, Dias Exhibit No. 1306.
11 Have you seen this presentation before and can you
12 describe for the Commissioner what it's about?

13 A. Absolutely. This was an organized meeting
14 with the Baptist Ministers Union. Reverend Clark, who's
15 the president of that group, brought a number of the
16 members of the union to our offices there in Kansas City
17 for the purpose of sitting down and developing a better
18 grounding, understanding of what we were actually doing
19 and across a broad number of programs so that we could
20 work more collaboratively to assist, whether it was energy
21 efficiency programs that we were working on in terms of
22 weatherization or some of the Energy Optimizer, new
23 thermostat that Sue Nathan will testify later this week
24 on, that whole list of programs.

25 But it was clear to us as we worked our way

1 through some of the interactions previous to that point in
2 time that there was a real need to sit down and get
3 grounded in terms of what was -- what did we have
4 available to us in terms of payment programs, some of the
5 initiatives that we have to have better outreaches to the
6 community and to more effectively utilize the union as a
7 means and ways to more effectively communicate to those
8 communities because they're a very key entity within the
9 community.

10 And we saw it as a great opportunity to
11 improve our communications effectiveness, reach people
12 that we wouldn't normally be able to reach. And we
13 outlined -- and I would be happy to go through any of the
14 slides, but we organized this to explicitly focus on those
15 things that we were doing to try to give them a sense of
16 what was available today and what we were working on, and
17 to try to align our interests and make sure that there
18 were things that were of common interest and value.

19 The meeting lasted for about four hours, so
20 it was a significant amount of information. We had a
21 number of the kind of disciplined experts out of these
22 areas, whether it's customer relations or out of our
23 billing area, out of our payment process. So we were
24 trying to create as much transparency and information
25 around these areas that we possibly could.

1 And then we in a follow-up agenda, in fact,
2 yesterday met with our broader staff, the team that we had
3 assembled the day that we did this meeting in refreshing
4 where we are on the action items and following through on
5 that and have a plan to get together with the union to
6 further the dialog, further the interest and some specific
7 action items that we took away from this meeting.

8 COMMISSIONER APPLING: My major concern was
9 the fact that I know each one of these gentlemen very well
10 and am questioned quite often on what we are doing here in
11 Jefferson City to assist them in their process.
12 I believe that Mr. Dias sometimes has concerns bigger than
13 KCPL, which kind of incorporates the whole city of Kansas
14 City.

15 But I wanted to be somewhat clear, and I
16 wanted to try to make it clear to him -- even though I
17 think the criticism probably will remain for a while, but
18 to try to make it clear that his request is bigger than
19 KCPL and that it's going to take a lot more effort on the
20 part of a lot of other people in Kansas City to make some
21 of his truths come through.

22 My main interest was for you to try to
23 clear up some of the points and just kind of talk to us a
24 little bit about what you were doing and what you are
25 doing in Kansas City outreach to the community which he's

1 talking about.

2 THE WITNESS: Why don't I take and hit the
3 highlights of this PowerPoint and I'll expand.

4 COMMISSIONER APPLING: Don't take a whole
5 lot of time, but -- I know other people are anxious about
6 moving on, but if you could clear that up for me, that
7 would be fine.

8 THE WITNESS: Well, to be very specific,
9 the proposals that Mr. Dias had put forward with the
10 Baptist Ministers Union was, we never could get clear on
11 exactly what they were. There was lots of confusion, and
12 ultimately the Baptist Ministers Union separated their
13 interest from Mr. Dias.

14 And we've continued to work with the
15 Baptist Ministers Union, and this document really is the
16 platform for the initial discussions and follow through
17 that we had, so that we could be very clear on what we
18 would commit to do and specific action items that we would
19 take to improve the effectiveness of the outreach of our
20 programs to the members of their community.

21 But it doesn't stop with the Baptist
22 Ministers Union. Our agenda is much broader in terms of
23 the entire community in and around Kansas City to make
24 sure that we are doing our level best to cover the various
25 interests and the various needs in terms of payment

1 options, billing capabilities and new services to offer in
2 terms of E-services that we offer through our web
3 services, paperless billing and a number of things that
4 are of prime interest.

5 And we've done a great deal of customer
6 research to better understand the needs of our customers,
7 to try to then shape our programs and develop new ones,
8 and many of the energy efficiency programs are really
9 based on that research data and segmentation work that
10 we've done, and then subsequently delivered programs and
11 filed here in Missouri for approval of those.

12 MR. FISCHER: Can I follow up just a
13 minute?

14 JUDGE PRIDGIN: Certainly.

15 BY MR. FISCHER:

16 Q. Is it your understanding that Sue Nathan
17 will be here to really go in detail about the customer
18 programs that we are providing later in the week when that
19 issue is scheduled?

20 A. She will specifically address the energy
21 efficiency as a demand response and affordability
22 programs. So there are some additional programs that are
23 highlighted in this document that might be worthy of
24 touching on just briefly.

25 Q. Okay. Could you briefly do that?

1 A. I will. On the first page after the cover
2 page, it's -- the topic is customer relation. We started
3 a new customer relations department within Kansas City
4 Power & Light to assist our coordination with the agencies
5 in the greater Kansas City area to be more effective in
6 our outreach and coordinated and using the resources that
7 are available to the community to the best end.

8 We were a very prime mover in the support
9 for the United Way's 211 effort and use that, and our
10 customer advocates in the call center are a very, very
11 strong user of that to guide and direct those services to
12 the customers that need various things that come about in
13 the course of those discussions.

14 That's been a very, very successful
15 enterprise, and we're very proud to have been a sponsor of
16 that. We contributed about \$30,000 to the United Way to
17 initiate those individual actions that got that off and
18 running, I think a huge success out of the gate this year.

19 If you'll turn to page -- the second page,
20 in terms of what are we doing currently, we as you know
21 had a very hot summer this year, and we did a number of
22 things to reach out to our customers in terms of outbound
23 calling to our medical customers. We have a gatekeeper
24 process where we assign individuals to key customers that
25 have been prone to have problems so that we keep up with

1 them. They maybe get confused during stressful times, and
2 so we make sure that we have an outreach capability to do
3 that, and that's worked very successfully.

4 We've got dedicated phone lines for medical
5 customers and hospice organizations so that we can be
6 readily available to people in need. And then again,
7 we're partnering with United Way on 211. In addition to
8 that, we hosted the agencies in an energy forum to get the
9 agencies together so that we could more effectively
10 understand what their priorities are and how we might
11 better interact, so that we're trying to learn and develop
12 and collaborate in the community to the extent that we
13 can, and then use those for the maximum leverage that's
14 possible to serve the interest of needs.

15 Q. Mr. Marshall, for the record, would you
16 explain 211? What does that term mean?

17 A. 211 is the new service that United Way
18 launched this year, and it's like 911, only 211 is a --
19 you dial the telephone and you'll go immediately to the
20 United Way call center that has a representation of the
21 various agencies throughout the community that offers up
22 services, which is a fantastic thing for Kansas City.

23 If you go to the next page, what else will
24 we be doing is that we're working with low-income and
25 elderly customers to help target solutions to meet their

1 needs. Some of the programs that Sue Nathan will talk
2 about in our affordability programs are directed in that
3 area in terms of some of the partners that we have. And
4 we have had a very long legacy of a program called Dollar
5 Aid, and it is a way for the company to contribute dollars
6 directly into the -- into the community where there's a
7 point of need, and in terms of helping pay utility bills,
8 not just for the electric bills, but for all of the
9 utility bills that customers need -- have a -- have a need
10 for throughout the whole year. And we've been raising our
11 contribution each year and have done, I think, a great job
12 of nurturing that program over a number of years.

13 If you'll move to the next page, it says
14 what will we do, continued. We're working on payment
15 plans. We've got a number of things that we have in place
16 and continue to refine and develop so that they're better
17 suited. And part of the outreach to the Baptist Ministers
18 Union was a ways and means to help us better understand
19 some of their constituencies because they deal with people
20 in the community on a day-to-day basis, hour-by-hour, and
21 see the evolving characteristics of that. So we are using
22 them to help us change and modify what we do, and see that
23 as a great outreach program.

24 We've got electronic check programs. We've
25 got automated bank transfers. We've got online payment

1 capabilities. Our E-services have won a number of awards
2 around the country in terms of the ease of use and the
3 effectiveness of our online account link product, and it's
4 very successful. We have -- we touch about 100,000
5 customers a year through the electronic portal that we
6 have, and we have grown the number of people that have
7 moved to paperless bills up to, I think we're something
8 greater than 25,000 customers now take advantage of that,
9 which a great cost savings for us, but also a great
10 convenience for the customer.

11 And then we are moving and have proposed to
12 in this case the use of credit cards. Sue Nathan will
13 also testify to that particular program later this next
14 week, but credit cards we believe are -- and debit cards
15 are a great option to improve the effectiveness and
16 flexibility of customers' pay habits and also will create
17 even more draw to the on-demand or electronic media.

18 Move to the next page, the unbanked
19 customers, some of the constituents that the Baptist
20 Ministers have are those people that don't have -- or for
21 whatever reason don't have banking relationships and have
22 to live in a cash society, and we've -- we have a series
23 of pay agents throughout the community. There's
24 approximately 40 of them that are strategically located,
25 and then we're looking for ways to find deeper access into

1 those neighborhoods to more effectively and strategically
2 locate them to where the people that are unbanked reside,
3 and so that it's convenient for them and easy access for
4 making that work for them.

5 The next page is really our collaboration
6 just building and hosting workshops, trying to create a
7 more collaborative environment with the various agencies
8 that exist in the area of the various community leadership
9 groups like the Baptist, are great means and ways to get
10 information out to the point source where it can be acted
11 on. And we're trying to foster that across the
12 organization.

13 The next page is the energy efficiency
14 programs. I won't go into those because Sue Nathan will
15 specifically talk about these, but we've had some very
16 significant opportunities to be successful. We've -- in
17 our pilot programs we've targeted six specific zip codes
18 to give ourselves a marketing envelope or focus to be able
19 to strategically position those so that we can more
20 effectively measure and verify the performance of it, and
21 in my direct testimony on the -- on the asset management
22 and some of the technology applications, we are -- we are
23 overlaying what we're doing with our energy efficiency
24 programs, specifically the energy optimizer in this same
25 zip code area so that we select two circuits to apply our

1 technology to so that we get the benefit of better
2 information, higher statistical values in terms of
3 measurement and verification. And we believe that that
4 will lead to a better outcome in terms of evaluating the
5 programs.

6 Next page is economic and community
7 development. We've just launched internally to the
8 company more emphasis on our overall community plans.
9 We've got a specific community plan that we've rolled out
10 and are looking broad-based as to how to more effectively
11 interact across the entire service territory.

12 And we've also launched a program called
13 KCPL Can. It's for our own employees. It's a simple
14 little card in terms of you think about the Chambers of
15 Commerce around the area in terms of their Red Coat
16 programs. Well, what we're trying to do is create a Red
17 Coat program or the analog of that for our employees so
18 that as they bump into their neighbors or people at church
19 or in their community, they then can take the issues that
20 are presented to them and more effectively lay those off
21 to people that can actually get an action and a closure to
22 that concern.

23 The last page is what's next is we are
24 continuing to try to understand the broad-based set of
25 issues and needs of our low-income customers and begin the

1 journey of shaping and molding the changes that we put
2 into our programs and our policies and how we interact so
3 that we have very high performance in terms of customer
4 satisfaction for all of the customers that we serve.

5 But that was the context of this. We're --
6 it was a -- I think a very good meeting. It's led to some
7 very good follow-up and we see this as a journey going
8 forward with the Baptist Ministers.

9 Q. Mr. Marshall, you mentioned that you had
10 some, I think you said, pilot programs in six zip codes.
11 If I recall, there might have been a criticism in the
12 hearing that we only were doing it in two zip codes.
13 Could you explain the zip code pilot business?

14 A. For our Energy Optimizer program, that's
15 the programmable thermostat that we launched earlier this
16 year. I think Missouri approved that tariff in February,
17 I believe. I think that's right. And we had to choose
18 where we were going to put the emphasis for that
19 particular product, and we were working with our partner,
20 Honeywell, to target market an area.

21 So we chose these six zip codes based on
22 the demographics and from the segmentation work that we
23 had done, essentially the customer research in terms of
24 who was in that particular demographic, and felt that it
25 was a good cross-section of the people that would have an

1 interest in this product and to get an early success.

2 And so far we've installed about 10,000,
3 and as you can imagine, we try to shape it into that
4 particular place just to get the concentration so that we
5 can see the load characteristics on the individual
6 circuits, because at the end of the day, we've got to
7 prove to the Commission that this product actually
8 produces the benefits in terms -- and the value versus the
9 cost that -- to put that in place. So it was for
10 measurement and verification and performance evaluations
11 of the product that we chose a specific area.

12 In addition to that, I mentioned that we
13 also have used this to put our emphasis on technology and
14 some of the other asset management work that we've done
15 because we chose circuits in this area that were almost up
16 to their capacity, so that we could show the direct
17 benefit of lowering the demand on our circuit so that we
18 could get a greater lifetime out of the assets and more
19 value out of the already invested capital that our
20 customers have paid for.

21 So that was the emphasis behind choosing a
22 particular area, and as I said, that's -- we targeted
23 that, but at the same time, any customer that came to us
24 and said we would like to have an optimizer, we went and
25 addressed that directly, and if they had an appropriate

1 installation that fit our criteria, then we installed it.

2 MR. FISCHER: That's all I have, Judge. I
3 appreciate the time to let John go through that here.

4 JUDGE PRIDGIN: Thank you.

5 COMMISSIONER APPLING: Thank you very much,
6 and I want you and the CEO to understand that I did not
7 ask for this as a matter of criticism but as a point of
8 clarification so that we understand -- at least I
9 understand so that when I'm visiting in Kansas City quite
10 often that I can at least speak to some of the things that
11 are being done. So I appreciate it. Sorry to take up the
12 time to do that, but I think it's important that we get
13 this on the record to make sure that people do understand
14 that you are doing some things. Okay.

15 THE WITNESS: Thank you for the
16 opportunity.

17 JUDGE PRIDGIN: Thank you, Commissioner
18 Appling.

19 Let me see before we release you,
20 Mr. Marshall, is there any cross-examination of this
21 witness from counsel?

22 MR. THOMPSON: None from Staff.

23 JUDGE PRIDGIN: Commissioner Murray?

24 QUESTIONS BY COMMISSIONER MURRAY:

25 Q. Good afternoon.

1 COMMISSIONER MURRAY: First, Judge, this is
2 maintenance expense, is that what we're here on?

3 JUDGE PRIDGIN: That was -- that was the
4 listed purpose of his testimony, but I believe Mr. Fischer
5 called him back because he thought he would be the best
6 witness to also address some of Commissioner Appling's
7 concerns.

8 BY COMMISSIONER MURRAY:

9 Q. Just on maintenance expense briefly, is
10 there still a difference between the company and the Staff
11 on this maintenance expense issue?

12 A. As far as the -- Mr. Harris' testimony and
13 rebuttal and -- rebuttal testimony, there is a difference.
14 And our view is that we believe that the test year should
15 be indexed with Handy Whitman and forecasted forward. And
16 Mr. Harris' perspective was to use a six-year rolling
17 average, which we thought didn't appropriately capture the
18 future costs that we saw in our O&M expense.

19 Q. When you say it should be indexed, what do
20 you mean by that?

21 A. Using Handy Whitman as the cost escalators,
22 which is common practice in construction.

23 Q. And is this Item No. 63 on the
24 reconciliation statement, is that what we're talking
25 about?

1 MR. FISCHER: Mr. Marshall, do you have
2 that reconciliation?

3 THE WITNESS: I do. This is Schedule
4 JRM-4, is the actual cost.

5 BY COMMISSIONER MURRAY:

6 Q. Do you have the reconciliation statement?

7 A. I'm not sure if I --

8 MR. FISCHER: If I may approach, I think I
9 can give it to him.

10 JUDGE PRIDGIN: You may.

11 THE WITNESS: Yes, 63.

12 BY COMMISSIONER MURRAY:

13 Q. So that is the total of that issue. It's
14 the only line item referencing the maintenance expense
15 issue?

16 MR. FISCHER: There are actually two, your
17 Honor. 70 also represents transmission and distribution
18 maintenance expense.

19 THE WITNESS: 70 would be the one that my
20 testimony goes to.

21 COMMISSIONER MURRAY: Okay. Thank you. I
22 think that's all I have, Judge.

23 JUDGE PRIDGIN: Commissioner Murray, thank
24 you. Anything else from the Bench?

25 (No response.)

1 JUDGE PRIDGIN: Recross?

2 (No response.)

3 JUDGE PRIDGIN: Redirect?

4 REDIRECT EXAMINATION BY MR. FISCHER:

5 Q. Mr. Marshall, would you state how -- you
6 said that you were recommending the test year indexed by
7 Handy Whitman. What was the test year level expense that
8 you were using?

9 A. The test year ending December 31st, 2005
10 was 21,629,071.

11 MR. FISCHER: Thank you.

12 JUDGE PRIDGIN: Anything further for this
13 witness?

14 (No response.)

15 JUDGE PRIDGIN: Mr. Marshall, thank you
16 very much. You may step down.

17 It looks like the last witness on
18 maintenance expense is Mr. Harris. Does anyone have any
19 cross-examination?

20 (No response.)

21 JUDGE PRIDGIN: I'm not seeing any
22 volunteers. Does the Bench anticipate any questions of
23 Mr. Harris on maintenance expense?

24 (No response.)

25 JUDGE PRIDGIN: All right. Seeing no

1 questions --

2 MR. FISCHER: Judge, I would move for the
3 admission of Exhibit No. 18 and 19, the direct and
4 rebuttal testimony of Mr. Marshall.

5 JUDGE PRIDGIN: I'm showing 18 being NP and
6 HC. Any objections? 18 and 19 have been offered.

7 (No response.)

8 JUDGE PRIDGIN: Hearing no objections,
9 Exhibits 18NP and HC and 19 are admitted.

10 (EXHIBIT NOS. 18 AND 19 WERE RECEIVED INTO
11 EVIDENCE.)

12 MR. FISCHER: And if it's appropriate, I'd
13 also move for the admission of Exhibit 1306, since we've
14 been talking about that.

15 JUDGE PRIDGIN: Any objections to 1306?
16 That was the PowerPoint presentation?

17 MR. FISCHER: Yes.

18 JUDGE PRIDGIN: Hearing none, Exhibit 1306
19 is admitted.

20 (EXHIBIT NO. 1306 WAS RECEIVED INTO
21 EVIDENCE.)

22 JUDGE PRIDGIN: If there are no questions
23 for Mr. Harris, do I understand the proposed schedule
24 correctly that property taxes would be the final issue
25 that counsel is prepared to cross-examine on today?

1 MR. MILLS: I believe that's correct.

2 MR. THOMPSON: I think that Mr. McCollister
3 is here, and we would certainly be prepared to start with
4 weather normalization and customer growth.

5 MR. STEINER: That's my understanding, your
6 Honor.

7 JUDGE PRIDGIN: In that case, if we're
8 going to have a little longer, this looks to be a
9 convenient time to take a break since we've been going for
10 a while. The clock on the back of the wall shows about
11 2:40, so let's try to resume about five until three.

12 Thanks. We're off the record.

13 (A BREAK WAS TAKEN.)

14 JUDGE PRIDGIN: Back on the record, please.
15 Mr. Williams for Staff has taken the stand for property
16 taxes. I presume that Mr. Green's testimony has no
17 cross-examination; is that correct?

18 MR. THOMPSON: None from Staff.

19 MR. MILLS: None from me.

20 JUDGE PRIDGIN: Okay. No
21 cross-examination. Before we cross-examine Mr. Williams,
22 I understand that we will have some witnesses available
23 for weather normalization after this?

24 MR. FISCHER: Yes, Kansas City Power &
25 Light's witness McCollister is available.

1 JUDGE PRIDGIN: And will Ms. Bolin be
2 available on this topic?

3 MR. THOMPSON: I think I'm getting a yes.

4 JUDGE PRIDGIN: What about Mr. Lange?

5 MR. THOMPSON: Mr. Lange will not be
6 available.

7 JUDGE PRIDGIN: But he'll be available in
8 the morning on that topic?

9 MR. THOMPSON: He will be.

10 JUDGE PRIDGIN: Very good. And that will
11 be the end of the topics for today, according to this
12 list. And then we will have, depending on who we take
13 today, that would only leave Mr. Lange perhaps for in the
14 morning.

15 Let me go ahead and get Mr. Williams'
16 cross-examination, and then after we get through what we
17 can today, we'll certainly go off the record and be done
18 for today. And then we'll discuss if there's anything
19 else that we can collapse, and if not, I understand, but
20 we're -- we're too efficient, I guess.

21 MR. FISCHER: Judge, I would move for the
22 admission of the testimony of Shannon Green.

23 JUDGE PRIDGIN: Let me find that exhibit
24 number for counsel.

25 MR. FISCHER: I believe that's No. 20, his

1 rebuttal testimony, NP only.

2 JUDGE PRIDGIN: Okay. KCPL has moved for
3 the admission of Exhibit No. 20. Any objections?

4 MR. THOMPSON: No objection.

5 JUDGE PRIDGIN: Hearing none, Exhibit 20 is
6 admitted.

7 (EXHIBIT NO. 20 WAS RECEIVED INTO
8 EVIDENCE.)

9 JUDGE PRIDGIN: And, Mr. Williams, you're
10 still under oath. Any housekeeping matters before we go
11 to cross-examination? Is he ready for cross,
12 Mr. Thompson?

13 MR. THOMPSON: Absolutely, your Honor.

14 JUDGE PRIDGIN: Thank you.
15 Cross-examination of this witness? Mr. Mills has
16 volunteered, and, Mr. Fischer, you'll have some as well?

17 MR. FISCHER: Just a little.

18 JUDGE PRIDGIN: Mr. Mills, when you're
19 ready, sir.

20 PHILLIP K. WILLIAMS testified as follows:

21 CROSS-EXAMINATION BY MR. MILLS:

22 Q. Mr. Williams, how does Staff propose to
23 include an amount for property taxes in the revenue
24 requirement in this case?

25 A. The annualized level that we currently have

1 in the case, sir.

2 Q. And what is that level? How was that level
3 determined?

4 A. That level was determined based upon the
5 January 1st, 2006 plant balances taken times the 2005
6 ratio of taxes paid to 2005. It's the ratio of taxes paid
7 in 2005 to the 2005 -- January 1st, 2005 plant balances.
8 That ratio was applied to the 2006 January 1st plant
9 balances to come to the annualized level.

10 Q. So Staff's calculation of the number has to
11 do with January 1 plant balances. It's not dependent on
12 whether the test year ends June 30 or September 30th or
13 some other date?

14 A. No, it does not.

15 Q. So using Staff's approach, if property
16 taxes were included in the true-up, Staff's calculation of
17 the appropriate property tax amount wouldn't change?

18 A. That's correct, they would not change.

19 MR. MILLS: That's all the questions I
20 have. Thank you.

21 JUDGE PRIDGIN: Mr. Mills, thank you.
22 Mr. Fischer?

23 CROSS-EXAMINATION BY MR. FISCHER:

24 Q. Good afternoon, Mr. Williams. What agency
25 establishes the tax levies for public utilities like

1 Kansas City Power & Light Company?

2 A. The State of Missouri and the counties.

3 Q. Okay. Would you agree that the tax levies
4 are established annually for these utilities like Kansas
5 City Power & Light?

6 A. Yes, sir.

7 Q. And would you agree that those are known
8 and publicly available?

9 A. No, sir.

10 Q. The levies are not?

11 A. The levies change sometimes based upon
12 different factors. They have an amount that they
13 anticipate collecting, and sometimes we have found in the
14 past that as they have changed the assessment value, they
15 have lowered the levy value.

16 Q. My question is actually the levy itself
17 that gets applied against the property assessment. Aren't
18 these even available on websites at the Tax Commission?

19 A. That I'm not sure, sir.

20 Q. But those levies, the amount that -- the
21 state taxes of Kansas City Power & Light, that levy factor
22 is known publicly, isn't it?

23 A. That I don't know.

24 Q. You don't know if it's a secret, what they
25 charge in terms of the tax levy on public utility

1 property?

2 A. The 26 years I've been annualizing it, I've
3 never gone to that website to look at it. I've asked for
4 the levies from the company.

5 Q. All right. I understand. Would you agree,
6 though, that if -- would it surprise you if those levies
7 are available publicly?

8 A. No, sir.

9 Q. I mean, it's like other taxes. The state
10 assesses consumers taxes, and we know what our tax rates
11 are, right?

12 A. I assume you know what your tax rate is.

13 Q. Okay. Is it also true that property
14 assessments change annually or periodically?

15 A. They change, yes, up and down. Depends.

16 Q. And would it be correct that if we
17 provided the Commission with property assessments as of
18 September 30th, 2006, that that would be more recent
19 information than information that may been included at the
20 end of the test year?

21 A. I believe if you look at the surrebuttal
22 testimony, there was a schedule attached that shows me
23 changing the assessments that you -- that the company
24 asked about me updating to the new assessment they had,
25 and if I applied the ratio of taxes paid to assessed

1 values in 2005, the annualization actually goes down.

2 Q. Did that supplemental also correct some
3 errors that were included?

4 A. The annualization of the property taxes was
5 corrected during the prehearing when the company brought
6 up the fact that the ratio of 2005 taxes paid that I had
7 was the actual payments that were made in 2005, the
8 problem with that being that a portion of the Kansas taxes
9 that is locally assessed is paid -- for 2005 was not paid
10 until April and May of 2006.

11 Therefore, during the prehearing, I took
12 that adjustment, removed the taxes for Kansas that were
13 paid in -- the locally assessed that were paid in 2005, in
14 April and May, and replaced those with the taxes for 2005
15 that were paid in April and May of 2006, recalculated that
16 ratio, and came up with the annualized level that Staff
17 now has in the case.

18 Q. Okay. Getting back to my earlier question,
19 isn't it true that if we provided the Commission with the
20 property assessments that are known as of September 30,
21 2006, that that would be more recent information than the
22 property assessments that have been included in June 30,
23 2006?

24 A. Yes, it would. And I looked at that and
25 I'm telling you that if I change that and redo my

1 calculation, that the annualized level goes down, sir.

2 Q. And as I understood the testimony earlier,
3 the Staff does not intend to true-up property taxes?

4 A. No, sir. We haven't trued up property
5 taxes as a Staff probably since the early 1990s.

6 Q. Okay. But if I understand, you are
7 familiar with the provision in the Stipulation & Agreement
8 EO-2005-0329; is that right?

9 A. Yes. Yes, sir, and I believe that's
10 already been addressed by Mr. Featherstone.

11 MR. FISCHER: And I don't want to go over
12 that ground again. Thank you very much. I appreciate it.

13 JUDGE PRIDGIN: Mr. Fischer, thank you.
14 Any further cross-examination?

15 (No response.)

16 JUDGE PRIDGIN: Commissioner Appling, any
17 questions for this witness?

18 COMMISSIONER APPLING: I have none.

19 (No response.)

20 JUDGE PRIDGIN: Redirect?

21 MR. THOMPSON: None, your Honor.

22 JUDGE PRIDGIN: All right. Thank you.

23 Mr. Williams, thank you very much.

24 I understand that we have -- is it
25 Mr. McCollister, available for KCPL to testify on weather

1 normalization?

2 MR. STEINER: That's correct.

3 JUDGE PRIDGIN: Come forward to be sworn,
4 please. If you'll raise your right hand to be sworn,
5 please.

6 (Witness sworn.)

7 JUDGE PRIDGIN: Thank you very much, sir.
8 If you would, please have a seat. And, Mr. Fischer or
9 Mr. Steiner, anything that we need to bring up before he's
10 tendered for cross?

11 MR. STEINER: No, your Honor. So I don't
12 forget, I'd like to offer the direct and rebuttal
13 testimony of Mr. McCollister into evidence.

14 JUDGE PRIDGIN: Let me find those exhibit
15 numbers.

16 MR. STEINER: I don't have those in front
17 of me.

18 MR. WOODSMALL: 29 and 28.

19 JUDGE PRIDGIN: That's correct. I'm
20 showing Exhibit 28 is his direct, 29 rebuttal. Those have
21 been offered. Any objections?

22 (No response.)

23 JUDGE PRIDGIN: Seeing none, Exhibits 28
24 and 29 are admitted.

25 (EXHIBIT NOS. 28 AND 29 WERE RECEIVED INTO

1 EVIDENCE.)

2 JUDGE PRIDGIN: Any parties have
3 cross-examination for this witness?

4 (No response.)

5 JUDGE PRIDGIN: No cross? No questions?

6 (No response.)

7 JUDGE PRIDGIN: All right. Thank you very
8 much, sir. Record time.

9 Does Staff need a minute? Is Ms. Bolin
10 ready to testify on weather normalization?

11 MR. THOMPSON: Judge, if I could address
12 that.

13 JUDGE PRIDGIN: Certainly.

14 MR. THOMPSON: If you take a look at
15 the revised schedule that was produced today, the only
16 thing on the schedule for tomorrow is weather
17 normalization and customer growth. What Staff would
18 propose is that Ms. Bolin and Mr. Lange both be taken up
19 Thursday morning, and that the hearing simply recess
20 tomorrow.

21 JUDGE PRIDGIN: Assuming that there is
22 nothing else that can reasonably be collapsed in tomorrow,
23 that would make sense to me. It doesn't make sense to
24 convene a hearing tomorrow simply just for one witness for
25 a few minutes when we're already planning to be here

1 Thursday, and I believe that's for Mr. Smith, and
2 Mr. Smith is only available certain days; is that correct?
3 He's only available Thursday and Friday morning?

4 MR. MILLS: That's correct.

5 MR. THOMPSON: That would be our proposal
6 because we've already explored the possibilities of moving
7 any other issues forward to tomorrow or even to Thursday,
8 and the best we could do is what you see here.

9 JUDGE PRIDGIN: All right.

10 MR. STEINER: KCPL doesn't have a problem
11 with that, if that's the best way to handle these things.

12 MR. MILLS: I don't have a problem with
13 that either. I might suggest that perhaps we could do
14 Mr. Smith first, since he's from out of town, and we may
15 even be able to get him out of here a day early if it's
16 fast. If we could do him first thing on Thursday morning,
17 he might be able to catch a flight a day earlier.

18 MR. STEINER: I have very limited cross for
19 Bolin and Lange. I'd like to get it out of the way as
20 soon as I could.

21 MR. THOMPSON: Mr. Lange has never
22 testified before. We need to work with him.

23 MR. STEINER: He's lucky he's got me as a
24 cross-examining attorney.

25 MR. THOMPSON: I've got to get him to where

1 he can stand up to you.

2 MR. PHILLIPS: Judge Pridgin, as I
3 understand, Mr. Smith when he does come on will testify on
4 all of his issues; is that right?

5 MR. MILLS: That's correct. He's only
6 going to be here that one time. So we'll just leave him
7 on the stand until everyone's done with him.

8 JUDGE PRIDGIN: What it looks like is that,
9 depending on the length of testimony Thursday, that
10 Thursday may also go pretty quickly, and I would encourage
11 counsel to see if there's some way that we can move
12 something else perhaps into Thursday afternoon.

13 I mean, if we're only going to have limited
14 questions -- I understand Mr. Smith may take a while, but
15 it looks like we may have some time freed up Thursday
16 afternoon, and I'm wondering if there would be people who
17 are set for Friday on depreciation and jurisdictional
18 allocation that might be available on Thursday because
19 we've got tomorrow completely off.

20 MR. THOMPSON: We'll explore that
21 possibility, Judge.

22 JUDGE PRIDGIN: When would the parties be
23 able to somehow -- I don't know. It can be done in a
24 pleading or it can be done informally. It would be nice
25 if sometime tomorrow, if I would know if the parties would

1 be able to do that so I can inform the Commission where
2 we're going, what we have left. I understand you may not
3 know this very second.

4 MR. THOMPSON: Right. Right. We can
5 explore that early tomorrow, and then, once we know, we'll
6 file something. How's that?

7 JUDGE PRIDGIN: That's perfectly fine.

8 MR. WOODSMALL: Or we can just authorize
9 you to talk to the Judge.

10 MR. THOMPSON: We'll find some way to let
11 you know.

12 JUDGE PRIDGIN: That sounds wonderful.

13 MR. THOMPSON: And perhaps something from
14 next week could come over to Friday. We'll see what we
15 can do.

16 JUDGE PRIDGIN: So as I understand, we're
17 going to recess until Thursday morning, at which time --
18 and it will be at 8:30, at which time we'll take up
19 Mr. Smith, Ms. Bolin, Mr. Lange, and then we will see what
20 else the parties can arrange as far as filling up
21 Thursday.

22 Do I understand that correctly?

23 MR. THOMPSON: Yes, your Honor.

24 JUDGE PRIDGIN: Is there anything else from
25 the parties before we recess for the day?

1 MR. STEINER: Yes, your Honor. I spoke to
2 Staff counsel, and the KCPL witness on incentive comp is
3 available on Monday, and we would ask that he go first
4 thing on that day because that's the only day he's
5 available.

6 JUDGE PRIDGIN: That's certainly fine with
7 me, and I'm assuming that counsel doesn't object to that
8 or they would --

9 MR. THOMPSON: That's fine with us. We
10 don't have extensive cross for Mr. Cross.

11 JUDGE PRIDGIN: That's one of those things
12 I'll try to make a note of it, and please remind me Monday
13 in case I forget. But that's perfectly fine with me.

14 Anything else from counsel before we go off
15 the record?

16 (No response.)

17 JUDGE PRIDGIN: All right. Hearing nothing
18 further, we will go off the record, and we will be in
19 recess in this hearing until Thursday morning at 8:30.
20 Thank you.

21 WHEREUPON, the hearing of this case was
22 recessed until October 19, 2006.

23

24

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1	I N D E X	
2	INJURIES AND DAMAGES	
3	KCP&L'S EVIDENCE:	
4	LORI A. WRIGHT	
	Cross-Examination by Mr. Thompson	289
5	Questions by Commissioner Appling	292
	Recross-Examination by Mr. Thompson	293
6	Redirect Examination by Mr. Steiner	294
7	STAFF'S EVIDENCE:	
8	PHILLIP K. WILLIAMS	
	Cross-Examination by Mr. Steiner	296
9	Redirect Examination by Mr. Thompson	299
10	GRAHAM A. VESELY	
	Direct Examination by Mr. Thompson	301
11	Cross-Examination by Mr. Steiner	302
	Questions by Judge Pridgin	303
12	Redirect Examination by Mr. Thompson	304
13	RATE CASE EXPENSE	
14	KCPL'S EVIDENCE:	
15	LORI A. WRIGHT	
16	Cross-Examination by Mr. Mills	307
	Cross-Examination by Mr. Thompson	308
17	STAFF'S EVIDENCE:	
18	V. WILLIAM HARRIS	
19	Cross-Examination by Mr. Mills	309
20	Cross-Examination by Mr. Steiner	311
21	CORPORATE PROJECTS AND STRATEGIC INITIATIVES	
22	KCP&L'S EVIDENCE:	
23	LORI A. WRIGHT	
	Cross-Examination by Mr. Thompson	313
24		
25		

1	STAFF'S EVIDENCE:	
2	CHARLES R. HYNEMAN	
	Direct Examination by Mr. Thompson	314
3	Cross-Examination by Mr. Steiner	315
	Questions by Judge Pridgin	320
4	Redirect Examination by Mr. Thompson	321
5	GRAHAM A. VESELY	
	Cross-Examination by Mr. Steiner	324
6	Redirect Examination by Mr. Thompson	326
7		
8	TRUE-UP	
9	KCP&L'S EVIDENCE:	
10	TIM M. RUSH	
	Cross-Examination by Mr. Woodsmall	331
	Cross-Examination by Mr. Mills	335
11	Cross-Examination by Mr. Thompson	335
	Redirect Examination by Mr. Fischer	337
12		
13	STAFF'S EVIDENCE:	
14	CAREY G. FEATHERSTONE	
	Direct Examination by Mr. Thompson	342
	Cross-Examination by Mr. Fischer	343
15	Questions by Judge Pridgin	349
	Redirect Examination by Mr. Thompson	349
16		
17	FUEL AND PURCHASED POWER EXPENSE	
18	KCP&L'S EVIDENCE:	
19	WM. EDWARD BLUNK	
	Direct Examination by Mr. Fischer	359
20	Cross-Examination by Mr. Mills	360
	Questions by Commissioner Murray	361
21		
22	SURFACE TRANSPORTATION BOARD	
23	KCP&L'S EVIDENCE:	
24	WM. EDWARD BLUNK	
	Cross-Examination by Mr. Mills	364
25	Redirect Examination by Mr. Fischer	373

1	SO2 PREMIUMS	
2	KCP&L'S EVIDENCE:	
3	WM. EDWARD BLUNK	
4	Questions by Commissioner Murray	376
5	Recross-Examination by Mr. Mills	377
6	Redirect Examination by Mr. Fischer	380
7	STAFF'S EVIDENCE:	
8	CHARLES R. HYNEMAN	
9	Cross-Examination by Mr. Mills	382
10	Cross-Examination by Mr. Fischer	386
11	OPC'S EVIDENCE:	
12	RYAN KIND	
13	Direct Examination by Mr. Mills	391
14	Cross-Examination by Mr. Fischer	393
15	MAINTENANCE EXPENSE	
16	KCP&L'S EVIDENCE:	
17	JOHN MARSHALL	
18	Direct Examination by Mr. Fischer	396
19	Questions by Commissioner Murray	411
20	Redirect Examination by Mr. Fischer	414
21	PROPERTY TAXES	
22	STAFF'S EVIDENCE:	
23	PHILLIP K. WILLIAMS	
24	Cross-Examination by Mr. Mills	418
25	Cross-Examination by Mr. Fischer	419

1	EXHIBITS INDEX		
2		MARKED	REC'D
3	EXHIBIT NO. 12/12HC		
4	Direct Testimony of Wm. Edward Blunk	38	389
5	EXHIBIT NO. 13/13HC		
6	Rebuttal Testimony of Wm. Edward Blunk	38	389
7	EXHIBIT NO. 14		
8	Surrebuttal Testimony of Wm. Edward Blunk	38	389
9	EXHIBIT NO. 15/15HC		
10	Direct Testimony of Burton L. Crawford	38	390
11	EXHIBIT NO. 16/16HC		
12	Direct Testimony of F. Dana Crawford	38	396
13	EXHIBIT NO. 17		
14	Rebuttal Testimony of F. Dana Crawford	38	396
15	EXHIBIT NO. 18/18HC		
16	Direct Testimony of John R. Marshall	38	415
17	EXHIBIT NO. 19		
18	Rebuttal Testimony of John R. Marshall	38	415
19	EXHIBIT NO. 20		
20	Rebuttal Testimony of Shannon Green, Jr.	38	418
21	EXHIBIT NO. 28		
22	Direct Testimony of George M. McCollister, Ph.D.	38	424
23	EXHIBIT NO. 29		
24	Rebuttal Testimony of George M. McCollister, Ph.D.	38	424
25	EXHIBIT NO. 104		
	Direct Testimony of Leon Bender	38	363
	EXHIBIT NO. 118/118HC		
	Direct Testimony of Charles R. Hyneman	38	382

1	EXHIBIT NO. 119/119HC		
2	Surrebuttal Testimony of Charles R. Hyneman	38	382
3	EXHIBIT NO. 137/137HC		
4	Direct Testimony of Graham A. Vesely	38	389
5	EXHIBIT NO. 138		
6	Surrebuttal Testimony of Graham A. Vesely	38	389
7	EXHIBIT NO. 215HC		
8	Response to DR No. 0152	368	370
9	EXHIBIT NO. 216HC		
10	Response to DR 0152.1	368	370
11	EXHIBIT NO. 217HC		
12	Response to DR 0152.2	368	370
13	EXHIBIT NO. 1306		
14	PowerPoint Presentation	38	415
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
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1 C E R T I F I C A T E

2 STATE OF MISSOURI)
3) ss.
4 COUNTY OF COLE)

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

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

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