

BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI

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TRANSCRIPT OF PROCEEDINGS  
Evidentiary Hearing  
November 19, 2010  
Jefferson City, Missouri  
Volume 3

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Ag Processing, Inc., a	)	
Cooperative,	)	File No. HC-2010-0235
	)	
Complainant,	)	
	)	
v.	)	
	)	
KCP&L Greater Missouri	)	
Operations Company,	)	
	)	
Respondent.	)	

NANCY M. DIPPELL, Presiding  
DEPUTY REGULATORY LAW JUDGE  
TERRY M. JARRETT,  
ROBERT S. KENNEY,  
COMMISSIONERS

REPORTED BY:  
Tracy Taylor, CCR No. 939  
TIGER COURT REPORTING, LLC

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A P P E A R A N C E S

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1 JUDGE DIPPELL: Let's go ahead and go  
2 back on the record if I can get the mute to go off.  
3 It may not have been on the whole time earlier. Okay.  
4 Okay. I guess it just is a delay. Okay.

5 Good morning. We are back on the record  
6 in HC-2010-0235. It is Friday, November 19th, and we  
7 are going to resume this morning with witnesses from  
8 GMO. Is there anything before we start with the  
9 witnesses that needs to be taken care of?

10 MR. ZOBRIST: Judge, I had a pending  
11 offer of an exhibit, it was No. 110. Mr. Conrad was  
12 going to take a look at that or explore the issue. I  
13 would like to re-offer that exhibit at this time.

14 MR. CONRAD: I just -- Judge, I just --  
15 as I mentioned to you just as I was coming in, I guess  
16 counsel didn't hear me. I have been confronted with  
17 voicemail at this point so I'm still holding on that.  
18 I've left a couple messages. I -- all I can do at  
19 this point is just tell you before we get to the  
20 close, I'm -- you know, we're either going to go ahead  
21 or not. I just want to check with them. That's --

22 JUDGE DIPPELL: Okay. I will wait until  
23 we get closer to the end of hearing. Hopefully you  
24 can get ahold of somebody at the next break.

25 MR. CONRAD: I don't think there's a

1 problem. If there was, it probably would be solved by  
2 putting the whole thing in, but I -- that's what I  
3 just need to check.

4 JUDGE DIPPELL: All right. Is there  
5 anything else? Okay. With that then, we can go ahead  
6 with our next witness.

7 MR. ZOBRIST: Thank you, Judge. GMO  
8 would call Joseph G. Fangman to the stand.

9 JUDGE DIPPELL: Please raise your right  
10 hand.

11 (Witness sworn.)

12 JUDGE DIPPELL: Thank you. Proceed,  
13 Mr. Zobrist.

14 MR. ZOBRIST: Thank you, Judge.

15 JOSEPH FANGMAN,  
16 being first duly sworn, testified as follows:

17 DIRECT EXAMINATION BY MR. ZOBRIST:

18 Q. Please state your name.

19 A. Joe Fangman.

20 Q. And by whom are you employed?

21 A. KCP&L.

22 Q. And, Mr. Fangman, did you prepare direct  
23 testimony and a series of schedules to be presented to  
24 the Commission in this case?

25 A. I did.

1 Q. Okay. I'm going to hand these to the  
2 court reporter and have them marked as Exhibit 103.

3 (Exhibit No. 103 was marked for  
4 identification.)

5 BY MR. ZOBRIST:

6 Q. If I were to ask you the questions that  
7 are contained in Exhibit 103, would you give the  
8 answers that were depicted in Exhibit 103?

9 A. I would.

10 Q. And is there an affidavit attached to the  
11 direct testimony that contains your affirmation that  
12 these answers are given under oath?

13 A. Yes.

14 Q. Okay. Do you have any corrections to  
15 your testimony?

16 A. I do not.

17 MR. ZOBRIST: Your Honor, I offer  
18 Exhibit 103 and tender the witness for  
19 cross-examination.

20 JUDGE DIPPELL: Would there be any  
21 objections to Exhibit 103?

22 MR. CONRAD: I do not.

23 JUDGE DIPPELL: All right then. I will  
24 receive Exhibit 103 into evidence.

25 (Exhibit No. 103 was received into

1 evidence.)

2

3 JUDGE DIPPELL: You may proceed with  
4 cross-examination.

5 MR. CONRAD: Thank you, your Honor.

6 CROSS-EXAMINATION BY MR. CONRAD:

7 Q. Good morning, Mr. Fangman.

8 A. Good morning.

9 Q. Sorry we couldn't get to you yesterday.  
10 I know you'd probably rather be back in St. Joe --

11 A. I would.

12 Q. -- than here.

13 Let's start out with you reminding me  
14 what the scope of your responsibilities are.

15 A. I'm a customer rep for KCP&L. I work  
16 with our large customers in the St. Joe area as well  
17 as some in the Kansas City area. And my  
18 responsibilities as a customer rep are to work with  
19 those large customers on construction projects and  
20 making sure that their needs are met as well as  
21 working back and forth between issues with our company  
22 and -- and those customers.

23 Q. Now, how long have you done that?

24 A. For a long time. Probably since -- in  
25 different variations of this role, I've been involved

1 in it for over 20 years.

2 Q. And so that obviously would go back to --  
3 you mentioned KCP&L?

4 A. Uh-huh.

5 Q. Also goes back to Aquila and its  
6 predecessor, UtiliCorp?

7 A. Correct. It goes back to St. Joe Light  
8 and Power, UtiliCorp, Aquila and KCP&L.

9 Q. So you were with S-- with St. Joe Light  
10 and Power --

11 A. Yes.

12 Q. -- at the time UtiliCorp did that  
13 acquisition?

14 A. Correct.

15 Q. Same -- same basic role over that period  
16 of time?

17 A. Yeah. Very similar role, yes.

18 Q. Customers have come to look to you for  
19 information about what's going on and flow back, back  
20 and forth?

21 A. Correct.

22 Q. I mean, is that -- is it fair to say  
23 that's your primary responsibility?

24 A. Correct.

25 Q. And not other responsibilities around the

1 plant?

2           A.     Working for KCP&L and its predecessors,  
3 yeah, I do have a responsibility to the customer and  
4 making sure that their needs are met, but I also have  
5 the responsibility to -- within KCP&L to make sure  
6 that when our company needs something from a customer,  
7 I'm there to be the mouthpiece and -- and work with  
8 the customer in a lot of those cases.

9           Q.     Now, Mr. Fangman, you recall coming I  
10 think to my office probably around -- oh, what would  
11 it be? Looks like August 27th. And we talked about  
12 this case a little bit at that time, didn't we?

13          A.     Yes.

14          Q.     And do you remember that deposition?

15          A.     Yes.

16          Q.     And you remember being -- being sworn to  
17 tell the truth and somewhat like you've done here?

18          A.     Yes.

19          Q.     Remind me, if you would, because it's  
20 been a few days, your role in this process is to -- to  
21 get volume information from customers. I want to  
22 focus on the steam customers now. Volume information  
23 from the steam customers. And how do you go about  
24 doing that?

25          A.     well, there's various ways. A lot --



1 when a customer has a significant change as they're  
2 going to grow or -- or put on new equipment, they come  
3 to me. And like I said, I've been in this role for a  
4 long time. They know me very well. And they know  
5 they need to come to me with -- if they're going to  
6 have some kind of a change.

7           And so -- but I also query the customers.  
8 It's part of my responsibilities to work with those  
9 customers on a regular basis and make contacts. And  
10 likely on a monthly basis or more often I contact the  
11 customers either with a personal visit or by phone,  
12 and to a lesser extent e-mail.

13           And of course, then when the customer --  
14 so I do a proactive look with the customer as well as  
15 the customers know to come to me if they have some  
16 needs from an operational perspective.

17           Q.     Now, when we had that -- that talk in  
18 Kansas City two or three weeks ago, one of the things  
19 we talked about was the annual budgeting process.  
20 Just -- just at a high level, tell me about that.

21           A.     Okay. You know, annually we do a budget.  
22 And I guess concentrating on the steam side, with that  
23 steam business we -- we typically do a three-year  
24 forecast. And so we will identify what the  
25 expectations are for the following year. And that

1 typically happens in the summer, sometime in that time  
2 frame, in the June time frame. And we identify what's  
3 going to happen for the next year and the two  
4 following years. And then each year those following  
5 years are updated.

6 Q. Now, the two issues -- or excuse me, the  
7 two years, Mr. Fangman, that we're particularly  
8 interested in here are a partial year that started  
9 probably sometime in -- in March or April of 2006 and  
10 then 2007.

11 A. Uh-huh.

12 Q. When would you have done annual budgets  
13 like you're talking about concerning those -- those  
14 years?

15 A. The actual budgets for those years, those  
16 forecasts would have been done in the -- like I said,  
17 in the June time frame. So for the 2006 budget, it  
18 would have been done in the June of 2005 time frame.  
19 And -- and so on. And in those -- in those budgets, I  
20 would typically work with Tim Nelson who would prepare  
21 and -- and do the forecast.

22 Q. Well, that brings me to my next question  
23 because when you started to answer, you slipped away  
24 from the use of the term "budget" and used the term  
25 "forecast."

1 A. Uh-huh.

2 Q. Are those equivalent terms in your mind  
3 or are those two separate things?

4 A. They are similar terms. And I think from  
5 my perspective, I work on the forecast of -- of loads.  
6 We do have an official budget for the company of which  
7 the forecast is a portion of it.

8 Q. Okay. So from your perspective then,  
9 the -- the terms "budget" and "forecast" are  
10 essentially synonymous or are not so? I'm -- I'm not  
11 entirely clear. If you could help me with that.

12 A. I believe the forecast is a forecasting  
13 of the loads for these customers. A budget entails  
14 much more than just the forecast.

15 Q. So let me just quickly replay. Sometime  
16 I think you said in June of 2005 you would have done a  
17 forecast, I think basically -- basically using your  
18 terminology. That would have covered '06, '07 and  
19 '08. Right?

20 A. Correct.

21 MR. ZOBRIST: Objection. I think the  
22 witness has already testified as to what this is and  
23 this is argumentative and I'm not sure that this is  
24 consistent with the record.

25 MR. CONRAD: I don't -- I'm confused.

1 This is cross-examination. It's supposed to be  
2 argumentative, as I recall. It's not direct  
3 testimony.

4 JUDGE DIPPELL: Where did you believe the  
5 witness had already -- in his previous testimony?

6 MR. ZOBRIST: No. I thought that  
7 Mr. Fangman distinguished between budget and forecast  
8 and I felt that Mr. Conrad was simply not leading the  
9 witness, but trying to be argumentative and misstating  
10 facts that the witness had testified to. But if he  
11 could re-ask the question.

12 JUDGE DIPPELL: Yeah. I'm going to  
13 overrule the question. Go ahead and -- would you  
14 re-ask the question, Mr. Conrad, or have the court  
15 reporter do --

16 MR. CONRAD: I don't know whether it's  
17 worth the court reporter's time. I'm just trying to  
18 get clear in the beginning whether we're talking  
19 about -- because I initially asked the witness about  
20 budget and then we started talking about forecast. So  
21 I want to know that the budget that he started talking  
22 about, which was a June deal that went for three  
23 years, is the same as the forecast.

24 I'm not really sure what's that -- what  
25 the big controversy is about that. Maybe there's more

1 controversy there then I understand.

2 JUDGE DIPPELL: Okay. I overruled the  
3 objection, so go ahead and ask your question.

4 BY MR. CONRAD:

5 Q. The question is, Mr. Fangman, on using  
6 your term, the forecast that you did in June of '05  
7 then covered '06, '07, '08. Right?

8 A. Yes.

9 Q. And then you did another one in '06,  
10 June of '06 that would have covered the next year,  
11 which would be '07, '08 and '09?

12 A. In about that time, yes. In around June.

13 Q. So just so I'm clear, the periods of '0--  
14 2006 and 2007, in one case there was only one  
15 forecast, that being the one you did in '05. So far  
16 right?

17 A. I believe there were updates as we --

18 Q. Okay.

19 A. -- with regard to forecasts, uh-huh.

20 Q. We're talking about -- we're talking  
21 about the annual deal. We'll come -- we'll come to  
22 the updates in a minute.

23 A. Okay.

24 Q. I promise you.

25 A. All right.

1 Q. That was the '06. And that was dealt  
2 with in a forecast one time in '05. Right?

3 A. I believe so.

4 Q. Okay. And then you did another forecast  
5 in '06 covering '07, '08 and '09. Right?

6 A. Yes.

7 Q. Now, you were wanting to talk about  
8 the -- the periodic update. Tell me about those now.

9 A. Well, I'm familiar with in February of  
10 '06 we did an -- an update of the forecast. And I  
11 guess at that point we -- we updated to recognize some  
12 changes that had occurred with regard to loads that  
13 were not coming on as we had expected.

14 we were in a period of a significant  
15 transition between a steam system that was a steady  
16 volumes of loads that then in this time frame started  
17 to dramatically change the -- the loads with  
18 expansions that were going on at Triumph, at AGP, at  
19 Nestle and at Albaugh. And some of those were not  
20 coming on as we had expected so we -- we -- in  
21 February we did some updates. And along the way I  
22 continued to update Tim as we saw changes with regard  
23 to various customers.

24 Q. Now, do I recall that you also did one of  
25 these in October of '05?

1           A.     In October of '05 I did pass information  
2 on to Tim and to others identifying that, yes, Triumph  
3 Foods had had an explosion that affected their  
4 operations and we were concerned that that would delay  
5 some of their -- their load growth.

6           Q.     Now, with respect to those updates, the  
7 one you've identified now in October that I recall  
8 that concerned Triumph and the one that you mentioned  
9 in February of '06, was it just a general update or  
10 did you update everybody at that point in time or  
11 with -- for instance, the October one, did you just  
12 update Triumph?

13          A.     At that time I passed along information  
14 on all the customers that we knew were going to have  
15 some kind of a change. And primarily at that point it  
16 was Albaugh and Triumph that were not developing load  
17 as we expected.

18          Q.     Because did the whole forecast change or  
19 did you look at -- look at the others at that time?

20          A.     Right. I passed on information, but I --  
21 I would look -- if there were changes for other  
22 customers, I would have passed that along. So we did  
23 a complete look at that point, yes.

24          Q.     Also in the February one we talked about?

25          A.     Correct. Uh-huh.

1 Q. Now, with respect to all of those, your  
2 role, as I'm hearing you say, you passed information  
3 onto somebody else?

4 A. Correct.

5 Q. Is that universally true?

6 A. Right. I was the customer contact and --  
7 and -- and got the information from customers with  
8 regard to their changes and Tim Nelson did the actual  
9 forecasting.

10 Q. And Mr. Nelson was somebody back at home  
11 office. Right?

12 A. Yes. He was back at home office.

13 Q. Did you ever get involved in the  
14 operations that he did?

15 A. I did not do the forecasting. I mean he  
16 did the forecasting. I would pass information on and  
17 then there would be somewhat of an iterative process  
18 in which he would do the forecast. And then I would  
19 then give it to me and take -- and I would take a look  
20 at it and look at it for reasonableness.

21 Q. Okay. So you were the -- you basically  
22 gave him data?

23 A. Yes.

24 Q. Okay. And then he'd do whatever it was  
25 he did with it which didn't involve you and send you



1 back some numbers. Right?

2 A. Yes.

3 Q. And you'd look at those, the whole -- the  
4 whole kit and caboodle for all five or all six  
5 customers?

6 A. Yes.

7 Q. I guess at that time it may have been  
8 six, wasn't it? Because Celgene was -- was still on?

9 A. Yes. Celgene was still on.

10 Q. And then you would eyeball that to say  
11 that's -- that's -- passes the smell test or is it  
12 more significant than that?

13 A. Yes. I would look at it I guess for  
14 reasonableness, uh-huh.

15 Q. Based on what you knew as the customer  
16 rep?

17 A. Yes.

18 Q. What they had told you?

19 A. Yes.

20 Q. Now, did Mr. Nelson also do the budget?

21 A. I do not know.

22 Q. Well, look with me at page 4 of  
23 Exhibit 103 and lines 18 through 20. Let me know when  
24 you have that, please.

25 A. I got it.

1 Q. Am I incorrect there that you're saying  
2 that Tim Nelson used that information to develop the  
3 annual forecast and budget?

4 A. Correct.

5 Q. I thought you just told me, sir, that you  
6 didn't know.

7 A. From this context, he produced the  
8 forecast and the portion of the budget that would be  
9 associated with steam possibly, but there was other  
10 portions of the budget that I'm sure he did not  
11 produce.

12 Q. Okay. I'm sorry. I didn't mean to -- I  
13 would appreciate that the budget -- we're talking  
14 there about the whole company budget. Right?

15 A. Correct. There's -- within the budget  
16 there is various pieces and I would assume that in the  
17 steam business there's more than just the forecast  
18 part of the budget.

19 Q. So your role was really limited to the  
20 steam customers at that point?

21 A. I guess I'm not fully understanding,  
22 because I -- I do have responsibilities in the  
23 electric side as well.

24 Q. Okay. But line 18 you're talking about  
25 information you received from steam customers. Right?

1 A. Yes.

2 Q. Line 18 on page 4.

3 A. Uh-huh.

4 Q. Okay. Now, you mentioned, Mr. Fangman,  
5 that you would occasionally contact customers -- I  
6 think you said something about monthly if you hadn't  
7 heard from them, just kind of --

8 A. Yes.

9 Q. -- keep a finger on the pulse as it were?

10 A. Yes.

11 Q. And they would contact you?

12 A. Yes.

13 Q. How did you find out about the Triumph  
14 explosion?

15 A. It wasn't hard to find out about it. My  
16 offices is not -- are not very far from it and it hit  
17 all the news. And I would imagine that within an hour  
18 of it happening, I already knew about it.

19 Q. And Albaugh you -- kind of a little story  
20 there, isn't there, about Albaugh?

21 A. Yes.

22 Q. Want to tell me about it a little bit?

23 A. Albaugh was -- or Albaugh makes ag  
24 chemicals and they have -- they had a relatively small  
25 operation compared to the other steam customers. And

1 they had a small steam usage, in the order of 10 MMBTu  
2 an hour. And they were expanding their operations to  
3 include manufacturing of a vertically integrated piece  
4 of their product.

5           So they were getting into a business that  
6 they were not familiar with producing in the United  
7 states, so they were -- it was basically changing  
8 their operation dramatically in the volume and size of  
9 this operation. So as their construction of this  
10 facility, it was dramatically changing from 10 MMBTu  
11 to around 70 MMBTu an hour is what they had forecast  
12 or told me that they were going to be doing.

13           And in the process of constructing that,  
14 they -- they -- they had difficulties continuing on  
15 their -- to meeting schedules and getting the plant  
16 online as expected. And even when they did get it  
17 online, it didn't function the way they had wanted it  
18 to and didn't meet their expectations and still has  
19 not.

20           Q.     Now, you've mentioned in our discussions  
21 here this morning that you gathered this information  
22 from the -- from your customers. Did you -- did you  
23 share that information back and forth with -- I mean  
24 tell Customer A that, well, Customer B has this  
25 problem or something? Did you talk with them about

1 that level?

2 A. I don't recall doing that, no.

3 Q. Would you -- would you customarily do  
4 that? Would you share information back and forth?

5 A. No. From customer to customer, no.

6 Q. Now, the Triumph thing might have been an  
7 exception because as you point out, your office is at  
8 the Lake Road plant?

9 A. No. My offices are at 613 Atchison.

10 Q. Okay. But that's close to the plant?

11 A. Yes.

12 Q. Like right next door or --

13 A. Uh-huh.

14 Q. -- adjacent?

15 A. Right.

16 Q. Okay.

17 A. There would be public knowledge that --  
18 and information that would be discussed, yes.

19 Q. So the Triumph explosion was something  
20 probably everybody down in that -- in that area knew  
21 about fairly quickly?

22 A. Yeah. And the whole community was  
23 talking about it quite a bit, yes.

24 Q. Sure. So that one -- that one would have  
25 been the exception, but like we were talking about

1 with Albaugh, that information wouldn't -- wouldn't  
2 have been shared with -- with one of the other  
3 customers, would it?

4 A. No.

5 Q. Now, you mentioned that the customers  
6 would call you and talk to you about issues that they  
7 had or concerns. You indicated operational issues.  
8 Ever go beyond that?

9 A. well, my primary function was trying to  
10 make sure that we met needs of customers for  
11 reliability and -- and making sure that they -- we --  
12 they had services adequate to meet their needs. But  
13 yeah, if they had any other needs within our  
14 organization, they would come to me, particularly AG  
15 Processing. We have a lot of issues that go beyond  
16 operational issues.

17 Q. Did you ever talk to them about billing?

18 A. Yes.

19 Q. Now, this whole complaint has to do --  
20 you probably picked up that it has to do with the  
21 hedging.

22 A. Yes.

23 Q. Do you see -- do you have anything to do  
24 with hedging?

25 A. No, I did not.

1 Q. Did you ever have occasion to talk about  
2 the customers in the context of the hedging program  
3 for steam?

4 A. I have not. Other than a discussion  
5 that -- with Gary Chestnut in which he mentioned his  
6 concern about the hedging program.

7 Q. Well, now at that deposition I think --  
8 MR. CONRAD: And, Counsel, hopefully this  
9 one is -- is accurate.

10 BY MR. CONRAD:

11 Q. I think I have -- I recalled here asking  
12 you: Do you recall any information that flowed from  
13 AGP to you about hedging?

14 MR. CONRAD: I'm at line 20 -- or  
15 page 20, Counsel, starts at line 25 goes over.

16 BY MR. CONRAD:

17 Q. And I thought I asked you that. And I  
18 think your response at least the way the recorder had  
19 put it down: I guess the only thing from AGP about  
20 hedging was in a casual discussion from Gary Chestnut.  
21 Just his complaint of the hedging program not meeting  
22 their needs.

23 A. That's what I was referring to, yes.

24 Q. Okay.

25 A. Uh-huh.

1 Q. Now, Gary Chestnut is Ag Processing?

2 A. Correct.

3 Q. Discuss anything with Triumph about  
4 hedging?

5 A. No.

6 Q. How about Albaugh?

7 A. No.

8 Q. So we can just cover it all by just  
9 saying didn't have any discussion about the hedging  
10 program with any of the customers other than what you  
11 mentioned with Mr. Chestnut?

12 A. Yes.

13 Q. In fact, that's how you found out about  
14 the hedging program, wasn't it?

15 A. I believe so.

16 Q. With that contact with Mr. Chestnut?

17 A. Yes.

18 Q. Before that, you didn't even know that  
19 there was a hedging program going on; is that fair?

20 A. I didn't know we were using hedging in  
21 the steam program.

22 Q. would it be fair to say that you didn't  
23 understand or don't understand -- didn't understand at  
24 the time anything about the purpose or the policy of  
25 the hedging program?



1 A. Correct.

2 Q. Now, I want to row you back just a little  
3 bit. Because we talked about these periodic updates.  
4 I think you -- you were wanting to talk about those  
5 and I promised you an opportunity. What triggered  
6 those?

7 A. I'm not sure what triggered each of  
8 those. In -- I guess it was more of a continuous  
9 process that when there were changes that I saw, I  
10 would pass that information onto Tim. So with regard  
11 to the February, I forecasted adjustment. I'm not  
12 sure what triggered that, but I was queried to get an  
13 update and I updated that forecast at that point.

14 Q. Now, pretty obviously the -- the 2005  
15 October I don't -- I can dig up the date for the  
16 Triumph thing. That -- that would have triggered the  
17 update there. Right?

18 A. More than likely, yes.

19 Q. Or just -- and it might or might not have  
20 been an update. It would just be a look?

21 A. Right.

22 Q. Okay. But you don't remember right now  
23 what the February thing was?

24 A. No. I mean, I know that in February we  
25 went through and updated the forecast. I at that

1 point did not know that it was due to a hedging  
2 program necessarily and that may have been the  
3 possibility.

4 But I know at that point we had a lot of  
5 transition with customers with Triumph and Albaugh and  
6 we needed to make sure we had a -- an updated  
7 forecast. We were looking at -- at the budget and  
8 I -- I remember at that time concerns that things were  
9 not coming in as per the budget and so we -- we needed  
10 to update that forecast.

11 Q. Now, that -- again, it's just your role  
12 of it. You just -- you just gave them the numbers.  
13 You didn't -- you've used the term that you did the  
14 forecast, but I thought we had resolved that it was  
15 really Mr. Nelson that was doing the forecast; is that  
16 fair?

17 A. That's fair.

18 Q. And did you know anything about -- excuse  
19 me, I don't want to -- I don't want to double up. I  
20 think you've answered this, but let me just be clear.  
21 Because you kind of used the term "forecast,"  
22 Mr. Fangman. You didn't participate in whatever  
23 Mr. Nelson did?

24 A. I was an input to what he did.

25 Q. You just gave him the numbers. You just

1 provided some input?

2 A. I provided some input to him and -- and  
3 checked it for reasonableness.

4 Q. Let me switch back for just a second to  
5 the hedging thing. And we talked about you didn't  
6 know about that. Did any of the five, six customers  
7 at the time ask you about the hedging program at all  
8 in the sense of saying, we want you to do hedging  
9 program? Do you recall that?

10 A. I don't recall that.

11 Q. And to your knowledge at least, none of  
12 those five or six steam customers asked you about --  
13 to do that. Am I right?

14 A. They did not ask me. I'm not the only  
15 person in our company, but -- uh-huh.

16 Q. Yeah. It's a large company, isn't it?

17 A. Yes.

18 Q. Now, to your knowledge did any of those  
19 five or six customers ever advise you to -- or advise  
20 you that they wanted Aquila to liquidate any positions  
21 that it had?

22 A. Not to me.

23 MR. CONRAD: One moment, your Honor,  
24 please.

25 BY MR. CONRAD:

1 Q. A couple of other things, Mr. Fangman. I  
2 apologize for the delay. You talked about this flow  
3 of information that you -- you sent Mr. Nelson data  
4 and then he would -- he would work on it, do whatever  
5 and then send you back something for you to look at?

6 A. Yes.

7 Q. And say to you -- he probably would not  
8 say Mr. Fangman. He probably would say Joe. Right?

9 A. Yes.

10 Q. And he'd say to you, Does this look right  
11 and you'd say, Yes, no, whatever?

12 A. Yes. I'd make adjustments if needed.

13 Q. And what standard would you use when you  
14 made those adjustments, as you characterized it?

15 A. It was from a general reasonableness  
16 standpoint. Just, you know, looking at -- for  
17 instance, Omnium was very steady, not growing. So I  
18 would just look at what kind of -- with them, I would  
19 expect things to remain the same. But if I had a  
20 customer that was -- such as Ag Processing that was  
21 adding a new line, I would make sure that the -- what  
22 the customer had indicated to me as their change would  
23 be reflected in that forecast.

24 Q. Now, did they always give you hard  
25 numbers or were they kind of soft numbers sometimes?

1           A.     A little of both. In my experience, Ag  
2 Processing would typically give me more hard numbers.  
3 And -- and they had a lot of experience with those --  
4 that information and were typically very accurate.  
5 Other customers would -- would give me softer  
6 information and -- and I guess it would vary. From  
7 Albaugh it was very soft. Triumph we -- we had a  
8 little bit more significant data, but it was still a  
9 concern of -- of a new customer, you know. So there's  
10 a lot of factors that go into it as far as judgment as  
11 to whether the information is accurate or is soft.

12           Q.     Now, when you and I had this conversation  
13 before, you used the term "fuzzy." Do you recall  
14 that?

15           A.     Yes, I do.

16           Q.     And when you say "fuzzy" and "soft," what  
17 do you mean there?

18           A.     I use those terms somewhat  
19 interchangeably, I guess. And I mean that the  
20 information has less detail or it may be detailed, but  
21 not -- there's not a higher -- a high confidence with  
22 the information.

23           Q.     Now, when we had that conversation  
24 before, Mr. Fangman, at least as the recorder had put  
25 it down on page 46 starting at line 25 and carrying

1 over to the next page, you were asked: And when you  
2 say fuzzy and soft, what do you mean there?

3 And you answered according to this -- and  
4 I'll ask you if this was your answer: They have  
5 design numbers that aren't necessarily going to be  
6 actuals, but, you know, there's a conversion from  
7 design to actual. And it's -- you know, like your car  
8 when you're driving it. When you buy a car and it  
9 says you're going to get 26 miles per gallon and then  
10 you -- one driver can go drive it and get 22 and the  
11 other can drive it and get 28.

12 Do you recall that answer?

13 A. Yes.

14 Q. And then I would ask also were you asked:  
15 okay. So you wouldn't in practice just take what they  
16 had given you, send that up to Mr. Nelson and you  
17 would provide some kind of judgment or what? I  
18 mean --

19 And then you answered: I would provide  
20 what they gave me -- what the customer gave me, I  
21 would provide upward. But then I would give some --  
22 if I thought there was going to be something different  
23 or that I was concerned about it, I would give some  
24 judgment on what I -- that, you know, these numbers  
25 are X, but I'm not sure they'll be able to do that.

1                   Is that a correct recitation of your  
2 answer?

3           A.     Yes.

4           MR. CONRAD: Your Honor, if I could have  
5 just a moment, I think I'm almost done here.

6 BY MR. CONRAD:

7           Q.     One last question, I think, Mr. Fangman,  
8 and then we might be close to being done and we'll let  
9 you go back to St. Joe.

10           Recalling that -- the fuzzy and soft, you  
11 would give those numbers -- I think that -- I think  
12 that was your answer, that you'd give those numbers to  
13 Mr. Nelson. So far so good?

14          A.     Yes.

15          Q.     And then he'd -- he'd work with them and  
16 he'd do the process that at least you didn't  
17 participate in, he'd give you numbers back?

18          A.     Yes.

19           MR. CONRAD: Your Honor, I think that's  
20 all I have for Mr. Fangman. I thank him very much for  
21 his answers this morning and for staying around.

22           JUDGE DIPPELL: Thank you. Was there any  
23 cross-examination from Staff?

24           MR. RITCHIE: No. Thank you, Judge.

25           JUDGE DIPPELL: Were there any questions

1 from Commissioner?

2 COMMISSIONER JARRETT: I have no  
3 questions. Thank you, sir, for your testimony.

4 JUDGE DIPPELL: Thank you. And I don't  
5 have any questions for you either so we don't have any  
6 need for any recross. Is there any redirect?

7 MR. ZOBRIST: Just one or two questions,  
8 Judge.

9 REDIRECT EXAMINATION BY MR. ZOBRIST:

10 Q. Mr. Fangman, while Mr. Conrad was --  
11 while Mr. Conrad was questioning you, every once in a  
12 while you'd talk about Tim Nelson and then Tim. And  
13 are all your references to Tim to Tim Nelson?

14 A. Yes.

15 Q. Okay. And just for the record, they  
16 weren't for Tim Rush who is another witness in this  
17 proceeding?

18 A. Correct. It was Tim Nelson that I was  
19 referring to.

20 Q. Now, Mr. Conrad asked you about your  
21 conversations with customers, including AGP. Who are  
22 the specific people at AGP who you would talk to on a  
23 regular basis?

24 A. At AGP there's various people. The plant  
25 is somewhat complicated in St. Joe and has various



1 aspects of it. So at the local level I would talk  
2 with John Reeve, the plant manager of the extraction  
3 plant; as well as Walt Hill, his predecessor; Jerry  
4 Strickland, who was the plant manager of the refinery;  
5 and Roger Strom, who's the manager of the biodiesel  
6 facility and he has since moved onto the refinery as  
7 well. And then at the corporate level I would  
8 primarily work with Gary Otkin and -- and Gary  
9 Chestnut, who are in their purchasing area.

10 Q. And where do Mr. Otkin and Mr. Chestnut  
11 operate from?

12 A. They are based out of Omaha.

13 Q. And Omaha is the corporate headquarters  
14 of Ag Processing?

15 A. Yes.

16 Q. Now, just one other question or two. In  
17 response to some of Mr. Conrad's questions, you  
18 mentioned reliability. What were these five  
19 customers' reliability needs or concerns?

20 A. Well, they -- I guess we provide steam to  
21 these customers and it's not like the electric  
22 business in that with the electric business we have a  
23 need to -- to meet customers' needs, but we have the  
24 general system backing us up and the network behind  
25 it.

1           In the steam system, we are the system.  
2 The customers do not have backup boilers or anything  
3 like that. So with reliability, it takes on a new  
4 connotation in the steam business in that we have to  
5 be there to provide the full requirements of these  
6 customers.

7           Q.     And when you use the word "connotation,"  
8 just tell the Commissioners what you mean when you say  
9 what the connotation is. What do you mean by that  
10 with regard to reliability?

11          A.     I guess from an electric -- on the  
12 electric side we have a backup source in -- in the  
13 network. We -- the customers don't have a backup. So  
14 it is very critical to their operations that we meet  
15 the needs from a capacity perspective as well as on a  
16 day-to-day operational basis.

17                 MR. ZOBRIST: Thank you. Nothing else,  
18 Judge.

19                 JUDGE DIPPELL: Thank you. And I believe  
20 that concludes your testimony and you may be excused,  
21 Mr. Fangman. Thank you.

22                 MR. CONRAD: And, your Honor, could we  
23 take about a short five?

24                 JUDGE DIPPELL: I think that would be  
25 fine. In fact, we can maybe make it ten. Let's come

1 back at five till. By that clock, five till.

2 (A recess was taken.)

3 JUDGE DIPPELL: We can go ahead and go  
4 back on the record. And let me begin -- let's see.  
5 We're back on the record after our break and  
6 Mr. Conrad had a statement he wanted to make.

7 MR. CONRAD: Yes. Your Honor, I have --  
8 over that short break I was finally able to make the  
9 connections I need to and we have no objection to the  
10 admission of Exhibit 110.

11 JUDGE DIPPELL: Okay. Then I will admit  
12 Exhibit 110.

13 (Exhibit No. 110 was received into  
14 evidence.)

15 MR. CONRAD: And I do thank your Honor  
16 and indulgence of counsel for allowing me to make that  
17 check.

18 JUDGE DIPPELL: All right then. You may  
19 go ahead. Let me -- well, do you want to call him to  
20 the stand?

21 MR. ZOBRIST: Yes, I will. GMO would  
22 call Tim M. Rush as its next witness.

23 JUDGE DIPPELL: Mr. Rush, would you  
24 please raise your right hand.

25 (Witness sworn.)

1 JUDGE DIPPELL: Thank you. Go ahead,  
2 Mr. Zobrist.

3 TIM RUSH,  
4 being first duly sworn, testified as follows:

5 DIRECT EXAMINATION BY MR. ZOBRIST:

6 Q. Mr. Rush, I know you're fighting a cold  
7 so I'll just ask you to stay close to the microphone  
8 and we'll pick you up and then let you go get some  
9 treatment.

10 Please state your name.

11 A. Tim Rush.

12 Q. And by whom are you employed?

13 A. Kansas City Power & Light Company.

14 Q. And what's your position there?

15 A. Director of regulatory affairs.

16 Q. And in the pending case did you prepare  
17 18 pages of direct testimony with one schedule  
18 consisting of one page?

19 A. I did.

20 MR. ZOBRIST: And if -- and I will ask  
21 the court reporter to mark those as Exhibit 104.

22 (Exhibit No. 104 was marked for  
23 identification.)

24 BY MR. ZOBRIST:

25 Q. And did you set forth in that direct

1 testimony a series of questions and answers?

2 A. I did.

3 Q. And if I were to ask you those questions,  
4 would your answers be the same?

5 A. I -- they would except for I have two  
6 corrections would I like to make.

7 Q. I was just going to ask you that. If you  
8 have any corrections, please take us to the first page  
9 and line.

10 A. Okay. It would be on page 3 and it would  
11 be on lines 18 and 19. It is -- the sentence reads:  
12 AGP seeks an order from the Commission requiring GMO  
13 to refund -- it has the number 1,164,960. That number  
14 is -- while it said it in their original complaint,  
15 that is the total amount. And, in fact, when they  
16 responded in their answers, they put 80 percent of  
17 that amount. So the number should read 931,968.

18 The second line on line 19 reads  
19 2,441,860. 80 percent of that should read 1,953,488.  
20 So that is the two changes there.

21 Q. Do you have any other corrections?

22 A. Yes. On page 14 -- let me go to it --  
23 on line 5, the sentence starts -- it's a question and  
24 the sentence -- the first word says "where." It  
25 should be "were," w-e-r-e. And that would be all.

1 Q. Okay. Thank you.

2 JUDGE DIPPELL: I'm sorry. What page was  
3 that one again?

4 THE WITNESS: Fourteen.

5 JUDGE DIPPELL: Go ahead.

6 BY MR. ZOBRIST:

7 Q. And which line?

8 A. Five.

9 Q. With those corrections, if I were to ask  
10 you those questions, would your answers be as depicted  
11 in Exhibit 104?

12 A. Yes, they would.

13 MR. ZOBRIST: Your Honor, I offer  
14 Exhibit 104 and tender the witness for  
15 cross-examination.

16 JUDGE DIPPELL: Would there be any  
17 objection to Exhibit 104?

18 MR. CONRAD: There is none.

19 JUDGE DIPPELL: Then I'll receive that  
20 into evidence.

21 (Exhibit No. 104 was received into  
22 evidence.)

23 JUDGE DIPPELL: And we can go ahead with  
24 cross-examination. Ag Processing.

25 MR. CONRAD: Thank you, your Honor.

1 CROSS-EXAMINATION BY MR. CONRAD:

2 Q. Good morning, Mr. Rush. I too will try  
3 to be brief with you.

4 A. That's fine.

5 Q. while you have page 3 there before you,  
6 that was where you made those corrections. And I --  
7 I'm sorry, I didn't get the numbers down. On line  
8 18 --

9 A. The number currently reads 1,164,960. It  
10 should be 931,968. And on line 19 the number says  
11 2,441,860. It should read 1,953,488. Those numbers  
12 would be also consistent with the responses that Ag  
13 Processing filed in their question and answer series  
14 on -- on the issues.

15 Q. And if you know, Mr. Rush, are those  
16 numbers consistent with what Mr. Johnstone had in his  
17 testimony, if you know?

18 A. I don't know. I think they are.

19 Q. But the approach of 80 percent --

20 A. That's correct.

21 Q. -- is -- is the same. So subject to  
22 rounding, they would be -- we're talking about the  
23 same numbers here?

24 A. That's correct. I was trying to answer  
25 the question in that series of what is Ag Processing

1 ask for -- asking for.

2 Q. Now, I understand that you don't -- you  
3 don't agree that you owe anything, but that would  
4 be -- that would be the number with respect to the  
5 charges for 2006 period and the larger number for 2007  
6 that you charged -- I say "you," but Aquila, GMO  
7 charged for those -- for those periods?

8 A. They didn't charge them for those  
9 periods. Those were the costs that were incurred for  
10 those periods. They had spread out over a period of  
11 time, but those are the costs we're talking about.

12 Q. Yeah. Okay. Now, I don't want to take  
13 you through your whole employment history.

14 A. Okay.

15 Q. But just -- to just cover that at a high  
16 level, you worked for a number of years for St. Joe  
17 Light and Power. Right?

18 A. That's correct.

19 Q. And you left their employ and came to  
20 work for at that time it was Kansas City Power & Light  
21 only shortly before or right around the time that  
22 Aquila -- UtiliCorp at that point took over St. Joe  
23 Light and Power; is that fair?

24 A. That's correct.

25 Q. And --



1           A.     It was not before. I actually came  
2 after -- it was acquired one month or so after Aquila  
3 acquired St. Joe, then I came to Kansas City Power &  
4 Light.

5           Q.     I think in your deposition, if you  
6 recall, I think you said you got one check --

7           A.     That's what I said.

8           Q.     -- from UtiliCorp?

9           A.     Right.

10          Q.     And that was the last one. So it might  
11 have been a month or a partial month after that.  
12 would that have been about 2001 or --

13          A.     It was.

14          Q.     Okay. And then you didn't really step  
15 back into any kind of relationship with what had been  
16 the old St. Joe Light and Power divisional operation  
17 until it was acquired by Gregory Acquisition and --

18          A.     That's correct.

19          Q.     -- all -- the Great Plains Energy  
20 acquisition; is that -- is that right?

21          A.     That's right.

22          Q.     Okay. So there's -- there's a gap there.  
23 And that occurred when -- when was that roughly?

24          A.     I'm not -- between 2001 and 2008.

25          Q.     Yeah. Okay. 2001 through 2008 you

1 really didn't have any involvement with -- with the --  
2 with the Aquila entity that was operating the steam  
3 system up there; is that right?

4 A. I did not have any direct involvement,  
5 that's correct.

6 Q. You knew some people?

7 A. That's what I was getting at.

8 Q. Sure.

9 A. I knew people and conversations and, you  
10 know, people would ask me questions about the prior  
11 operations of the company and et cetera.

12 Q. Now, there's been another Tim that's been  
13 mentioned in this proceeding. I think even this  
14 morning. Tim Nelson. Do you know him?

15 A. Oh, yes. Yes.

16 Q. Has he always had the position that --  
17 that he holds now as far as you're aware?

18 A. No, he's not.

19 Q. How long has he been there?

20 A. well, he was at St. Joseph Light and  
21 Power Company for some period of time and worked in  
22 areas, but he did a lot of budgeting and whatnot  
23 for --

24 Q. well, how long -- I'm sorry. Go ahead. I  
25 didn't mean to cut you --

1           A.     I don't know his full length of  
2 employment. He was at St. Joe, you know, during a  
3 period I was there.

4           Q.     And if you know, how long has he held his  
5 responsibilities that he's doing now at -- at KCP&L?

6           A.     well, at KCP&L ever since he came on  
7 board.

8           Q.     which was when?

9           A.     I believe it was 2008.

10          Q.     Do you know who had that responsibility  
11 before Mr. Nelson?

12          A.     At Kansas City Power & Light, we did not  
13 operate a steam business until then. I'm not  
14 following what you're asking.

15          Q.     So no one -- there wasn't any need for  
16 that position?

17          A.     That's correct. You know, Tim Nelson has  
18 been very involved with the steam operation since I've  
19 known him.

20          Q.     Now, you -- you may recall, may not have  
21 been the most pleasant afternoon that you spent, but  
22 do you recall coming to visit me in my office on  
23 July 27th for a deposition in this matter?

24          A.     I remember coming to visit you. I don't  
25 remember the date.

1 Q. Okay. And do you recall during that we  
2 talked briefly about you as a non-lawyer might ascribe  
3 whatever meaning you did to the term "due diligence"?  
4 Do you recall that?

5 A. Somewhat.

6 Q. And I think I had asked you some  
7 questions about what you knew about that and the Great  
8 Plains acquisition. And I believe you were saying  
9 that Great Plains used due diligence in acquiring the  
10 Aquila properties. would you agree with that?

11 A. Yes.

12 Q. And then I asked you with respect to the  
13 investigation of the activities of Aquila and with  
14 respect to the Aquila steam hedging program. And your  
15 answer to that question --

16 MR. CONRAD: Counsel, on my page 33, but  
17 we have --

18 MR. ZOBRIST: Just a minute.

19 MR. CONRAD: We have that issue again  
20 probably about the location of this.

21 BY MR. CONRAD:

22 Q. You answered: To my understanding, they  
23 did not.

24 And then you were asked: In what respect  
25 did they not employ due diligence?

1                   And you answered: I don't believe they  
2 looked at the steam hedging program as an issue to be  
3 addressed with regard to due diligence.

4                   Do you acknowledge that being the  
5 question and answer?

6           A.     I -- I do.

7           Q.     Okay. Now, we've talked some today and  
8 probably will some more about the hedging program.  
9 Right?

10          A.     Correct.

11          Q.     And there's been an argument about  
12 whether instruments that are used in the hedging  
13 operations are financial instruments; is that right?

14          A.     would you repeat that?

15          Q.     There's been a dispute or some -- some  
16 kind of an understanding about puts, calls, options  
17 and so on being financial instruments?

18          A.     I think we've all been in agreement they  
19 are.

20          Q.     Okay. And you -- and they're financial  
21 instruments as far as you're concerned?

22          A.     That's correct.

23          Q.     Don't involve physical purchase of gas  
24 actually?

25          A.     That would be my understanding.

1 Q. So would you agree with me then that a  
2 hedging program really doesn't have anything to do  
3 with reliability?

4 A. I would not.

5 Q. Does it in -- does it provide physical  
6 supplies of natural gas, Mr. Rush?

7 A. I don't believe it provides physical  
8 supplies. It supplies assurances of certain elements  
9 of supplies.

10 Q. Well, let's try to put a little finer  
11 point on that. The program that Aquila was using it's  
12 been referring to as a one-third, one-third, one-third  
13 approach; is that correct?

14 A. Yes.

15 Q. One-third of that is -- is options.  
16 Right?

17 A. That's correct.

18 Q. One-third of it is another type of -- of  
19 a hedging instrument?

20 A. That's correct.

21 Q. So two-thirds on a financial instrument.  
22 What's the other third?

23 A. That floats with the market.

24 Q. And what does that mean?

25 A. It's simply whatever the market

1 configuration is at that time that you make a decision  
2 to buy, whether it's, you know, buying at a daily  
3 market or buying a weekly or buying a month.  
4 You're -- you're still in whatever the market is.  
5 You're not trying to commit yourself to something  
6 in -- in a longer term basis.

7 Q. Okay. So with respect to that one-third,  
8 that's -- that was the plan, but that would just be  
9 purchases at the market. Right?

10 A. That's correct.

11 Q. And that would reflect actual purchases  
12 of gas. Right?

13 A. For that one-third.

14 Q. So the reliability issue that we were  
15 concerned about doesn't have anything really to do  
16 with the physical supply of natural gas, but rather  
17 the pricing of that natural gas; is that correct?

18 A. I -- I don't necessarily agree with that.  
19 And, you know, I think we're far beyond probably my  
20 knowledge of total hedging, et cetera. Because my  
21 understanding is, is when you're buying these collars  
22 or puts or calls or you're buying in a hedged  
23 instrument, while you're putting a financial  
24 instrument, you have some assurances of getting that  
25 gas.

1           So, for example, if there were shortages  
2 or -- or some kind of a flaw in the market, I believe  
3 you're getting some assurances and that deals with the  
4 reliability side. So that's why I said what I said.  
5 But I'm probably not the best witness to be able to  
6 ask -- answer that question, but I think that's part.  
7 So that's why I believe it has something to do with  
8 reliability.

9           Q.     well, now that one-third, Mr. Rush, that  
10 we're talking about, that's -- that's a spot market  
11 purchase. The market would be there. Right?

12          A.     You would expect the market to be there,  
13 but that's my point. The market is not always there.  
14 I mean --

15          Q.     At a particular price?

16          A.     No. I'm saying if there were  
17 constraints. I mean I remember in the '80s going  
18 through terrible problems of supply. I remember  
19 during the hurricane season you may not be able to get  
20 gas. I don't know those particular things. I know in  
21 the electric business, our natural gas we may be  
22 restricted on being able to get it when we need it the  
23 most.

24          Q.     Do you know on those contracts that  
25 you're talking about, the futures contracts, do you



1 know the delivery point?

2 A. I don't on those futures contracts. As I  
3 said, I think I'm not the witness that would best be  
4 able to answer those questions.

5 Q. would that be better directed to  
6 Mr. Blunk then?

7 A. It -- it would be.

8 Q. Now, a good portion of your testimony, I  
9 won't try to categorize it as far as number of pages,  
10 Mr. Rush, is intended to be, I take it, a summary of  
11 the other witnesses for GMO?

12 A. It addresses a summary of the other  
13 issue -- witnesses. It also addresses the need to  
14 assure reliability for our steam customers. It gives  
15 a little history of the system and it also tries to  
16 address what I believe are some of the implications of  
17 why we're at this complaint today, why we're, you  
18 know, addressing -- why AGP's addressing that.

19 Q. But to the -- I'm sorry. Have you  
20 finished?

21 A. Yes.

22 Q. But to the extent that you're talking  
23 about summarizing the other witnesses' testimony, it  
24 would -- would you agree with me that if they have  
25 modified or made changes to that testimony either

1 directly at the time it was introduced or through  
2 cross-examination, that would be comprehended in your  
3 summaries. Correct?

4 A. I mean, I have attempted to put in what  
5 their positions were.

6 Q. Subject obviously to what -- what they  
7 have actually testified. Right?

8 A. That's correct.

9 Q. And that -- that would apply to  
10 Mr. Blunk's summary as we were talking about delivery  
11 points and things like that. Right?

12 A. That's right.

13 Q. Okay.

14 MR. CONRAD: Judge, I think, believe it  
15 or not, that's all I have for Mr. Rush. I appreciate  
16 his testimony this morning. Thank you.

17 JUDGE DIPPELL: Thank you. Are there any  
18 questions from Staff?

19 MR. RITCHIE: No questions. Thank you,  
20 Judge.

21 JUDGE DIPPELL: Any Commissioner  
22 questions? Commissioner Jarrett?

23 COMMISSIONER JARRETT: Mr. Rush, I don't  
24 have any questions. Thank you.

25 THE WITNESS: Okay.

1 JUDGE DIPPELL: All right. Let me look  
2 at my notes here really quick.

3 QUESTIONS BY JUDGE DIPPELL:

4 Q. And I'm not sure if you're the right  
5 person to ask about this or not, Mr. Rush. On page 11  
6 of your testimonies, on line 3 you say: The company  
7 has a robust planning process that it has utilized for  
8 years.

9 Do you know have the forecasts for this  
10 particular process ever been off like they were in  
11 this or appear to have been in this particular process  
12 in past years?

13 A. Yes, they have been. I -- I was actually  
14 responsible for the forecasting side at my life at  
15 St. Joseph Light and Power Company. And I remember  
16 very well the time when we were changing from  
17 Farmarco, which was the predecessor to AGP. And Ag  
18 Processing was developing and installing an entirely  
19 new system which has grown immensely since that time.

20 And I remember when we were putting in  
21 their 850-pound line system and the forecasts were  
22 just incredibly erratic because AGP kept saying this  
23 was what was going to happen. It didn't happen on  
24 time. And, I mean this is not uncommon, but we had to  
25 be there. And, you know, that's just part of the

1 process of doing things. I mean that's why -- related  
2 to a steam business.

3 Q. Right.

4 A. Other steam business eradication, we had  
5 pork processing plant in St. Joseph, a very large one  
6 called Monford Pork at the time that we had high  
7 expectations of their continued growth, et cetera and  
8 all of a sudden one day they simply announced that  
9 they were closing and there were a thousand people out  
10 of work one day. That was again a very erratic time.

11 So when you go through big transitions  
12 like that, you do have those things. But with the  
13 steam system, you've got to sit there and -- you know,  
14 for -- for example, for this we had to put a new  
15 boiler in in 2006. We put in boiler eight. We hadn't  
16 done anything prior to that for 30 years or -- I can't  
17 remember the dates, but they're in my schedule that  
18 talk about the date of those boilers. That was a big  
19 deal to have to go out and say we've got to spend  
20 enough money to support this new growth.

21 And so, you know, you go and you talk to  
22 the customers and you make sure it's happening. Same  
23 thing happened when we went through the 850-pound  
24 line. We had never tapped a line on the 850-pound  
25 side of our system -- if you saw the diagrams that

1 were put on the first day -- to be able to meet that  
2 load. So that happens and you've got to be able to  
3 deal with it. But this is not uncommon.

4 JUDGE DIPPELL: Okay. Thank you.

5 THE WITNESS: I can give you lots more  
6 examples of that if you want to know about it.

7 JUDGE DIPPELL: I think that's  
8 sufficient. Thank you.

9 THE WITNESS: Uh-huh.

10 JUDGE DIPPELL: I think then that's all  
11 the questions from the bench. Is there any further  
12 cross-examination from Ag Processing?

13 MR. CONRAD: Nothing further, your Honor.  
14 Thank you.

15 JUDGE DIPPELL: Is there redirect?

16 MR. ZOBRIST: No redirect.

17 JUDGE DIPPELL: Is there anything else  
18 from Staff?

19 MR. RITCHIE: There is not. Thank you,  
20 Judge.

21 JUDGE DIPPELL: Certainly. All right  
22 then. I think that concludes your testimony,  
23 Mr. Rush. Thank you very much.

24 THE WITNESS: Thank you.

25 MR. ZOBRIST: Judge, I didn't realize

1 that we would go so quickly and I had a matter that I  
2 wanted to talk to Mr. Conrad about before we put  
3 Mr. Blunk on. And I think it's better for us to go  
4 off the record for just five minutes. I apologize to  
5 the Commission.

6 JUDGE DIPPELL: Okay. We can do that.  
7 We can take a short break. We'll go off the record  
8 for five minutes. Thank you.

9 (A recess was taken.)

10 JUDGE DIPPELL: Let's go ahead then and  
11 go back on the record. And we're back on the record  
12 after a break brief. And Mr. Zobrist?

13 MR. ZOBRIST: The respondent will call  
14 William Edward Blunk to the stand.

15 (Witness affirmed.)

16 JUDGE DIPPELL: Go ahead, Mr. Zobrist.

17 MR. ZOBRIST: Thank you.

18 WILLIAM EDWARD BLUNK,  
19 being first duly affirmed, testified as follows:

20 DIRECT EXAMINATION BY MR. ZOBRIST:

21 Q. Please state your name.

22 A. William Edward Blunk.

23 Q. And by whom are you employed?

24 A. Kansas City Power & Light Company.

25 Q. And what's your position at KCP&L?

1 A. I am supply planning manager.

2 Q. And in this proceeding did you prepare  
3 direct testimony, including a number of schedules, I  
4 believe 1 through 12?

5 A. Yes.

6 Q. And do you have any corrections to your  
7 direct testimony?

8 A. Yes. On page 32, line 22 is erroneous.  
9 It should be removed. And lines 1 and 2 on page 33  
10 should be removed.

11 MR. ZOBRIST: And just for clarification,  
12 Judge, when we created the PDF with this, it somehow  
13 picked up those three lines that have nothing to with  
14 anything and we don't know who Stefan Nagel even is  
15 so --

16 JUDGE DIPPELL: I really wondered about  
17 that when I was reading it.

18 THE WITNESS: Me too.

19 BY MR. ZOBRIST:

20 Q. Any other corrections, Mr. Blunk?

21 A. No.

22 MR. ZOBRIST: I will ask this -- ask that  
23 the court reporter mark your direct testimony and  
24 these schedules at Exhibit 105.

25 (Exhibit No. 105 was marked for

1 identification.)

2 BY MR. ZOBRIST:

3 Q. Mr. Blunk, with the corrections noted, if  
4 I were to ask you those questions, would your answers  
5 be as set forth in Exhibit 105?

6 A. Yes.

7 Q. And is there an affidavit attached to  
8 that indicating that the answers that you provided  
9 were given under oath?

10 A. Given that I affirmed them, yes.

11 Q. Correct.

12 MR. ZOBRIST: Your Honor, I offer  
13 Exhibit 105 into evidence and tender the witness for  
14 cross-examination.

15 MR. CONRAD: No objection.

16 JUDGE DIPPELL: All right. Then if  
17 there's no objection, I will enter that into evidence.

18 (Exhibit No. 105 was received into  
19 evidence.)

20 JUDGE DIPPELL: We're ready then for  
21 cross-examination. Ag Processing?

22 CROSS-EXAMINATION BY MR. CONRAD:

23 Q. So you didn't -- you didn't know who  
24 Stefan Nagle was either?

25 A. No, I did not.



1 Q. It's not one of those attorneys from  
2 Washington, was it?

3 A. I have no idea. I did not know it was  
4 there until I downloaded my testimony off EFIS to  
5 verify what was there.

6 Q. Mr. Blunk, try to shortcut this in view  
7 of the time. Would you agree with me that you had  
8 nothing to do with the development of the Aquila steam  
9 hedging program?

10 A. If you're referring to this program, the  
11 one-third strategy, that is true.

12 Q. At the time that that was either  
13 conceived or whatever term you want put on it, you  
14 were working for Kansas City Power & Light. Am I  
15 correct?

16 A. Yes.

17 Q. And, in fact, based on your indications  
18 in the deposition that we took some weeks ago, your  
19 entire career has been with Kansas City Power & Light;  
20 is that right?

21 A. Mostly. I worked with John Deere Company  
22 for a short period before that.

23 Q. As an intern. Right?

24 A. Yes.

25 Q. And that was perhaps more than 20 years

1 ago?

2 A. Yes.

3 Q. I will want to talk to you a little bit  
4 about hedging, but before we do that, I do have an  
5 exhibit that I would like to get marked, if I could,  
6 please.

7 JUDGE DIPPELL: I believe you're on  
8 No. 12.

9 MR. CONRAD: And, your Honor, this is  
10 actually an excerpt from Mr. Blunk's testimony in  
11 another proceeding that is highly confidential. It is  
12 not my intention, Counsel, to ask him anything but  
13 just the authentication questions so I don't  
14 anticipate that we would need to -- for my part of it,  
15 that we would need to go in-camera.

16 JUDGE DIPPELL: But this exhibit should  
17 be marked as highly confidential?

18 MR. CONRAD: This exhibit should be  
19 marked as HC as you see at the lower right-hand.

20 JUDGE DIPPELL: Yes.

21 (Exhibit No. 12-HC was marked for  
22 identification.)

23 BY MR. CONRAD:

24 Q. And, Mr. Blunk, if we're ready to go, I  
25 have showed you what the court reporter has marked for

1 identification at this point as Exhibit 12. Do you  
2 have that before you, sir?

3 A. Yes.

4 Q. And do you recognize that as a portion of  
5 your testimony from the currently pending Kansas City  
6 Power & Light rate case?

7 A. Yes.

8 Q. And would that case number be  
9 ER-2010-0355?

10 A. Yes.

11 MR. CONRAD: With that, your Honor, I  
12 would offer what has been marked as Exhibit 12. And  
13 again, it's not my intention to go into the detail on  
14 this so we don't need to go into H-- into in-camera  
15 unless counsel later on wants to pursue something.

16 JUDGE DIPPELL: Would there be any  
17 objection to Exhibit 12-HC?

18 MR. ZOBRIST: Judge, I don't think I have  
19 an objection to Exhibit 12. The only concern that I  
20 would have is that it's three pages out of an entire  
21 piece of testimony and not knowing for what purpose  
22 Mr. Conrad's going to use this, I might seek leave to  
23 submit the entire -- entirety of Mr. Blunk's testimony  
24 just so the record is complete.

25 JUDGE DIPPELL: Would you have any

1 objection to -- to the entire testimony -- piece of  
2 testimony?

3 MR. ZOBRIST: And pardon me, Judge. Let  
4 me be clear. I guess -- well, I didn't mean to be  
5 rude to interrupt your question.

6 JUDGE DIPPELL: No, that's fine.

7 MR. ZOBRIST: I just was saying just not  
8 having had a look at it, I mean, I may not need to  
9 have anything more in here. I'm just a little bit  
10 handicapped because I don't know what else is in here.  
11 So if, for example, in post-hearing briefing, you  
12 know, I were allowed to quote this -- but I don't  
13 know, what do you think, Mr. Conrad? Do you want to  
14 just put the whole thing in?

15 MR. CONRAD: Well, what I had intended to  
16 do, Counsel, was to excise a portion. And I think if  
17 you -- again, I'm not going to get into this, but if  
18 you look at page 9 of this beginning at line 5, there  
19 is a discussion and then there's a subhead at line 9.  
20 I won't discuss the content, but then there is another  
21 entire head -- entire subheading that covers material  
22 below line 20 and on page 11. And that's beyond  
23 what -- what I had wanted to get into.

24 what my intention was in -- in providing  
25 these three pages is to excise the portion that

1 appeared, at least to my inexperienced eye, as being  
2 relevant to our proceeding here today. Now, there's a  
3 lot of stuff in Mr. Blunk's testimony in the 0355  
4 case. I don't -- I can't remember right now. I think  
5 it was like maybe 40 or 50 pages. And so I'm trying  
6 to save some trees here. Now --

7 MR. ZOBRIST: Judge --

8 MR. CONRAD: Based on -- based on the  
9 deposition, I thought Mr. Zobrist had an option on  
10 some trees, but --

11 MR. ZOBRIST: It is a hedge, but --  
12 Judge, I don't have any objection to Exhibit 12. And  
13 if there's an issue that comes up later, we'll -- you  
14 know, we'll approach the Commission if we think we  
15 need to have something remedied, so --

16 JUDGE DIPPELL: All right. I will go  
17 ahead then and admit Exhibit 12-HC. I do note that  
18 the portions that are, in fact, highly confidential  
19 are designated as such in the testimony. It's not all  
20 of the entire pages. So I believe we could probably  
21 also have a public version of this document.

22 MR. CONRAD: And I'll be happy to do  
23 that. I think there is -- I think the witness may  
24 have also filed an NP --

25 JUDGE DIPPELL: Right.

1 MR. CONRAD: -- version of his testimony.

2 And by your leave, I'll be happy to -- to provide

3 that. I probably should have.

4 JUDGE DIPPELL: Yeah. If you would go

5 ahead and provide that after the hearing.

6 MR. CONRAD: Sure.

7 JUDGE DIPPELL: And obviously if there's

8 any objection to that not being the right thing.

9 MR. CONRAD: My intention at this point

10 in time would be -- I understand it hasn't been

11 formally offered, but would you refer then 12-NP?

12 JUDGE DIPPELL: Yes.

13 MR. CONRAD: Is that how you'd like to

14 handle it?

15 JUDGE DIPPELL: Yes. It will be

16 designated as 12-NP and that way there will be a

17 public version on the record.

18 MR. CONRAD: And my intention further

19 would be there is a little bit of material on page 9,

20 two or three lines it looks like on page 10 and then a

21 much larger portion on 11. And I would just -- just

22 use the corresponding pages from the witness's NP

23 version in that proceeding and provide those for your

24 Honor.

25 JUDGE DIPPELL: Yes. Yes. Thank you.

1 MR. CONRAD: I could possibly do that,  
2 your Honor, yet today.

3 JUDGE DIPPELL: Okay. That would be  
4 great. Thank you. All right then. So 12-HC and  
5 12-NP will be admitted into the record. And like I  
6 say, if there are any objections to the NP version,  
7 certainly can make those within -- within ten days of  
8 it being filed.

9 (Exhibit Nos. 12-HC and 12-NP were  
10 received into evidence.)

11 JUDGE DIPPELL: All right then. Let's  
12 see. Where -- where are we? We're with you,  
13 Mr. Conrad.

14 MR. CONRAD: It would still be up to --  
15 the ball's still in our court I guess at this point.

16 JUDGE DIPPELL: Yes.

17 BY MR. CONRAD:

18 Q. You do recall, Mr. Blunk, that you and I  
19 had a conversation about this several days ago, maybe  
20 several weeks ago in our office. And I think you had  
21 not had a deposition before, had you?

22 A. That was my first deposition.

23 Q. Well, I'm sure it was a wonderful  
24 experience for you. But you do recall getting  
25 together at that time?

1 A. Yes.

2 Q. And I had asked you some somewhat high  
3 level general questions about the hedging process.  
4 You have put together, I take it, KCP&L's hedging  
5 program. Am I -- is that -- is that fair?

6 A. Fuel hedging, yes.

7 Q. Fuel hedging. And that encompasses both  
8 coal and -- and natural gas?

9 A. We hedge coal, natural gas and oil.

10 Q. It's not my intention to get you into the  
11 KCP&L program but just to set that up as your  
12 experience. And we had talked about what volatility  
13 was. And you recall that discussion?

14 A. Vaguely.

15 Q. And I had asked, I think, what volatility  
16 in the terms of -- term "price volatility" means  
17 that --

18 MR. CONRAD: For counsel's reference,  
19 that's on page 13. I think the line that I have is  
20 25, but it might be two or three lines off.

21 BY MR. CONRAD:

22 Q. Now, when you use the term "price  
23 volatility," okay, we're in the context of hedging.

24 MR. ZOBRIST: In -- in -- pardon me for  
25 the interruption. On our version, Mr. Blunk, it's



1 page 14, line 3.

2 BY MR. CONRAD:

3 Q. So let me just ask you, Mr. Blunk, now  
4 that you have that, were you asked: Now, when you use  
5 the term "price volatility," okay, we're in the  
6 context of hedging, what's that?

7 And your answer was: volatility has to  
8 different people multiple meanings, but the main  
9 meaning is uncertainty about price, price moves  
10 around.

11 You --

12 A. Yes.

13 Q. -- you acknowledge that?

14 A. Yes.

15 Q. And I'd asked you if there was any kind  
16 of a time component for volatility. Do you recall  
17 that discussion?

18 A. Yes.

19 Q. Is there a time component as part of  
20 price volatility?

21 A. In one definition, yes.

22 Q. And then I had also asked you what the  
23 first step would be in trying -- if you were trying to  
24 design a hedging program, a gas hedging program, what  
25 you were -- what -- where you'd start, in other words.

1 where would you start with designing a hedging program  
2 generally?

3 A. Generally you'd start with what are the  
4 objectives? what are you trying to accomplish? what  
5 is the risk that you're exposed to? why do you want a  
6 hedging program?

7 Q. And then after that, would you take a  
8 look at the risk?

9 A. Yes. Or it might have been the star--  
10 it's -- they're both going to be at the beginning.

11 Q. And then I asked you about the  
12 instruments that you would use. And how would you go  
13 about selecting the instruments that you would use?

14 A. well, the instrument choice would be  
15 based on what you viewed as your risk, what you were  
16 trying to shift. And keep in my mind, I was looking  
17 at this from the perspective of a hedger. And a  
18 hedger starts with a risk and is trying to change that  
19 risk in some way. And so in selecting your  
20 instruments, you would be considering how do you want  
21 to change your risk. And that would help you in  
22 guiding you in what instruments are appropriate.

23 MR. CONRAD: Now, Counsel, this will  
24 probably end up being on another page from your  
25 version, but I have it on page 25, line 14. So you

1 may want to guide the witness as to where that --  
2 where that is. I'm looking at a question: well, how  
3 would you go about selecting.

4 MR. ZOBRIST: I think it's line 17.

5 THE WITNESS: Yes.

6 BY MR. CONRAD:

7 Q. And Mr. Blunk, were you asked: well, how  
8 would you go about selecting which instrument or  
9 combination of instruments to use?

10 And did you answer: we would look at the  
11 objective of our program, the risk we were facing and  
12 the character or the characteristics of the  
13 instruments and based on that, we would select a set?

14 A. Yes.

15 Q. So I take it from that that there could  
16 be flexibility in designing a hedging program and what  
17 particular instruments you chose to use?

18 A. Generally, yes.

19 Q. It's not -- not just a cookie cutter type  
20 approach. Right?

21 A. Well, there may be limits on what your  
22 universe of instruments are available, but inside of  
23 that, depending what you're trying to achieve, your  
24 portfolio might look different.

25 Q. And that's driven by what you're trying

1 to achieve and the objectives of the program. Are  
2 we -- are we communicating?

3 A. Yes.

4 MR. CONRAD: Okay. And, your Honor, I do  
5 have a couple more exhibits to mark if we could just  
6 take those one at a time, see if the witness is able  
7 to help me with them. I think the first -- if I'm  
8 numbering right now, we'd be at No. 13.

9 JUDGE DIPPELL: Yes, 13. Now, this one  
10 is also still marked HC.

11 MR. CONRAD: I need to get clarification  
12 on that and maybe we can take care of this. This is  
13 documents GMO396 and 397, pages 1 and 2 of the  
14 document. And these were in our hands marked HC.  
15 Counsel has made that designation so he can deal with  
16 that.

17 MR. ZOBRIST: These two pages are no  
18 longer HC.

19 JUDGE DIPPELL: All right then.

20 MR. CONRAD: And given, your Honor -- I'm  
21 sorry. I didn't mean to interrupt.

22 JUDGE DIPPELL: No. Go ahead.

23 MR. CONRAD: Given that they are from the  
24 GMO document production to us, I would move their --  
25 move the admission of Exhibit 13.

1 MR. ZOBRIST: No objection.

2 JUDGE DIPPELL: All right then. I will  
3 admit Exhibit 13.

4 (Exhibit No. 13 was marked for  
5 identification and received into evidence.)

6 BY MR. CONRAD:

7 Q. Mr. Blunk, do you have what's now been  
8 marked as and admitted as Exhibit 13 before you, sir?

9 A. Yes.

10 Q. Have you ever seen this document before?

11 A. Not that I remember.

12 Q. Would you -- subject to the fact you  
13 haven't seen this -- you're indicating you haven't  
14 seen this before. Does this appear to you to be a  
15 response to a request to describe the process for  
16 preparing a steam budget?

17 A. It looks like it's focused on the volume  
18 side of that budget, but to that regard, yes.

19 Q. And that was as much for -- for me and  
20 the record and for the judge so she would have some  
21 way to identify the -- the document. It is -- it  
22 appears to be a response to a data request from us  
23 directed to Aquila, not to Kansas City Power & Light,  
24 of course, AGP-0009. Right so far?

25 A. Yes.

1 Q. Okay. But you didn't really work on  
2 this?

3 A. This appears to be dated before the  
4 merger.

5 MR. CONRAD: Your Honor, one more. I  
6 think this would be 14.

7 JUDGE DIPPELL: Yes, 14. All right.  
8 I'll ask counsel to take a look at the HC designation  
9 on that as well.

10 MR. ZOBRIST: No longer, HC, Judge.

11 JUDGE DIPPELL: All right. Thank you.

12 (Exhibit No. 14 was marked for  
13 identification.)

14 MR. CONRAD: And, your Honor, this  
15 document identified at this point as Exhibit 14 is  
16 GM0000525 from that document production. And given  
17 that, I would ask that it be admitted.

18 JUDGE DIPPELL: Is there any objection?

19 MR. ZOBRIST: No objection.

20 JUDGE DIPPELL: Then I will admit  
21 Exhibit 14.

22 (Exhibit No. 14 was received into  
23 evidence.)

24 BY MR. CONRAD:

25 Q. Mr. Blunk, I've placed before you what

1 has now been marked and admitted Exhibit 14. This  
2 also I would represent to you is a part of that --  
3 that series of data request responses. Is it like the  
4 earlier one, a document that you really haven't --  
5 haven't seen before?

6 A. Correct.

7 Q. And I apologize, Mr. Blunk. Somehow I  
8 had thought that you had seen those, but my error.

9 MR. CONRAD: One moment, your Honor,  
10 please.

11 BY MR. CONRAD:

12 Q. Mr. Blunk, I did have one -- one question  
13 to ask you that seemed to get referred to you by  
14 Mr. Rush when he was on stand here. He did not  
15 indicate that he knew where the delivery point for the  
16 gas hedges that Aquila had and that you now have -- I  
17 say you, KC Power & Light have now taken over. Do you  
18 know where that delivery point is?

19 A. Yes. The -- all of the hedges were put  
20 in place using either NYMEX futures or NYMEX call  
21 options, which the call option as struck can be turned  
22 into a NYMEX futures. And NYMEX futures contract has  
23 a delivery point for Henry Hub, which is down in  
24 Erath, Louisiana on a Sabine pipeline. I think there  
25 are 13 pipelines connecting to that point. What else

1 do you want to know?

2 Q. Is there any difference for a puts as  
3 opposed to calls and futures?

4 A. With regards to?

5 Q. Henry Hub.

6 A. No. They all deliver -- effectively they  
7 all deliver to Henry Hub.

8 Q. That's kind of a pooling point, isn't it,  
9 for the natural gas system?

10 A. It's a pricing point.

11 Q. Pricing point. Paper pool?

12 A. Well, there are 13 pipelines there so I  
13 guess you could argue it's a pool.

14 Q. Now, you mentioned that that's in  
15 Louisiana?

16 A. Yes.

17 Q. Okay.

18 MR. CONRAD: Your Honor, I believe that  
19 that is all I have for Mr. Blunk.

20 JUDGE DIPPELL: Thank you. Is there any  
21 cross-examination by Staff?

22 MR. RITCHIE: No. Thank you, Judge.

23 JUDGE DIPPELL: Are there questions from  
24 the Commissioner? Commissioner Jarrett?

25 COMMISSIONER JARRETT: No thanks. Thank



1 you for your testimony.

2 QUESTIONS BY JUDGE DIPPELL:

3 Q. I just have one question for you. On  
4 page 12 of your testimony I just wanted to make sure I  
5 was clear on the -- when the ezHedge comparison was --  
6 was run. When -- when was that study run?

7 A. That study was done -- Mr. Gottsch did  
8 the study. I don't remember the date of when it was  
9 done.

10 Q. Okay.

11 A. It was done late enough to evaluate all  
12 the '07 hedges.

13 JUDGE DIPPELL: Okay. Okay. Thank you.  
14 Is there any further cross-examination based on my  
15 question?

16 MR. CONRAD: Just one clarification.

17 FURTHER CROSS-EXAMINATION BY MR. CONRAD:

18 Q. I think you used the term in responding  
19 to Judge's question that it was late enough. Would  
20 that mean that it was after the fact?

21 A. To be able to compare the two the way  
22 this did, yes, it had to be after the fact.

23 MR. CONRAD: All right. Thank you.  
24 Judge, that's all I had.

25 JUDGE DIPPELL: Thank you. Is there any

1 redirect?

2 MR. ZOBRIST: Just a couple of questions,  
3 Judge.

4 REDIRECT EXAMINATION BY MR. ZOBRIST:

5 Q. You were asked by Mr. Conrad about the  
6 delivery points -- the delivery point in the contracts  
7 and it being Henry Hub. Would that delivery point be  
8 able to assure the company, GMO, of getting gas from  
9 Henry Hub up to the Lake Road plant in St. Joseph?

10 A. Yes. In fact, Aquila has -- well, the  
11 13 pipelines that connect into Henry Hub, one of them  
12 is Trunkline and Aquila has a firm transport agreement  
13 to Trunkline. They, as far as I know have never  
14 shipped out of Henry Hub, but it can be done. It just  
15 would cost you a little bit of extra money.

16 Q. Now, Mr. Conrad asked you if you had  
17 anything to do with the one-third strategy and you  
18 said that you did not have a role in either designing  
19 it or executing it?

20 A. That's true.

21 Q. Did you have any role with regard to  
22 evaluating the one-third strategy?

23 A. Yes. After the merger, part of my  
24 responsibilities included going back and understanding  
25 what took place. And once this case took -- or was

1 filed, I had a role I guess similar to commissions,  
2 but I had to in hindsight try and figure out what  
3 happened and come to grips myself with was Aquila's  
4 actions prudent or reasonable so that I could write  
5 testimony and explain it.

6 Q. Now, yesterday we entered into evidence  
7 Exhibit 109. It's a four-bar chart of blue columns.  
8 Do you recall that, sir?

9 A. Yes.

10 Q. Are you the author of that?

11 A. Yes.

12 Q. If you prepared a slightly different  
13 charge -- chart --

14 MR. CONRAD: Your Honor, I'm going to  
15 object at this point.

16 MR. ZOBRIST: Let me just get my question  
17 out and then --

18 BY MR. ZOBRIST:

19 Q. My question is, have you prepared a  
20 different chart that further refines the depictions on  
21 Exhibit 109?

22 A. Yes.

23 MR. CONRAD: Okay. That's -- this has  
24 gone far enough. I didn't ask him anything about 109.  
25 I didn't ask anything for that matter about what

1 counsel has gone into and this is now coming in or  
2 even being discussed on redirect after we've closed  
3 out cross-examination. So it's -- it's entirely out  
4 of sequence. Counsel had the opportunity to query the  
5 witness on direct if he had anything else. So I  
6 object to this whole line.

7 MR. ZOBRIST: Judge, the -- the  
8 complainant asked Mr. Blunk, you know, if he had  
9 anything to do with the one-third hedging strategy and  
10 he said he did not.

11 MR. CONRAD: He said he did not.

12 MR. ZOBRIST: Right. And my attempt is  
13 to simply enlighten the Commission as far as what the  
14 relationship he had with regard to the strategy after  
15 the fact, just as Mr. Johnstone did. And I just have,  
16 you know, a refinement of a chart that's already into  
17 evidence to go through very briefly with him we've  
18 shown to counsel. So I think this limited examination  
19 ought to be permitted and would be helpful to the  
20 Commission.

21 MR. CONRAD: I entirely disagree.  
22 There's a sequence and there's a process here. The  
23 sequence and process, your Honor, is they do direct  
24 and they have the opportunity in their direct to put  
25 that -- these materials in. Exhibit 109 is -- was

1 offered and received and that's -- that's over and  
2 done with at this point. I didn't ask and I didn't  
3 need to ask for the admission of who authored it.  
4 That's -- I never -- the record will not reflect that  
5 I asked this witness anything about 109. And the  
6 record will reflect that I asked this witness if he  
7 had anything whatsoever to do with the Aquila hedging  
8 program and he denied it. So that's the end of it.  
9 we close it down at that point. You want to reopen  
10 it? No.

11 JUDGE DIPPELL: Are your changes to  
12 Exhibit 109 having to do anything with additional  
13 information that you just received, change?

14 MR. ZOBRIST: I -- not that I just  
15 received this morning or today. No, it's not new  
16 information.

17 JUDGE DIPPELL: It's my understanding  
18 from Exhibit 109 that that's basically information  
19 that was extrapolated from the testimony of the other  
20 witnesses; is that correct?

21 MR. ZOBRIST: Right. Yeah. This is not  
22 new information. It's simply a -- a clarification.

23 JUDGE DIPPELL: Then I see no -- I see no  
24 reason for it, so I'm not going to allow further  
25 questioning or information about Exhibit 109. I

1 believe it's probably information you can put in your  
2 brief that's based on testimony that's already in the  
3 record, so --

4 MR. ZOBRIST: Probably so. Thank you,  
5 Judge.

6 JUDGE DIPPELL: So I'm not going to allow  
7 it. Is there anything further?

8 MR. ZOBRIST: Let me check. I don't  
9 believe so. I do have one other question. Mr. Conrad  
10 did ask the witness about designing a hedge program,  
11 the risks, the objectives and the financial  
12 instruments.

13 BY MR. ZOBRIST:

14 Q. Mr. Blunk, my question is, if you have a  
15 financial instrument and you are closing out of a  
16 hedge or a call or a put, what, if any, costs are  
17 there to doing so?

18 A. There are two costs. The first cost is  
19 simply the transaction cost, which is minimal. But  
20 you also then have to take what would be essentially  
21 your mark to market. For example, if you had a  
22 futures contract that you had purchased at \$10 and the  
23 market was now at 4, that \$6 difference, you'd have to  
24 swallow that.

25 That would be a loss that you would have

1 to recognize right at that point in time, which for a  
2 hedger closing a position early, they would probably  
3 choose not to do that just because they ultimately  
4 have a need for that whatever -- whatever it was they  
5 were hedging. So they'll tend to ride it out unless  
6 there's a strong need to close out early.

7 MR. ZOBRIST: Thank you. That's all I  
8 have, Judge.

9 JUDGE DIPPELL: Thank you. I believe  
10 then, Mr. Blunk, that ends your testimony and you may  
11 be excused.

12 THE WITNESS: Thank you.

13 JUDGE DIPPELL: Thank you. Are there any  
14 other witnesses from GMO?

15 MR. ZOBRIST: No other witnesses.

16 MR. CONRAD: We have no other witnesses,  
17 your Honor. And the sequence here has been that we  
18 filed initial direct and then filed rebuttal. And I  
19 think the hearing, subject obviously to your -- your  
20 discretion, is from our perspective concluded.

21 JUDGE DIPPELL: Thank you. Well, I  
22 believe the evidence is concluded at this point. I,  
23 however, have some things to discuss with counsel,  
24 but, Mr. Blunk, you may be excused from the witness  
25 stand.

1 THE WITNESS: Thank you.

2 JUDGE DIPPELL: And if I get my  
3 television screen -- I had it on the witnesses -- or  
4 on the counsel during the witness testimony and -- I'm  
5 not a very good camera operator. But you notice I  
6 always put it on you guys and not on myself so --

7 I just wanted to say that in briefing  
8 this and -- I would encourage you all to remember to  
9 cite to the record the evidence that you're talking  
10 about and because we don't often handle complaints  
11 from large customers against companies and so forth, I  
12 would appreciate some information about the standard  
13 that the Commission should --

14 MR. CONRAD: Sure.

15 JUDGE DIPPELL: -- and so forth just as a  
16 refresher for myself if -- if nothing else. And then  
17 I would also encourage you all, you are welcome to and  
18 encouraged by me if you would like to file proposed  
19 findings of facts and conclusions of law or -- I'm  
20 okay if you want to file proposed orders as well, but  
21 at least findings and fact and conclusions of law  
22 would be helpful.

23 MR. CONRAD: I'll try to leave the seal  
24 off.

25 JUDGE DIPPELL: That's fine. Just --



1 just -- just the text is fine. We don't need the  
2 graphics.

3 MR. CONRAD: We're -- your Honor, did you  
4 have on your pad there to talk about briefing  
5 schedule?

6 JUDGE DIPPELL: Yes, I do. I was getting  
7 to that next. Right now the transcript is not  
8 scheduled to be expedited so I would expect it ten  
9 days -- ten working days, which if I looked at the  
10 calendar correctly because of the holiday would be --  
11 well, actually I may have counted the day after  
12 Thanksgiving as a holiday, but it is not technically a  
13 holiday this year or at least unless the governor  
14 tells us different -- different between now and then,  
15 because I had that the transcript wouldn't be back  
16 until the 7th of December. Now, I may have  
17 miscalculated that so somewhere around in there.

18 And were you thinking that you would want  
19 two rounds of briefs or just one?

20 MR. ZOBRIST: We were thinking two.

21 JUDGE DIPPELL: Mr. Conrad?

22 MR. CONRAD: I -- I have -- I could --  
23 we'd probably do it in one if we had the benefit of  
24 the record. I don't have a strong objection to -- to  
25 two.

1 JUDGE DIPPELL: Okay. Well, with the  
2 holidays coming up, like I say, I'm not expecting the  
3 transcript until the first week in December so that  
4 puts you all into the holidays and so I will let you  
5 make suggestions then about the briefs.

6 MR. CONRAD: Judge, now, forgive me. I'm  
7 looking at my Palm Pilot here and it sometimes  
8 misleads me by skipping a year or two ahead, but the  
9 first week in December that you're talking about is  
10 one, two and three. And the 7th, if you're talking  
11 about that is I think in the second full week, but  
12 depends on how you count a week.

13 JUDGE DIPPELL: Well, I was looking at  
14 ten business days from today for the transcript before  
15 the transcript will be available so --

16 MR. CONRAD: So probably by the 10th --  
17 7th or 10th, somewhere in that range.

18 JUDGE DIPPELL: Yeah. Actually that may  
19 be the 8th, I think. The 7th or the 8th is when the  
20 transcript will be in.

21 MR. CONRAD: Well, do you -- is your  
22 preference for -- I feel like I probably would need to  
23 have 20, but I don't know that I would need -- you  
24 know, I could certainly go to 30. I don't have a  
25 problem with that.

1 JUDGE DIPPELL: well, 20 days from --  
2 if --

3 MR. CONRAD: Twenty.

4 JUDGE DIPPELL: -- it's in on the 7th is  
5 the 27th, which is the Monday after the Christmas  
6 holiday.

7 MR. CONRAD: That doesn't work terribly  
8 well because -- so maybe 25, split the difference. I  
9 don't -- it's not a big deal. I don't mean the 25th.  
10 Bah humbug.

11 MR. ZOBRIST: The 25th is a Saturday  
12 so --

13 MR. CONRAD: That's out anyway. They  
14 won't be open on Christmas Day. what a shame.  
15 Counsel, 30th or 31st?

16 MR. ZOBRIST: well, Stu, the only thing  
17 that -- we've got the KCP&L rate case that starts the  
18 18th.

19 JUDGE DIPPELL: I'll tell you what. We  
20 don't need all this on the transcript itself. So  
21 let's go off the record and discuss the briefing  
22 schedule and then come back on the record and adjourn.

23 (Off the record.)

24 JUDGE DIPPELL: Okay. We're back on the  
25 record. We had a discussion of briefing schedules and

1 looking at the calendar and all of the various  
2 holidays and everyone's schedule. We have decided two  
3 rounds of briefs with the first initial brief being  
4 due on the 4th of January, 2011, and the reply briefs  
5 being due on the 21st of January. And Mr. Conrad is  
6 going to get that NP version of Exhibit 12 submitted  
7 into the record.

8 And other than that, I think that  
9 concludes the hearing. Is there anything further on  
10 the record before we adjourn?

11 MR. CONRAD: Just -- just clarification  
12 for me. Mechanically, logistically how should I do  
13 that? Get that to you, the reporter, copies to  
14 counsel? How would you prefer?

15 JUDGE DIPPELL: I think it's simpler if  
16 you just go ahead and submit it to EFIS. Just submit  
17 it as late-filed Exhibit 12-NP.

18 MR. CONRAD: Just send it through.

19 JUDGE DIPPELL: And then we'll all have  
20 it and I can get it attached to the transcript from  
21 there. Okay?

22 MR. CONRAD: We'll certainly do that.

23 JUDGE DIPPELL: Okay. Anything further?  
24 Thank you all very much for your participation.

25 MR. ZOBRIST: Thank you, Judge.

1 MR. CONRAD: Thank you, Judge.

2 JUDGE DIPPELL: And we can go off the  
3 record. We're adjourned.

4 (Whereupon, the hearing was concluded.)  
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CERTIFICATE OF REPORTER

I, Tracy Thorpe Taylor, CCR No. 939, within the State of Missouri, do hereby certify that the testimony appearing in the foregoing matter was duly sworn by me; that the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this matter was taken, and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

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Tracy Thorpe Taylor, CCR