

1           BEFORE THE PUBLIC SERVICE COMMISSION

2                           STATE OF MISSOURI

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4                           TRANSCRIPT OF PROCEEDINGS

5           On-the-record and Arguments Hearing

6                           May 26, 2011

7                           Jefferson City, Missouri

8   Volume 47

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11       In the Matter of    )

12       The Application of KCP&L                                    )

13       Greater Missouri Operations                                )

14       Company for Approval to Make                                )

15       Certain Changes in its Charges)File No. ER-2010-0356

16       For Electric Service    )

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18   NANCY DIPPELL, Presiding

  DEPUTY REGULATORY LAW JUDGE

19   CHAIRMAN KEVIN GUNN

  ROBERT S. KENNEY

20   ROBERT CLAYTON

  JEFF DAVIS

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1                   JUDGE DIPPELL: I think we have all  
2 of our technical and travel glitches taken care  
3 of this morning, and we'll go ahead and get  
4 started. I may have spoken too soon. There we  
5 go. Okay.

6                   This is Case No. ER-2010-0356, In The  
7 Matter of the Application of KCP&L Greater Missouri  
8 Operations Company for approval to make certain  
9 changes in its charges for electric service.

10                  My name's Nancy Dippell. I'm the  
11 regulatory law judge assigned to this matter, and  
12 we've come here today to have some additional  
13 arguments regarding rehearing applications,  
14 specifically for the allocation issue, the Iatan  
15 allocation issue.

16                  I'm going to begin by letting the  
17 attorneys make their entries of appearance. Can  
18 we start with Staff?

19                  MR. THOMPSON: Thank you, Judge.  
20 Kevin Thompson and Nathan Williams for the Staff  
21 of the Missouri Public Service Commission,  
22 P.O. Box 360, Jefferson City, Missouri 65102.

23                  JUDGE DIPPELL: Thank you.

24                  Public counsel?

25                  MR. MILLS: On behalf of the Office

1 of the Public Counsel and the public, my name is  
2 Lewis Mills. My address is P.O. Box 2230,  
3 Jefferson City, Missouri 65102.

4 JUDGE DIPPELL: And the Company.

5 MR. FISCHER: Yes, Judge. Let the record  
6 reflect the appearance of Roger W. Steiner and James  
7 M. Fischer on behalf of KCP&L Greater Missouri  
8 Operations Company.

9 JUDGE DIPPELL: Thank you.

10 Mr. Woodsmall.

11 MR. WOODSMALL: Thank you. Appearing on  
12 behalf of Ag Processing and SIEUA, David Woodsmall  
13 with the firm of Fennegan, Conrad, and Peterson.

14 JUDGE DIPPELL: Thank you.

15 Mr. Lumley.

16 MR. LUMLEY: Carl Lumley appearing before  
17 the Commission for Dogwood Energy, LLC.

18 JUDGE DIPPELL: Mr. Steinmeier.

19 THE WITNESS: Thank you, your Honor.  
20 Please let the record reflect the appearance of  
21 William D. Steinmeier, William D. Steinmeier, PC, of  
22 Jefferson City, Missouri, on behalf of the City of  
23 St. Joseph.

24 JUDGE DIPPELL: Thank you.

25 Is there anyone else that needs to make

1 an entry of appearance?

2 (No response.)

3 JUDGE DIPPELL: All right. Seeing none  
4 then, like I say, we called this mainly for questions  
5 and answers from the commissioners, so with that I  
6 think I'll let the commissioners begin. You-all have  
7 had an opportunity to make your arguements in your  
8 pleadings and --

9 COMMISSIONER CLAYTON: I don't have any  
10 questions.

11 JUDGE DIPPELL: I was going to say, I'll  
12 start with Commissioner Clayton.

13 Commissioner Davis.

14 COMMISSIONER DAVIS. I guess, first, does  
15 anybody have any opening statements that they want to  
16 make or anything?

17 MR. FISCHER: Judge, we were just going to  
18 reflect what our original proposal was, but I know  
19 this was on the agenda today, and we didn't want to  
20 take a lot of the Commission's time to restate it,  
21 but I can do that, if you prefer.

22 Okay. Our position was basically that  
23 originally that there should be a 41-megawatt  
24 transfer, and in addition to that we had suggested  
25 that 85 megawatts of capacity from other sources with

1 MPSP used -- peaking capacity be used toward the L&P  
2 service area. We thought that was most appropriate  
3 balancing based upon our analysis, and we -- if the  
4 Commission rehears the issue, that would be our  
5 position.

6 And with me today besides co-counsel, I  
7 have the two witnesses, Burton Crawford and Tim Rush,  
8 who were the witnesses on this issue, if you would  
9 prefer to ask specific questions of them.

10 COMMISSIONER DAVIS: Well, we're not  
11 taking evidence today.

12 MR. FISCHER: Okay.

13 COMMISSIONER DAVIS: Now, Mr. Mills,  
14 Mr. Woodsmall, you feel free to jump in here, and can  
15 I ask them their opinion?

16 MR. WOODSMALL: It's my take, given that  
17 you said you weren't going to take evidence and it  
18 hasn't been noticed up for a hearing, that you  
19 couldn't --

20 COMMISSIONER DAVIS: Okay.

21 MR. WOODSMALL: -- talk to witnesses  
22 because they are, by nature, giving evidence --

23 COMMISSIONER DAVIS: Okay.

24 MR. WOODSMALL: -- so I think it's limited  
25 to attorneys, in my mind.

1                   MR. MILLS: I agree. Even if you don't  
2 call in evidence, the only reason to ask them their  
3 opinion is to inform your decision. I don't think  
4 you can do that at this point.

5                   COMMISSIONER DAVIS: Okay.

6                   MR. WILLIAMS: Commissioner, if I might,  
7 briefly?

8                   COMMISSIONER DAVIS: Sure.

9                   MR. WILLIAMS: Since St. Joe Light and  
10 Power was acquired by Aquila, which is now called  
11 KCP&L Greater Missouri Operations Company, there's  
12 been an assignment of the plants, the existing  
13 generation plants, based on the ownership at the time  
14 the St. Joe Light & Power Company was acquired.

15                   The only additions that have occurred  
16 since that date in terms of generating units, that  
17 I'm aware of, is South Harper, which was also  
18 assigned to --

19                   COMMISSIONER DAVIS: And we all know how  
20 well that went.

21                   MR. WILLIAMS: -- which was also assigned  
22 to what's called now MPS, which was the old Aquila  
23 territory.

24                   COMMISSIONER DAVIS: Uh-huh.

25                   MR. WILLIAMS: And now we are dealing with

1 Iatan II and Crossroads, and in this case Crossroads  
2 has been assigned to MPS.

3 What the Commission was addressing was  
4 how to assign Iatan II. Staff took the position that  
5 100 megawatts of Iatan II should go to L&P to replace  
6 the contract that's expiring this month and in  
7 looking at the capacity needs of L&P versus MPS.

8 In actual operation, all these units are  
9 jointly dispatched, so what we're talking about is  
10 how to divide up for ratemaking purposes how  
11 customers within each of the two different rate  
12 districts are paying for that capacity and energy  
13 from those plants.

14 And, of course, the Commission made its  
15 decision about what it viewed to be a good, proper  
16 way to allocate the costs of Iatan II between the MPS  
17 and L&P rate districts.

18 COMMISSIONER DAVIS: Right. So let me get  
19 this straight, Mr. Williams. Everything is jointly  
20 dispatched.

21 MR. WILLIAMS: Operationally, that's how  
22 things work.

23 COMMISSIONER DAVIS: Okay, because I guess  
24 I'm a little confused, because going back to  
25 Ms. Mantle's testimony, it seems like I got the

1 impression that, you know, if we didn't assign a  
2 portion of this baseload, a larger portion of the  
3 baseload than what KCP&L proposed to St. Joe Power  
4 and Light, then they either wouldn't be able to get  
5 that electricity or they would be paying market rates  
6 for that electricity.

7 MR. WILLIAMS: It has to do with pricing.  
8 With the allocation of the capacity, the capacity  
9 costs would then go to E-TRADE districts. When you  
10 get to the energy, which is jointly dispatched,  
11 what's done is hourly, the amount of the load and  
12 the -- you look at the load each hour and you  
13 dispatch the units most economically, and then you  
14 look at which district those units are coming from  
15 and which district has how much of the load, and if  
16 one district's short, then the other district is  
17 supplying the power for it, and that's done at a  
18 marginal cost, the cost of the highest running unit.  
19 That's my understanding.

20 COMMISSIONER DAVIS: Okay. So it's --  
21 it's done at the locational marginal price, and that  
22 would be set by the most expensive unit, if they  
23 don't -- for instance, if St. Joe Power and Light is  
24 short --

25 MR. WILLIAMS: If MPS is supplying --

1 based on load, is supplying energy to L&P, it would  
2 be priced at the highest cost unit that was operating  
3 for MPS at that time within that hour, and that's  
4 done hourly for every hour in the year.

5 COMMISSIONER DAVIS: Okay. So that's  
6 actual energy --

7 MR. WILLIAMS: Yes.

8 COMMISSIONER DAVIS: -- and not, quote,  
9 "capacity."

10 MR. WILLIAMS: It would be energy versus  
11 capacity, right.

12 COMMISSIONER DAVIS: Okay. And then  
13 there's also the capacity issue of they've got to  
14 maintain, you know, their peak plus --

15 MR. WILLIAMS: You're talking about the  
16 reserve?

17 COMMISSIONER DAVIS: Right.

18 MR. WILLIAMS: That should go with  
19 capacity, I believe.

20 COMMISSIONER DAVIS: Right. Right. And  
21 so what's your impression of where St. Joe Power and  
22 Light is in terms of actual capacity?

23 MR. WILLIAMS: My understanding, from  
24 Staff's case, is that it needed 100 megawatts that  
25 Staff was asking the Commission to allocate to it --

1 COMMISSIONER DAVIS: Right.

2 MR. WILLIAMS: -- or assign to it, I  
3 should say, from Iatan II.

4 COMMISSIONER DAVIS: Right, because that's  
5 the expiration of the contract up in -- the nuclear  
6 contract up from Nebraska Public Power District --

7 MR. WILLIAMS: The NPPD contract.

8 COMMISSIONER DAVIS: -- Nebraska Public  
9 Power District.

10 MR. WILLIAMS: Yes.

11 COMMISSIONER DAVIS: And --

12 MR. WILLIAMS: There's also evidence that  
13 MPS will have a contract expiring -- I think it's 75  
14 megawatts -- and I believe that's in two more years.  
15 A more immediate contract is L&P.

16 COMMISSIONER DAVIS: Okay. Let me go to  
17 Mr. Woodsmall and Mr. Mills and Mr. Steinmeier here.  
18 I get the point that -- I'm getting KCP&L GMO,  
19 St. Joe Power and Light all confused at this present  
20 moment, so if I misspeak, forgive me, but I get the  
21 point that you're upset that, hey, you know, the  
22 Company asked -- only asked to raise -- raise your  
23 rates, you know, \$15 million and now you're looking  
24 at a \$20 million increase. I get that.

25 And I guess here's my mental impression,

1 and tell me if you think I'm wrong or whatever; and  
2 that is, the customers of St. Joe Power & Light --  
3 this may be, certainly, the last coal-fired  
4 generation built in this state for at least the next  
5 50 years. I mean, that's my guess.

6 It may be the last baseload that they  
7 have an opportunity to participate in for some time,  
8 and it looks like that they're going to be short in  
9 terms of both capacity and energy here in the near  
10 future.

11 Natural gas prices are low right now and  
12 are projected to remain low for at least the next two  
13 or three years, potentially even longer but, you  
14 know, I guess my concern is -- I mean, the  
15 conventional wisdom is, or at least what I've always  
16 thought was the conventional wisdom is, is that the  
17 customers are better off owning more baseload  
18 generation and depreciating it out, and over time,  
19 over, say, a 30-year period, those customers would  
20 actually have lower costs than people that are -- and  
21 more rate stability than people that are just buying  
22 off the market or the highest L&P price, whatever.

23 I mean, do you have a response to that?  
24 I mean, am I wrong? I mean --

25 MR. MILLS: Well, you're not so much wrong

1 as I think you're really not looking at it in the  
2 right way. What you're doing in this case is not  
3 figuring out how much St. Joe owns and how much the  
4 old MPS territory owns. You're determining how to  
5 set rates.

6 COMMISSIONER DAVIS: Okay.

7 MR. MILLS: It's all owned by one  
8 corporation. There's not a separate and distinct  
9 corporation that runs the St. Joe system and the MPS  
10 system.

11 COMMISSIONER DAVIS: So this is purely  
12 cost allocation.

13 MR. MILLS: This is just ratemaking. You  
14 cannot determine how much St. Joe owns versus MPS in  
15 this case by your order. You can simply determine  
16 who pays what portion of ongoing costs.

17 COMMISSIONER DAVIS: Okay. And so --  
18 but if we apportion the costs -- let's say we go  
19 back to KCP&L's proposal and that we go back to the  
20 41 megawatts and we apportion the costs less, then  
21 doesn't that mean that the St. Joe Power & Light  
22 customers are going to be -- they're not going to  
23 have access to that -- well, they will have access to  
24 potentially that additional 12 megawatts of  
25 electricity, but it's going to be at the L&P price in

1        lieu of, you know, whatever, you know, cost is for  
2        that generation?

3                    MR. MILLS:  If you were to go back -- if  
4        you were to go to that proposal, I believe Staff  
5        would argue that you are having the MPS customers  
6        subsidize the L&P customers because you're not  
7        assigning enough of that capacity to the L&P  
8        customers.  I don't want to speak for them, but I  
9        think that's the reason that we're talking about  
10       100 megawatts.

11                   MR. WILLIAMS:  Since you're referencing  
12        this, I'll pipe in and point out that the Company has  
13        stated in pleadings that under their proposal there  
14        would be a shift of 85 megawatts from MPS to L&P  
15        because of inadequate capacity for L&P.

16                   MR. FISCHER:  And since you mentioned  
17        that, maybe I should chime in.  Our original proposal  
18        was to try to maintain flexibility, and we were going  
19        to have Iatan II basically -- Staff -- what we were  
20        calling ECOR, which was really just a cost center,  
21        and in each rate case we would take a look at the  
22        appropriate allocation of that particular facility  
23        and allocate it between L&P and MPS.

24                   In this case we thought the most  
25        appropriate capacity allocation was the 41 megawatts

1 of Iatan II to L&P, but there needed to be other  
2 capacity that would be allocated from MPS, really,  
3 peaking capacity to continue to serve that area.  
4 That's where the 85 megawatts of additional capacity  
5 comes from.

6 But we would look at that issue in each  
7 rate case, and perhaps as new generation was built  
8 down the road, it would also go into that ECOR and it  
9 would also be looked at in that way. It wouldn't be  
10 assigned to a specific district, L&P or MPS, on a  
11 fixed basis. It would be more flexible than that,  
12 and that's what the Company was trying to do.

13 MR. WOODSMALL: And this is a good  
14 segway. We have intentionally not weighed in on the  
15 issue because we have clients on both sides of the  
16 equation. That being said, the one thing that we do  
17 feel strongly about, assuming that we understand how  
18 this ECOR would work, is that we do not like the  
19 notion of the dynamic allocation across time of the  
20 Iatan II capacity.

21 You mentioned earlier, Commissioner  
22 Davis, that the benefits of baseload, while you pay  
23 more up-front in capital costs, as depreciation eats  
24 that down, you get more for your money.

25 COMMISSIONER DAVIS: Right.

1                   MR. WOODSMALL: You're getting the energy  
2                   and your capital cost are going down, so the real hit  
3                   associated with the baseload plant is in the early  
4                   years.

5                   Now, imagine a situation where you  
6                   initially allocate that plant, some amount of it, to  
7                   St. Joe, and they're paying these high capital costs  
8                   and then later you dynamically allocate that back to  
9                   MPS. They paid the high capital costs, and now  
10                  you're taking away the promise of the low-energy  
11                  costs that they were expecting, so the dynamic  
12                  allocation just is a scary thing for customers on  
13                  both ends.

14                  MR. STEINMEIER: Well, Commissioner -- oh.  
15                  Go ahead. Sorry.

16                  COMMISSIONER DAVIS: Mr. Steinmeier,  
17                  you've been silent this whole hearing. Stand up and  
18                  be heard, or you can sit and be heard.

19                  MR. STEINMEIER: Thank you, Commissioner.

20                  Lower costs at the end of 50 years when  
21                  I'm 111 are of slim consolation to the people of  
22                  St. Joseph today in the context of your May 4 rate  
23                  order. And while we can understand and appreciate  
24                  all the long-term dynamics, when Jim Fischer and I  
25                  and our three colleagues were crafting a phase-in in

1 1985 of Missouri's first nuclear plant, we concluded  
2 that 14 to 15 percent rate increase in one year was  
3 the furthest we could comfortably go to impact  
4 customers, even though the revenue requirement  
5 result of our decision, after disallowing \$384  
6 million in construction costs, would still have been  
7 a 45 percent one-time rate increase.

8 My immediate concern, and the people of  
9 St. Joseph's immediate concern, and the city council  
10 of St. Joseph's immediate concern, is that a  
11 21 percent rate increase as a result of this case  
12 is simply excessive.

13 It is -- it cannot be borne comfortably  
14 by families or by businesses. It will have a  
15 seriously detrimental effect on the ability of the  
16 community to attract businesses. We -- a fact and  
17 figure to consider is that the average wage in  
18 St. Joseph, according to the Department of Economic  
19 Development data, is \$34,321, which compares  
20 unfavorably to 38,610 in Platte County, 42,019 in  
21 Clay County, 45,979 in Jackson County.

22 St. Joseph has lost several major  
23 employers over the last ten years ago -- or so,  
24 including Quaker Oats, Midwest Fakos (ph), Market  
25 Stone, Stetson Hats. The Hallmark distribution

1 center will be closing the latter part of 2011.

2 And the simple bottom-line fact is that  
3 the 21 percent rate increase ordered by the  
4 Commission in this case will put St. Joseph at a huge  
5 competitive disadvantage in trying to grow its  
6 economic base.

7 Now, it's our position that if Staff  
8 wanted to propose an allocation methodology that  
9 would result in a dramatically higher rate impact on  
10 St. Joseph than that proposed by the Company, as they  
11 did here, then Staff should have had a responsibility  
12 to propose a reasonable phase-in or gradual  
13 implementation of that methodology and its resultant  
14 rate increases, but it did not do so, so we agree  
15 with the arguments of GMO in this case on the  
16 Iatan II cost allocation issue.

17 We encourage the Commission to grant  
18 rehearing and to adopt the allocation proposed by GMO  
19 for purposes of this case, and that proposal is not a  
20 permanent one-time this-will-always-be-the  
21 allocation. That proposal was, for now, this number  
22 of megawatts assigned to L&P Division, and then the  
23 parties talk before the next case and work on a  
24 gradual long-term plan.

25 But as I say, rate impacts, we -- we

1           couldn't bring ourselves to go above 14 percent in  
2           the first year of Callaway. We set up the nation's  
3           first phase-in of a major rate base addition in that  
4           case and set rate increases in the first year of  
5           14 percent, second year 10 percent, then a series of  
6           7s. 21 percent is simply excessive.

7                         MR. WILLIAMS: Commissioner, if I may?

8                         COMMISSIONER DAVIS: Sure.

9                         MR. WILLIAMS: Staff is certainly not  
10           opposed to a phase-in. What you're facing is within  
11           one company, disparate rates in two districts that  
12           are primarily the result of a different generating  
13           capa-- units they own, and they're each -- currently  
14           the rates are based off of the capacity costs and the  
15           energy that they're getting from those units.

16                        For example, L&P is now enjoying a  
17           low-cost energy, and presently lower-cost Iatan I  
18           costs, capacity costs. The time that Iatan I came  
19           online it was higher, but at this point in time it's  
20           a good deal, and that's not the only driver, but one  
21           of the big drivers for why L&P rates are so much  
22           lower.

23                        The overhead costs, personnel costs,  
24           service center costs are basically the same for both  
25           districts. It's all part of the GMO cost. The main

1 driver between the disparate rates at this point is  
2 how the generating units have been assigned to the  
3 different rate districts.

4 I suggest that the more complication you  
5 have in how you are allocating the costs of the  
6 Iatan II unit and doing it differently than how  
7 you've done Crossroads and how you've done South  
8 Harper, I think it makes it more difficult to provide  
9 a rational basis for why that should be done.

10 COMMISSIONER DAVIS: So you're saying no  
11 to the hybrid ECOR approach; correct?

12 MR. WILLIAMS: Staff has never liked that  
13 approach.

14 COMMISSIONER DAVIS: Right. And, you  
15 know, I mean, Mr. Steinmeier, I mean, it seems like  
16 to me that KCP&L is trying to give the people of  
17 St. Joe a break in terms of this -- having the ECOR  
18 and then being able to reallocate additional  
19 increments of, you know, the Iatan II baseload  
20 generation in future proceedings, but I guess that  
21 does get back to what I would perceive to be an  
22 equity concern in that, you know, Mr. Woodsmall does  
23 have some industrial consumers in the old MPS  
24 territory that, you know, they're going to be paying  
25 the high up-front costs, and then they're going to,

1           you know, maybe get two years or five years down the  
2           road and then all of a sudden they're going to see  
3           that that generation's going to get moved to L&P, and  
4           how do you respond to that?

5                       MR. STEINMEIER: I think in the manner in  
6           which I concluded my previous statement, which is to  
7           say over time these allocations could be adjusted. I  
8           don't think GMO has any more reason to favor L&P than  
9           it does MPS. I think it's doing a balancing act  
10          within the divisions of its own company.

11                      And part of what this proposal in this  
12          case accomplishes is the avoidance of rate shock in  
13          either division. Those allocations could be changed  
14          over time if the Commission believes that it's  
15          necessary and appropriate to do so, but it can be  
16          done in increments far less than ordered in this  
17          case.

18                      COMMISSIONER DAVIS: Let me ask you this,  
19          Mr. Steinmeier: So if we did the exact same thing  
20          but we did a phase-in, you'd be okay, correct?

21                      MR. STEINMEIER: I honestly cannot answer  
22          that question today on behalf of my client, but I  
23          would understand it a lot better.

24                      MR. WILLIAMS: Commissioner, since we're  
25          on the topic of rate shock, Staff included -- I

1 believe it's in the direct case Cost of Service  
2 Report, somewhere in the record -- that including  
3 Iatan I and St. Joseph Light & Power Company's  
4 rate base, cost rates to increase by over 26 percent  
5 when that came online.

6 COMMISSIONER DAVIS: And I guess let me  
7 just -- I'm trying to find an equitable resolution  
8 here on this issue, and maybe there isn't one. I'm  
9 having a hard time swallowing the whole ECOR, we're  
10 going to just reallocate, you know, the Iatan II based  
11 on -- you know, every future rate case based on what  
12 the utilities are going to actually consume, I guess,  
13 unless would there be some sort of rebalancing in  
14 terms of what the -- would the MPS customers be  
15 reimbursed at that point for their contribution --  
16 for a portion of their contributions for their --  
17 that they paid in terms of paying the principal and  
18 interest on the Iatan II plant when they're no longer  
19 going to receive the capacity?

20 MR. FISCHER: Commissioner, it's similar  
21 to what Kansas City Power & Light does today and has  
22 always done with its Kansas and Missouri  
23 jurisdictions. They look at all their power plants  
24 in every rate case and they look at where the load  
25 growth has occurred based on the various allocation

1 methods that they have, and they allocate those,  
2 their power plants, based upon the conditions as they  
3 exist at the time.

4 And in this case, that's what they're  
5 proposing to do on a going-forward basis for Iatan II  
6 and perhaps new generation that might be coming  
7 online, but in the KCP&L case, over the years there's  
8 been greater growth in Kansas, so it gets more plant  
9 over time, or vice versa, depending on the  
10 conditions, and that's what would happen here with  
11 the Iatan II plant. As conditions changed in rate  
12 cases, you'd look at each one of those and you'd have  
13 flexibility to allocate as it was appropriate.

14 COMMISSIONER DAVIS: Staff or  
15 Mr. Woodsmall, do you have a response to that?

16 MR. WILLIAMS: Well, I'd point out that  
17 we're not dealing with two state jurisdictions here.  
18 We're dealing with one company in Missouri that has  
19 disparate rates for two different districts that are  
20 based on prior ownership of generation before they  
21 became one company, principally.

22 MR. MILLS: And I think the -- the biggest  
23 problem I have with the whole ECOR concept is that it  
24 starts out skewed. The reason they're proposing is  
25 because it starts out by charging MPS costs that

1           rightfully should be in L&P and then over time it  
2           will correct that.

3                       COMMISSIONER DAVIS: Right.

4                       MR. MILLS: So that's a discrimination  
5           issue, and that's a big problem so, you know, if you  
6           started out with it fairly close, it could shift a  
7           little bit over time, but I think Mr. Woodsmall's  
8           point is dead-on here, because you're starting it out  
9           with an inaccurate allocation and hoping to use that  
10          concept to correct that inaccurate allocation over  
11          time.

12                      COMMISSIONER DAVIS: Sure. I'm going to  
13          turn this over to the Chairman here and he can ask  
14          some questions.

15                      CHAIRMAN GUNN: So that brings up another  
16          question. So if you do ECOR, do you have a problem  
17          with Kansas getting some of the benefit of some of  
18          the things that Missouri ratepayers have paid for  
19          because of the potential reallocation going on?

20                      MR. WOODSMALL: No, because what we're  
21          talking about solely here is an ECOR as it applies to  
22          GMO, so just the --

23                      CHAIRMAN GUNN: So just the --

24                      MR. WOODSMALL: -- just the Missouri  
25          operations.

1                   CHAIRMAN GUNN: Okay. I have a couple of  
2 other questions, and part of it is back to Mr. Mills'  
3 point about subsidization. So if we go back to  
4 the -- currently under the current report and order  
5 with the allocation, the MPS is still paying \$5 a  
6 month more than the L&P service territory for an  
7 average bill, that's the calculation.

8                   That gets wider if we reallocate and go  
9 back and put more in the MPS service territory, so  
10 you now -- that \$5 a month more for MPS is going to  
11 be even more in the MPS service territory, so in all  
12 of the things that Mr. Steinmeier pointed out about  
13 St. Joe as having an economic development problem, it  
14 happened with potentially \$16 a month less rates, so  
15 I understand that it's rate shock, but all of that  
16 poor economic activity has happened during the time  
17 that L&P has experienced relatively low rates, even  
18 as relative to the rest of the state.

19                   So I understand it's -- if we can get  
20 past that whole kind of they-didn't-ask-for-it-so-  
21 they-shouldn't-get-it point of view, and I understand  
22 that's a valid point, but I want to move on to what  
23 the actual objections are here to having a more fair  
24 allocation between the two service territories.

25                   If they are jointly dispatched and

1 jointly owned, then why are we having -- why are we  
2 granting most-favored nation status to St. Joe as  
3 opposed to the rest of the service territory? Why  
4 are they -- their rates, and significantly lower than  
5 the MPS service territory, and why should they remain  
6 that way when they are jointly contributing, or that  
7 you have a plant that's jointly owned?

8           Isn't there a point at which if we don't  
9 do this now, we're going to have to do it at some  
10 later date? And, you know, whether it's dynamic or  
11 whether it's static, this is recognizing a problem  
12 that we're going to have to come to at a certain  
13 point in time. With all due respect, I think we do  
14 have to consider not just today, but what is going to  
15 keep rates stable and lower for a longer period of  
16 time than just 2011.

17           MR. WOODSMALL: To answer part of your  
18 question of how did we get here, I think you have to  
19 go back 30-some-odd years. And Staff alluded to it  
20 when St. Joe agreed to participate in Iatan II, and  
21 so St. Joe paid those capital costs, but now they're  
22 seeing the benefits of that.

23           CHAIRMAN GUNN: Right.

24           MR. WOODSMALL: St. Joe also had a long-  
25 term contract for nuclear power from Nebraska that's

1           expiring. Long and short, I think St. Joe properly  
2           has -- I don't know -- an option, has a better right,  
3           if you will, to all 153 megawatts if they wanted it  
4           from Iatan II because it was their participation in  
5           Iatan I that got them in to Iatan II, so it was that  
6           option that they could rightfully say, if they wanted  
7           it, you know, We deserve all 153 megawatts, so those  
8           decisions on the St. Joe side that led to their low  
9           rates.

10                        On the other side, the MPS side -- I'm  
11           not going to go into it, but you heard a lot  
12           throughout this case about the problems, financially,  
13           there, and the lack of capital additions that were  
14           made on the MPS side, so while St. Joe was making  
15           these capital additions, the MPS side wasn't, so they  
16           went opposite directions, so that's how we got to  
17           where we are now.

18                        CHAIRMAN GUNN: So the 153 megawatts that  
19           they would -- you said they would be entitled to,  
20           what would they pay for that?

21                        MR. WOODSMALL: They would pay full cost,  
22           all the capital costs, the energy, what have you. If  
23           you get it that way, presumably then, since they  
24           don't need it -- and Staff, I think, admits they  
25           don't need it -- they would be selling that in the

1 market. You know, they could sell it to MPS. They  
2 could sell it in the market. They would do something  
3 with it.

4 CHAIRMAN GUNN: Until they would need it,  
5 if they had growth.

6 MR. WOODSMALL: Presumably, yes.

7 MR. MILLS: But if I can respond to that  
8 just briefly, Mr. Woodsmall's assumption there is  
9 that St. Joe exists as the old St. Joe Light and  
10 Power, and it doesn't.

11 CHAIRMAN GUNN: Right.

12 MR. MILLS: It is now part of GMO, which  
13 means that whatever corporate rights that St. Joe had  
14 to participate in Iatan II as a result of its  
15 historic participation in Iatan I, now inure to GMO  
16 and not to the St. Joe division of GMO.

17 CHAIRMAN GUNN: Well, and that's what --  
18 that's kind of my point here is is that, aren't we,  
19 through this report and order, recognizing that the  
20 service territories need to start moving towards a  
21 single-service territory?

22 MR. MILLS: Yes. The problem is that  
23 you're doing it on the back of a significant increase  
24 already, which contributes to the rate shock issue  
25 that Mr. Steinmeier's alluded to, and you're doing it

1 to an extent greater than GMO anticipated when they  
2 filed the case, and so you're doing it to a greater  
3 extent than the Company even asked for.

4 CHAIRMAN GUNN: Absolutely. But if that  
5 were to grant long-term rate stability and long-term  
6 rate -- lower rates so that you don't have escalating  
7 costs in twenty years, because of the baseload  
8 allocation, is that -- I get the rate shock issue.  
9 Nobody likes to raise rates, and it's painful, but if  
10 we're talking -- and I get the point that there are a  
11 certain segment of the population that are going to  
12 pay it today and aren't going to see the benefits  
13 15 years from now.

14 From a broader perspective, wouldn't  
15 there be some benefit to doing the way we did it so  
16 that rates don't -- you have an initial kind of bump,  
17 but then they're going to stay stable over a much  
18 longer period of time?

19 MR. MILLS: And you're asking me to assume  
20 that it's not unlawful.

21 CHAIRMAN GUNN: I am. I am.

22 MR. MILLS: Okay. Well, I mean, you can  
23 extend that argument to some fairly ridiculous  
24 situations as in, you know, customers from one  
25 respect would be better off paying now for plants

1 that don't even begin construction 20 years from now.

2 CHAIRMAN GUNN: But that's not what we're  
3 talking about.

4 MR. MILLS: Well, it's kind of what you're  
5 talking about. You're talking about paying a lot now  
6 for benefits farther down the road.

7 CHAIRMAN GUNN: But still less than other  
8 people were paying by a fairly significant amount.

9 MR. MILLS: Yeah.

10 MR. WOODSMALL: Following up on your  
11 point, we calculated that for the industrial  
12 customers, that industrial customers would still pay  
13 one-tenth of a penny less per kilowatt hour for the  
14 L&P side than the MPS side under your order, so even  
15 under your order, L&P rates on the industrial side  
16 are still less, so it follows up on your point, what  
17 you were saying about -- I don't know. You were  
18 using \$5 a month --

19 CHAIRMAN GUNN: That's the residential  
20 average rate, I think.

21 MR. WOODSMALL: Right. So industrial  
22 customers, we're seeing the same thing.

23 MR. WILLIAMS: Chairman Gunn, I point out  
24 that the reason, as I indicated before, and part, at  
25 least, that L&P rates are lower is because of

1 St. Joseph Light & Power Company's participation in  
2 Iatan I, and before Aquila acquired St. Joseph Light  
3 & Power Company, it was solely the ratepayers that  
4 are now in the L&P district that were bearing the  
5 cost of Iatan I, and that's, in part, because of  
6 those lower rates. They're in a better position to  
7 bear the costs of adding additional baseload capacity  
8 which will give them -- should give them over the  
9 long run, if history bears out, then to continually  
10 add capacity for CTs and higher operating cost units.

11 CHAIRMAN GUNN: I -- it's a big number. I  
12 get that. I mean, I really -- I understand that, and  
13 what I'm struggling with is, do we say, Hey, St. Joe,  
14 you're going to experience some short-term pain for  
15 some long-term ease of pain, and it doesn't help the  
16 folks in St. Joe right now, it doesn't help  
17 businesses struggling. It's a problem we have all  
18 around the state. I don't think it's limited to the  
19 borders of St. Joe in terms of economic development  
20 activity.

21 But then we're also telling the MPS  
22 customers that your rates are going to -- they're  
23 going up significantly because we have a large  
24 capital addition, but not only that, but now they're  
25 going to go up even more while people in St. Joe

1           continually now are going to have -- even the  
2           residential ratepayers are going to even pay less,  
3           and that disparity is going to be -- remain as big as  
4           it is today.

5                         And we are -- and do we ever get to the  
6           point where we recognize that -- I mean, we run up  
7           with this with water districts all the time. It's  
8           the issue of subsidization. Are we going to realize  
9           that it's a single-service territory jointly  
10          dispatched and jointly owned by the same corporation  
11          and that the allocations are artificial in a lot of  
12          ways, recognizing what happened 30 years ago and that  
13          we should start moving towards -- I don't want to  
14          call it single tariff pricing, but we want to move  
15          towards a more -- a closer or less in rate disparity  
16          between the two service territories? At what point  
17          do we do that?

18                        If we reallocate, which I'm not  
19          necessarily opposed to, you know, are we just pushing  
20          this down the road where we're going to have to deal  
21          with this again in five years and then ten years?

22                        And I think I agree with your point about  
23          this dynamic pricing, because I think there's a real  
24          danger of exactly what you're talking about  
25          happening, is all of a sudden you have, you know, a

1 large need and we're going to all of a sudden shift  
2 that, and then somebody's never going to get the  
3 benefit of what they're getting today. That's a real  
4 potential issue.

5 MR. WOODSMALL: I think all the questions  
6 you've asked are questions that all of us in this  
7 room at one time or another pondered, and I think at  
8 some point in time we're going to address those. I  
9 don't think, though, this rate case is that arena,  
10 but we do -- I think eventually will have to address  
11 those.

12 MR. STEINMEIER: Mr. Chairman, I think as  
13 a practical matter, you are going to revisit this  
14 issue in the next five years and in the next ten  
15 years. It's just in the nature of the regulatory  
16 process.

17 And I think that it is far more  
18 appropriate for the Commission to have the  
19 opportunity to revisit these kinds of allocation  
20 issues than for any of us to sit here today and  
21 pretend that we know what the next 50 years is going  
22 to look like.

23 What I am suggesting, what KCP&L, GMO  
24 suggested and recommended in the case was a specific  
25 assignment for purposes of this case and the creation

1 of a dialog to address how to move those allocations  
2 forward in the future. That doesn't push it out  
3 indefinitely or doesn't have to, and I would take  
4 them up on that offer.

5 That's what we're recommending you do,  
6 accept their allocation for purposes of this case,  
7 which mitigates -- doesn't eliminate -- 13.78 percent  
8 is a big rate increase -- that's about what we  
9 ordered in the first year of the Callaway phase-in --  
10 for purposes of this case and then undertake a  
11 dialogue of collaborative process, some process by  
12 which the future changes in these allocations can be  
13 addressed by all affected parties.

14 MR. WILLIAMS: Chairman Gunn, Staff agrees  
15 that the more generation capacity that GMO adds, as  
16 with the two rate districts, the more difficult it  
17 becomes on maintaining this fiction that the cost  
18 should be different for MPS and for L&P.

19 MR. MILLS: Mr. Chairman, I think you can  
20 achieve all of the things you're talking about with  
21 the phase-in. You avoid the illegal increase above  
22 what it's noticed. You avoid the concept that I  
23 think is implicit in GMO's proposal which is that,  
24 you know, you're phasing in the increase to St. Joe,  
25 but in the meantime you're having MPS subsidize

1 St. Joe, so I think that the only route you have that  
2 is reasonably fair to ratepayers in both districts  
3 and to the Company is the phase-in.

4 CHAIRMAN GUNN: So explain to me,  
5 practically, how you propose a phase-in to work.

6 MR. MILLS: You could order the increase  
7 to St. Joe up to the amount that the notice is and  
8 the original tariffs contemplated and order -- you  
9 can order -- I believe, under the phase-in statute  
10 you can order tariffs to be filed with an effective  
11 date a year from now that phase in the rest of it.

12 MR. WOODSMALL: We would concur in the  
13 execution as described. I guess a couple things  
14 regarding the phase-in. The statute allows for  
15 phase-ins for unusually large rate base additions.  
16 No question that this qualifies. I think it's a rate  
17 base addition of 250 percent, or something like that,  
18 so this qualifies.

19 I don't believe, contrary to GMO's  
20 assertions, that you need any evidence on this. I  
21 think as Mr. Mills described, you would allow the  
22 increase up to the amount requested, and then the  
23 statute requires you to give them carrying costs, so  
24 the carrying costs and how much that will be for the  
25 next portion of the phase-in will all be calculated

1 later anyway.

2 CHAIRMAN GUNN: So -- 'cause we've already  
3 determined what the cost is, so you don't -- you've  
4 got plenty of evidence in the record of what it is.  
5 It's only a -- it's an implementation issue; it's not  
6 an evidentiary record issue, is what you're saying.

7 MR. WOODSMALL: Right. I think the thing  
8 about the phase-in we find most attractive, and we  
9 pointed this out is, this case was filed almost a  
10 year ago. People have been making budgeting  
11 decisions based upon a \$22.1 million increase. By  
12 doing the phase-in, you still allow them to, you  
13 know, keep those budgeting decisions real and you  
14 tell them more is coming, so you don't hit them with  
15 the entire amount all at once.

16 CHAIRMAN GUNN: So from a procedural  
17 standpoint, would we need to grant rehearing on a  
18 phase-in or would we just have to issue a separate  
19 subsequent order ordering the tariff filing as a  
20 phase-in?

21 MR. WOODSMALL: In my mind, I don't  
22 believe you'd have to -- I don't believe you'd have  
23 to grant rehearing. You could say something to the  
24 effect that the Commission recognizes that this is a  
25 large rate base addition. Statute allows us to phase

1 in the increase. We're limiting the first phase to  
2 the amount requested, 22.1 million. Order GMO to  
3 file their next tariffs in a certain period of time  
4 and reflect at that time their carrying costs.

5 CHAIRMAN GUNN: Anybody else have an  
6 opinion on that?

7 MR. MILLS: I agree. I don't think you  
8 have to grant rehearing. You do need to reconsider  
9 and modify your report and order to the extent that  
10 it ordered them to file certain tariffs at a certain  
11 time, but I don't think you have to grant rehearing  
12 in order to do that.

13 CHAIRMAN GUNN: While they're talking, we  
14 can go back to the issue. I have kind of a separate  
15 question for Staff. Because -- with the  
16 reallocation, there was this fuel adjustment clause  
17 recalculation and -- for fuel and purchase power  
18 reallocation. Did you guys use the MIDAS model to  
19 price that out?

20 MR. WILLIAMS: I don't believe we did. I  
21 think we used the same model that Staff used  
22 throughout the case. I mean, there were certain  
23 items that the Commission, in its report and order,  
24 directed that were to be taken from a MIDAS, but I  
25 don't believe by proxy -- natural gas, but in other

1 words, no, my understanding.

2 MR. FISCHER: Mr. Chairman, I would just  
3 make a couple points on phase-in and a couple other  
4 items. The law does require that you give carrying  
5 costs to the Company to reflect the fact it would  
6 be -- wouldn't recover the money until later.

7 CHAIRMAN GUNN: Right.

8 MR. FISCHER: But the other very important  
9 aspect of that is, you need to understand the  
10 financial impact of that kind of decision, because  
11 you're effectively deferring recovery of that money  
12 to the future.

13 There's no evidence in the record that  
14 would discuss that kind of proposal, how it would  
15 impact the Company, and I think that would be  
16 something the Commission would be certainly  
17 interested in. The other --

18 CHAIRMAN GUNN: So you're saying that --  
19 then we would grant rehearing on the issue, take  
20 evidence as to what the financial impact may be on a  
21 phase-in and then issue an order?

22 MR. FISCHER: I think that would be a  
23 requirement for a balanced decision. I think, you  
24 know, contrary to what Mr. Woodsmall's saying, we  
25 think you need evidence on what the specifics of any

1 phase-in proposal would be, not just, you know,  
2 announce that this is what you have to do.

3 We think you need to know the financial  
4 impact, what the rates would be and all of that under  
5 that statute. That's how it was done in the other  
6 previous cases where it was utilized.

7 But I also need to make another point, I  
8 guess. If you adopted the Company's original  
9 allocation proposal and went to the 85 megawatts of  
10 capacity coming from MPS, which is what we were  
11 assuming, that would lower the revenue requirement  
12 for St. Joe \$2.66 million.

13 That doesn't get you down below what the  
14 Company originally was -- requested, if that was your  
15 goal, because the other important aspect of that  
16 is -- the other important thing is -- driving that  
17 number up is the decision that was made on fuel  
18 rebasing.

19 And in that regard, the Company, of  
20 course, originally didn't propose fuel rebasing, but  
21 the Commission Staff and others suggested it be done,  
22 and the Commission adopted that. When we don't  
23 rebase, of course, we don't recover five percent of  
24 that fuel as part of that sharing grid.

25 By rebasing, we get that recovery. We

1 are -- we have not asked for rehearing of that  
2 decision, but that's something you need to remember,  
3 I guess, as you're thinking about this, that it's not  
4 just the allocation of Iatan II that is driving the  
5 number in St. Joe to where it is.

6 CHAIRMAN GUNN: Okay. That's all I have.

7 COMMISSIONER DAVIS: Okay. So let me just  
8 follow up on that, Mr. Fisher. So you're saying that  
9 we have to take evidence, but yet, really, what we're  
10 talking about here is \$2.66 million a year plus  
11 interest on the difference between --

12 MR. FISCHER: I mean, if that's what you  
13 were phasing in, that's -- yeah. If you were just  
14 trying to reach a -- find a phase-in that would take  
15 the current report and order and go back to the  
16 Company's original proposal and phase in the  
17 difference on only that piece of it, you'd be talking  
18 about \$2.66 million.

19 COMMISSIONER DAVIS: Do you guys agree  
20 with that?

21 MR. WOODSMALL: I don't know about the  
22 numbers. I'm just a little baffled that we're  
23 talking about financial implications on a company the  
24 size of GPE -- this isn't L&P -- a company the size  
25 of GPE, and we're talking about the little L&P

1 section and how that's going to have a financial  
2 implication on the whole, it just -- I can't see the  
3 financial implications.

4 COMMISSIONER DAVIS: I understand your  
5 point, Mr. Woodsmall. I think I'm getting that.  
6 Okay.

7 MR. STEINMEIER: Commissioner, can I touch  
8 on one point --

9 COMMISSIONER DAVIS: Certainly.

10 MR. STEINMEIER: -- related to a  
11 possible -- as I was thinking about Mr. Woodsmall's  
12 phase-in proposal, in this tariff motion the other  
13 day, it struck me as well that some additional record  
14 would be necessary just for the Company to have the  
15 capacity to accurately reflect on its books the  
16 effect of a phase-in.

17 The Commission would have to at least  
18 make clear what the carrying costs were, what the  
19 exact amount of the deferred amount is and what the  
20 deferred equity or carrying cost is.

21 COMMISSIONER DAVIS: Okay. So let me just  
22 throw out a scenario here that I'd like for everyone  
23 to respond to, and that is: When you set the rates  
24 at using the 41 megawatts proposed by KCP&L plus the  
25 fuel rebasing, we do a phase-in on the additional

1 costs that would be assigned to the L&P, and then we  
2 direct the parties to come in in the next case with a  
3 directive to figure out how we're going to apportion  
4 between, I guess, MPS and L&P, the Iatan II.

5 Thoughts? Responses?

6 MR. WOODSMALL: My most immediate thought  
7 is that the MPS customers are going to be hit with  
8 these high capital costs upfront with the knowledge  
9 that you're going to be taking it away at some point  
10 in time. If you move to the 41, tell the parties,  
11 you know, look for a more reasonable allocation  
12 later, they know right now that this is not good for  
13 us.

14 COMMISSIONER DAVIS: All right. Well, I  
15 guess, let me amend that to say that the -- we would  
16 do the phase-in on the additional 12 megawatts and --  
17 I mean, I guess by my way of thinking, I mean, I'm  
18 going to go back to Ms. Mantle's testimony, and I  
19 found it very persuasive that long-term L&P is better  
20 off with a bigger hunk of this baseload, so I guess  
21 it would be my understanding implicit in that, I  
22 guess, scenario would be that you wouldn't back up --  
23 that, you know, if you start paying for that  
24 baseload, you're always going to have at least that,  
25 and then we figure everything else out going forward.

1                   Would that change any of your thinking,  
2                   Mr. Woodsmall?

3                   MR. WOODSMALL: Well, when you say "at  
4                   least that," you can look at it this way: You're  
5                   saying that L&P will get 53 --

6                   COMMISSIONER DAVIS: Right.

7                   MR. WOODSMALL: -- MPS would get 100, and  
8                   then you said, If you start paying for it, you'll  
9                   have at least that --

10                  COMMISSIONER DAVIS: Right. So there --

11                  MR. WOODSMALL: -- so there's nothing to  
12                  ever change.

13                  COMMISSIONER DAVIS: Right. Okay.

14                  MR. WOODSMALL: I agree with your  
15                  premises, that this is all long-term, short-term  
16                  balancing.

17                  COMMISSIONER DAVIS: Right.

18                  MR. WOODSMALL: And you said Ms. Mantle  
19                  said that this is what L&P needed, and I cannot argue  
20                  with that. GPE made a statement in one of their  
21                  conference calls with Wall Street, I believe, last  
22                  month. They were talking about some boiler rule that  
23                  the EPA put out and how -- the impact that would have  
24                  on the Lake Road units. You know, I think given  
25                  that, there is a possibility that the St. Joe

1 customers will need more later --

2 COMMISSIONER DAVIS: Right. I mean --

3 MR. WOODSMALL: -- so, you know, to take  
4 it away long-term, it is the best thing. Customers,  
5 I think, tend to look at things in the short-term --

6 COMMISSIONER DAVIS: Right.

7 MR. WOODSMALL: -- so that's the rub.

8 COMMISSIONER DAVIS: I mean, my mental  
9 impression here is that before they decided to build  
10 this plant, and even throughout the process, that  
11 KCP&L did some economic modeling, and even based on  
12 these gas prices that we have right now, that plant  
13 is still going to be in the money long-term.

14 I mean, looking at, you know, the number  
15 of coal plants that are potentially -- I mean, there  
16 are literally coal plants announced being closed  
17 every day so, I mean -- Mr. Woodsmall, I mean, you've  
18 got people on both sides of this. What would be your  
19 recommended resolution on this issue? We've heard  
20 Mr. Mills.

21 MR. WOODSMALL: I'll tread lightly. I see  
22 the logic of the Commission's decision. I could see  
23 the logic of a Commission decision going several  
24 ways, but certainly on a long-term basis I understand  
25 the Commission's logic saying that we believe Light

1 and Power needed more baseload than GMO initially  
2 wanted to give them, so I understand that.

3 Given that, I don't believe that the  
4 Commission should back away from what it thinks is  
5 doing the right thing or the logical thing based  
6 simply upon GMO filing tariffs at a certain amount.  
7 Do what's right, not based upon what that number is  
8 somewhere.

9 So if you believe that that's a right  
10 decision, stick with it and phase in the remaining  
11 amount. Recognize that customers have made budgeting  
12 decisions. Put in that first amount and then tell  
13 KCP&L, File the remaining tariffs in "X" period of  
14 time, and calculate capital costs at that time.  
15 That's done all the time.

16 When you give AAOs to MGE for pipeline  
17 stuff, you give the AAO, and capital costs are  
18 calculated later. We don't need evidence at this  
19 point in time as to what their carrying costs are.  
20 That will all be calculated later.

21 I don't think you need to grant rehearing  
22 to tell them, Calculate the carrying costs. So do  
23 what you think is right. I understand the logic of  
24 the Commission's decision, but recognize the  
25 budgeting decisions that customers have made and

1 phase in.

2 COMMISSIONER DAVIS: Mr. Gunn, do you  
3 want --

4 CHAIRMAN GUNN: I think I get what you're  
5 saying. We keep everything the same. We keep the  
6 allocation. We're saying, you're going to get the  
7 long-term benefit of this, but we're going to ease  
8 some of the short-term pain by taking that difference  
9 over what that notice was or what you thought you  
10 were going to get, and we're going to phase it in  
11 over time. I mean, it's a fairly simple -- and  
12 Mr. Mills, you would be okay with that?

13 MR. MILLS: Yeah. I think in this case  
14 the Commission should determine what the appropriate  
15 allocation of the plants is, and then to the extent  
16 that that would increase St. Joe rates over what the  
17 notices said, then that's the part that you phase in  
18 over what the statute says, over a reasonable number  
19 of years.

20 COMMISSIONER DAVIS: Mr. Fischer, you're  
21 calculating that at about --

22 MR. FISCHER: Commissioner, the difference  
23 on the allocation between what the Company proposed  
24 and what the Commission's report and order would  
25 indicate is only \$2.66 million. The rest is due to

1 the fuel rebasing issue.

2 Now, under the statute, I think you can  
3 phase in, probably, a large rate base addition. I  
4 don't think you can phase in fuel increases.

5 MR. WOODSMALL: That seems to imply that  
6 this rate case is all about fuel. The rate increase  
7 granted here is based upon all relevant factors. You  
8 can't say this amount is fuel, this amount -- you  
9 can't say that the amount being phased in is fuel.

10 The amount being phased in is largely  
11 because of the unusually large rate base addition,  
12 but it is a lot of things. It's fuel. It's rate  
13 base additions. It's payroll. It's benefits. It  
14 can be tied -- you can't say that we're phasing in  
15 only the rate base issue.

16 CHAIRMAN GUNN: So just from a practical  
17 standpoint, you take that \$16 increase, or whatever  
18 it was, for the average residential ratepayer. They  
19 will, once the tariffs go into effect -- this is all  
20 numbers I'm making up -- would get a \$10 increase,  
21 and then those \$6 would be phased in over a certain  
22 period of time. That's all you have to do. You'd  
23 have to do a reconsideration just to modify that part  
24 of the order, but you wouldn't need any more  
25 evidence, you wouldn't have to grant rehearing, you



1 out that there are carrying costs associated with the  
2 fuel clause as well but --

3 JUDGE DIPPELL: Let me jump in here just a  
4 moment just to clarify something. With OPC and  
5 Mr. Woodsmall, when you're talking about taking the  
6 rate increase back down to the amounts that were  
7 originally noticed in the customer notices, are you  
8 including the rebasing?

9 MR. MILLS: Yes --

10 JUDGE DIPPELL: Okay.

11 MR. MILLS: -- because the phase-in  
12 statute doesn't say that you can only phase in the  
13 portions of the rate increase due to the plan. It  
14 says, If you have a large increases [sic] primarily  
15 due to addition of plant, then you can phase in  
16 portions of the whole rate increase, and so that's  
17 what we're talking about.

18 We're not talk-- it is an unusually large  
19 rate increase. I don't think anybody would dispute  
20 that 21 percent would be unusually large, and it is  
21 largely driven by the addition of a plant, so I think  
22 it squarely falls into the phase-in statute. And  
23 once you're there, then the Commission can make  
24 equitable determinations about how much to phase in  
25 over what period of time.

1                   JUDGE DIPPELL: So the allocation portion  
2 of the reduction would be greater than the 2.6 that  
3 they're talking about, because you also have to  
4 consider the rebasing amount.

5                   MR. MILLS: Yes, it would be greater than  
6 2.6.

7                   JUDGE DIPPELL: And --

8                   MR. MILLS: It's the difference between, I  
9 think, 29.3 and 22.1, if I've got my numbers correct.

10                  JUDGE DIPPELL: And does the Commission  
11 not need additional evidence on what a reasonable  
12 time to phase that rate in?

13                  MR. MILLS: You can certainly take  
14 evidence on that. I mean, I don't think that we're  
15 talking about something like Mr. Steinmeier was  
16 saying, which is a phase-in over a period of -- I  
17 think it was five years or longer. I think one or  
18 two steps is probably enough here, but certainly if  
19 the Commission wants to take evidence on that, you  
20 know, we could provide testimony on it.

21                  JUDGE DIPPELL: Well, my interest is  
22 making sure that the Commission has a legal order  
23 going out, so that's --

24                  MR. WOODSMALL: And getting to that point,  
25 and Chairman Gunn was asking, What do we do today? I

1 think one of the most important things, as I  
2 indicated before, you may want to clarify the order.  
3 You don't need to grant rehearing, but the other  
4 aspect is, in order to do this phase-in, you would  
5 have to reject the tarrifs that are there now,  
6 because the tarrifs that are there now do not provide  
7 a phase-in. They provide the entire 29, \$30 million,  
8 so you would have to reject those and tell them to  
9 file new tarrifs consistent with the phased-in order.

10 MR. WILLIAMS: Chairman Gunn, you asked  
11 the Staff to use MIDAS for the FAC rebasing, and I  
12 gave a correct response, but I've been informed that  
13 in addition, KCP&L Greater Missouri Operations  
14 Company did not use MIDAS for rebasing the FAC  
15 higher.

16 MR. FISCHER: I guess a couple other  
17 points I would make: The Company is certainly  
18 willing to sit down with the parties regarding the  
19 phase changes of rates to bring the MPS and the L&P  
20 rates closer together.

21 We think that's a goal that should be  
22 pursued by the Commission over time and as mergers  
23 occur, and it makes even more sense but -- and we  
24 thought the ECOR proposal gave us that kind of  
25 flexibility to deal with how to allocate Iatan II, at

1 least over time.

2 We were concerned when we filed the case  
3 that if you added fuel rebasing, it would increase  
4 the rates to L&P and others, and that's the reason we  
5 did an original proposal.

6 But I think you would need to have  
7 evidence to make sure that the current situation does  
8 meet the statute for phase-in, that is, indeed, a  
9 rate base addition that is driving this, and what the  
10 appropriate time would be and what the carrying costs  
11 would be and what the financial impact on the Company  
12 would be if you chose that option.

13 COMMISSIONER DAVIS: Let me ask parties a  
14 question. Is there any possibility that in the  
15 next -- that you guys could talk and maybe figure out  
16 something so that instead of a Motion for  
17 Reconsideration, we would -- or we would do a Motion  
18 for Reconsideration adopting a stipulation and  
19 agreement?

20 MR. WILLIAMS: Are you referring to a  
21 phase-in? Staff certainly would talk.

22 COMMISSIONER DAVIS: What if we issued an  
23 order directing filing --

24 CHAIRMAN GUNN: I mean, if it's not a  
25 possibility, I don't want to waste anybody's time,

1           because we've got -- you know, we're dealing with  
2           some of the stuff today and we're going to have to  
3           figure it out but --

4                       MR. MILLS:  It's a possibility.  We also  
5           have a UE brief due early next week and we're trying  
6           to get the Empire case wrapped up.  I think you're  
7           talking about getting something done here within,  
8           literally, a matter of days, and I think depending on  
9           how smoothly initial discussions go, it's possible  
10          but, you know, I don't know if it will work out or  
11          not.  I'm certainly willing to try it.

12                      MR. WOODSMALL:  I would concur on that.  I  
13          think it would be a multiple-day type of discussion  
14          that would be needed, and the thing that we are going  
15          to obviously be bumping up against at some point in  
16          time, and I hate to speak for the Company, is they're  
17          going to want at least part of this rate increase  
18          June 4 --

19                      CHAIRMAN GUNN:  No, I get that.  I get  
20          that.  I understand.  Hey, couldn't hurt to ask;  
21          right?

22                      COMMISSIONER DAVIS:  I'm just going to  
23          follow up on the Chairman's question.  I mean, would  
24          it help if we gave you some parameters, because  
25          according Mr. Mills here, I mean, I think we're

1 roughly talking about phasing in \$7.2 million plus  
2 interest in St. Joe Power and Light? Is that roughly  
3 correct, Mr. Mills?

4 MR. MILLS: I think that the Staff filing  
5 yesterday maybe bumped that up by another half a  
6 million, so it may be more like eight.

7 COMMISSIONER DAVIS: So somewhere between  
8 7.2 and 7.7?

9 MR. MILLS: Somewhere in there.

10 COMMISSIONER DAVIS: So let me just make  
11 sure that I understand this. It was -- the Company  
12 would be required to file tarrifs, you know, within  
13 an effective subsequent date of, say, you know, 2012,  
14 2013, and then they would come in and that would  
15 trigger another rate case where we would review  
16 everything, and then you would have the tarrifs with  
17 the interim rates as well as whatever else, what  
18 other -- other expenses of increase, decrease,  
19 et cetera; is that correct?

20 MR. WOODSMALL: I think what you're  
21 talking about is what happens after today. If you're  
22 talking about granting them the increase for the  
23 13.78 percent and order a phase-in, certainly you  
24 could tell them, This is all you're getting today;  
25 meet with the parties to discuss carrying costs and

1 the second part of the phase-in. We're not bumping  
2 up against the tariff effective date then, so you  
3 could order to us talk about how we do the second  
4 part of the phase-in, absolutely.

5 COMMISSIONER DAVIS: And, I guess,  
6 Mr. Woodsmall, I mean, from -- 22.1 million equated  
7 to roughly 14 percent rate increase, so I'm going to  
8 say that 7 million would equate to roughly a 4 1/2 or  
9 5 percent rate increase, say. That's just my rough  
10 math.

11 I understand coming -- well, total  
12 increase would be -- I'm just trying to figure out --  
13 I mean, I don't think we would need the five-year  
14 phase-in that Callaway required.

15 MR. WOODSMALL: I think you're right.

16 COMMISSIONER DAVIS: And so, I mean, I  
17 guess it would be my impression that this could be  
18 accomplished in a year or two, I mean. Does that --  
19 do you think that's fair?

20 MR. WOODSMALL: I think that's fair. And  
21 one of the things to consider, in my mind, is, you  
22 may recall that I was asking questions of the Company  
23 during the hearing about when do you intend to file  
24 your next rate case, and they said they had no plans,  
25 so it may fit comfortably in there since they don't

1 have another rate case immediately coming.

2 We've gone through this string of  
3 immediate rate cases, and we may have caught a  
4 breather, if you will, so I think it may fit  
5 comfortably in there with just another rate increase  
6 for the second phase.

7 COMMISSIONER DAVIS: They would have to  
8 file within three years because of GMO's FAC.

9 MR. WOODSMALL: Good point. Yes.

10 COMMISSIONER DAVIS: All right.

11 MR. STEINMEIER: Commissioner, just to  
12 clarify, I was not suggesting a five-year phase-in.  
13 I was merely pointing that out historically with  
14 mostly focusing on the level of the first year  
15 increase.

16 COMMISSIONER DAVIS: Uh-huh. I guess,  
17 Mr. Steinmeier, I'd like you to respond to one more  
18 thing. You know, I understand that a 21 percent rate  
19 increase is very difficult for customers to swallow.  
20 I've been on the Commission now for seven years, and  
21 in that time we've had several municipal interveners,  
22 and I've actually had discussions with some of those  
23 mayors and city council people after those cases had  
24 concluded, and they would say things like, Oh, well,  
25 we really want the investment, you know; we just have

1 to come out and do this.

2 And, I guess, you know, I mean, yes, I  
3 understand what your concerns are about the rates  
4 right now but, I mean, you've been around here a lot  
5 longer than I've been, but certainly the formula that  
6 we've had here where companies invest in baseload  
7 plants and then depreciate those plants out over a  
8 long period of time has produced more rate stability  
9 and overall lower rates than we've had in many --  
10 than there are in many other parts of the country and  
11 so, you know, I guess, you know, I'm just a little  
12 bit concerned by the City's position that this is,  
13 you know, somehow -- you know, I mean, your rates are  
14 still going to be lower than the Missouri Public  
15 Service territory.

16 I mean, Mr. Williams, do you recall where  
17 they're at in relation to Kansas City Power and  
18 Light's rates.

19 MR. WILLIAMS: That I don't know.

20 COMMISSIONER DAVIS: Mr. Woodsmall, you're  
21 good at this --

22 MR. WILLIAMS: I'm sure they're lower.

23 COMMISSIONER DAVIS: They're lower than  
24 KCP&L's rates, too, aren't they?

25 MR. WOODSMALL: I know at the front of

1 Mr. Featherstone's direct testimony there was a table  
2 showing those, and that was before this case. There  
3 was a table like at page 5 of his testimony that set  
4 that out.

5 MR. FISCHER: Commissioner, I understand  
6 that the average rate for KCP&L falls between MPS and  
7 L&P.

8 COMMISSIONER DAVIS: And so L&P is still  
9 lower --

10 MR. FISCHER: Yes.

11 COMMISSIONER DAVIS: -- as well.

12 And I guess Mr. Steinmeier, I mean, you  
13 know, I understand that the concern -- the concern  
14 that, you know, 21 percent is a significant increase,  
15 and that is not lost on me, but I would expect a city  
16 to be a little more sophisticated also and have an  
17 understanding that, you know, we're not -- I mean,  
18 assuming that we find that it's not going to be  
19 palatable to just reallocate this generation every  
20 two or three years and we're going to have to make  
21 some long-term decisions about how this load from  
22 Iatan II gets apportioned, just like we've done for  
23 Crossroads and just like we've done for every other  
24 plant up to this point, and is that really what the  
25 City wants?

1 MR. STEINMEIER: The City feels --

2 COMMISSIONER DAVIS: The City just doesn't  
3 want a 21 percent rate increase; right?

4 MR. STEINMEIER: The City feels very  
5 strongly that 21 percent -- and I do too -- the  
6 21 percent increase is too much for businesses or  
7 individual citizens in the community to have to bear  
8 at one time.

9 The Public Service Commission's decisions  
10 are not the only decisions of government agencies  
11 that are affecting the costs of citizens and  
12 businesses in the community either, and so it can't  
13 be assumed that, Hey, all you have to do is absorb  
14 this much more than you were given notice of and  
15 everything will be all right so, yes, they feel  
16 strongly about it.

17 If anybody from the City of St. Joseph  
18 contacts you after this case and says we were just  
19 kidding, give me a call.

20 COMMISSIONER DAVIS: Hold on just a  
21 second, Judge.

22 St. Joe does own the water system, does  
23 it not?

24 MR. STEINMEIER: St. Joe is served by  
25 Missouri American Water.

1                   COMMISSIONER DAVIS: Oh, they're served by  
2 Missouri American Water? Okay.

3                   MR. STEINMEIER: And the last time -- and,  
4 of course, in the year 2000, and another direct hit  
5 on the economy of the City of St. Joseph, was a  
6 decision by your predecessors in 2000 that imposed  
7 rate increases that were from 43 to 200-plus percent  
8 on water rates in the City of St. Joseph.

9                   Now, I would also like to point out,  
10 Commissioner, that St. Joe Light and Power has been  
11 very strong -- was a very strong electric utility,  
12 and the L&P division has not been some sort of needy  
13 stepchild. There have been discussions about  
14 subsidies today. There needs to be a little bit more  
15 historical perspective about a very strong system, a  
16 system that has been tributed overall to the -- to  
17 GMO in very positive ways with low cost and adequate,  
18 and more than adequate, capacity up until, I think,  
19 just this month, the end of the Nebraska contract.

20                   COMMISSIONER DAVIS: I don't think  
21 anyone's going to dispute the historical fact that  
22 St. Joe traditionally was a very well-run utility,  
23 maybe up until the point that it was acquired by  
24 Aquila and then, you know, there were some questions  
25 that are still -- may need to be answered there.

1                   MR. STEINMEIER: And the City undertook an  
2 effort in 2005 to bid for the system from Aquila, and  
3 at the end of the process Aquila took it off the  
4 market.

5                   COMMISSIONER DAVIS: Right.

6                   MR. WILLIAMS: Commissioner Davis, you'd  
7 asked about rate comparison, and I've been handed a  
8 copy of Mr. Featherstone's direct testimony. The  
9 chart appears on page 37. These are residential  
10 rates. The source is EEI Winter 2010 Report at  
11 page 80, and the 2009 rates, MPS was 9.67; Kansas  
12 City Power and Light Company and Missouri was 8.51;  
13 and L&P was 7.43. Those are all cents per kilowatt  
14 hour.

15                  COMMISSIONER DAVIS: I'm sorry. Judge,  
16 you were -- do you want to say --

17                  JUDGE DIPPELL: No, I was just going to  
18 give Commissioner Kenney an opportunity to speak up.

19                  COMMISSIONER KENNEY: I have one question,  
20 and this is for the Company. If we do decide to  
21 phase in the increase, is it the Company's position  
22 that we're also going to have to recalculate the FAC  
23 rebasing? Do you agree correctly with that, or no?

24                  MR. FISCHER: Judge, we've raised a number  
25 of issues besides just this L&P allocation issue in

1           our motion for rehearing --

2                   COMMISSIONER KENNEY:   Right.

3                   MR. FISCHER:   -- that does go directly to  
4           the fuel issue that you're talking about.  Those need  
5           to be resolved in some way in order to do the  
6           calculations, whether you have a phase-in or not.

7                   COMMISSIONER KENNEY:   Okay.

8                   MR. FISCHER:   I think if you were going to  
9           reopen the record for a phase-in, you would have to  
10          look at the total picture that all of the items that  
11          I previously mentioned, the -- whether it qualifies  
12          for a phase-in, what the appropriate deferral costs  
13          should be, how long it should be, and what the  
14          financial impact would be on the Company, and in  
15          balance all of those interests, and you'd have to  
16          look at what I think what is due to rate base, what's  
17          due to fuel, what's due to everything else, but I  
18          think all those things would come into play.

19                   But I think -- but we do need -- we do  
20          need resolution of the issues that are currently  
21          there in our motion for rehearing just to figure the  
22          current fuel -- even if you don't do a phase-in, we  
23          need to have resolution of those in order just to do  
24          the tariff.

25                   COMMISSIONER KENNEY:   So you think it's a

1 question of whether this even qualifies for a phase-  
2 in at all under the statute?

3 MR. FISCHER: Well, I don't know. I  
4 haven't looked at the question. If you look at the  
5 total impact of Iatan II on GMO as a company, whether  
6 that would qualify for not. Now, if you allocated a  
7 certain way, whether that means that it's much larger  
8 impact on the L&P district, does that qualify? I  
9 haven't looked at the issue.

10 COMMISSIONER KENNEY: Okay. That's all I  
11 have. Thank you.

12 COMMISSIONER DAVIS: All right. I think  
13 this is about my last question here, but I want to  
14 ask Mr. Williams and Mr. Woodsmall, or anyone else --  
15 as well as the Company -- it seems like that KCP&L  
16 or -- I guess it would be GMO, really doesn't want to  
17 give more than 41 megawatts of cost assignment to the  
18 L&P district no matter what.

19 It's like, you know, Here. You know,  
20 don't rebase our fuel costs. I mean, and I -- I'm  
21 just not understanding the logic there. I mean, what  
22 would be the benefit to, I guess, GMO or to the MPS  
23 of keeping all of that additional capacity but for  
24 the 41 megawatts?

25 MR. WILLIAMS: Commissioner Davis, this is

1 a bit speculation but --

2 COMMISSIONER DAVIS: Sorry. We're not  
3 taking evidence, Mr. Williams.

4 MR. WILLIAMS: -- you heard Mr. Steinmeier  
5 indicate that the parties in the Callaway case were  
6 unwilling to go over a 15 percent -- 14 or 15 percent  
7 increase. If you recall --

8 MR. STEINMEIER: The Commission was  
9 unwilling to go.

10 MR. WILLIAMS: Okay. The Commission was  
11 unwilling to go over a 14 or 15 percent increase.

12 If you look at what the Company's filed  
13 in all three of these cases, they've hit about that  
14 mark without doing rebasing in how they propose to  
15 allocate Iatan II.

16 MR. WOODSMALL: Mr. Commissioner --

17 COMMISSIONER DAVIS: Aha.

18 Go ahead, Mr. Woodsmall.

19 MR. WOODSMALL: My answer is equally  
20 speculative. Trying to understand what the  
21 motivations for their allocation, I don't know. The  
22 only thing I wonder is: As Mr. Steinmeier and you  
23 recognize, L&P has typically been recognized to be a  
24 well-run utility.

25 Capital improvements were made, blah,

1           blah, blah.  MPS, on the other hand, we've seen  
2           throughout this case the problems with that.  I don't  
3           know if part of that is by trying to allocate more of  
4           Iatan II.  We put those concerns with MPS to rest.  I  
5           don't know if that's a motivation, but we're  
6           taking --

7                         COMMISSIONER DAVIS:  Carrying some  
8           hereditary problems with -- with --

9                         MR. WOODSMALL:  -- on the backs of L&P  
10          customers.

11                        COMMISSIONER DAVIS:  -- of you know --  
12          well, I mean, the L&P customers might disagree with  
13          that because it might be a bigger rate increase for  
14          them now but --

15                        MR. WOODSMALL:  But if the companies were  
16          never put together, the L&P customers would have the  
17          right, if you will, for the whole 153 megawatts and  
18          the MPS customers would still be scrambling for where  
19          to get that, and the problems would be continuing, so  
20          that's the only thing I can figure, is there may  
21          be -- and I can't blame the Company for that -- maybe  
22          some effort to try to correct those historical  
23          problems.

24                        COMMISSIONER DAVIS:  Judge, I don't have  
25          any more questions, but certainly if anybody has any

1 final thoughts, I would allow anyone and everyone the  
2 opportunity to --

3 JUDGE DIPPELL: Mr. Fischer, it looked  
4 like you have.

5 MR. FISCHER: Yeah, I'll take you up on  
6 that. Commissioner, I would just say that our  
7 allocation study was designed to look out over a  
8 20-year period recognizing we'd have flexibility in  
9 the future on -- if the Commission adopted our  
10 proposal.

11 The evidence, I think, in the case does  
12 indicate that the Commission -- excuse me -- that the  
13 Company did not propose to rebase its rates out of a  
14 concern for rate impacts in this case.

15 Obviously, the fuel costs would be  
16 recovered through the fuel clause over time without  
17 that five percent sharing mechanism there, but we  
18 did -- we made a conscious decision not to propose  
19 rebasing because of the impacts that it might have in  
20 this case on the customers.

21 But as far as going back to the  
22 allocation, we proposed a proposal that we thought  
23 would give flexibility over a 20-year period, and I  
24 guess that's where we're still at. We'd like to  
25 continue to have that flexibility.

1                   We certainly are willing to work with all  
2                   the parties looking at how to allocate things in the  
3                   future, how to bring rates closer together in the  
4                   future. Those are issues that I'm sure we'll have to  
5                   address whether the Commission directs that or not,  
6                   and I would just be very hesitant about jumping to  
7                   the phase-in as the ultimate solution here.

8                   MR. WILLIAMS: I guess Staff would suggest  
9                   that if you're contemplating moving off of allocating  
10                  or assigning generation based on need, maybe you need  
11                  to be looking at whether there should be just fair  
12                  treatment of the two rate districts altogether.

13                  JUDGE DIPPELL: Would anybody else like to  
14                  have --

15                  MR. WOODSMALL: My only comment, something  
16                  I said before, don't back off doing the right thing  
17                  because you're shooting at an artificial number from  
18                  a year ago. If you believe your decision's not only  
19                  regarding the allocation of Iatan II but the rebasing  
20                  were the right things for customers for going forward  
21                  in Missouri to make customers make good conservation  
22                  decisions, stick with those.

23                  We have a solution to continue to  
24                  recognize that customers have made budgeting  
25                  decisions, and that is the phase-in. The phase-in

1 does not require a huge second-phase increase. I  
2 think we've talked about what the magnitude of that  
3 is.

4 And the other thing is, regarding a  
5 phase-in, right now it's not the '80s where we're  
6 facing double-digit interest rates. The carrying  
7 costs for this should be fairly low, so it is a good  
8 time, probably, to do a phase-in.

9 JUDGE DIPPELL: Mr. Mills, do you have  
10 anything additional?

11 MR. MILLS: No, I don't. Thank you.

12 JUDGE DIPPELL: Mr. Steinmeier?

13 MR. STEINMEIER: We would encourage the  
14 Commission to go back to the 41 megawatt allocation  
15 and defer until the next case after discussions among  
16 all the parties between now and then, the appropriate  
17 allocation going forward. We certainly would prefer  
18 the phase-in, otherwise suggested here, to what was  
19 ordered on May 4.

20 COMMISSIONER DAVIS: Mr. Steinmeier, let  
21 me just inquire of you. If we were to accept your  
22 proposal, and let's say after those negotiations it  
23 was decided that the St. Joe Light and Power  
24 territory needed to be bumped to 53 or even higher,  
25 you know, are you willing to -- do you think the

1 St. Joe customers should be reimbursing the -- I'm  
2 just trying to make sure I get the KCP&L --

3 MR. WILLIAMS: MPS.

4 COMMISSIONER DAVIS: -- MPS. There we go.

5 Should they be reimbursing the MPS  
6 customers for, you know, the principal and the  
7 interest payments that they have made the last, you  
8 know, two or -- will have made in the last two or  
9 three years, however long it takes, before we have  
10 that rebalancing?

11 MR. STEINMEIER: Only if you want to do a  
12 historical cost-benefit analysis and figure out which  
13 division is self-- which the more [sic] over a period  
14 of time. Ratemaking is not perfect. Never has been;  
15 never will be.

16 COMMISSIONER DAVIS: Can I describe that  
17 as a high level of low enthusiasm?

18 MR. STEINMEIER: If you'd like.

19 COMMISSIONER DAVIS: Okay. Thank you.

20 JUDGE DIPPELL: Does anyone else have any  
21 final remarks?

22 Mr. Lumley, you've patiently sat there  
23 and listened to this discussion.

24 MR. LUMLEY: I'm respecting the  
25 limitations the Commission put on those additions

1 today.

2 JUDGE DIPPELL: Thank you.

3 Let me ask one more practical question  
4 about filing of additional tariffs. There have been  
5 several issues brought up, including one seeming --  
6 that everyone agrees on, the correction to some  
7 months of depreciation and so forth.

8 If the Commission makes changes to its  
9 order and that requires new tariffs, what kind of  
10 timeline -- is the Company prepared to file new  
11 tariffs immediately or -- I mean, I realize you don't  
12 know what the order says, but I'm assuming that  
13 you've been preparing contingencies, if the numbers  
14 are there.

15 MR. FISCHER: Judge, I would just say: As  
16 soon as your order is out, we will work with the  
17 Staff, particularly, and other parties that are  
18 interested to get those endotarrif (ph) forming and  
19 get them on file just as soon as we can, and it's our  
20 intention to get them into effect by June the 4th as  
21 everyone had contemplated.

22 MR. WILLIAMS: Judge, it's my  
23 understanding that one of the Staff persons who would  
24 be instrumental in reviewing the tariffs will be  
25 unavailable the next two days. I'm not sure exactly

1           how quickly the Staff could move on it.

2                         JUDGE DIPPELL:  You mean on Friday  
3           and Tuesday or you mean Friday and Saturday?

4                         MR. WILLIAMS:  I believe -- well, I  
5           guess I said the next two days.  Today and  
6           tomorrow.

7                         JUDGE DIPPELL:  Okay.

8                         MR. WILLIAMS:  That's my  
9           understanding.  I don't know if that would  
10          impact things or not.

11                        JUDGE DIPPELL:  Okay.  Well, that's  
12          all I needed to know.  If there's nothing else  
13          from the Commissioners, then I believe that will  
14          conclude our question and answer.

15                        COMMISSIONER DAVIS:  I just want to  
16          say thank you.  I know it was short notice, so I  
17          thank everyone for coming and participating  
18          today.

19                        MR. WILLIAMS:  And if I might expand  
20          the timeframe, the person also will be  
21          unavailable over the weekend and the holidays.

22                        JUDGE DIPPELL:  All right.  Thank  
23          you.  We can go ahead and go off the record.

24                        (The hearing concluded.)

25

1  
2 CERTIFICATE

3 I, Nancy L. Silva, RPR, a Certified  
4 Court Reporter, CCR No. 890, the officer before  
5 whom the foregoing hearing was taken, do hereby  
6 certify that the witness whose testimony appears  
7 in the foregoing hearing was duly sworn; that  
8 the testimony of said witness was taken by me to  
9 the best of my ability and thereafter reduced to  
10 typewriting under my direction; that I am  
11 neither counsel for, related to, nor employed by  
12 any of the parties to the action in which this  
13 hearing was taken, and further, that I am not a  
14 relative or employee of any attorney or counsel  
15 employed by the parties thereto, nor financially  
16 or otherwise interested in the outcome of the  
17 action.

18 \_\_\_\_\_  
19 Nancy L. Silva, RPR, CCR  
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