

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
3  
4  
5

6 TRANSCRIPT OF PROCEEDINGS  
7 True-Up Hearing  
8 November 9, 2007  
9 Jefferson City, Missouri  
Volume 15

10

11

12 In the Matter of the )  
Application of Kansas City )  
13 Power & Light Company for )  
Approval to Make Certain ) Case No. ER-2007-0291  
14 Changes in Its Charges for )  
Electric Service to Implement )  
15 Its Regulatory Plan )

16

17

18

19 RONALD D. PRIDGIN, Presiding,  
SENIOR REGULATORY LAW JUDGE  
JEFF DAVIS, Chairman,  
20 TERRY JARRETT,

21 COMMISSIONERS.

22

23 REPORTED BY:

24 PAMELA FICK, RMR, RPR, CCR #447, CSR  
MIDWEST LITIGATION SERVICES

25

1 APPEARANCES:

2 KARL ZOBRIST, Attorney at Law  
3 Sonnenschein, Nath & Rosenthal  
4 4520 Main Street, Suite 1100  
5 Kansas City, Missouri 64111  
6 (816) 460-2545  
7 kzobrist@sonnenschein.com

8 JAMES M. FISCHER, Attorney at Law  
9 Fischer & Dority, PC  
10 101 Madison Street  
11 Jefferson City, Missouri 65102  
12 (573) 636-6758

13 CURTIS D. BLANC, Attorney at Law  
14 Kansas City Power & Light Company  
15 1201 Walnut - 20th Floor  
16 Kansas City, Missouri 64141  
17 (816) 556-2483

18 FOR: KCP&L.

19 JEFFREY A. KEEVIL, Attorney at Law  
20 Stewart & Keevil, LLC  
21 4603 John Garry Drive, Suite 11  
22 Columbia, Missouri 65203  
23 (573) 499-0636  
24 per594@aol.com

25 DAVID L. WOODSMALL, Attorney at Law  
26 Finnegan, Conrad & Peterson  
27 428 East Capitol Avenue, Suite 300  
28 Jefferson City, Missouri 65102  
29 (573) 635-2700

30 FOR: Praxair, Inc.

31 LEWIS CAMPBELL, Attorney at Law  
32 P.O. Box 51508  
33 811 Lamp Post Cir SE  
34 Albuquerque, New Mexico 87181-1508  
35 (505) 323-8292  
36 Lcampbell14@comcast.net

37

1 LEWIS R. MILLS, JR., Public Counsel  
2 P.O. Box 2230  
3 200 Madison Street, Suite 650  
4 Jefferson City, MO 65102-2230  
5 (573) 751-4857  
6 lewis.mills@ded.mo.gov

7 FOR: Office of the Public Counsel  
8 and the Public.

9 STEVEN DOTTHEIM, Chief Deputy General Counsel  
10 P.O. Box 360  
11 200 Madison Street  
12 Jefferson City, MO 65102  
13 (573) 751-3234  
14 steve.dottheim@psc.mo.gov

15 FOR: Staff of the Missouri Public  
16 Service Commission.

17  
18  
19  
20  
21  
22  
23  
24  
25

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

2 (EXHIBIT NOS. 36 THROUGH 42 WERE MARKED  
3 FOR IDENTIFICATION BY THE COURT REPORTER.)

4 (EXHIBIT NOS. 123 THROUGH 131 WERE  
5 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

6 (EXHIBIT NOS. 210 THROUGH 212 WERE  
7 MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

8 JUDGE PRIDGIN: Good morning. We are  
9 on the record. This is the true-up hearing in  
10 Case No. ER-2007-0291, In the Matter of the Application  
11 of Kansas City Power & Light Company For Approval to  
12 Make Certain Changes in Its Charges For Electric  
13 Service to Implement Its Regulatory Plan.

14 I am Ron Pridgin. I am the regulatory  
15 law judge assigned to preside over this prehearing  
16 conference that's beginning approximately 8:45 in the  
17 morning. We are in the Governor's Office Building in  
18 Jefferson City, Missouri. The date is November 9th,  
19 2007.

20 I would like to get entries of  
21 appearance, please, beginning with Kansas City Power  
22 & Light.

23 MR. FISCHER: Let the record reflect the  
24 appearance of James M. Fischer, Karl Zobrist and  
25 Curtis Blanc appearing on behalf of Kansas City Power

1     & Light in this proceeding. Our addresses are on the  
2     written entries today.

3                   JUDGE PRIDGIN: Mr. Fischer, thank you.  
4     On behalf of the Staff of the Commission, please.

5                   MR. DOTTHEIM: Yes, on -- on -- on  
6     behalf of the Staff of the Missouri Public Service  
7     Commission, Kevin Thompson, Nathan Williams and  
8     Steven Dottheim, Post Office Box 360, Jefferson City,  
9     Missouri 65102.

10                  JUDGE PRIDGIN: Mr. Dottheim, thank you.  
11     On behalf of the Office of Public Counsel, please.

12                  MR. MILLS: On behalf of the Office of  
13     the Public Counsel and the public, my name is Lewis  
14     Mills. My address is Post Office Box 2230, Jefferson  
15     City, Missouri 65102.

16                  JUDGE PRIDGIN: Mr. Mills, thank you.  
17     And I see we don't necessarily have all counsel for  
18     all the parties here, so I'll try to skip around and  
19     get everybody. On behalf of Trigen Kansas City,  
20     please.

21                  MR. KEEVIL: Yes, Judge. Appearing on  
22     behalf of Trigen Kansas City Energy Corporation,  
23     Jeffrey A. Keevil of the law firm Stewart & Keevil,  
24     LLC. Address is 4603 John Garry Drive, Suite 11,  
25     Columbia, Missouri 65203. And if I could, Judge, I

1 would just like to formally request leave to be  
2 excused for the remainder of the true-up hearing.  
3 With that, I will waive opening as to the true-up  
4 issues.

5 JUDGE PRIDGIN: Mr. Keevil is waiving  
6 opening and apparently waiving cross. Any  
7 objections?

8 (NO RESPONSE.)

9 JUDGE PRIDGIN: Mr. Keevil, thank you.  
10 On behalf of Praxair, Incorporated, please.

11 MR. WOODSMALL: Thank you, your Honor.  
12 David Woodsmall with the firm of Finnegan, Conrad &  
13 Peterson, appearing on behalf of Praxair.

14 JUDGE PRIDGIN: Mr. Woodsmall, thank  
15 you. On behalf of the United States Department of  
16 Energy, please.

17 MR. CAMPBELL: On behalf of the  
18 Department of Energy, Lewis Campbell, Office of Lewis  
19 Campbell, P.O. Box 51508, Albuquerque, New Mexico  
20 87801.

21 JUDGE PRIDGIN: Mr. Campbell, thank you.  
22 Is there anyone I missed?

23 (NO RESPONSE.)

24 JUDGE PRIDGIN: All right. We are ready  
25 to proceed to opening statements. And I don't know

1 if counsel has a preference as to whether to give  
2 opening statements per each topic or to just simply  
3 give one opening statement. Since we only have, as  
4 far as I can tell, three contested issues, it's -- I  
5 have a very mild preference to just give one opening  
6 statement overall, but I don't want to preclude  
7 counsel from doing anything to be the contrary.

8 MR. ZOBRIST: Judge, the company's  
9 prepared to give one opening statement. We did have  
10 one issue that I raised with Staff, and that was  
11 whether we could do the additional amortization issue  
12 before off-system sales. We could discuss that after  
13 opening statements if you wish.

14 JUDGE PRIDGIN: That's fine. However  
15 counsel would like to do it is fine with me. Is  
16 there anything else from counsel before we proceed to  
17 opening statement?

18 (NO RESPONSE.)

19 JUDGE PRIDGIN: Okay. If there's  
20 nothing, KCPL, Mr. Zobrist, when you're ready, sir.

21 MR. ZOBRIST: Good morning. May it  
22 please the Commission. Karl Zobrist representing  
23 Kansas City Power & Light Company with Jim Fischer  
24 and Curtis Blanc.

25 We are at the position right now where

1 actually the major points of controversy will  
2 probably not be discussed much today. In the  
3 company's view, the major issues are return on  
4 equity, certain revenue issues that have not been  
5 resolved, long-term/short-term incentive comp,  
6 Hawthorne 5 recovery, talent assessment program and a  
7 few others, and a rate design.

8                   And a good illustration of where we are  
9 right at this point of the hearing would be the  
10 true-up reconciliation and reconciliation that was  
11 filed on Monday. And I think that you can see there  
12 that as similar to the last case, at least the  
13 company and Staff are not that far apart.

14                   With the regulatory plan amortization,  
15 the request of the company is about 47.3 million, the  
16 Staff revenue requirement is about 39.5 million.  
17 We're about \$8 million apart, and most of that is due  
18 to the difference of opinions on return on equity.  
19 As a result of the true-up audit, from the company's  
20 perspective we do not believe there are any  
21 disagreements between Staff and Kansas City Power &  
22 Light.

23                   So the three issues that you're going to  
24 hear about today are related to capital structure.  
25 KCPL has trued up its numbers with which we believe

1 Staff agrees. The Public Counsel offers a  
2 hypothetical capital structure which has really found  
3 favor with this Commission.

4 The second issue deals with the  
5 additional amortizations. KCPL prepared a  
6 calculation which is set forth in the -- in the  
7 testimony of its treasurer, Michael Cline. Staff,  
8 through its witness, Steven Traxler, has not differed  
9 with this calculation.

10 However, Public Counsel and true-up  
11 testimony offered by Mr. Trippensee has taken issue  
12 with this calculation. And the major point of  
13 contention has to do with whether short-term debt  
14 expense can be included in the calculation.  
15 Mr. Trippensee says that it cannot, and he relies  
16 upon his interpretation of the stipulation and the  
17 appendices to that stipulation.

18 It is the company's position that there  
19 is nothing in the 2005 regulatory plan stipulation  
20 that prohibits the use of short-term debt.  
21 Specifically, Mr. Trippensee objects to a line called  
22 27 B which you will see in Mr. Cline's testimony.  
23 And again, we believe there is nothing in the  
24 appendices that prohibits the use by that.

25 The evidence will show that there has

1    been no change in methodology by Standard & Poor's.  
2    And there has been actually no change in the  
3    technical sense of the term by KCPL. There is a  
4    modification to the calculation because the company  
5    is utilizing short-term debt interest expense for the  
6    first time because of the prominence that it plays in  
7    the financial profile of the company at this time.

8                   The third issue that you will hear about  
9    is where off-system sales should be set. And  
10   although there's no change in the -- in the position,  
11   the company arguing for 25-percentile-level rates be  
12   set with which Staff agrees, similarly, Public  
13   Counsel continues to argue that rates be set for  
14   off-system sales at the 40-percentile level.

15                   In the true-up direct of Mr. Crawford,  
16   he sets -- sets forth certain explanations about why  
17   it is unlikely that the company will even reach the  
18   25th percentile level. And he presented two major  
19   reasons: One has to do with the drop in the price of  
20   electricity on the wholesale level, and the second  
21   has to do with the drop in the volume of sales that  
22   KCPL has made.

23                   It's clear from Mr. Crawford's testimony  
24   and it's not countered or contested by Public  
25   Counsel's witness, Mr. Robertson, that the greatest

1 reason for the drop in sales is the drop in  
2 electricity prices. And although the numbers are  
3 highly confidential, you will see in there that, in  
4 fact, wholesale prices have averaged in 2007 about  
5 ten dollars per megawatt hour less than they did in  
6 the prior year.

7               Now, the volume of off-system sales has  
8 also decreased. That is the second major reason.  
9 And there are two subreasons for that decrease in  
10 sales: One is the increase in native load of Kansas  
11 City Power & Light's native load customers, and the  
12 second is the increased enforced outages. And it's  
13 this increase in forced outages that we're really  
14 gonna deal with here today.

15               Public Counsel comes up with what we  
16 believe is a novel idea, that because forced outages  
17 in their view were not endorsed by the Commission  
18 when accepted -- when it accepted the NorthBridge  
19 Michael Schnitzer analysis, his probabilistic  
20 analysis, that they should be discounted. And in  
21 reality, the unit availability, forced outages were  
22 fully discussed by Mr. Schnitzer in his direct  
23 testimony in both 2006 and in 2007. That analysis  
24 was accepted by this Commission. It was fully  
25 discussed in both the prior case and in this case,

1 and there is no reason to suggest -- no reason for  
2 this Commission to set rates at anything other than  
3 the 25th percentile.

4                   There is a -- is a suggestion by  
5 Mr. Robertson that the level of outages this year is  
6 abnormal. There is absolutely no evidence to support  
7 that. Although forced outages are less in 2007 --  
8 I'm sorry -- are greater in 2007 than they were in  
9 2006, there is no evidence that will come before the  
10 Commission to show that that is either an abnormal  
11 level or that it is related to any negligence or  
12 failure by the company.

13                   Kansas City Power & Light expects to  
14 waive cross-examination on most if not all of Staff  
15 witnesses. We think the hearing is gonna focus on  
16 these three issues, and we believe that we should be  
17 finished well within today's parameters. Thank you.

18                   JUDGE PRIDGIN: Mr. Zobrist, thank you.  
19 Opening on behalf of Staff?

20                   MR. DOTTHEIM: Judge, so as not to be  
21 redundant, the Staff really has nothing to add to  
22 what Mr. Zobrist has outlined. And the Commission  
23 was gracious in permitting us to move the hearing  
24 from Thursday to today. And originally we had as a  
25 safety Friday so as to make certain that we can

1 finish today which I think that all of us do believe.  
2 But again, not to be redundant, the Staff will waive  
3 opening statement.

4 JUDGE PRIDGIN: Mr. Dottheim, thank you.  
5 Opening on behalf of Public Counsel?

6 MR. MILLS: Thank you. I'll try to be  
7 brief, perhaps not quite as brief as Mr. Dottheim. I  
8 agree in general with Mr. Zobrist that really we're  
9 gonna be talking about three issues today. The first  
10 of those is -- not necessarily in order, but the  
11 first one that perhaps in terms of magnitude is the  
12 capital structure issue.

13 What KCPL has proposed, using the actual  
14 level as the GPE Holding Company level, would put  
15 KCPL way above the national average in terms of the  
16 percentage of equity in its capital structure and way  
17 above where the regulatory plan anticipated that  
18 KC -- KCPL would be and what the parties understood  
19 it would be at the time that we entered into the  
20 regulatory plan.

21 It also would put KCPL considerably  
22 higher in terms of the equity percentage than the  
23 capital structure that KCPL witness Hadaway  
24 considered when he -- when he calculated his cost of  
25 equity recommendation. And of course, as the

1 Commission is aware, because equity's more expensive  
2 and less risky, if the percentage of equity goes up,  
3 the cost of equity should be going down. KCPL didn't  
4 propose any kind of a corresponding adjustment to its  
5 proposed return on equity figure as a result of  
6 increasing its percentage of equity that the capital  
7 structure is proposing.

8               Short-term debt: This issue has to do,  
9 as Mr. Zobrist said, with the way that short-term  
10 debt is calculated in terms of calculating the  
11 amortization. The evidence today will show that  
12 KCPL, and Staff is apparently going along with this,  
13 has put short-term debt into the amortization  
14 calculation in a different place to result in a  
15 different number than it ever has in the entire last  
16 two cases.

17               And we went through all of ER-2006-0314  
18 and almost all of ER-2007-0291 before anybody talked  
19 about using short-term debt in this way. It's only  
20 when we got to the true-up period in this case that  
21 KCPL decided that we should put it up to where  
22 they've got it, and that -- that makes a huge  
23 difference in the way you get to amortization.

24               The final issue has to do with where the  
25 Commission should set the percentile level for the

1 off-system sales tracking. As a result of the -- the  
2 updated numbers for off-system sales margin levels,  
3 it appears that -- and many of these numbers are  
4 highly confidential, so I'll just talk about them in  
5 general terms -- that the loss in off-system sales  
6 margins from the increased level of forced outages  
7 over the year -- so far in the year 2007, would have  
8 put KCPL considerably above the 25th percentile and  
9 would have had KCPL returning money to ratepayers had  
10 there not been so many in such a long period of  
11 forced outages.

12                   And Public Counsel argues that that  
13 level of forced outages is really not something that  
14 the Commission meant to insulate KCPL from when the  
15 Commission created the tracking mechanism in Case  
16 ER-2006-0314. The testimony in the case -- although,  
17 yes, it's true that unplanned outages were mentioned,  
18 the testimony in the case and the focus of the  
19 Commission in the Report and Order was clearly on  
20 market risk, the kinds of risks that KCPL can't  
21 address through its own operations and maintenance,  
22 the kinds of things that are influenced primarily by  
23 gas prices and other utilities.

24                   There's no indication in the Report and  
25 Order that the Commission meant to insulate KCPL from

1 the risk of malfunctions at its very own plants. And  
2 if you take that out of the equation, then it looks  
3 as though the 40th percentile is much more reasonable  
4 on a going-forward basis than the 25th percentile.  
5 Thank you.

6 CHAIRMAN DAVIS: Judge, I got a couple  
7 of questions.

8 JUDGE PRIDGIN: Yes, sir.

9 CHAIRMAN DAVIS: Mr. Mills, did you sign  
10 the KCP&L regulatory plan or was that your  
11 predecessor?

12 MR. MILLS: That was my predecessor.

13 CHAIRMAN DAVIS: Okay. But you're gonna  
14 be putting on a witness about capital structure, so I  
15 can --

16 MR. MILLS: Uh-huh.

17 CHAIRMAN DAVIS: -- can ask that  
18 witness. Do you know in all of the rate cases that  
19 OPC has participated in, in, say, the last five  
20 years, in how many of those instances has OPC  
21 advocated for a hypothetical capital structure?

22 MR. MILLS: I can't think of any. But  
23 then again, I can't think of any case in which we  
24 were talking about a 57 percent equity ratio. There  
25 may have been some. I haven't been with OPC for the

1 last five years, but certainly in the last two years  
2 or so, I don't recall any cases in which we've  
3 advocated for a hypothetical capital structure except  
4 for this one.

5 CHAIRMAN DAVIS: Okay. And --

6 MR. MILLS: And this -- this is not --  
7 and just so the record's clear, this is not really a  
8 hypothetical capital structure, it's not an actual  
9 capital structure, but it's the capital structure  
10 that KCP&L had projected to be at in September 30th  
11 back when the case was filed.

12 This is the capital structure that KCPL  
13 had in its direct case, its non-true-up case, because  
14 this is what -- what we're proposing to use is what  
15 KCPL expected to be at when they filed the case up  
16 until the true-up when things changed and they  
17 actually came with a much more equity-rich capital  
18 structure. It's not something that's just made up,  
19 it's KCPL's own projections.

20 CHAIRMAN DAVIS: Now, you recall our --  
21 our case that we had last year?

22 MR. MILLS: Yes.

23 CHAIRMAN DAVIS: And you recall that  
24 KCP&L, I believe, had some -- some -- some property  
25 tax issues and maybe some employee issues that they

1     wanted in but they didn't get by the -- by the  
2     September 30th --

3                   MR. MILLS:   Yes.

4                   CHAIRMAN DAVIS:  -- 30th true-up date.

5                   MR. MILLS:   Uh-huh.

6                   CHAIRMAN DAVIS:  And it's my  
7     recollection that this Commission told them that they  
8     were out of luck.  Now, it appears that they have  
9     gotten their capital structure information into this  
10    case in a timely manner before September 30th, so,  
11    you know, why should we not -- why should -- why  
12    should we not afford them the same consistent  
13    treatment here?

14                   MR. MILLS:  The difference is that this  
15    isn't really an issue of timing, it's an issue of  
16    prudence.  We're not arguing that at some particular  
17    point in time KCPL will have the exact capital  
18    structure that we're proposing.  We're arguing that  
19    right now they should have the capital structure that  
20    looks like that.  That what they have done through  
21    their management -- and, of course, the management  
22    has the right to do what they want with their capital  
23    structure -- that they have essentially created an  
24    equity-rich capital structure that is just too  
25    expensive to impose upon ratepayers.

1                   A more prudent capital structure would  
2   have a higher concentration of cheaper debt and a  
3   lower concentration of expensive equity. So it's not  
4   a -- it's not a timing thing, it's -- it's a question  
5   of whether or not the capital structure that they're  
6   proposing is prudent and fair to ratepayers. They --  
7   we're not saying that at some point in time they're  
8   gonna --

9                   CHAIRMAN DAVIS: Can you -- can you  
10   expand on that and just explain to me how their  
11   capital structure -- how -- I mean, what is your  
12   argument that their -- their current capital  
13   structure is unfair to ratepayers?

14                  MR. MILLS: Because at the approximately  
15   50 percent equity ratio that they've proposed, equity  
16   is, at this point in time and through most of recent  
17   history, more expensive than debt. A company has a  
18   sole discretion about how rich they want their equity  
19   to be and how -- how much equity they want in  
20   relation to debt. If they choose to run it way up to  
21   57 percent, 66 percent, even higher, that will raise  
22   rates because ratepayers pay more for equity than  
23   they do for debt.

24                  CHAIRMAN DAVIS: Right.

25                  MR. MILLS: The ratepayers have no

1 choice about how -- how the capital structure is  
2 proposed, but the Commission can enforce through --  
3 through ratemaking a more reasonable cost for the  
4 capital structure. And because -- and you'll see --  
5 you'll -- we've got evidence in the record already if  
6 you look, for example, in Exhibit 121 which is the  
7 Regulatory Research Associates, it shows equity  
8 ratios for electric utilities.

9 And I believe that particular exhibit  
10 covered the first two quarters in 2007, and it shows  
11 the average equity ratio for electric utilities that  
12 they -- that they looked at. It's somewhere, I  
13 believe, a little below 50 percent. So KCPL is, at  
14 57 percent, way higher than the average, way higher  
15 than what was proposed in the regulatory plan. And  
16 because it's so much higher, that's gonna cost  
17 ratepayers a lot of money.

18 CHAIRMAN DAVIS: Thank you, Mr. Mills.

19 MR. MILLS: Thank you.

20 JUDGE PRIDGIN: Mr. Chairman, thank you.  
21 Mr. Mills, thank you. Any further opening  
22 statements?

23 (NO RESPONSE.)

24 JUDGE PRIDGIN: I believe we're ready to  
25 go on to capital structure. And even though I think

1 some witnesses may be coming to the stand more than  
2 once, I would rather go issue by issue with the  
3 testimony. And according to my list, I believe  
4 Mr. Cline would take the stand on capital structure?

5 MR. ZOBRIST: Right.

6 JUDGE PRIDGIN: All right. If you'd  
7 come forward to be sworn, please.

8 (THE WITNESS WAS SWORN.)

9 JUDGE PRIDGIN: Thank you very much.  
10 Please have a seat. Mr. Zobrist, when you're ready.  
11 DIRECT EXAMINATION BY MR. ZOBRIST:

12 Q. Mr. Cline, please state your full name  
13 and your position.

14 A. Michael W. Cline, vice president,  
15 treasury and investor relations for Great Plains  
16 Energy.

17 Q. And do you have a position with Kansas  
18 City Power & Light Company?

19 A. I do. I'm the treasurer.

20 Q. Okay. And your true-up direct testimony  
21 and your true-up rebuttal testimony have been marked  
22 as Exhibits 36 and 37. Do you have any corrections  
23 to either of those --

24 A. No, I don't.

25 Q. -- exhibits?

1                   MR. ZOBRIST: Tender the witness for  
2 cross-examination.

3                   JUDGE PRIDGIN: Mr. Zobrist, thank you.  
4 Counsel who wish cross? Mr. Mills? Staff?

5                   MR. DOTTHEIM: The Staff has some cross  
6 of Mr. Cline on his rebuttal which the Staff  
7 considers of the financing additional amortization  
8 nature, so -- but nothing of the capital structure.

9                   JUDGE PRIDGIN: On capital structure?  
10 Okay. I understand you might have questions of him  
11 later.

12                  MR. DOTTHEIM: Yes.

13                  JUDGE PRIDGIN: Okay. Any -- any other  
14 cross of Mr. Cline on capital structure?

15                  (NO RESPONSE.)

16                  JUDGE PRIDGIN: Okay. Mr. Mills, when  
17 you're ready.

18 CROSS-EXAMINATION BY MR. MILLS:

19                Q.     Mr. Cline, did Dr. Hadaway provide  
20 true-up testimony?

21                A.     No, he did not.

22                Q.     Do you yourself know whether a company's  
23 risk goes up or down as a percent of equity if its  
24 capital structure goes up?

25                A.     Generally the view is that risk would go

1 down as equity is higher.

2 Q. Did KCPL propose any adjustment to its  
3 proposed return on equity in this case as a result of  
4 moving to a higher percentage of equity in its  
5 true-up position than its regular case position?

6 A. No, we did not.

7 MR. MILLS: Now, Judge, am I to be  
8 asking questions just about capital structure and not  
9 about the amortization?

10 JUDGE PRIDGIN: If you don't mind, if we  
11 could just go topic by topic.

12 MR. MILLS: Okay. I can certainly do  
13 that.

14 BY MR. MILLS:

15 Q. Now, Mr. Cline, in your testimony --  
16 well, the -- the debt that was recently issued, why  
17 was that issued at the GPE level rather than the KCPL  
18 level?

19 A. The \$100 million you're referring to?

20 Q. (Nodded head.)

21 A. That was issued at the -- at the -- the  
22 Great Plains level really as part of fulfilling our  
23 financing plan for the year. There had been a plan  
24 all along that Great Plains would be issuing debt and  
25 then contributing its capital to KCPL. It was

1 originally planned to be done as part of a conversion  
2 of a security earlier in the year that unfolded a  
3 little bit differently than we had planned.

4 Q. And wasn't part of that plan also that  
5 KCPL would issue some debt on its own?

6 A. Yes, initially, that's true.

7 Q. And did that happen?

8 A. It did not.

9 Q. If it had happened, would KCPL's equity  
10 ratio be lower and debt ratio be higher?

11 A. Yes, it would but we were unable to  
12 complete the offer.

13 Q. And if that had happened, would the --  
14 the overall revenue requirement in this case be  
15 lower, all else being equal?

16 A. Had we been able to complete the offer,  
17 and which we were not.

18 Q. Is that a yes?

19 A. Yes.

20 Q. You say that plans had -- had changed  
21 and you weren't able to complete that offering. Do  
22 you have plans to complete that offering now?

23 A. At some point, though the conditions  
24 that precluded us from getting it done before  
25 September 30th are still in existence in the

1 financial markets.

2 Q. So in other words, as soon as you can,  
3 you'll do it?

4 A. When it's prudent to do so.

5 MR. MILLS: That's all the questions I  
6 have on capital structure.

7 JUDGE PRIDGIN: Mr. Mills, thank you.  
8 Any bench questions? Mr. Chairman.

9 QUESTIONS BY CHAIRMAN DAVIS:

10 Q. Sir, you just testified that -- that  
11 KCP&L was, quote, unable to complete that offering  
12 and it's a debt offering, correct?

13 A. Yes, sir.

14 Q. What were the conditions that precluded  
15 you from issuing that debt?

16 A. If you really look back, Mr. Chairman,  
17 at the conditions in the worldwide credit markets  
18 really starting at the end of June, it's been  
19 extremely difficult for borrowers under any credit  
20 scenario to access capital on attractive terms. You  
21 know, the subprime mortgage crisis really began in  
22 late June, and it's really put the worldwide market  
23 in -- into turmoil. And there was a period of time  
24 in really July and the first part of August when  
25 almost no credit market activity occurred. Even

1 today it has recovered only marginally.

2 I mean, even this week, you know,  
3 Mr. Chairman, with the S&P down, you know, another  
4 5 percent, that has a direct impact on the ability of  
5 borrowers to assess capital. And therefore, it just  
6 was -- was not possible for us to complete an  
7 offering of the size we contemplated on prudent,  
8 reasonable terms.

9 And in response to Mr. Mills' question,  
10 we would still contemplate completing the offering  
11 when it's prudent to do so. There's just no telling  
12 right now when that would be.

13 Q. Would you -- would you agree that --  
14 that capital is -- is fleeing certain sectors of the  
15 market?

16 A. Absolutely.

17 Q. But is it also -- is it also true that  
18 one of the areas that they may actually be fleeing to  
19 is actually the utility sector?

20 A. We're still seeing even in the utility  
21 sector difficulty in borrowing under -- under  
22 attractive terms. As an example --

23 Q. Okay. Okay. That's difficulty in  
24 borrowing. But, you know, what's -- and I don't -- I  
25 don't follow the utility indexes that closely, but,

1     you know, I know the overall S&P market may be  
2     down -- down 5 percent, but what about for utilities,  
3     what's the utility index?

4             A.       I haven't tracked the utility index this  
5     week.

6             Q.       Okay. So it's possible the utility  
7     index could have gone up?

8             A.       It's possible. I don't know.

9             Q.       Now, in his opening statement, I believe  
10    Mr. Zobrist said something that Standard & Poor's  
11    really hasn't -- hasn't changed their outlook. Do  
12    you recall listening -- did you hear that statement?

13            A.       I think that was in the context of the  
14    additional amortizations calculation.

15            Q.       Okay. Okay. Now, are you familiar with  
16    the -- that S&P announcement at EEI where they're --  
17    where they're changing some of their -- their metrics  
18    for evaluating their rating methodology?

19            A.       Yes, I was at the luncheon.

20            Q.       Okay. You were -- you were at the  
21    luncheon. So does that have a material effect on  
22    KCP&L one way or the other?

23            A.       Even the way S&P characterized it on  
24    Monday was that it really isn't a substantive change,  
25    it's more of a format change to clarify. So we don't

1 expect there will be a significant impact on KCPL.

2 Q. Okay. Well, can you summarize for --  
3 for us in laymen's terms just, you know, what your  
4 recollection of those changes in ratings methodology  
5 are so we're just all on the same page?

6 A. Sure. I mean, primarily I think it's  
7 just a change from the one to ten business risk  
8 assessment with one being the least risky, ten being  
9 very risky, to more of a qualitative assessment. I  
10 think there was five categories that they -- they've  
11 described, you know, in terms of characterizing  
12 business risk going forward.

13 Q. So a one to 100 scale now. Or it's  
14 going to be, correct?

15 A. I -- I didn't recall that. I remember  
16 them showing five broad categories, and then they  
17 were saying that they were going to adjust the  
18 guidelines for the credit metrics as well. But I've  
19 not seen anything in writing on the -- on the new  
20 proposal.

21 Q. Okay.

22 A. So I'm going strictly from the luncheon.

23 Q. So they'll be in five broad categories?

24 A. That's what I recall, yes.

25 Q. Okay. Anything else?

1           A.       From what I recall just having heard the  
2 discussion at that, you know, five-minute presentation  
3 at lunch, Mr. Chairman, that's all I recall.

4           CHAIRMAN DAVIS: I don't think I have  
5 any further questions, Mr. Pridgin.

6           JUDGE PRIDGIN: Mr. Chairman, thank you.

7           MR. ZOBRIST: No questions, Judge.

8           JUDGE PRIDGIN: Recross? Mr. Mills.

9 RE-CROSS-EXAMINATION BY MR. MILLS:

10          Q.       Mr. Cline, does KCPL have a stronger  
11 credit rating than GPE?

12          A.       Yes.

13          Q.       Then how was GPE able to complete a \$100  
14 million offering and KCPL can't complete an offer?

15          A.       It was a smaller transaction. Again,  
16 my -- my comment to the Chairman was, you know, when  
17 we're looking at a transaction of this size and  
18 scale, it's difficult in this market.

19          MR. MILLS: I'm gonna check with counsel  
20 to see if what I'm gonna ask is highly confidential.

21          JUDGE PRIDGIN: Certainly.

22 BY MR. MILLS:

23          Q.       Does the fact that KCPL was looking to  
24 do what's called a hybrid offering have any influence  
25 on its ability to complete the offering in the time

1 frame it originally wanted to?

2 A. No.

3 JUDGE PRIDGIN: I'm assuming we can stay  
4 in public session?

5 MR. MILLS: Yes, yes.

6 JUDGE PRIDGIN: Okay. Thank you. I'm  
7 sorry. Go ahead.

8 BY MR. MILLS:

9 Q. Was KCPL's initial plan to issue  
10 long-term debt?

11 A. Yes.

12 Q. And when was that plan changed to issue  
13 a hybrid security instead of a long-term debt?

14 A. I believe we -- we really evaluated that  
15 fully in -- sometime this summer, May, June, July.

16 Q. So during the pendency of this case?

17 A. Yes.

18 Q. Okay. Does a hybrid security, or would  
19 it impact the regulatory plan amortizations  
20 differently than long-term debt issue of the same  
21 amount?

22 A. Yes.

23 Q. And in what way?

24 A. Well, a hybrid security, if executed,  
25 would receive a certain degree of equity treatment

1 from the credit rating agencies, which therefore  
2 would have the effect of reducing the additional  
3 amortization requirement.

4 Q. So for -- pound for pound, the hybrid  
5 issue would lower the amortization as compared to a  
6 regular debt -- long-term debt issuance of the same  
7 amount?

8 A. Everything else equal, yes.

9 Q. Now, with respect to the capital  
10 structure, why did Great Plains not loan KCPL the  
11 money as opposed to doing an equity infusion?

12 A. Typically we -- we -- we don't -- we  
13 don't think about Great Plains as -- as acting as a  
14 lender to -- to KCP&L.

15 Q. Anything that would prohibit that?

16 A. Nothing that would prohibit it, no.

17 MR. MILLS: I have no further questions.

18 JUDGE PRIDGIN: Mr. Mills, thank you.

19 If there's no other recross?

20 (NO RESPONSE.)

21 MR. DOTTHEIM: Judge, I -- I had some  
22 questions respecting the hybrid, but that was for the  
23 additional amortization, and I -- I think if there's  
24 no problem, I'll just wait.

25 JUDGE PRIDGIN: That's certainly fine.

1 Redirect?

2 MR. ZOBRIST: Just -- just one or two  
3 questions, Judge.

4 REDIRECT EXAMINATION BY MR. ZOBRIST:

5 Q. In light of the Chairman's question  
6 about whether the utility index might not -- you said  
7 you didn't know, apart from that. Have you seen any  
8 favorable conditions in the debt market in the last  
9 couple of weeks that would change your testimony  
10 before the Commission?

11 A. None at all.

12 Q. And in your view, would it be prudent to  
13 follow an initially contemplated financing plan if  
14 there were changed market conditions that made it  
15 more unattractive or more costly?

16 A. No, it would not.

17 MR. ZOBRIST: Thank you, Judge.

18 JUDGE PRIDGIN: Mr. Zobrist, thank you.  
19 And I assume Mr. Cline will be back on -- on  
20 amortization, so we can then go on to Mr. Barnes on  
21 capital structure?

22 MR. MILLS: And Judge, just so the  
23 record is clear, there is -- there is a certain  
24 overlap between capital structure and amortization,  
25 and some of the questions that I ask will be relevant

1 to both of those issues.

2 JUDGE PRIDGIN: And I understand,  
3 absolutely.

4 MR. MILLS: It's hard to draw a bright  
5 line and say I can't ask him that.

6 JUDGE PRIDGIN: I understand. And  
7 that's why I'm trying to -- that's what I think  
8 Mr. Dottheim spoke of, and sometimes these topics  
9 bleed into each other. And I just want to give you  
10 the chance to ask whatever questions you have  
11 wherever you think they would better fit in. All  
12 right. Mr. Barnes, if you'd raise your right hand to  
13 be sworn.

14 (THE WITNESS WAS SWORN.)

15 JUDGE PRIDGIN: Thank you very much.  
16 Please have a seat. Mr. Dottheim, anything before he  
17 stands cross?

18 DIRECT EXAMINATION BY MR. DOTTHEIM:

19 Q. Other than asking Mr. Barnes if he has  
20 any corrections to what has been marked as Staff  
21 Exhibit 125, his true-up direct testimony?

22 A. I don't have any corrections, no.

23 MR. DOTTHEIM: Then I would tender  
24 Mr. Barnes for cross-examination.

25 JUDGE PRIDGIN: Mr. Dottheim, thank you.

1 Cross-examination?

2 MR. ZOBRIST: No questions.

3 JUDGE PRIDGIN: Any questions for  
4 Mr. Barnes? Mr. Mills. Anyone else?

5 (NO RESPONSE.)

6 JUDGE PRIDGIN: All right. Mr. Mills,  
7 when you're ready.

8 CROSS-EXAMINATION BY MR. MILLS:

9 Q. Mr. Barnes, I asked you some questions  
10 during the non-true-up portion of the hearing about  
11 capital structure. Do you recall that?

12 A. Briefly. It's been a while, yes.

13 Q. Were your answers true and accurate?

14 A. Yes.

15 Q. Have you -- have you changed your  
16 approach to capital structure since that time? I  
17 mean, I know your numbers have changed. Have you  
18 changed your approach?

19 A. No, I relied on actual capital  
20 structure.

21 MR. MILLS: Okay. I don't have any  
22 other questions, then.

23 JUDGE PRIDGIN: Okay. Mr. Mills, thank  
24 you. Mr. Chairman?

25 CHAIRMAN DAVIS: How you doing,

1 Mr. Barnes?

2 THE WITNESS: I'm doing just fine, sir.

3 CHAIRMAN DAVIS: No questions.

4 JUDGE PRIDGIN: Mr. Chairman, thank you.

5 No recross. Redirect?

6 MR. DOTTHEIM: No redirect.

7 JUDGE PRIDGIN: Thank you. Anything

8 further?

9 (NO RESPONSE.)

10 JUDGE PRIDGIN: Mr. Barnes, thank you.

11 THE WITNESS: Thank you.

12 JUDGE PRIDGIN: We are ready for

13 Mr. Gorman on capital structure. If you'll come

14 forward to be sworn, sir.

15 (THE WITNESS WAS SWORN.)

16 JUDGE PRIDGIN: Thank you very much,

17 sir. Please have a seat. Mr. Mills, anything before

18 he stands cross?

19 DIRECT EXAMINATION BY MR. MILLS:

20 Q. Mr. Gorman, do you have any corrections

21 to Exhibit 210, your true-up rebuttal testimony?

22 A. I do not.

23 MR. MILLS: With that, I would offer

24 Exhibit 210 and tender the witness.

25 JUDGE PRIDGIN: Exhibit 210 has been

1 offered. Any objections?

2 (NO RESPONSE.)

3 JUDGE PRIDGIN: Hearing none,  
4 Exhibit 210 is admitted.

5 (EXHIBIT NO. 210 WAS RECEIVED INTO  
6 EVIDENCE AND MADE A PART OF THE RECORD.)

7 JUDGE PRIDGIN: Cross-examination,  
8 Staff?

9 MR. DOTTHEIM: No questions.

10 JUDGE PRIDGIN: KCPL?

11 MR. ZOBRIST: Just a few, your Honor.

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

13 CROSS-EXAMINATION BY MR. ZOBRIST:

14 Q. Mr. Gorman, is it correct that in your  
15 recommendation you are rejecting the actual capital  
16 structure of KCPL as it stands today?

17 A. Yes.

18 Q. And you have criticized the acceptance  
19 of that capital structure by the Staff, correct?

20 A. Correct.

21 Q. And what you are recommending is a  
22 hypothetical capital structure based upon the  
23 projected capital structure that KCP&L presented to  
24 the Commission earlier this year?

25 A. It's my recommendation to use that

1 capital structure, yes.

2 Q. To use the -- the projected capital  
3 structure that KCPL presented, which today is a  
4 hypothetical capital structure, correct?

5 A. Yes.

6 MR. ZOBRIST: Okay. Nothing further,  
7 your Honor.

8 JUDGE PRIDGIN: Mr. Zobrist, thank you.  
9 No further cross?

10 (NO RESPONSE.)

11 JUDGE PRIDGIN: Bench questions,  
12 Mr. Chairman?

13 CHAIRMAN DAVIS: No questions.

14 JUDGE PRIDGIN: All right. Thank you.  
15 Commissioner Jarrett --

16 CHAIRMAN DAVIS: Wait.

17 JUDGE PRIDGIN: Sorry.

18 CHAIRMAN DAVIS: I do -- I do have -- I  
19 do have a question.

20 JUDGE PRIDGIN: Mr. Chairman.

21 QUESTIONS BY CHAIRMAN DAVIS:

22 Q. Okay. Mr. Gorman, do you own any  
23 individual stocks?

24 A. I do.

25 Q. Okay. And you're a somewhat

1   sophisticated person, so when you make evaluations at  
2   purchasing those stocks, you know, do you look at the  
3   capital structure of the subsidiary or the whole  
4   company? Do you look at the actual or do you look at  
5   the hypothetical capital structure and compare it to  
6   the rest of the industry in making your  
7   determinations about which stocks you want to buy  
8   personally?

9           A.     Well, when I personally do it, I will  
10   look at the capital structures and the -- the  
11   earnings outlooks of the holding company and all of  
12   its affiliates. Part of my assessment of -- of the  
13   utility affiliate, as an example, is whether or not  
14   they are normally allowed to charge prices which will  
15   fully recover their cost and provide an opportunity  
16   to earn the authorized return on equity.

17                   And for this case, I believe that this  
18   company's original projected capital structure is  
19   reasonable, but I believe that their actual capital  
20   structure, as it's turned out to be, is not  
21   reasonable for setting rates.

22           Q.     Okay. But I didn't ask if it was  
23   reasonable for setting rates. I'm asking -- I'm  
24   asking you when you -- when you look at a company and  
25   say, I like that company, I may be interested in

1    buying their stock, do you look at their hypothetical  
2    capital structure, do you look at their actual  
3    capital -- do you even look at capital structure?  
4    You may not. You may just look at the dividends, I  
5    don't know. Tell -- tell me what you think in your  
6    own personal decision-making process.

7            A.        I would look at their actual capital  
8    structure and I would question whether or not if that  
9    capital structure was -- was outside of some  
10    reasonableness tolerance, whether or not the rates  
11    they would be permitted to charge by the regulatory  
12    Commission would provide them an opportunity to earn  
13    their authorized return on equities.

14                    Many commissions will only use actual  
15    capital structure if the utility management is  
16    prudent in managing that capital structure mix. A  
17    utility can manage its capital structure to the  
18    benefit of its shareholders by weighting it too  
19    heavily with common equity. Many regulatory  
20    commissions will reject that type of capital  
21    structure if the utility management does not create a  
22    reasonable mix of debt and equity within the capital  
23    structure.

24                    In that instance, if a utility had  
25    common equity which was too thick, too high a

1 percentage of common equity, then I would conclude  
2 that, depending on the jurisdiction therein, there is  
3 a good chance that the Commission would not use that  
4 capital structure to set rates; they would use a  
5 hypothetical one which would do one of two things,  
6 either incent the management to adjust their actual  
7 capital structure down to the capital structure the  
8 Commission finds appropriate and thereby preserve  
9 their opportunity to earn their authorized return on  
10 equity, or that utility would not because of  
11 management actions be able to earn their authorized  
12 return on equity.

13                   And if the company I felt would do the  
14 latter, I would not invest in that company because I  
15 don't think that would -- that would be a second  
16 imprudent management decision.

17           Q.       Okay. And have you reviewed  
18 Exhibit 121, the Research Regulatory Associates that  
19 listed, I think it was, what, capital structures for  
20 the first two quarters of '07, have you reviewed  
21 that?

22           A.       Yes, I have.

23           Q.       Okay. Now -- so the -- the average --  
24 the industry average was what, a little less than  
25 50 percent?

1           A.       Yeah, it was 49 and some change, I  
2 believe. Well, I'm sorry. For 2007 it's about 46.8  
3 percent for electric.

4           Q.       Okay.

5           A.       In '05 through -- and '06, it's been  
6 closer to 48, almost 49 percent.

7           Q.       Okay. All right. But how many  
8 companies -- how many companies make up that average?

9           A.       In 2007, 18.

10          Q.       18. And some were higher and some were  
11 lower, correct?

12          A.       Yes.

13          Q.       Okay. So an average is, you just, you  
14 know, add up -- add up the numbers and then divide by  
15 18?

16          A.       Correct.

17          Q.       And are you familiar with how Warren --  
18 any of Warren Buffett or Berkshire Hathaway or I  
19 guess MidAmerican's holdings are treated, and do they  
20 get -- do they get actual capital structure or do  
21 they get hypothetical?

22          A.       Well, I'm familiar with MidAmerican  
23 Energy holdings which is a Berkshire Hathaway --

24          Q.       Yes, right.

25          A.       -- holding, and they own PacifiCorp, and

1 I've participated in many PacifiCorp rate filings.  
2 MidAmerican Energy in Iowa actually has not had a  
3 rate filing in a number of years.

4 Q. Right.

5 A. But in PacifiCorp's rate filings,  
6 they -- in many jurisdictions, in Washington and  
7 Oregon, I -- I participated in those and so did  
8 Dr. Hadaway.

9 Q. Uh-huh.

10 A. In several of those cases I found that  
11 some of the company's projections for increased  
12 common equity were too uncertain and they shouldn't  
13 be used to set rates, in which case the commission  
14 rejected the company's request of capital structure  
15 and used one with less equity.

16 Q. Okay. But were -- were they -- were  
17 they using a forecasted test year or something ...

18 A. I would have to double-check that. I  
19 believe it was a forecasted test year.

20 CHAIRMAN DAVIS: Okay. Okay. So maybe  
21 that's not an apples-to-apples comparison. All  
22 right. Thank you, Judge.

23 JUDGE PRIDGIN: Mr. Chairman, thank you.  
24 Any recross?

25 (NO RESPONSE.)

1 JUDGE PRIDGIN: Redirect, Mr. Mills?

2 REDIRECT EXAMINATION BY MR. MILLS:

3 Q. Mr. Gorman, of the -- of the -- the  
4 decided cases reported in Exhibit 121, were there any  
5 utilities that had a capital structure with an equity  
6 ratio of 57.62 percent or higher?

7 A. No, that would be the highest common  
8 equity ratio. There was only one that was close and  
9 it was Wisconsin Public Service, and I was in that  
10 rate case. And the reason -- one important reason  
11 Wisconsin Public Service got such a high common  
12 equity ratio is it had significant off-balance-sheet  
13 debt obligations.

14 In Wisconsin they look at a capital  
15 structure in financial terms and in regulatory --  
16 regulatory terms to determine whether or not the  
17 company's proposed capital structure is reasonable.  
18 Actually, in Wisconsin, the regulatory commission  
19 develops financial capital structure equity ratio  
20 ranges which it presents to the company and lets them  
21 know that this is a capital structure that's  
22 appropriate for setting rates.

23 Because Wisconsin Public Service has so  
24 much off-balance-sheet debt that the amount of common  
25 equity in the regulatory capital structure has to

1 increase in order to balance that off-balance-sheet  
2 debt.

3                   So on a financial basis, Wisconsin  
4 Public Service common equity ratio was -- and I don't  
5 have the specific numbers, I can provide them if  
6 that's important -- it was -- it was about 52 to 53  
7 percent. But on a regulatory basis, it was about 57  
8 and a half percent because those off-balance-sheet  
9 obligations were pulled out of the capital structure  
10 to develop a ratemaking capital structure.

11           Q.       So at least as far as Exhibit 121 goes,  
12 the Wisconsin Public Service is the highest one by a  
13 significant margin, is it not?

14           A.       Yeah, Wisconsin is the only state that  
15 would produce common equity ratios even remotely  
16 close to what KCPL's proposing in this case, and both  
17 of those Wisconsin utilities have off-balance-sheet  
18 debt obligations. And again, they're -- they're  
19 meeting the common equity ratio targets prescribed by  
20 the Commission when consideration is made of those  
21 off-balance-sheet debts. So --

22           Q.       Even though -- oh, I'm sorry. Go ahead.

23           A.       These common equity ratios really are  
24 not a true comparison to KCP&L because KCP&L does not  
25 have that much off-balance-sheet debt.

1           Q.       But even those numbers are not as high  
2 as what KCPL and the Staff are proposing; is that  
3 correct?

4           A.       That's correct.

5           Q.       So that if the Commission were to award  
6 KCPL the capital structure proposed, it would be the  
7 highest in the country as far as that exhibit is  
8 concerned?

9           A.       It would. That's one reason -- I have  
10 other reasons, but that's one reason why I find their  
11 proposed capital structure to be unreasonable.

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

14                   JUDGE PRIDGIN: Mr. Mills, thank you.  
15 Mr. Gorman, thank you very much. You may step down.

16                   And if I recall correctly, did  
17 Mr. Zobrist or any one of KCPL's lawyers tell me you  
18 might want to move amortizations ahead of off-system  
19 sales?

20                   MR. ZOBRIST: That would be our  
21 preference, Judge.

22                   JUDGE PRIDGIN: Okay. Is there any --  
23 any objection?

24                   MR. MILLS: That's fine with me.

25                   JUDGE PRIDGIN: Hearing none, are we

1 then ready to go back to Mr. Cline to testify on  
2 amortizations?

3 MR. DOTTHEIM: Yes. Judge, I didn't  
4 offer Mr. Barnes' Exhibit 125. I'd like to -- if I  
5 might, I'd like to offer that at this time.

6 JUDGE PRIDGIN: Exhibit 125 has been  
7 offered. Any objections?

8 MR. MILLS: I'm sorry. Exhibit 125 was  
9 Mr. Barnes' testimony?

10 MR. DOTTHEIM: Yes.

11 JUDGE PRIDGIN: Yes, sir.

12 MR. MILLS: No objection.

13 JUDGE PRIDGIN: And so was that  
14 objection or no objection?

15 MR. MILLS: I'm sorry. No objection.

16 JUDGE PRIDGIN: All right. Thank you.

17 MR. ZOBRIST: No objection.

18 JUDGE PRIDGIN: No objection.

19 Exhibit 125 is admitted.

20 (EXHIBIT NO. 125 WAS RECEIVED INTO  
21 EVIDENCE AND MADE A PART OF THE RECORD.)

22 JUDGE PRIDGIN: We're ready to go back  
23 to -- we're going on to additional amortizations.

24 Mr. Cline has retaken the stand on this issue.

25 Mr. Fischer, I'm sorry?

1                   MR. FISCHER: Yes, Judge. While we're  
2     introducing exhibits, KCPL has two witnesses today  
3     that are not on the -- on the contested issues list,  
4     and I was wondering if we could introduce their  
5     testimony into the record and excuse them or if there  
6     are some questions, we could present the witnesses.  
7     And that would be Exhibit No. 40, William Herdegen's  
8     testimony, and Exhibit 41, Tim Rush's testimony.

9                   JUDGE PRIDGIN: Exhibits 40 and 41 are  
10    offered.

11                  MR. MILLS: I do have questions for  
12    Mr. Herdegen and Mr. Rush if they're here.

13                  JUDGE PRIDGIN: They are here. Okay.  
14    Are -- are you objecting to their testimony or do you  
15    want to withdraw --

16                  MR. MILLS: I would prefer to wait until  
17    I have a chance to ask them questions before I  
18    determine whether I would object to the testimony.

19                  JUDGE PRIDGIN: Okay. Is your -- your  
20    offer still pending or do you want to withdraw your  
21    offer for now?

22                  MR. FISCHER: Whatever the Judge would  
23    like. I don't expect a ruling on it if you want to  
24    ask questions.

25                  JUDGE PRIDGIN: If you would, this is

1     withdrawn and you can offer those later. We're not  
2     ruling on those yet.

3                   Are we then ready to go on -- back to  
4     Mr. Cline on amortizations?

5                   MR. ZOBRIST: That's correct.

6                   JUDGE PRIDGIN: All right. Anything  
7     before he stands cross?

8                   MR. ZOBRIST: No, no further  
9     questions -- no questions.

10                  JUDGE PRIDGIN: Mr. Cline is still under  
11     oath. Questions on amortizations. Cross-examination,  
12     Mr. Mills, Mr. Dottheim. Anyone else?

13                  (NO RESPONSE.)

14                  JUDGE PRIDGIN: All right. Mr. Mills.  
15     CROSS-EXAMINATION BY MR. MILLS:

16                  Q.     Mr. Cline, with reference to your --  
17     your testimony, your direct testimony, page 4,  
18     line 3.

19                  A.     Yes, sir.

20                  Q.     What do you mean by "previously"?

21                  A.     I'm sorry. What was the line item  
22     again? Excuse me.

23                  Q.     Your true-up direct testimony --

24                  A.     Yes.

25                  Q.     -- page 4, line 3. The sentence that

1 starts at the beginning of that line, begins with the  
2 word previously. What do you mean by that term  
3 previously?

4 A. That was in terms of the company's  
5 initial filing of the -- the exhibit, Schedule MWC-5  
6 to my direct testimony in the case.

7 Q. Did you have a similar exhibit in the  
8 last case, ER-2006-0314?

9 A. I did.

10 Q. And in that case did line 27 deduct only  
11 the long-term interest from the operating end from  
12 line 26?

13 A. I believe it did. I don't have a copy  
14 with me.

15 Q. After the controversy that's arisen  
16 here, don't you think you would remember if it did  
17 from the last case?

18 A. I don't recall.

19 Q. Now, Mr. Cline, would you agree with  
20 Mr. Trippensee's testimony in his -- in his true-up  
21 rebuttal that the use of short-term debt to finance  
22 CWIP is a fundamental concept in utility financing  
23 practices and in regulatory treatment?

24 A. I would agree with that.

25 Q. Do you know whether or not

1 Mr. Trippensee was involved in the development of the  
2 regulatory plan and the calculation of the regulatory  
3 plan amortizations?

4 A. I know he was, yes.

5 Q. What's your understanding of his  
6 involvement?

7 A. I know that he was a significant  
8 participant in the discussion around the formation of  
9 the mechanism and the plan.

10 Q. And were you involved in the development  
11 of the regulatory plan or the regulatory plan  
12 amortizations?

13 A. Not in detail. I reviewed the terms,  
14 but ...

15 MR. MILLS: Your Honor, may I approach?

16 JUDGE PRIDGIN: You may.

17 BY MR. MILLS:

18 Q. Mr. Cline, I've handed you a data  
19 request, data request No. 1001. It was submitted by  
20 Public Counsel to KCPL, and the response to that.  
21 Were you responsible for the response given to data  
22 request 1001?

23 A. Yes.

24 Q. And in your response, the very last  
25 sentence, you assert that the omission of the

1 short-term debt interest was an oversight; is that  
2 correct?

3 A. Yes.

4 Q. And what is the basis of that assertion?  
5 How do you know that it was an oversight?

6 A. Because Kansas City Power & Light, in  
7 both the preparation of schedule MWC-5 to my direct  
8 testimony here, as well as I believe in last year's  
9 case, as well as in the exhibit to the original  
10 Stipulation and Agreement that covered the  
11 calculation of additional amortizations, did not  
12 include short-term debt as a reduction in funds flow  
13 from operations, short-term debt interest.

14 Q. Okay. And how do you know that was  
15 not -- you say it's an oversight. How do you know it  
16 was not intentional?

17 A. Because, you know, I'm aware of the  
18 individuals who calculate the schedules for Kansas  
19 City Power & Light and can assure you that the intent  
20 all along has been to include short-term debt  
21 interest. It was only in this case where it was a  
22 material amount that it became obvious.

23 Q. And how big does it have to be to be  
24 material?

25 A. I can't -- I can't answer that question.

1 But clearly, in this case it was material, and it was  
2 something we should have recognized previously and  
3 did not.

4 Q. Would \$80 million of short-term debt be  
5 material?

6 A. Again, it's hard to say what constitutes  
7 material. I can only say it was an oversight and  
8 should have been included.

9 Q. But if it's only \$80 million of  
10 short-term debt, then it doesn't matter?

11 A. That -- that's -- that's a fairly small  
12 part of the company's overall financing requirement.  
13 But again, it was a -- it was an admitted oversight  
14 on KCPL's part. It should have been included.

15 Q. From your perspective?

16 A. From -- from our perspective, yes.

17 Q. Is there anything in the appendices to  
18 the regulatory plan that would indicate that it  
19 should have been included?

20 A. It is included in the -- I mean, the  
21 line items are there in the appendix to the  
22 regulatory plan, yes.

23 Q. Is there -- is there a short-term debt  
24 reduction in line 27 B in the -- in the regulatory  
25 plan attachments?

1           A.       There's a mention of interest expense  
2     that should have included both short- and long-term  
3     interest.

4           Q.       But it didn't, did it?

5           A.       No, it didn't. That's what I'm  
6     admitting to.

7           Q.       Okay. Now, returning to your -- your  
8     testimony, again on page 4, at line 10 you ask  
9     yourself the question, "Would this change in  
10    methodology have changed the amount of additional  
11    amortizations initially requested in the current  
12    proceeding," and your answer is "No." Would it have  
13    changed the amount in the prior proceeding?

14          A.       I -- I don't recall.

15                   MR. MILLS: May I approach again?

16                   JUDGE PRIDGIN: You may.

17   BY MR. MILLS:

18          Q.       Mr. Cline, I've just handed you an  
19    e-mail from Steve Traxler who was a Staff witness in  
20    this case and was a Staff witness in the last case --

21          A.       Uh-huh.

22          Q.       -- dated, coincidentally, exactly a year  
23    ago today, November 9th, 2006, that shows his  
24    calculation of the amortizations for the true-up  
25    portion of the hearing in Case No. ER-2006-0314.

1           A.       Yes.

2           Q.       Is the calculation that we're talking  
3   about here done consistently with the way that you  
4   propose that it be done in this case?

5           A.       I just need a moment.  It looks like the  
6   only interest that was a subtraction from FFO was  
7   long-term interest.

8           Q.       Okay.  And what was the amount of  
9   short-term debt pending at that time?

10          A.       The -- the Missouri jurisdictional  
11   allocation was \$43.7 million.

12          Q.       And I'll ask you again, would that have  
13   made a -- a significant difference to the calculation  
14   of the amortizations in that case?

15          A.       I don't recall if KCPL had projected any  
16   short-term debt at -- in the initial filing of the  
17   case.

18          Q.       The way -- the way that particular  
19   document is calculated, would the inclusion of the  
20   \$43 million of short-term debt the way you propose to  
21   do it in a true-up in this case have made a  
22   difference in the calculation of the amortization?

23          A.       Yes, it would have raised the -- the  
24   amortization.

25          Q.       By about how much?

1           A.       I -- I don't know. Looks like  
2   3.6 million of interest, tax deducted, in the  
3   \$5 million range.

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

6                   JUDGE PRIDGIN: Mr. Mills, thank you.  
7   Mr. Dottheim?

8                   MR. ZOBRIST: Mr. Mills, could we have  
9   that marked as an exhibit, please?

10                  MR. MILLS: I'd be happy to, your Honor.  
11   I don't have copies of that. If we can -- during  
12   break I will make additional copies and I will be  
13   happy to put it in the record.

14                  MR. ZOBRIST: Thank you.

15                  JUDGE PRIDGIN: All right. Thank you.

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

18                  JUDGE PRIDGIN: Certainly.

19   CROSS-EXAMINATION BY MR. DOTTHEIM:

20           Q.       Mr. Cline, do you have a copy of what's  
21   been marked as Exhibit 123, the reconciliation,  
22   reconciliation?

23           A.       I do.

24           Q.       I'd like to refer you to that.

25           A.       Yes, I have it.

1           Q.       And I'd like to refer you to the first  
2 line on that reconciliation. And does that show that  
3 the additional amortization amount from the KCPL  
4 experimental regulatory plan for Kansas City Power &  
5 Light's case as of September 30, 2007 true-up date is  
6 \$14,155,968?

7           A.       Yes, sir, it does.

8           Q.       And that is KCPL's calculation of the  
9 additional amortization based on KCPL's case; is that  
10 not?

11          A.       Yes.

12          Q.       Okay. And I'd like to refer you to  
13 line 10 which shows the words "Staff revenue  
14 requirement prior to regulatory plan amortization."  
15 I'd like to direct you to the column that has the  
16 heading, Add Regulatory Plan Amortization. And that  
17 line item for that column shows that for the Staff's  
18 case, the Staff's calculation of KCPL's cost of  
19 service as of September 30, 2007, the -- for the  
20 experimental regulatory plan. The additional  
21 amortization is \$30,886,516?

22          A.       Yes.

23          Q.       Okay. Your rebuttal testimony which  
24 you've filed that's denominated financing, will you  
25 take issue with -- with a statement or statements

1     that Mr. Traxler made in his true-up direct  
2     testimony? You're not taking issue with that  
3     calculation that appears on -- on line 10 in the  
4     column, Add Regulatory Plan Amortization, the  
5     \$30,886,516, are you?

6             A.     I haven't reviewed the details of the  
7     calculation, but I don't believe so.

8             Q.     I'd like to refer you to your true-up  
9     rebuttal testimony, page -- I'll let you get to it.  
10    Page 1, lines 12 to 16 where you state that

11    Mr. Traxler suggests that when, quote, KCPL filed the  
12    current case, it intended to issue \$350 million --

13                   MR. ZOBRIST: That's a -- that's a  
14    highly confidential number.

15                   THE WITNESS: Yes, yes.

16                   MR. DOTTHEIM: I'm sorry.

17                   JUDGE PRIDGIN: Do we need to go  
18    in-camera?

19                   MR. DOTTHEIM: Yes. Thank you,  
20    Mr. Zobrist. I apologize. And I think as a -- as a  
21    consequence, I'm going to use that -- I think I  
22    probably can continue the cross-examination  
23    without -- with going into that number. Let me --  
24    let me at least try to.

25                   JUDGE PRIDGIN: All right. Thank you.

1 BY MR. DOTTHEIM:

2 Q. All right. Let me ask the question  
3 again. On -- on page 1 in your true-up rebuttal  
4 testimony, lines 12 to 16, you state that Mr. Traxler  
5 suggests that when, quote, KCPL filed the current  
6 case, it intended to issue blank million dollars in  
7 hybrid debt by September 30, 2007, closed quote, do  
8 you not?

9 A. Yes.

10 Q. Okay. Could you direct me -- do you  
11 have a copy of Mr. Traxler's testimony?

12 A. I do.

13 Q. Okay. I'd like you -- to direct you to  
14 his testimony.

15 A. Okay. I have it here.

16 MR. DOTTHEIM: Sorry. If I could have a  
17 moment, please?

18 JUDGE PRIDGIN: Certainly.

19 BY MR. DOTTHEIM:

20 Q. Now, Mr. Cline, could you direct me  
21 specifically to where Mr. Traxler's testimony -- he  
22 suggests that when KCPL filed its current case, it  
23 intended to issue that blank million dollars in  
24 hybrid debt by September 30, 2007?

25 A. It's -- it's on page 7, lines 3 through

1 5.

2 Q. Is there any direct reference to KCPL's  
3 case filed on February 1, 2007?

4 A. It says, "This was reflected in KCPL's  
5 projected capital structure for this rate case."

6 Q. Again, is there any reference to the  
7 actual filing of KCPL's direct case on -- on or about  
8 February 1, 2007?

9 A. There's no specific reference to the  
10 docket number, no.

11 Q. Or a date other than September 30, 2007?

12 A. That's correct.

13 Q. Do you know whether KCPL informed the  
14 Staff and other parties during the settlement  
15 conference that occurred the week of August 20, 2007,  
16 that KCPL intended to issue blank million dollars in  
17 hybrid debt by September 30, 2007?

18 MR. ZOBRIST: Judge, I'm just -- you  
19 know, because we've had an issue in this case about  
20 settlement discussions, and this may be totally  
21 unintentional by Mr. Dottheim, I just want to raise  
22 an objection because, you know, a number of parties  
23 including Kansas City Power & Light feel very  
24 strongly about the fact that settlement discussions  
25 should not be injected into evidence. And perhaps

1 counsel could rephrase it a bit, but I do want to  
2 lodge an objection at this time.

3 MR. DOTTHEIM: It was not -- yeah, it  
4 was -- it was not -- it was not intended to engage in  
5 divulging any actual settlement discussions. It was  
6 to identify when the communication occurred which was  
7 during a certain week.

8 BY MR. DOTTHEIM:

9 Q. Let me add, then -- ask Mr. Cline, do  
10 you know, Mr. Cline, when KCPL advised the Staff and  
11 other parties that KCPL intended to issue blank  
12 million dollars in hybrid debt by September 30th,  
13 2007?

14 A. I know there were a number of  
15 discussions occurring at that time, but I can't  
16 comment on the specifics. I remember having one  
17 discussion talking about the possibility of hybrid  
18 debt, but again, I cannot recall the date.

19 Q. Do you recall approximately when -- when  
20 you say you had a discussion, was that a discussion  
21 involving the parties to the presently pending case,  
22 this case?

23 A. It was telephonic. I don't recall who  
24 all was on the -- was on the call, but I do remember  
25 describing some of our plans there -- or our intent.

1           Q.       Okay. Do you recall approximately when  
2       that conversation occurred?

3           A.       No, I'm sorry. I don't.

4           Q.       Mr. Cline, KCPL once entered into the  
5       hybrid debt transaction rather than a nonhybrid  
6       long-term debt transaction because of the effect that  
7       the hybrid debt transaction has on the -- on the  
8       regulatory plan additional amortization, does it not?

9           A.       That's only one impact, potential  
10       impact.

11          Q.       Is there a benefit of the hybrid debt  
12       transaction, that it reduces the amount of interest  
13       expense and total debt that must be covered by funds  
14       from operations in the credit matrix used by  
15       Standard & Poor's to determine KCPL's credit rating?

16          A.       Yes, that is one benefit.

17          Q.       Mr. Cline, again, referring to the  
18       hybrid plan transaction, do you know whether when  
19       Kansas City Power & Light advised the parties to this  
20       case of KCPL's intent to enter into that transaction,  
21       whether it was after KCPL filed the case on or about  
22       February 1, 2007?

23          A.       It was after we filed our case, yes.

24          Q.       Was -- when you filed your present case  
25       on or about February 1, 2007, was that transaction

1 projected to occur by September 30, 2007?

2 A. In terms of our February 1st filing, we  
3 captured it as long-term debt issued to KCPL.

4 Q. I take it, then, your answer is no, that  
5 the hybrid debt transaction was not captured in the  
6 case that was filed on February 1, 2007?

7 A. That's correct.

8 Q. Would -- did KCPL's intent to enter into  
9 that hybrid debt transaction change KCPL's projected  
10 capital structure that was expected to occur as of  
11 September 30, 2007?

12 A. No.

13 Q. Could you explain that?

14 A. Well, hybrid debt is treated for capital  
15 structure purposes as -- as debt, so it would appear  
16 on the balance sheet the same as what we had  
17 projected when we filed our case.

18 Q. Was the projected hybrid debt  
19 transaction projected in an amount greater than the  
20 long-term debt transaction was projected that was  
21 part of Kansas City Power & Light's case that was  
22 filed on February 1, 2007?

23 A. The -- are you referring to the  
24 transaction that we -- that I spoke about on the --  
25 on the -- the telephonic discussion earlier?

1           Q.       I'm speaking -- I'm speaking of that  
2 transaction, yes, and that hybrid debt transaction,  
3 yes.

4           A.       It would have been a larger amount than  
5 the 250 million that was originally included in  
6 the -- in the filing.

7           Q.       Would that larger amount change KCPL's  
8 projected capital structure expected as of  
9 September 30, 2007?

10          A.       Yes.

11          Q.       Would that projected hybrid debt  
12 transaction which was projected at a higher amount  
13 than the long-term debt transaction that was in  
14 KCPL's case when it was filed on or about February 1,  
15 2007, would that hybrid debt transaction change the  
16 projected capital structure in Mr. Hadaway's direct  
17 testimony that was filed in this case?

18          A.       I'm sorry. Could you repeat the  
19 question, please?

20          Q.       The hybrid debt transaction that we've  
21 been talking about --

22          A.       Right.

23          Q.       -- which was projected to be in an  
24 amount greater than the long-term debt transaction  
25 that was projected in KCPL's case that was filed on

1 or about February 1, 2007, would -- would that hybrid  
2 debt transaction at a greater amount change  
3 Dr. Hadaway's projected capital structure in his  
4 direct testimony that was filed on or about  
5 February 1, 2007?

6 A. Yes, everything else equal.

7 Q. Was one of the purposes of that hybrid  
8 debt issuance at a greater amount than the long-term  
9 debt transaction that was part of KCPL's filed case  
10 on February 1, 2007, was -- was one of the purposes  
11 of that hybrid debt issuance to retire most if not  
12 all of KCPL's existing short-term debt as of  
13 September 30, 2007?

14 A. Yes.

15 Q. Mr. Cline, I'd like to direct you again  
16 to Mr. Traxler's true-up direct testimony to page 7,  
17 lines 3 through 5, which we previously talked about.  
18 Would you agree that Mr. Traxler's reference there to  
19 a projected capital structure as of September 30th,  
20 2007, might address the change in KCPL's projected  
21 capital structure resulting from the projected  
22 issuance of a hybrid debt?

23 A. That's not how I interpreted his  
24 testimony.

25 Q. Is it possible that Mr. Traxler's

1 reference there is to the hybrid debt?

2 A. It is possible.

3 Q. Mr. Cline, as a direct result of the  
4 hybrid debt not being issued by KCPL by September  
5 2007, is the \$250 million in short-term debt  
6 outstanding, is that a direct result of that hybrid  
7 debt not being issued?

8 A. Yes.

9 Q. Mr. Cline, recognition of that \$250  
10 million in short-term debt -- recognition of the \$259  
11 million in short-term debt did impact the regulatory  
12 plan amortization result calculated by both KCPL and  
13 the Staff, did it not?

14 A. Can you -- can you explain?

15 Q. Yeah. The \$259 million in short-term  
16 debt that is outstanding as a result of KCPL not  
17 having completed the hybrid debt transaction by  
18 September 30th, 2007, that \$259 million in short-term  
19 debt did impact the calculation of the regulatory  
20 plan additional amortization of Kansas City Power &  
21 Light to Staff, did it not?

22 A. It did, yes.

23 Q. Mr. Cline, if the hybrid debt  
24 transaction had occurred, had been completed by  
25 September 30, 2007, how would the completion of that

1 transaction affected the additional amortization  
2 shown for KCPL's case of 14.2 million and the 30.9  
3 million of additional amortizations shown for the  
4 Staff's case?

5 A. I can't quantify it exactly, but had it  
6 been done, it would have reduced the amount of  
7 additional amortizations requested because of the  
8 nature of the treatment of the instrument.

9 Q. Would the hybrid debt transaction --  
10 strike that.

11 MR. DOTTHEIM: One moment, please.

12 JUDGE PRIDGIN: Certainly.

13 BY MR. DOTTHEIM:

14 Q. Mr. Cline, could you describe what would  
15 be the difference in the impact of the issuance of  
16 long-term debt compared to the hybrid debt  
17 transaction on the calculation of the additional  
18 amortization under the regulatory plan?

19 A. Fundamentally, just because a hybrid  
20 debt issuance has attributed a degree of equity  
21 credit by the rating agencies in terms of calculating  
22 credit metrics, it will reduce the amount of  
23 additional amortizations required. There is simply  
24 less attributed interest expense than there would be  
25 under a similar valued, a plain vanilla, if you will,

1 debt issuance.

2 Q. Mr. Cline, I'd like to refer you to  
3 your -- your rebuttal testimony again, page 2,  
4 lines 20 to 21.

5 A. Yes.

6 Q. Okay. You indicate, do you not, that  
7 Mr. Traxler was incorrect in asserting that not  
8 issuing the hybrid debt had a significant impact on  
9 the level of the additional amortization; is that  
10 correct?

11 A. Yes.

12 Q. Mr. Cline, isn't it true that if the  
13 hybrid debt had been issued by September 30, 2007 --  
14 2007 and was included in the calculation of the  
15 regulatory plan additional amortization in lieu of  
16 the \$250 million in short-term -- short-term debt,  
17 that it would, in fact, have had a significant impact  
18 on the level of the additional amortization proposed  
19 by Kansas City Power & Light and the Staff?

20 A. The company didn't project a hybrid, so  
21 not issuing a hybrid, there can be no effect in terms  
22 of the company's request here.

23 Q. Mr. Cline, you're not answering the  
24 question that I asked. I asked you if the hybrid  
25 debt had been issued. Would you please answer my

1 question?

2 A. Yes, it would have had an impact.

3 Q. And what would that impact have been?

4 A. It would have reduced the -- the  
5 additional amortizations request from the -- from the  
6 initial filing.

7 MR. DOTTHEIM: Thank you, Mr. Cline.

8 JUDGE PRIDGIN: No further questions?

9 MR. DOTTHEIM: Not at this time.

10 JUDGE PRIDGIN: Thank you.

11 Mr. Chairman?

12 CHAIRMAN DAVIS: Judge, before I ask  
13 Mr. Cline anything, can I just ask Mr. --  
14 Mr. Dottheim to briefly summarize his position with  
15 regard to the amortizations just so I have a clear  
16 understanding of it?

17 JUDGE PRIDGIN: Certainly.

18 MR. DOTTHEIM: The Staff is aligned with  
19 the company on the additional amortization. The  
20 short-term debt should be reflected in the  
21 calculation. So the Office of Public Counsel's  
22 position and our position as opposed to both the --  
23 the company and the Staff in the calculation of -- of  
24 the -- the additional amortization, the Staff  
25 believes that the matter is addressed not --

1 situations such as -- such as this are addressed in  
2 the original Stipulation and Agreement in the  
3 regulatory plan docket.

4 CHAIRMAN DAVIS: Judge, I don't think I  
5 have any questions.

6 MR. DOTTHEIM: Yeah, and -- and  
7 Chairman, Mr. Traxler will be taking the stand --

8 CHAIRMAN DAVIS: All right.

9 JUDGE PRIDGIN: -- and -- and he is --

10 CHAIRMAN DAVIS: Maybe -- maybe Mr. --  
11 Mr. Traxler can explain it to me a little better.

12 MR. DOTTHEIM: Well -- well, he is  
13 prepared to go into --

14 CHAIRMAN DAVIS: -- excruciating detail.

15 MR. DOTTHEIM: Well, detail. I mean,  
16 what I can offer would be an overview.

17 CHAIRMAN DAVIS: Okay.

18 MR. DOTTHEIM: It is -- it is -- it is  
19 not evidence, what I can offer you in the way of  
20 explanation.

21 CHAIRMAN DAVIS: No, I -- and I  
22 understand. I'm just trying to understand the  
23 legal argument, Mr. Dottheim. But I appreciate it.  
24 No más. I give up. Thank you.

25 MR. DOTTHEIM: Well --

1 CHAIRMAN DAVIS: No más, no más.

2 MR. MILLS: And Mr. Trippensee is also  
3 not only prepared but eager to give that explanation.

4 CHAIRMAN DAVIS: Thank you. Thank you.

5 JUDGE PRIDGIN: If there are no bench  
6 questions, any redirect?

7 (NO RESPONSE.)

8 MR. ZOBRIST: Mr. Mills, do you want to  
9 mark this as your exhibit since --

10 MR. MILLS: If we can -- I think we may  
11 need to discuss that a little bit. Are we -- are we  
12 about to take a break at any time soon?

13 JUDGE PRIDGIN: I was going to when we  
14 had completed Mr. Cline's testimony here, yes.

15 MR. MILLS: If we can talk a moment with  
16 counsel off the record, I think it might speed things  
17 along a little bit.

18 JUDGE PRIDGIN: Okay. Would it -- would  
19 it be more convenient, then, take a break and -- and --  
20 to do that now, take a break and discuss things?

21 MR. MILLS: I think so, unless we're --  
22 unless we're --

23 MR. ZOBRIST: Well, that's fine. I just  
24 literally wanted to have this marked so it was part  
25 of the record. But I'll talk with Mr. Mills during

1 the break.

2 JUDGE PRIDGIN: Mr. Dottheim?

3 MR. DOTTHEIM: Not to incur the

4 Chairman's ire, but --

5 MR. ZOBRIST: I think I've got an

6 agreement -- oh, I'm sorry.

7 JUDGE PRIDGIN: I'm sorry. Go ahead --

8 CHAIRMAN DAVIS: No, go ahead,

9 Mr. Dottheim.

10 MR. DOTTHEIM: But I've -- I've -- well,

11 you raised the matter of legal position, and I -- I

12 fully expect that this matter will be briefed --

13 CHAIRMAN DAVIS: In your reply brief?

14 MR. DOTTHEIM: Yes, there are briefs to

15 be filed on November 15.

16 CHAIRMAN DAVIS: The 15th, yes.

17 MR. DOTTHEIM: And if you would like, we

18 can go --

19 CHAIRMAN DAVIS: Right. I was just

20 seeking CliffNotes, Mr. Dottheim, but I

21 appreciate -- I appreciate trying to help me. Thank

22 you.

23 JUDGE PRIDGIN: All right. Thank you

24 very much. I'm sorry. Mr. Zobrist?

25 MR. ZOBRIST: Judge, I think -- I think

1 the issue that Mr. Mills and I had is that he perhaps  
2 thought I was gonna have some questions about the  
3 e-mail and he has some issues on that. I just want  
4 to ask him some questions about page 2.

5 MR. MILLS: What I was talking with  
6 Mr. Cline about is -- is an e-mail and an attached  
7 calculation amortization from the last case. The  
8 e-mail was really attached just to show where the  
9 calculation came from and when it came from.

10 There's some text in the e-mail that  
11 isn't really necessarily germane to the issue, and,  
12 in fact, may be -- may need discussion among the  
13 parties that was never intended, really, to be -- to  
14 be presented to the Commission or in the public  
15 record.

16 So with respect to the questions that I  
17 believe Mr. Zobrist wants to ask, they simply go to  
18 the actual calculation of the amortization that's  
19 attached. And so I'll simply, when I get around to  
20 offering it, I'll just offer the actual calculation  
21 that we have on the record. Mr. Cline identified it  
22 as to where it came from and the date, so we don't  
23 really need the e-mail for that, so ...

24 JUDGE PRIDGIN: Okay.

25 MR. MILLS: That was -- that was the

1 discussion that we were just having, and that's what  
2 I think we're gonna do.

3 JUDGE PRIDGIN: Okay. All right. Are  
4 we then ready to go on to redirect?

5 MR. ZOBRIST: Right.

6 JUDGE PRIDGIN: Okay. Mr. Zobrist, go.

7 MR. ZOBRIST: If Mr. Mills or the court  
8 reporter, if you could give me the next Public  
9 Counsel number just so the record is clear, I want to  
10 be able to refer to this --

11 JUDGE PRIDGIN: I would have it as 213.

12 MR. MILLS: 213, yes. And what's gonna  
13 be marked as Exhibit 213 simply says 9/30 so not to  
14 confuse things, as 9/30/2006. There's nothing really  
15 on the document itself that reflects it's from  
16 ER-2006-0314 rather than the current case. So I want  
17 to make sure that the record is clear on that.

18 JUDGE PRIDGIN: And is that counsel's  
19 understanding, that the 9/30 represents 9/30/2006?

20 MR. ZOBRIST: Yes, that's correct.

21 JUDGE PRIDGIN: All right. Thank you.  
22 I have 213. Is that everyone else's understanding?  
23 Thank you.

24 (EXHIBIT NO. 213 WAS MARKED FOR  
25 IDENTIFICATION BY THE COURT REPORTER.)

1 MR. ZOBRIST: May I proceed, Judge?

2 JUDGE PRIDGIN: Yes, certainly. Thank  
3 you.

4 REDIRECT EXAMINATION BY MR. ZOBRIST:

5 Q. Mr. Cline, do you have before you  
6 Exhibit 213 which is entitled "Staff 9/30 EMS Run,  
7 6.1 Percent Discount Rate For Off-Balance-Sheet  
8 Obligations"?

9 A. Yes, I do.

10 Q. And the parties have stipulated this is  
11 from the year 2006. Now, directing your attention to  
12 line 27, would you read that, please?

13 A. "Less interest expense which is derived  
14 from line 15."

15 Q. Now, does it indicate whether it is  
16 short-term or long-term debt interest expense?

17 A. No, it doesn't.

18 Q. Now, inviting your attention down to the  
19 box below that contains lines 36, 37 and 38, do you  
20 see that, sir?

21 A. Yes, I do.

22 Q. And what is that entitled?

23 A. Additional Financial Information Needed  
24 For the Calculation of Ratios.

25 Q. And what do lines 37 and 38 refer to?

1           A.       They reflect short-term debt balance and  
2 short-term debt interest.

3           Q.       Okay. And what is your position on  
4 whether that information may be utilized in the  
5 calculation of the ratios?

6           A.       It should be included in the  
7 calculations. That would be consistent with how  
8 Standard & Poor's would -- would calculate those  
9 metrics.

10          Q.       Okay. Thank you. Mr. Dottheim asked  
11 you some questions about the \$259 million short-term  
12 debt offering, correct?

13          A.       Yes.

14          Q.       And that was the -- that is the current  
15 level of short-term debt of the company, correct?

16          A.       As of September 30, yes.

17          Q.       And do you view that as a material  
18 amount?

19          A.       Yes.

20          Q.       I believe that you may have misspoken at  
21 some point in time about the hybrid debt, and I think  
22 you clarified it for the -- but I want to just ask  
23 you this open-ended question: If the hybrid debt had  
24 been floated, would that have changed the capital  
25 structure of KCPL?

1           A.       Compared to an equivalent amount of  
2     straight debt, no, it would not. I think the  
3     question was asked compared to the original capital  
4     structure which assumed a \$250 million offering. So  
5     I think the question was in the context of 250 versus  
6     350.

7           Q.       All right. But as I understand it, you  
8     told Mr. Dottheim it would have affected the  
9     calculation of any necessary additional  
10    amortizations --

11          A.       Yes.

12                  MR. ZOBRIST: Okay. That's all I have,  
13    Judge. Thank you.

14                  JUDGE PRIDGIN: Mr. Zobrist, thank you.  
15    All right. Mr. Cline, thank you very much. This  
16    looks to be a convenient time to break. I've got  
17    10:25 according -- on the clock on the back of the  
18    wall, and if we could resume at 10:40. And during  
19    the break, if I could ask counsel to get together, I  
20    understand that there's at least some potential  
21    questions for Mr. Herdegen and Mr. Rush, and I don't  
22    see them in the list of witnesses.

23                  And so if counsel could at least confer  
24    and let me know when, if we need to get those  
25    witnesses on the stand, and if there are any other

1 witnesses that we need to get on the stand that  
2 aren't on this list of witnesses and try to get those  
3 fitted into the schedule. Mr. Zobrist?

4 MR. ZOBRIST: Yes, Judge, may Mr. Cline  
5 be excused at this point?

6 JUDGE PRIDGIN: If there are no  
7 objections?

8 MR. ZOBRIST: I don't think he has any  
9 issues.

10 JUDGE PRIDGIN: Fine. Thank you very  
11 much. Anything --

12 MR. ZOBRIST: I'm sorry. May I please  
13 move the admission at this time of Cline true-up  
14 direct, Exhibit 36, and Cline true-up rebuttal,  
15 Exhibit 37, both NP and HC versions?

16 JUDGE PRIDGIN: And I'm sorry.  
17 Mr. Zobrist, 36 and 37 both have NP and HC; is that  
18 correct?

19 MR. ZOBRIST: No, I think that's right.

20 JUDGE PRIDGIN: Okay. Any objections?

21 (NO RESPONSE.)

22 JUDGE PRIDGIN: All right. 36 NP and HC  
23 is admitted, 37 NP and HC is admitted.

24 (EXHIBIT NOS. 36 NP AND HC AND 37 NP  
25 AND HC WERE RECEIVED INTO EVIDENCE AND MADE A PART

1 OF THE RECORD.)

2 JUDGE PRIDGIN: Anything further from  
3 counsel before we break?

4 MR. MILLS: Judge, I'll go ahead and  
5 offer Exhibit 213 at this point.

6 MR. ZOBRIST: No objections.

7 JUDGE PRIDGIN: Any other objections to  
8 213?

9 (NO RESPONSE.)

10 JUDGE PRIDGIN: Hearing none, 213 is  
11 admitted.

12 (EXHIBIT NO. 213 WAS RECEIVED INTO  
13 EVIDENCE AND MADE A PART OF THE RECORD.)

14 JUDGE PRIDGIN: Anything further from  
15 counsel?

16 (NO RESPONSE.)

17 JUDGE PRIDGIN: All right. Let's break  
18 for about 15 minutes, and then when we go back on the  
19 record, if counsel could let me know, again, what  
20 other witnesses we might need to try to fit into this  
21 schedule and counsel's suggestion on getting those  
22 on. Thank you. We're off the record.

23 (A RECESS WAS TAKEN.)

24 JUDGE PRIDGIN: All right. Let's go  
25 back on the record. And I understand we would have,

1 at least according to the schedule, Mr. Trippensee  
2 would take the stand on additional amortizations.  
3 And I asked counsel to confer during the break and  
4 let me know what other witnesses and what other  
5 topics we'd need to cover in the true-up hearing.  
6 Does counsel have an announcement or agreement for  
7 me?

8 MR. MILLS: Just a couple of items. One  
9 I think, just on the theory that you normally go most  
10 adverse -- least adverse to most adverse, I think  
11 Mr. Trippensee would go last and Mr. Traxler would go  
12 next.

13 And with respect to Mr. Herdegen, I  
14 think the company is willing to stipulate that the  
15 numbers that he uses in his testimony are projections  
16 and not actual numbers, and really, that's all I was  
17 gonna get at. And if we can have the company  
18 stipulate to that, we can save Mr. Herdegen the  
19 trouble in taking the stand and speed up the hearing  
20 a little bit.

21 JUDGE PRIDGIN: Okay. Anything from  
22 KCPL?

23 MR. FISCHER: Yes, your Honor. The  
24 testimony of Mr. Herdegen actually identifies the  
25 total annual estimated rule compliance costs, and

1     they are estimates, they are projections, and we  
2     would stipulate to that. And if -- we would move  
3     then for the admission of Exhibit No. 40 and ask that  
4     Mr. Herdegen be excused.

5                     JUDGE PRIDGIN: Any objections?

6                     (NO RESPONSE.)

7                     JUDGE PRIDGIN: Exhibit 40 is admitted.

8                     (EXHIBIT NO. 40 WAS RECEIVED INTO  
9     EVIDENCE AND MADE A PART OF THE RECORD.)

10                    JUDGE PRIDGIN: And if there are no  
11     questions for Mr. Herdegen, he may be excused. That  
12     leaves Mr. Rush, then, I think. Mr. Mills, did you  
13     have cross-examination for him?

14                    MR. MILLS: I do have some questions for  
15     him about -- about his -- particularly about the  
16     schedules attached to his testimony. And if we could  
17     just do him last, I think we can get everybody else  
18     out of here.

19                    MR. FISCHER: He's available all day.

20                    JUDGE PRIDGIN: All right. Well, then,  
21     I'm understanding Mr. Rush will do our cleanup there.  
22     Congratulations. I'm available all day too. So am I  
23     understanding, then, that the only additional witness  
24     to this list of witnesses would be Mr. Rush? Okay.  
25     I'm seeing some nods. And -- and how we take the

1 witnesses makes no difference to me. I just had  
2 Mr. Trippensee next on the list that Staff filed.  
3 But Mr. Traxler should be next instead?

4 MR. DOTTHEIM: Yes.

5 JUDGE PRIDGIN: Okay. So then if I  
6 understand correctly, we'll go on to Mr. Traxler?  
7 All right. Mr. Traxler, if you'd take the stand,  
8 please, sir.

9 (THE WITNESS WAS SWORN.)

10 JUDGE PRIDGIN: Thank you very much,  
11 sir. Please have a seat. Mr. Dottheim, anything  
12 before he stands cross?

13 DIRECT EXAMINATION BY MR. DOTTHEIM:

14 Q. Mr. Traxler, you have a copy of what has  
15 been marked as Exhibit 130, your true-up direct  
16 testimony?

17 A. Yes, I do.

18 Q. Do you have any changes to make to  
19 Exhibit 130?

20 A. No, I do not.

21 MR. DOTTHEIM: Staff tenders Mr. Traxler  
22 for cross-examination.

23 JUDGE PRIDGIN: Mr. Dottheim, thank you.  
24 Counsel who wish cross? KCPL?

25 MR. ZOBRIST: No questions.

1 JUDGE PRIDGIN: Mr. Mills?

2 MR. MILLS: I do have some questions.

3 JUDGE PRIDGIN: Any other counsel?

4 (NO RESPONSE.)

5 JUDGE PRIDGIN: Mr. Mills, when you're  
6 ready.

7 CROSS-EXAMINATION BY MR. MILLS:

8 Q. Mr. Traxler, did you -- did you  
9 participate in the development -- development of the  
10 regulatory plan and regulatory plan amortizations in  
11 Case No. EO-2005-0329?

12 A. I wasn't specifically involved in the  
13 direct negotiations on that. Mr. Schallenberg was  
14 the main representative of the Staff in those  
15 negotiations. I've discussed it with him, of course,  
16 but I wasn't directly involved.

17 Q. Okay. Now, did Staff file a schedule  
18 showing its recommended regulatory plan amortizations  
19 in this true-up proceeding?

20 A. We provided that as a work paper. We  
21 did not file that as a schedule.

22 Q. Did you file a schedule showing Staff's  
23 recommended regulatory plan amortizations as part of  
24 the prefiled testimony in the earlier hearing in this  
25 case?

1           A.       I believe we did.

2           Q.       Do you recall when you filed that?

3           A.       Whatever the direct -- the date was for  
4 the direct filing of 2007, July of 2007.

5           Q.       Okay. So you think you filed it with  
6 your direct testimony?

7           A.       I'd really have to look to answer that  
8 question. I think so, but I'm not absolutely sure  
9 without looking at the testimony itself.

10          Q.       Do you have a copy of that testimony?

11          A.       No, I don't.

12                   MR. MILLS: Okay. Your Honor, may I  
13 approach?

14                   JUDGE PRIDGIN: You may.

15 BY MR. MILLS:

16          Q.       Mr. Traxler, is the document I've just  
17 handed you the work paper that you just referred to?

18          A.       Yes, it is.

19          Q.       And that's the one that calculates for  
20 purposes of the amortization a 30,886,516 regulatory  
21 plan amortization?

22          A.       That's correct.

23          Q.       Is the only difference in this  
24 calculation from the earlier Staff calculations in  
25 this case, or for that matter, Case ER-2006-0314, the

1 addition of line 27 B which is labeled Less

2 Short-Term Interest Expense Net of Tax?

3 A. Yes, sir, that's correct.

4 Q. Was line 27 B included in the regulatory

5 plan amortizations that were approved by the

6 Commission in Case No. ER-2006-0314?

7 A. Not specifically on a schedule, no.

8 Q. And regarding the calculation of the

9 regulatory plan amortizations that you're recommended

10 in the -- that you are recommending in this true-up

11 proceeding, what does the phrase "rev req model"

12 refer to, r-e-v, r-e-q, model?

13 A. For purposes of the Staff calculation,

14 that would refer to the Staff's -- what we'd normally

15 call the EMS run which is our cost of service

16 calculation.

17 Q. Okay. So that's the Staff's revenue

18 requirement model --

19 A. Yes, it is.

20 Q. -- also called the EMS run?

21 A. Yes, sir.

22 Q. Looking at your work paper, lines 13 to

23 31 of the regulatory plan amortization calculation,

24 and excluding line 27 B, is it correct that all the

25 numbers found therein come from the Staff recommended

1 jurisdictional revenue requirement?

2           A.       The long-term debt interest wouldn't tie  
3 exactly. That's because of the fact that the  
4 long-term debt interest in this calculation applies  
5 to a number which is -- which is higher than rate  
6 base. So with the exception of long-term debt  
7 interest, all the other numbers tie to -- tie to the  
8 EMS run, and the -- and the exceptions you noted, the  
9 short-term debt interest.

10          Q.       Right. In your experience and in your  
11 professional opinion, do utilities normally incur  
12 short-term debt to finance construction activities?

13          A.       Short-term debt is common with regard to  
14 a company engaged in construction activity. It's a  
15 bridge between getting permanent financing.

16          Q.       Okay. Would you agree or disagree with  
17 Mr. -- with Mr. Trippensee's statement in his true-up  
18 rebuttal testimony that the use of short-term debt to  
19 finance CWIP is a fundamental concept in utility  
20 financing practices and in the regulatory treatment?

21          A.       I think it's consistent with my last  
22 statement, that the -- you know, the use of  
23 short-term debt is common practice with regard to a  
24 utility involved in construction activity as a bridge  
25 between permanent funding.

1           Q.       Is short-term interest expense included  
2   in the Staff recommended jurisdictional revenue  
3   requirement?

4           A.       It's not part of the cost of service,  
5   no.

6           Q.       Now, with respect to your -- your  
7   true-up direct testimony, page 5, line 18, what --  
8   what does that parenthetical, "exclusive of  
9   redetermination of the return on equity  
10  recommendation" mean?

11          A.       That means that the Staff did not update  
12  its -- its analysis for return on equity.  In other  
13  words, the return on equity recommendation did not  
14  change as a result of the true-up.

15          Q.       So basically what you're saying there is  
16  you updated all these other components but you didn't  
17  update rate of return -- or return on equity?

18          A.       That's correct.

19                 MR. MILLS:  Okay.  Those are all the  
20  questions I have.  Thank you.

21                 JUDGE PRIDGIN:  Thank you.  Questions  
22  from the bench?  Mr. Jarrett?

23                 (NO RESPONSE.)

24                 JUDGE PRIDGIN:  All right.  No  
25  questions.  Redirect?

1 REDIRECT EXAMINATION BY MR. DOTTHEIM:

2 Q. Mr. Traxler, Mr. Mills asked you some  
3 questions regarding your involvement with the  
4 additional amortization in the KCPL regulatory plan.  
5 Were you the additional amortization Staff witness in  
6 KCPL's last rate increase case?

7 A. Yes, I was.

8 Q. Mr. Traxler, was there in KCPL's last  
9 rate increase case a Stipulation and Agreement filed  
10 respecting the regulatory plan additional  
11 amortization?

12 A. Yes, there was.

13 Q. Were you the Staff person who  
14 participated on the technical aspects respecting the  
15 development of that Stipulation and Agreement?

16 A. Yes, I was.

17 MR. DOTTHEIM: No further questions.

18 JUDGE PRIDGIN: All right. Thank you.

19 Mr. Zobrist?

20 MR. ZOBRIST: Judge, I would just like  
21 to have the document that Mr. Mills handed the  
22 witness identified, submitted and as part of the  
23 record.

24 MR. MILLS: And again, I don't have any  
25 objection. I hadn't intended to do that so I didn't

1 make copies, but if the parties wish to have that  
2 admitted, I can certainly make copies of that one  
3 during the break and provide additional copies for  
4 the bench and for all counsel.

5 JUDGE PRIDGIN: All right. We'll  
6 just -- we'll just wait until -- until after the  
7 break so it can be copied and then labeled and offered.

8 MR. MILLS: Okay. I can do that over  
9 the lunch, and first thing when we come back, I'll  
10 have that ready to go.

11 JUDGE PRIDGIN: All right. Thank you.

12 MR. ZOBRIST: That would be 214.

13 JUDGE PRIDGIN: Okay. I'll just reserve  
14 214. Mr. Traxler, thank you very much, sir.  
15 Mr. Traxler will be back for off-system sales. Are  
16 we ready for Mr. Trippensee? Mr. Trippensee, if  
17 you'll take the stand, sir.

18 (THE WITNESS WAS SWORN.)

19 JUDGE PRIDGIN: Thank you, sir. If you  
20 would please have a seat. Mr. Mills, anything before  
21 he stands cross?

22 DIRECT EXAMINATION BY MR. MILLS:

23 Q. Mr. Trippensee, do you have any  
24 corrections to your -- your true-up rebuttal  
25 testimony which has been marked as Exhibit 212?

1           A.       No, I do not.

2                   MR. MILLS:  With that, I'll offer  
3   Exhibit 212 and tender the witness for  
4   cross-examination.

5                   JUDGE PRIDGIN:  212 has been offered.  
6   Any objections?

7                   (NO RESPONSE.)

8                   JUDGE PRIDGIN:  Hearing none, 212 is  
9   admitted.

10                   (EXHIBIT NO. 212 WAS RECEIVED INTO  
11   EVIDENCE AND MADE A PART OF THE RECORD.)

12                   JUDGE PRIDGIN:  Cross-examination?

13                   MR. ZOBRIST:  The company has  
14   cross-examination.

15                   JUDGE PRIDGIN:  KCPL.  Staff?

16                   MR. DOTTHEIM:  No questions.

17                   JUDGE PRIDGIN:  Any further cross?

18   Mr. Zobrist, when you're ready, sir.

19   CROSS-EXAMINATION BY MR. ZOBRIST:

20           Q.       Mr. Trippensee, if I could ask you to  
21   turn to page 2 of your true-up rebuttal.

22           A.       Yes, sir.

23           Q.       At the bottom of page 2, you've set  
24   forth your position that you believe that KCPL and  
25   the Staff are proposing a calculation for additional

1     amortizations that deprive the Commission of its  
2     ability to set just and reasonable rates and require  
3     the Commission to, in your words, "blindly follow  
4     S&P"; is that correct?

5             A.       I'm looking for the term "blindly."

6             Q.       Well, I think you used it elsewhere if I  
7     didn't catch it right there. You can take out the  
8     word blindly if you wish. Yeah, I think it's line  
9     17, "not to blindly" --

10            A.       Oh, yes, that is correct. And your  
11     question was that my assertion is --

12            Q.       Your assertion is that, "acceptance of  
13     the calculation that the company is proposing, as  
14     agreed to by Staff, requires the company to follow  
15     what S&P does blindly," in your words, "and deprive  
16     the Commission of its ability to set just and  
17     reasonable rates," that's your position?

18            A.       That's my position, yes.

19            Q.       Now, just to clarify it for the  
20     Commissioners, no one is proposing formally to amend  
21     the stipulation, are they?

22            A.       If you change the calculation, I'm not  
23     sure what you are doing other than amending it.

24            Q.       Okay. My question is, is anyone  
25     proposing language to change any of the words in the

1 stipulation?

2           A.       There is no language proposed in  
3 Mr. Cline's or Mr. Traxler's testimony. They are  
4 proposing to change the calculation which is attached  
5 to the stipulation. The regulatory plan is what I  
6 refer to the stipulation from the EO-2005 case. They  
7 are proposing to change the calculation which was  
8 attached as an appendix. So I will leave it to the  
9 lawyers to determine if that's an amendment to the --  
10 to the regulatory plan. It's not the language, but  
11 it is an appendix.

12          Q.       All right. And -- and the issue has to  
13 do with the inclusion of the short-term debt expense  
14 and the calculation of additional amortizations,  
15 correct?

16          A.       It has to do with the inclusion of the  
17 short-term debt and what I refer to as the numerator  
18 of the calculation. It is -- it was anticipated to  
19 be included in the denominator of the calculation.  
20 It was already in there. There -- the Staff -- or  
21 the company and the Staff is acquiescing to --  
22 proposes to include it in an additional place in the  
23 calculation.

24          Q.       And in past -- in 2006 it had not been  
25 included in the numerator, is your -- is your point?

1           A.       No, it was not included in the numerator  
2     in 2006, nor was it included in the 2005 original  
3     plan case.

4           Q.       And also just to clarify about Standard  
5     & Poor's, there has been no new pronouncement of  
6     policy changes by Standard & Poor's that has prompted  
7     this calculation?

8           A.       I believe that was the response I got to  
9     a data request, and I believe Mr. Cline also  
10    testified to that earlier this morning.  So what --  
11    the rules in effect at the time the regulatory plan  
12    was signed by the parties and approved, are -- are  
13    the rules in effect for Standard & Poor's.  When I  
14    say rules, Standard & Poor's rules are in effect --  
15    have not changed with regard to this item.

16          Q.       Okay.  All right.  Now, although you  
17    oppose this calculation, I just again want to make  
18    clear, no one is suggesting that the Commission's  
19    power to act with regard to this stipulation, that  
20    hasn't changed, correct?  Nobody is suggesting, for  
21    example, that we change the provision in the  
22    stipulation that says that the regulatory plan in the  
23    stipulation is not a contract with the Commission?

24          A.       I've gotten in trouble up here before  
25    for talking about the Commission's obligations and

1 contracts and stipulations. So if you could rephrase  
2 your question a little bit to --

3 Q. Well, I guess what I'm trying to say is,  
4 you know, there are certain rights that -- that the  
5 parties have in this stipulation and certain  
6 obligations, correct?

7 A. Yes.

8 Q. Okay. And when the stipulation was  
9 drafted, the parties took pains to make certain that  
10 they didn't have an agreement that would handcuff the  
11 Commission to carry out its statutory obligations,  
12 correct?

13 A. That would be my understanding, yes.  
14 The proposal is, though, to change some of the terms  
15 of what Public Counsel agreed to and the other  
16 parties agreed to.

17 Q. Well, and again, that's your argument,  
18 correct?

19 A. I -- that's the impact of what is being  
20 done, yes.

21 Q. Well, just to put a fine point on this,  
22 Mr. Trippensee, you're the only witness that is  
23 testifying who is objecting to this calculation,  
24 right?

25 A. I'm the only witness who's objecting,

1 and I'm also the only witness who was in the room who  
2 negotiated the document.

3 Q. But, sir, you're relying upon the  
4 language that's in the stipulation, correct?

5 A. That's -- yes.

6 Q. And you're relying upon the contents of  
7 Appendix E and Appendix F of the stipulation,  
8 correct?

9 A. That is correct.

10 Q. So to be fair, we don't need to go into  
11 a negotiating session and figure out what people were  
12 saying during negotiations, do we?

13 A. I'm not changing jurisdictional revenue  
14 requirements.

15 Q. Okay. But my question is, your position  
16 is based upon the language in the stipulation and the  
17 language in the appendices to the stipulation,  
18 correct?

19 A. Yes.

20 Q. Now, do you happen to have a copy of the  
21 stipulation before you?

22 A. Yes, I do.

23 MR. ZOBRIST: And, Judge, why don't I --  
24 I'll go ahead and have this marked as, I think  
25 KCPL -- we have the stipulation marked as Exhibit 29

1 but that's a huge document. I've pared down the  
2 section dealing with the additional amortizations  
3 which, I think --

4 BY MR. ZOBRIST:

5 Q. Mr. Trippensee, you might check my pages  
6 here. It's pages 18 through 22; is that correct?

7 A. I believe so. And I guess I would ask  
8 if this includes the changes that were the result of  
9 the incorporation of the Kansas stipulation?

10 Q. Do any of those deal with short-term  
11 debt?

12 A. They are -- according to my notes, there  
13 is a couple of changes on paragraph -- on page 9  
14 where some additional sentences would have been added  
15 from the Kansas stipulation.

16 Q. Okay. Is there any language there  
17 related to short-term debt?

18 A. The -- they are in -- my two notes are  
19 in the paragraph that I reference in my testimony.  
20 I'd have to go back and look. I'm not sure if  
21 they're directly on point.

22 Q. Okay.

23 A. But I would have to go back and check.

24 Q. Let me just deal with the language  
25 that's in the original Stipulation and Agreement

1 prior to the amended, if you will.

2 A. And the amendments did not change the  
3 original language. They were additions.

4 MR. ZOBRIST: Okay. Thank you. Judge,  
5 I have Exhibit three --

6 JUDGE PRIDGIN: I have 43.

7 MR. ZOBRIST: 43. Okay. Thank you.

8 (EXHIBIT NO. 43 WAS MARKED FOR  
9 IDENTIFICATION BY THE COURT REPORTER.)

10 BY MR. ZOBRIST:

11 Q. Do you have a copy of that,  
12 Mr. Trippensee?

13 A. I have my copy, yes.

14 Q. Okay. Well, let -- I think it's the  
15 same page numbers so it may not matter.

16 A. I hope so.

17 Q. Looking at page 19 of both the full  
18 stipulation which is Exhibit 29 and my five or six  
19 pages which are pages 18 through 22, and then the  
20 first page and signature page which has been marked  
21 as Exhibit 43. Beginning on page 18, this is the  
22 section dealing with additional amortizations,  
23 correct?

24 A. Yes, it is.

25 Q. Then, sir, if you'd turn to page 19, the

1 next page, on the first full paragraph in the second  
2 sentence where it starts, "As part of this  
3 commitment ..." Do you see that?

4 A. Yes, I do.

5 Q. Okay. And it states going on, quote,  
6 The nonKCPL Signatory Parties agree to support the,  
7 quote, additional amortizations to maintain financial  
8 ratios, closed quote, as defined in this section and  
9 related appendices in KCPL general rate cases filed  
10 prior to June 1, 2010. The additional amortization  
11 to maintain financial ratios will only be an element  
12 in any KCPL rate case when Missouri jurisdictional  
13 revenue requirement in that case fails to satisfy the  
14 financial ratios shown in Exhibit E to the  
15 application or the processes if illustrated in  
16 Appendix F. Correct?

17 A. That is correct. And I believe there's  
18 a new -- another sentence at the end that was  
19 adapted -- or brought in by the Kansas stipulation.

20 Q. Okay. Do you have that with you?

21 A. I failed to print it. I'm sorry.

22 Q. Okay. Now, none of these sentences, to  
23 the best of your recollection, have a specific  
24 reference to short-term debt; is that true?

25 A. I disagree.

1           Q.       Okay. That -- that, sir, the language,  
2     the words short-term debt are not used in those  
3     provisions?

4           A.       Did your proposed exhibit include  
5     Appendix E and F?

6           Q.       Not right now. I'm gonna get to that,  
7     if that's okay.

8           A.       Well, if you look at the sentence, the  
9     last sentence that you referred to, the additional  
10    amortization to maintain financial ratios, speaks to  
11    Missouri jurisdictional revenue requirement. As  
12    Mr. Traxler testified earlier, that does not include  
13    short-term debt.

14                   Taken in conjunction with Appendix F  
15    which also does not include short-term debt in the  
16    calculation of the FFO, there is no other conclusion  
17    than short-term debt is not included.

18          Q.       So your position is that because  
19    Missouri jurisdictional revenue requirement does not  
20    include short-term debt, that's why it's an error to  
21    put it in the numerator?

22          A.       And --

23          Q.       Let me just -- yes or no?

24          A.       I indicated that you have to look at it  
25    in conjunction with Appendix F which is referenced in

1 the sentence. You can't take a portion of the  
2 sentence and say you don't look at the reference.

3 Q. I didn't say that.

4 A. Well, you said it was a yes or no and  
5 you didn't allow me to talk about the appendix.

6 JUDGE PRIDGIN: And if you could try not  
7 to narrate. I don't think he had a question pending.  
8 If you could try to answer. I think he asked you a  
9 yes or no question. And if you can't answer yes or  
10 no, you may say, I can't answer yes or no.

11 THE WITNESS: Okay. I'll be happy to do  
12 that. Sorry, Judge.

13 BY MR. ZOBRIST:

14 Q. Your position is the Missouri  
15 jurisdictional revenue requirement means that you  
16 cannot include in calculating that requirement  
17 short-term debt, correct?

18 A. Yes, in conjunction with Appendix F.

19 Q. Now --

20 A. And if I could say one other thing?

21 Q. Well, your counsel can ask you -- tell  
22 you one other thing.

23 A. Well --

24 Q. You've answered my question. Now, if I  
25 could ask you to turn to page 20, the first full

1 paragraph that starts, "The Signatory Parties ..."

2 It states -- do you see that, sir?

3 A. Yes, I do.

4 Q. Okay. "The Signatory Parties agree to  
5 support an additional amortization amount added to  
6 KCPL's cost of service in a rate case when the  
7 projected cash flows resulting from KCPL's Missouri  
8 jurisdictional operations, as determined by the  
9 Commission, fail to meet or exceed the Missouri  
10 jurisdictional portion of the lower end of the top  
11 third of the BBB range shown for Appendix E for the  
12 funds from operations interest coverage ratio and the  
13 funds from operations as a percentage of average  
14 total debt ratio," correct?

15 A. That is correct.

16 Q. And the key phrase there is, "If the  
17 project cash flows fall below the metrics, then  
18 additional amortizations can be calculated," correct?

19 A. From Missouri jurisdictional operations,  
20 no, not correct because you deleted the term Missouri  
21 jurisdictional operations in your question.

22 Q. Okay. And again, that gets back to your  
23 belief that because short-term debt is not part of  
24 that jurisdictional revenue requirement, cash flows  
25 are irrelevant if you don't meet the cash flows?

1           A.       Cash flows are not irrelevant. The  
2 whole purpose of the regulatory plan amortization is  
3 to set rates based on a cash flow test as set out in  
4 the Stipulation and Agreement -- I -- what I call the  
5 regulatory plan. There was a specific calculation of  
6 how to do that set out. It did not follow Standard &  
7 Poor's, it did not follow anything else. It was a  
8 negotiated settlement.

9                   It considered several factors, but it  
10 was a negotiated settlement specific for that case  
11 and for this regulatory treatment for Iatan and the  
12 construction -- the \$1.5 billion plan the company has  
13 undertaken.

14          Q.       Now, sir, if you turn to the bottom of  
15 page 21, the final line there that begins with,  
16 "Therefore ..." Do you see that?

17          A.       Yes.

18          Q.       It states, quote, Therefore, if KCPL is  
19 unable to meet the BBB plus credit ratio values in  
20 Appendix E because of ..." And then it lists five  
21 elements, correct?

22          A.       That is correct.

23          Q.       KCPL will not argue for or receive  
24 increased cash flows from its Missouri-regulated  
25 operations in order to meet the BBB plus credit ratio

1 values based on any of those five factors, correct?

2 A. That is correct.

3 Q. And just to clarify, none of those five  
4 factors state anything about short-term debt,  
5 correct?

6 A. That is correct.

7 Q. Okay. Now, let's look at the Appendix E  
8 and Appendix F.

9 MR. ZOBRIST: And, Judge, I'll -- I've  
10 got those separated out. I have those marked as  
11 Exhibit 44.

12 (EXHIBIT NO. 44 WAS MARKED FOR  
13 IDENTIFICATION BY THE COURT REPORTER.)  
14 BY MR. ZOBRIST:

15 Q. And Mr. Trippensee, do you have --

16 A. Yes, I do.

17 Q. -- Appendix E 1? And then you have  
18 Appendix F which consists of pages F 1, F 2 and F 3,  
19 correct?

20 A. Yes, I do.

21 Q. Now, Exhibit -- I'm sorry. It's  
22 Appendix F 3 which is the last page of Exhibit 44.  
23 That is the calculation that you say we need to refer  
24 to; is that correct?

25 A. Yes, sir.

1           Q.       Okay. Now, you state in line 10 on  
2 page 3 of your true-up rebuttal -- if you could,  
3 please.

4           A.       Excuse me. What page? I was trying to  
5 focus on these little numbers.

6           Q.       Yes, I'm sorry. Page 3, line 10. Do  
7 you have that?

8           A.       Yes.

9           Q.       Okay. Now, you state there that  
10 "Appendix F 3 does not include any adjustment to the  
11 FFO," meaning the funds from operations, "generated  
12 by the jurisdictional revenue requirement"; is that  
13 correct?

14          A.       That is correct.

15          Q.       Okay. Now, if in your opinion that  
16 should have been included, where would -- where would  
17 you have included it?

18          A.       An adjustment such as what --

19          Q.       I'm sorry. An adjustment for short-term  
20 debt. Where would you have included that?

21          A.       You would have included that just where  
22 the company and Staff are proposing in this case on  
23 this schedule line -- somewhere between line 31  
24 and -- you'd probably create a 31 A or something like  
25 that.

1           Q.       Okay. Now, line 31 does say "less  
2 interest expense," correct?

3           A.       That is correct.

4           Q.       Okay. And it doesn't specify between  
5 long-term and short-term?

6           A.       Yes, it does.

7           Q.       Okay. Where does it do that?

8           A.       Line 31 is referenced of line 15.  
9 Line 15 is interest expense which is the function of  
10 long-term debt times the cost of debt.

11          Q.       Now, sir, if you'd drop down to the next  
12 box --

13          A.       Yes, sir.

14          Q.       -- which has lines 43, 44 and 45.

15          A.       Yes, sir.

16          Q.       That box is entitled Additional  
17 Financial Information Needed For the Calculation of  
18 Ratios, correct?

19          A.       That is correct.

20          Q.       Okay. What does line 44 state?

21          A.       "Short-Term Debt Balance."

22          Q.       And what does line 45 state?

23          A.       "Short-Term Debt Interest."

24          Q.       And what is the purpose of having that  
25 information down there as far as the calculation of

1 the ratios?

2 A. Those numbers are taken into  
3 consideration in what I referred to as the  
4 denominator earlier. They are used -- and I should  
5 have brought my readers because this is very small.

6 MR. MILLS: May I approach?

7 JUDGE PRIDGIN: You may.

8 THE WITNESS: Thank you. They are used  
9 on this schedule in the calculation of lines forty --  
10 64 and 65 to get the total debt and total capital,  
11 and also line 63, excuse me, and the total interest  
12 expense.

13 The funds from operations which comes  
14 from line 35 is then ratioed against those numbers to  
15 determine the ratio calculations found in the fourth  
16 box -- excuse me, found in the -- one, two, three,  
17 the fifth box, fourth box, and then recalculated in  
18 the fifth box to determine if there was a shortfall  
19 that -- required for the regulatory plan amortization  
20 be created.

21 So simply stating, the funds from  
22 operations do not include the interest -- short-term  
23 debt interest per this schedule, that this  
24 information in the second box which you're discussing  
25 with me right now are used in the fourth and fifth

1 box as what, as I said before, is the denominator in  
2 the ratio of calculations. So they are taken into  
3 consideration and compared to the funds generated by  
4 the regulatory operations, the FFO.

5 BY MR. ZOBRIST:

6 Q. Now, is there any language, any footnote  
7 in this Exhibit F 3 that states that that  
8 consideration or short-term debt is only to be used  
9 for the denominator and not for the numerator?

10 A. There is no footnote whatsoever. There  
11 is specific language above that it's long-term.

12 Q. So although there's no specific language  
13 about short-term not being used in the calculation of  
14 the numerator, you interpret line 13 as far as  
15 long-term debt to exclude short-term debt because  
16 it's not stated explicitly?

17 A. Because that is what is taken into  
18 consideration in determining the jurisdictional  
19 revenue requirement when you synchronize rate base  
20 against the capital structure. That is the one  
21 change between this schedule and what you will find  
22 in ER-2006-0314. You will see that synchronization  
23 shown on that schedule so that the capital structure,  
24 the jurisdictional capital structure is synchronized  
25 against rate base. That's the only change between

1 this schedule and the schedule in EO -- in ER-2006.

2           There is one other change to try and  
3 accommodate the fact that short-term debt is less  
4 than CWIP, and therefore, there's some additional  
5 cash flow needs. And as a format, it was put in the  
6 first paragraph. It should have been put in a  
7 separate box for that additional investment that's  
8 supported by the capital structure excluding  
9 short-term. But because of the fact we tried to keep  
10 it on one page, we put it in the first box because --  
11 so people don't have to use these things to be able  
12 to read the thing.

13           Now, I'll be happy to go through that  
14 because it's a little complicated, but the bottom  
15 line is, the first box calculates the regulatory  
16 revenue requirement FFO generated. Added -- you then  
17 need to make coverage -- meet coverage ratios that  
18 include all capital structure, the 25 percent --  
19 those funds have to equal 25 percent of the total  
20 debt and of the company, both short-term and long.  
21 That is shown on this schedule down on line 68 and  
22 then line 77 through 79 where you calculate.

23           Q.       But --

24           A.       In the last case, as example, there was  
25 \$43 million of additional short-term debt. That

1 would have generated approximately \$17 million of  
2 amortization, which I would say is very significant.  
3 It wasn't done in that case.

4 Q. All right. Let me go back to Appendix  
5 E 1. On the "Funds from operation, a percent of the  
6 average total debt," is there anything in that  
7 definition that distinguishes short-term debt from  
8 long-term debt?

9 A. On E 1?

10 Q. Right.

11 A. The only words there are "funds from  
12 operation."

13 Q. All right. Now, do you recall that  
14 during the hearing in chief in this case that Public  
15 Counsel's expert witness, Mr. Gorman, had testified  
16 that the funds from operation adjustment had not  
17 included imputing certain operating lease  
18 amortization expenses? Do you recall that generally?

19 A. I -- yes, I do.

20 Q. Okay. And when that point was raised in  
21 direct and I believe also in rebuttal by Mr. Gorman,  
22 Mr. Cline analyzed his point and agreed with it,  
23 correct?

24 A. Yes.

25 Q. Okay. And that was an omission, if you

1 will, that had occurred in the prior calculations of  
2 the company, correct?

3 A. No. I believe it was a change in what  
4 S&P -- how they treated those off-balance-sheet  
5 items. We proposed that it be included consistent  
6 with the stipulation which says the parties -- and  
7 I'm paraphrasing here, the parties can agree and  
8 consider changes and the parties met and agreed to  
9 include that.

10 Q. Well, I'm not sure if they met and agreed,  
11 but at least Mr. Cline in his testimony agreed --

12 A. However you wish to do testimony.

13 Q. Right. And that resulted in a lowering  
14 of the need for a certain amount of additional  
15 amortizations, correct?

16 A. That is correct.

17 Q. Okay. And here the adjustment and  
18 calculation to use short-term debt would -- would  
19 require an increase in additional amortizations if  
20 the company's position is accepted by the Commission?

21 A. It would -- it would result in an  
22 increase. I think it's -- it's basically the  
23 difference on the reconciliation between the Staff  
24 position and Public Counsel's. The two capital  
25 structure and rate of return issues basically offset

1 each other, so that difference is primarily driven by  
2 this issue.

3 MR. ZOBRIST: Okay. Judge, I don't have  
4 anything further. I would offer Exhibits, I believe  
5 it's 43 and 44.

6 JUDGE PRIDGIN: 43 and 44 are offered.  
7 Any objections?

8 MR. MILLS: Judge, I don't have any  
9 objection. I think the record will reflect that  
10 Mr. Trippensee has -- has a note that at least a  
11 portion of Exhibit 43 has been supplemented if not  
12 changed by a later order of the Commission. And I  
13 would like at some point later in the day to give  
14 Mr. Trippensee an opportunity to tell us exactly what  
15 sentence was added to that one paragraph where  
16 there's something missing.

17 MR. ZOBRIST: Well, I -- Judge, I'm  
18 going to say I've got no objection to the Commission  
19 taking administrative notice of that --

20 MR. MILLS: And we can certainly do it  
21 that way as well.

22 JUDGE PRIDGIN: And that's my preference,  
23 and without objection I'll show 43 and 44 admitted.

24 (EXHIBIT NOS. 43 AND 44 WERE RECEIVED  
25 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

1 JUDGE PRIDGIN: And clearly, you are  
2 free in your brief to talk about that extra language,  
3 and the Commission will take notice of that prior  
4 stipulation.

5 MR. MILLS: And it may very well not  
6 have any impact at all in what we're talking about.

7 JUDGE PRIDGIN: I understand you may want  
8 to look at it and argue it. Forgive me. I think when  
9 we went on break, we finished cross of Mr. Trippensee.  
10 Bench questions, Commissioner Jarrett?

11 (NO RESPONSE.)

12 JUDGE PRIDGIN: Redirect?

13 MR. MILLS: Yes, I have some redirect.

14 REDIRECT EXAMINATION BY MR. MILLS:

15 Q. Mr. Trippensee, in this -- in the  
16 revenue requirement calculation in this case, is the  
17 short-term debt included a Missouri revenue  
18 requirement?

19 A. No, it is not -- no -- excuse me. No,  
20 it is not because the balance of short-term debt is  
21 less than the balance of the construction work in  
22 progress by a significant amount.

23 Q. And why -- why does that matter, the  
24 fact that it's lower than the CWIP?

25 A. It matters because the allowance for

1 funds used during construction will give the company  
2 the treatment of those interest costs, and those  
3 costs will be capitalized to the construction  
4 project. Therefore, they are not appropriate to be  
5 included in the jurisdictional revenue requirement.

6 Q. Is there any disagreement among the  
7 parties over that issue in this case?

8 A. None whatsoever.

9 Q. Okay. Now, if a different situation  
10 were true, if, for example, there was short-term debt  
11 included in the revenue requirement, we would be  
12 talking about an entirely different issue today,  
13 wouldn't we?

14 A. Incrementally, yes. You would have  
15 short-term debt in the capital structure, and the  
16 purpose -- the capital structure as is shown in the  
17 work paper Mr. Traxler supplied is synchronized  
18 against the rate base to determine jurisdictional  
19 revenue requirement.

20 Q. Now, if I can return your attention to  
21 Exhibit 43, which you have as a copy of the  
22 Stipulation and Agreement. Mr. Zobrist had you look  
23 at a sentence at the bottom of page 21 continuing  
24 over to 22. If I can turn your attention to the -- a  
25 sentence or two above that, can you -- can you read

1     into the record the portion right -- right above what  
2     Mr. Zobrist referred to?

3           A.       "KCPL also recognizes and agrees that  
4     its Missouri operations are only responsible for and  
5     will only provide cash flow for its Missouri  
6     operating share of the necessary cash flows as set  
7     out in -- in this paragraph, 3.B.1.i."

8           Q.       And then it goes on to a sentence that  
9     begins with "Therefore ..." which Mr. Zobrist had  
10    you look at; is that correct?

11          A.       That is correct.

12          Q.       And what is the -- what does the  
13    therefore in that sentence mean to you?

14                  MR. ZOBRIST: I guess I've got to -- I  
15    know he's an expert witness but he's not a lawyer.  
16    Just objection for the record that I think it lacks  
17    proper foundation.

18                  MR. MILLS: He's probably not an  
19    entomologist either, but I think a normal person can  
20    read this document and figure out how the sentences  
21    flow from one to another, and I think it's -- it's  
22    important that we -- that we not take what  
23    Mr. Zobrist took out of context. It starts with  
24    therefore, and at least -- perhaps this witness will  
25    confirm or perhaps not, but to my mind that means it

1 flows from what just came before.

2 JUDGE PRIDGIN: I'll overrule.

3 THE WITNESS: Well, I think the -- the  
4 critical thing to recognize is that -- is that the  
5 document is interlaced or intertwined, and that  
6 Missouri operations, jurisdictional operations as  
7 referred to earlier in the document, provide the  
8 funds from operations. They have to meet these cash  
9 flow metrics which are not -- those two things are  
10 not linked, yet it's a comparison.

11 And there are other components of Great  
12 Plains Energy operations that the parties wouldn't --  
13 would -- that would require capital funding, but that  
14 other parties such as Public Counsel, and I'll just  
15 speak for Public Counsel, would not want Missouri --  
16 these cash flow metrics to cause a cash flow -- or an  
17 amortization to cover it, the cost of those capital  
18 things.

19 And therefore, such things such as if  
20 Kansas didn't -- operations, jurisdictional retail  
21 operations were not providing adequate cash flows,  
22 that's Kansas' fault and that's GPE's concern.  
23 There's Strategic Energy which is a nonregulated  
24 operation of GPE which is a drag on GPE's credit  
25 rating. We did not want that impacting the

1 regulatory plan amortization. Wholesale operations,  
2 likewise. It's something this Commission doesn't  
3 take into consideration.

4 Three, the inadequate cash flow from  
5 nonregulated subsidiaries, it's somewhat redundant of  
6 the nonMissouri operations. Well, let's see. Four  
7 and three are kind of somewhat redundant, but the  
8 parties were covering all bases.

9 And then also there's the potential of  
10 costs that this Commission find that are imprudent  
11 such as Public Counsel's concern in this case that  
12 their capital structure is so heavily layered with  
13 equity that it is not a reasonable cost to the  
14 ratepayers. Any effect of that would not be taken  
15 into consideration in the cash flow determination --  
16 or test, rather.

17 BY MR. MILLS:

18 Q. Now, if I can get you to turn your  
19 attention back to Exhibit 44.

20 A. Which is?

21 Q. That is the attachments, and I'm gonna  
22 refer you specifically to Appendix F 3.

23 A. Yes.

24 Q. And Mr. -- Mr. Zobrist asked you some  
25 questions about line 31 and how that refers back to

1 the previous lines in the -- in the appendix. Can  
2 you explain again briefly how line 31 is defined in  
3 this chart?

4 A. Line 31, the header for it, is less,  
5 which is just the mathematical part, then interest  
6 expense. Its reference is line 15 which, just to  
7 clarify the record, I might point out those  
8 references carry through in the 2006 case document.  
9 They've been changed -- subsequently changed in the  
10 2007 case because the line numbers did change a  
11 little bit.

12 That being said, the interest expense on  
13 line 15 which is referenced, is the cost of long-term  
14 debt taken times the balance of long-term debt. The  
15 parties did not anticipate giving a 1.5 billion -- or  
16 at least Public Counsel did not anticipate that  
17 giving a \$1.5 billion construction program and how  
18 construction programs such as these are financed with  
19 CWIP -- with short-term debt, and then short-term  
20 debt being replaced during the pendency of a  
21 long-term program as Mr. Cline testified to earlier  
22 today, interim long-term financing, that we would  
23 ever run into a situation where CWIP was greater --  
24 was less than the outstanding balances of short-term  
25 debt. Therefore, there's no short-term debt shown

1 here. It was not anticipated, it's not provided for.

2 Q. And again, if you can do this briefly  
3 and simplify things, can you explain what you were  
4 referring to when you answered a question about a  
5 numerator and a denominator?

6 A. A numerator, in my -- the way I use it  
7 is the funds from operations. The denominator is  
8 either the interest coverage ratio, the total  
9 interest expense which develops a ratio, or the  
10 total -- total debt balance.

11 So in this case on this exhibit, the  
12 total debt balance for -- on a total company basis is  
13 1.3 -- I think that's actually -- it's supposed to be  
14 billion, but it only shows up at 1.3 million, and the  
15 total interest expense is 78 million. Those would be  
16 divided -- the funds from operations of \$302 million,  
17 and again, that shows -- it shows up as 302,000, but  
18 \$302 million, you would divide the \$78 million of  
19 interest expense to find out what the ratio is or in  
20 this case it's 4.65. That exceeds the 3.8 minimum  
21 threshold.

22 The \$302 million of funds from  
23 operations would then be divided by the total debt of  
24 1.3, and that gets a number of 23 .2 on line 68 which  
25 is less than the 25 percent ratio necessary to meet

1 the credit metrics. And we have found in the last  
2 two cases that, in fact, that what is driving the  
3 need for amortization, is the funds for operation as  
4 a percentage of total debt.

5 MR. MILLS: Okay. Judge, I don't have  
6 anything further.

7 JUDGE PRIDGIN: All right. Thank you.  
8 Mr. Trippensee, thank you very much. Are we then  
9 ready to go on to off-system sales with Mr. Crawford?

10 MR. ZOBRIST: Judge, I think it might be  
11 better to go with Mr. Giles first. He sort of  
12 introduces Mr. Crawford, unless there's an objection.

13 MR. MILLS: I have no objection.

14 JUDGE PRIDGIN: I'm hearing no  
15 objection, so that's fine.

16 (THE WITNESS WAS SWORN.)

17 JUDGE PRIDGIN: Thank you very much.  
18 Please have a seat, sir. Anything before you stand  
19 cross?

20 DIRECT EXAMINATION BY MR. BLANC:

21 Q. Mr. Giles, do you need to correct  
22 anything in your true-up direct testimony?

23 A. No.

24 MR. BLANC: Tender him for  
25 cross-examination and offer his true-up direct for

1 admission.

2 JUDGE PRIDGIN: Let me verify the  
3 exhibit number. Was it No. 39 NP and HC?

4 MR. BLANC: Exhibit No. -- yes, your  
5 Honor.

6 JUDGE PRIDGIN: 39 NP and HC has been  
7 offered. Any objections?

8 (NO RESPONSE.)

9 JUDGE PRIDGIN: 39 is admitted without  
10 objection.

11 (EXHIBIT NO. 39 NP AND HC WERE RECEIVED  
12 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

13 JUDGE PRIDGIN: See if we have any  
14 cross-examination. Any from Staff?

15 MR. DOTTHEIM: No questions.

16 JUDGE PRIDGIN: Public Counsel?

17 MR. MILLS: Just a few brief questions.

18 JUDGE PRIDGIN: Any other counsel? I'm  
19 sorry.

20 (NO RESPONSE.)

21 JUDGE PRIDGIN: Okay. Mr. Mills.

22 CROSS-EXAMINATION BY MR. MILLS:

23 Q. Mr. Giles, what can you tell us about  
24 generation unit -- unit of availability so far in  
25 2007 on nearby and regional utilities?

1           A.       I don't have any information on -- on  
2     that.

3           Q.       Would Mr. Crawford have that  
4     information?

5           A.       Possibly.

6           Q.       Okay. I will check with him. Now, I'm  
7     gonna try to -- try to do this without getting into  
8     highly confidential numbers, but what we've been  
9     talking about does have highly confidential numbers  
10    in it.

11                   But can you tell me how you calculated  
12    your anticipated total off-system sales margins for  
13    2007? You've got some actual, some projected. How  
14    did you calculate the projected part?

15           A.       Well, if you're asking for the details,  
16    that's probably more appropriate for Burton, Burton  
17    Crawford.

18           Q.       Okay. I will ask him that too. Now,  
19    in your testimony, page 2, line 13 -- and the number  
20    there is highly confidential, so I'm not gonna  
21    reveal it, but there's a number there that shows  
22    what on a total company basis you believe KCPL  
23    will -- will miss the 25th percentile target by  
24    for 2007. Is that -- is that what that number is  
25    showing?

1           A.       That's correct.

2           Q.       Okay.  So Missouri's share of that is  
3 roughly half?

4           A.       Approximately, yes.

5           Q.       Okay.  Now, with respect to questions  
6 about the portion of the projected shortfall that's  
7 due to unplanned outages, would those questions be  
8 better for you or Mr. Crawford?

9           A.       Mr. Crawford.

10                  MR. MILLS:  Well, then, I think most of  
11 my questions are gonna be deferred for Mr. Crawford.  
12 I think that's all I have, then.

13                  JUDGE PRIDGIN:  All right.  Thank you.  
14 Bench questions, Commissioner Jarrett?

15                  COMMISSIONER JARRETT:  No questions.

16                  JUDGE PRIDGIN:  Thank you.  Redirect?

17                  MR. BLANC:  No, your Honor.

18                  JUDGE PRIDGIN:  All right.  Thank you.  
19 Mr. Giles, thank you very much.  I assume, then,  
20 we're ready for Mr. Crawford?

21                  (THE WITNESS WAS SWORN.)

22                  JUDGE PRIDGIN:  Thank you very much,  
23 sir.  Please have a seat.  Anything to clear up  
24 before he stands cross?

25                  DIRECT EXAMINATION BY MR. BLANC:

1           Q.       Mr. Crawford, do you have a correction  
2 to make to your true-up direct testimony?

3           A.       Yes, I do. There is -- is one  
4 correction that needs to be made, though it is a  
5 number that is HC, page 3.

6                   JUDGE PRIDGIN: Do you actually --

7                   THE WITNESS: Well --

8                   JUDGE PRIDGIN: I think we need -- might  
9 need to go in-camera if you are saying an HC number.

10                  THE WITNESS: The number actually  
11 appears earlier in the testimony, so it's just a  
12 matter of substituting it.

13                  MR. BLANC: I think what he's trying to  
14 do, your Honor, is avoid going in-camera if we have  
15 to. Basically, the reference of the number appears  
16 twice; one reference is correct, the other is  
17 incorrect, and I think he's going to provide a line  
18 and page number to substitute one for the other.

19                  JUDGE PRIDGIN: That's fine, if you --  
20 that's -- that's fine.

21                  THE WITNESS: Okay. On 3, line 12, the  
22 number that is marked HC should be the number that is  
23 on page 2, line 12. So the number on page 2, line 12  
24 is correct.

25                  JUDGE PRIDGIN: So the number -- excuse

1 me. The number that is currently page 3, line 12,  
2 should be the same as the number on page 2, line 12?

3 THE WITNESS: That is correct.

4 JUDGE PRIDGIN: Thank you. I'm sorry,  
5 Mr. Blanc.

6 BY MR. BLANC:

7 Q. Do you have any other corrections to  
8 your testimony today?

9 A. I do not.

10 MR. BLANC: I'd offer his testimony for  
11 admission at this time.

12 JUDGE PRIDGIN: Exhibit 38 NP and HC has  
13 been offered. Any objections?

14 (NO RESPONSE.)

15 JUDGE PRIDGIN: 38 is admitted with no  
16 objection.

17 (EXHIBIT NO. 38 NP AND HC WERE RECEIVED  
18 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

19 MR. BLANC: Tender him for  
20 cross-examination.

21 JUDGE PRIDGIN: Mr. Blanc, thank you.  
22 Let's see who has questions. Mr. Mills, you'll have  
23 questions? Any other counsel?

24 (NO RESPONSE.)

25 JUDGE PRIDGIN: All right. Mr. Mills,

1     when you're ready.

2     CROSS-EXAMINATION BY MR. MILLS:

3           Q.     Okay. Well, I guess I can't trip you up  
4     with my first two questions because you've heard them  
5     already. Mr. Crawford, what can you tell us about  
6     generation unit availability so far in 2007 on nearby  
7     and regional utilities?

8           A.     In terms of 2007 data, we do not have  
9     access at this point in time to that -- that sort of  
10    data. We do have information related to earlier time  
11    periods that comes from the North American Electric  
12    Reliability Council.

13          Q.     So for 2007, though, for the purpose of  
14    this case, you don't have any information and there's  
15    nothing in the record that will tell this Commission  
16    what percentage of the shortfall would be due to  
17    other utilities' unplanned outages?

18          A.     No, we do not.

19          Q.     Okay. Now, with respect to the  
20    projected total off-system sales margins for calendar  
21    year 2007, how did you calculate and what assumptions  
22    did you make to project out the -- is it three months  
23    of data that you're projecting, October, November,  
24    December?

25          A.     That is correct.

1           Q.       How did you -- how did you make those  
2     projections?

3           A.       We have a production cost simulation  
4     model that's really divided into two pieces.  The  
5     first part of the model projects regional market  
6     places by hour, basically for the whole eastern  
7     interconnect which is basically the region east of  
8     the Rocky Mountains on an hour-by-hour basis.  And we  
9     use those market prices as input into a production  
10    cost simulation model that simulates the operations  
11    of KCPL's system combined with a projection of what  
12    the retail load is going to be.

13                   We run the production cost model.  It  
14    assigns generation that we have available to the  
15    cheapest stuff available to retail load.  And then  
16    anything above our retail load requirements that  
17    is profitable to sell into that wholesale market  
18    gets sold into the wholesale market and that forms  
19    then the basis for the projection of the off-system  
20    sales for the last three months.

21          Q.       And when did you most recently run that  
22    model?

23          A.       We -- we run it every week.

24          Q.       And the numbers in -- in your testimony  
25    and Mr. Giles' testimony are based on a run of that

1 model when?

2 A. I don't have the exact -- the exact date  
3 of that. It would either have been late October or  
4 early November. Likely late October.

5 Q. Okay. So, for example, in your direct  
6 testimony on page 1, the number you give there at  
7 line 16 through 17, you're saying that was -- that  
8 was calculated late October, early November?

9 A. That's correct.

10 Q. Does that change significantly from when  
11 you ran it in late September?

12 A. I guess it depends on your definition of  
13 significant. Yeah, it has -- it has likely  
14 changed. Like I said, we do this every week.  
15 Natural gas prices are pretty -- pretty volatile  
16 and that does change the number. I wouldn't expect  
17 it to be, you know, anything more than \$5 million  
18 difference.

19 The difference would be less than --  
20 easily less than that.

21 Q. Do you know whether it's going up or  
22 down since earlier in the fall? And looking -- and  
23 remember here, we're talking about the shortfall  
24 number, so a higher number would mean you're less --  
25 you're farther away from your target.

1                   Do you know if your -- if your recent  
2     calculations project you get a closer to the -- to  
3     the 25th percentile marker or farther away?

4           A.       I don't -- I don't have that  
5     information.

6           Q.       Okay. Are these projections  
7     relatively -- well, I shouldn't say relatively. Are  
8     these projections sensitive to the price of natural  
9     gas?

10          A.       Yes, they are -- they are quite  
11     sensitive to the price of natural gas.

12          Q.       And if you ran them late October or  
13     early November, they wouldn't take into account the  
14     recent run-up of natural gas prices that we've seen  
15     in the last several days; is that true?

16          A.       This number does not -- does not reflect  
17     that.

18          Q.       Okay. And in general terms, as natural  
19     gas prices go up, do KCPL's off-system sales margins  
20     go up or down?

21          A.       They -- they go up.

22          Q.       So as natural gas prices go up, you make  
23     more money off of off-system sales margins?

24          A.       Yes, in general --

25          Q.       In general.

4 MR. MILLS: Judge, I'm gonna kind of go  
5 a little bit out of order so I can do all of my HC  
6 stuff at once, and then I'm gonna have to do some of  
7 that, but hopefully not a lot.

9 BY MR. MILLS:

14           A.           There -- there are some additional  
15 positive margins included in the actuals for the  
16 first nine months that are not part of Mr. Schnitzer's  
17 analysis. Mr. Schnitzer's analysis was -- was  
18 basically sales strictly off of KCPL's generation  
19 fleet.

25 And those -- the margins are included in

1 the estimate -- in the actuals that have -- have  
2 been provided, so that's why it's not an unqualified  
3 yes. There are some additional profits that would  
4 not have been reflected.

5 Q. If Mr. Schnitzer had included those,  
6 would his -- would his 25th percentile target number  
7 have gone up or down?

8 A. If there were profits to be included  
9 from arbitrage, they would have possibly gone up.

10 Q. So that are you saying that if you -- if  
11 you take into account the profits from arbitrage, it  
12 would have made it -- it would make it harder to hit  
13 the 25th percentile rather than easier?

14 A. If you include the margins, it makes it  
15 easier to hit the 25th percentile.

16 Q. But Mr. Schnitzer did not include those?

17 A. No. This is -- this is -- this is --  
18 these transactions are something new for -- for  
19 KCP&L.

20 MR. MILLS: And, Judge, I think the rest  
21 of my questions are gonna be highly confidential.

22 JUDGE PRIDGIN: All right. If you'll  
23 bear with me just a moment, please. Excuse me. I  
24 turned off my microphone. If you'll bear with me  
25 just a moment.

1                   (REPORTER'S NOTE: At this point, an  
2 in-camera session was held, which is contained in  
3 Volume 16, pages 1259 through 1261 of the  
4 transcript.)

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 JUDGE PRIDGIN: All right. We are back  
2 in public session. Mr. Mills, any more questions?

3 MR. MILLS: No. And, Judge, did you  
4 admit 215 HC while we were in-camera?

5 JUDGE PRIDGIN: Yes, I did. I admitted  
6 it without objection.

7 MR. MILLS: No further questions.

8 JUDGE PRIDGIN: All right. No further  
9 cross. Let me see if we have any bench questions.  
10 Mr. Chairman?

11 CHAIRMAN DAVIS: No questions.

12 JUDGE PRIDGIN: All right. Thank you.  
13 Commissioner Jarrett, no questions. Any redirect?

14 MR. BLANC: Just a couple of questions,  
15 your Honor.

16 JUDGE PRIDGIN: When you're ready.

17 MR. BLANC: Going to Exhibit 215 HC --  
18 and we won't need to go in-camera, your Honor.

19 JUDGE PRIDGIN: I'm sorry. We won't  
20 need to go --

21 MR. BLANC: We will not.

22 JUDGE PRIDGIN: Okay. Thank you.

23 REDIRECT EXAMINATION BY MR. BLANC:

24 Q. The response to that DR speaks to the  
25 reduction in revenues attributed to unplanned

1 outages, correct?

2 A. Correct.

3 Q. With respect to the outages that have  
4 occurred this year, how does KCPL's generation output  
5 compare to other utilities with a comparable  
6 generation fleet in the U.S.?

7 MR. MILLS: Judge, I'm gonna object.  
8 That goes beyond the scope of the questions that I  
9 asked. I simply asked him to identify the number of  
10 lost off-system sales revenues from KCPL's unplanned  
11 outages.

12 MR. BLANC: Your Honor, Public Counsel  
13 was clearly implying that those outages are a result  
14 of reduction in margins, and as a result impact of  
15 revenue requirement in this case and go to their  
16 advocacy for the 40th percentile. So I think the  
17 outages and how to compare them to utilities in the  
18 industry are relevant to this line of questioning.

19 JUDGE PRIDGIN: All right. I'll  
20 overrule.

21 THE WITNESS: If you take the KCPL  
22 generating fleet, coal generating fleet, and it  
23 operates equivalent to industry averages, the  
24 generation that we're projecting for this year based  
25 on -- up through the first of November, that we're

1     gonna come in at -- let me take a step back.

2                     If you were to run our generating fleet  
3     at national average capacity factors for similar  
4     units, our fleet would produce about 14.8 million  
5     megawatt hours on an annual basis. The projection  
6     for this year is right at 14.8 million megawatt  
7     hours.

8                     Carry out a few decimal places where  
9     maybe 4,000 megawatt hours over the -- over the  
10    average, the average is based on data from the North  
11    American Electric Reliability Council for average  
12    generation, average capacity factors for similar  
13    plants from 2003 to 2005.

14    BY MR. BLANC:

15             Q.     And those generation numbers for KCPL,  
16    they do take into account the outages that occurred  
17    this year?

18             A.     Yes, they do.

19                     MR. BLANC: No further questions, your  
20    Honor.

21                     JUDGE PRIDGIN: All right. Thank you.  
22    If there's nothing further for Mr. Crawford, then?

23                     (NO RESPONSE.)

24                     JUDGE PRIDGIN: All right. Thank you,  
25    Mr. Crawford. You may step down. It is straight up

1     noon according to the clock on the back of the wall.

2     No better time to break for lunch.

3                     It looks like we would next have  
4     Mr. Schnitzer, Mr. Robertson -- Mr. Robertson,  
5     Mr. Traxler on off-system sales and then Mr. Rush, I  
6     believe on some accounting issues. And then that  
7     would be all the witnesses that we have left; is that  
8     correct?

9                     MR. MILLS: And then I've -- I've got  
10    just one or two questions for Mr. Schnitzer and  
11    then --

12                    JUDGE PRIDGIN: Okay.

13                    MR. MILLS: Probably it will be very  
14    brief depending on his answers.

15                    JUDGE PRIDGIN: Okay. And am I taking  
16    that that you might want to get Mr. Schnitzer on and  
17    off the stand before we break?

18                    MR. MILLS: It would certainly be okay  
19    with me if it would help the schedule out.

20                    MR. ZOBRIST: Yeah, that would be --  
21    that would be terrific.

22                    JUDGE PRIDGIN: Works for me.

23                    MR. ZOBRIST: Okay.

24                    JUDGE PRIDGIN: And that's assuming no  
25    other counsel has cross-examination which I think has

1    been the way we've been going on off-system sales.  
2    All right. Mr. Schnitzer if you'll raise your right  
3    hand to be sworn, please.

4                    (THE WITNESS WAS SWORN.)

5                    JUDGE PRIDGIN: Thank you very much,  
6    sir. You can have a seat. And anything we need to  
7    take up before he's tendered for cross?

8    DIRECT EXAMINATION BY MR. ZOBRIST:

9            Q.       Mr. Schnitzer, do you have any  
10   corrections to your true-up direct?

11           A.       I do not.

12                   MR. ZOBRIST: No corrections, Judge.  
13   I'd tender him for cross-examination.

14                   JUDGE PRIDGIN: All right. Thank you.  
15   Cross-examination. Mr. Mills, you'll have questions?

16                   MR. MILLS: Just a couple, yes.

17                   JUDGE PRIDGIN: Any other counsel?

18                   (NO RESPONSE.)

19                   JUDGE PRIDGIN: All right. Mr. Mills.

20   CROSS-EXAMINATION BY MR. MILLS:

21           Q.       Mr. Schnitzer, did -- were you in the  
22   room when I was cross-examining Mr. Crawford?

23           A.       I was.

24           Q.       Okay. Did you have any input into the  
25   way KCPL determined how to project revenues from

1 off-system sales margins for the last three months of  
2 2007?

3 A. I did not, no.

4 MR. MILLS: Okay. Then I don't have any  
5 more questions about that, then.

6 JUDGE PRIDGIN: Thank you. Bench  
7 questions?

8 COMMISSIONER JARRETT: No questions.

9 JUDGE PRIDGIN: Redirect?

10 (NO RESPONSE.)

11 JUDGE PRIDGIN: All right.

12 Mr. Schnitzer, thank you very much.

13 MR. ZOBRIST: Judge, I would offer  
14 Exhibit 42 which is Mr. Schnitzer's true-up direct.

15 JUDGE PRIDGIN: And I show that we have  
16 that as NP and HC; is that correct?

17 MR. ZOBRIST: That's correct.

18 JUDGE PRIDGIN: All right. 42 NP and HC  
19 have been offered. Are there any objections?

20 (NO RESPONSE.)

21 JUDGE PRIDGIN: Hearing none, 42 NP and  
22 HC is admitted.

23 (EXHIBIT NO. 42, NP AND HC, WERE  
24 RECEIVED INTO EVIDENCE AND MADE A PART OF THE RECORD.)

25 JUDGE PRIDGIN: This now looks to be a

1 convenient time to break for lunch. And then we  
2 would have Mr. Robertson taking the stand after lunch  
3 and then Mr. Traxler and Mr. Rush. Unless I hear  
4 anything from counsel to the contrary, we'll go in  
5 that order. Anything further from counsel before we  
6 go off the record?

7 (NO RESPONSE.)

8 JUDGE PRIDGIN: All right. We will --  
9 it's just a few minutes after 12:00. Let's try to  
10 resume about 1:15, and we'll have Mr. Robertson on  
11 the stand. Thank you very much. We're off the  
12 record.

13 (THE NOON RECESS WAS TAKEN.)

14 (THE WITNESS WAS SWORN.)

15 JUDGE PRIDGIN: Thank you very much.  
16 Please have a seat. Mr. Mills, anything before he  
17 stands cross?

18 DIRECT EXAMINATION BY MR. MILLS:

19 Q. Mr. Robertson, do you have any  
20 corrections you need to make to your testimony?

21 A. I do not.

22 MR. MILLS: Your Honor, with that, I  
23 would offer Exhibit 211 NP and 211 HC, and tender the  
24 witness for cross-examination.

25 JUDGE PRIDGIN: 211 NP, 211 HC have been

1 offered. Any objections?

2 MR. ZOBRIST: No objections.

3 JUDGE PRIDGIN: Hearing no objections,

4 211 NP and HC are admitted.

5 (EXHIBIT NO. 211 NP AND HC WERE RECEIVED

6 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

7 JUDGE PRIDGIN: And cross-examination

8 for this witness? Mr. Dottheim, any cross?

9 MR. DOTTHEIM: No questions.

10 JUDGE PRIDGIN: Mr. Zobrist?

11 MR. ZOBRIST: KCPL does.

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

13 Any other counsel?

14 (NO RESPONSE.)

15 JUDGE PRIDGIN: All right. When you're

16 ready, sir.

17 MR. ZOBRIST: Thank you.

18 CROSS-EXAMINATION BY MR. ZOBRIST:

19 Q. Mr. Robertson, the position that you

20 took in your cross -- pardon me, in your true-up

21 rebuttal relates to off-system sales and the effect

22 of forced outages at -- during the past year, 2007,

23 correct?

24 A. That's correct.

25 Q. Okay. And based upon the forced

1 outages, you're arguing that the Commission should  
2 abandon the 25 percentile level and set it at the 40  
3 percentile level?

4 A. That's correct also.

5 Q. Now, am I correct that you acknowledged  
6 in your rebuttal that the Commission had accepted in  
7 2006, in the 2006 rate case, the probability analysis  
8 that had been submitted by Michael Schnitzer of the  
9 NorthBridge Group?

10 A. They did.

11 Q. And I believe you also stated that he  
12 performed that same analysis in this proceeding?

13 A. That's correct also.

14 Q. Is it true that unit availability and  
15 the risk of forced outages recited by Mr. Schnitzer  
16 is one of the two most important variables in his  
17 off-system sales analysis?

18 A. To -- to the point that he cited what I  
19 believe he described as a normal level of outages,  
20 not an abnormal level.

21 Q. Do you have Mr. Schnitzer's direct  
22 testimony in this case before you, sir?

23 A. I think so.

24 Q. Okay. Would you please turn to page 7  
25 if you have that there?

1                   MR. ZOBRIST: And, Judge, for the  
2 record, I think this has already been admitted as  
3 Exhibit 22.

4                   JUDGE PRIDGIN: I'm sorry. That's  
5 Mr. Schnitzer's direct?

6                   MR. ZOBRIST: Direct.

7                   JUDGE PRIDGIN: I'm sorry?

8                   MR. ZOBRIST: It's direct.

9                   JUDGE PRIDGIN: Okay. Thank you.

10                  THE WITNESS: Okay.

11 BY MR. ZOBRIST:

12                  Q.       Okay. Directing your attention to  
13 page 7, line 10 of the Schnitzer direct examination,  
14 do you see the sentence that begins with, "The two  
15 biggest factors ..."?

16                  A.       Line 10?

17                  Q.       Correct.

18                  A.       That's correct.

19                  Q.       Okay. And what it states is, quote, The  
20 two biggest factors in the quantity available for  
21 sale are unit availability and KCPL's native load,  
22 closed quote; is that correct?

23                  A.       That's correct also.

24                  Q.       And then he goes on to say, quote, A  
25 unit outage and/or an increase in native load can

1     reduce the size of the margin," correct?

2             A.       That's true.

3             Q.       Now, what he's talking about, unit  
4     outages, he didn't speak in terms of abnormal or  
5     normal, he just spoke in terms of unit outage,  
6     correct?

7             A.       That is correct.

8             Q.       And then also on the following page, if  
9     you'd turn to that, page 8, line 5 and 6, he states  
10    there that, "The company's future off-system  
11    contribution margins will depend on fuel, electricity  
12    and gas prices, loads, fuel prices and unit  
13    availability," correct?

14            A.       That's correct also.

15            Q.       Then if you'd turn to page 13, line 6,  
16    if you would. Mr. Schnitzer states that he  
17    constructed "1,000 equally likely forced outage  
18    scenarios for each generating unit in KCPL's supply  
19    portfolio," correct?

20            A.       That's correct.

21            Q.       And then on this page he talks about how  
22    he uses available capacity and forced outages as well  
23    as planned outages in his analysis, correct?

24            A.       That is correct also.

25            Q.       Now, with regard to forced outages

1 generally, you're not saying, are you, that all  
2 forced outages are entirely within the control of the  
3 utility?

4 A. Not 100 percent but since the management  
5 of the company is responsible for the process and  
6 procedures to maintain the plant, it -- what I'm  
7 saying in my testimony is they have control of that  
8 to a significant degree; whereas, in comparison to  
9 market forces like the price of natural gas, they do  
10 not.

11 Q. Would you agree with the proposition  
12 that when a forced outage incident happens,  
13 oftentimes third parties are found at fault?

14 A. It happens, yes.

15 Q. Are you aware of the fact that in this  
16 case with regard to the Hawthorne 5 explosion that  
17 KCPL itself recovered over \$20 million from third  
18 parties?

19 A. I am aware.

20 Q. You are aware of that?

21 A. Yes.

22 Q. Have you investigated personally any of  
23 the forced outages that occurred at KCPL this year?

24 A. I have not.

25 Q. And you have not presented any evidence

1 in your testimony of any investigation of the outages  
2 during this year, have you?

3 A. I have not.

4 Q. Now, sir, if you'd turn to page 11 of  
5 your true-up rebuttal testimony, please.

6 A. Okay.

7 Q. You use the word "abnormal" several  
8 places on page 11. For example, line 6, line 8,  
9 line 20. Do you see that, sir?

10 A. That's correct.

11 Q. What is your definition of abnormal  
12 level?

13 A. It was my interpretation of the  
14 company's testimony, in particular, Mr. Giles and  
15 Mr. Crawford's testimony, where they described the  
16 forced outages as the higher-than-normal level of  
17 forced outages for the calendar year 2007.

18 Q. Well, isn't it true that what they  
19 testified was that there was a higher level of  
20 outages?

21 A. I think it's the same thing.

22 Q. So you think that higher-than-normal  
23 levels of outages is the same thing as a higher level  
24 of outage?

25 A. No. I said I think that a higher level

1     than normal outage is the same thing as an abnormal  
2     level of forced outages.

3           Q.     Well, if they didn't use the word  
4     normal, I think what you're telling me is that you  
5     don't have a definition of normal that you could  
6     present to the Commission here today?

7           A.     Well, I think they did.  If you give me  
8     a moment, I think I can find that.

9           Q.     Well, Mr. Robertson, let me point you to  
10    at least a point unless you're about there.

11          A.     Well, I haven't found it yet, so ...

12          Q.     Well, let me -- do you have  
13    Mr. Crawford's --

14          A.     That's what I'm looking at, that's  
15    correct.

16          Q.     If you could look at page 3, line 7.

17          A.     Okay.

18          Q.     What he states there is, quote, This was  
19    primarily due to increased forced outages during the  
20    period, closed quote.

21          A.     That's correct.

22          Q.     Okay.

23          A.     I may be confused because rather than  
24    being in the testimony, it may be in the data request  
25    response that we had received from the company.  Bear

1 with me on that. Actually, that's where I -- that is  
2 the location for the terminology. It's in the data  
3 request response.

4 Q. Which one are you referring to, sir?

5 A. Well, actually, I'm looking at OPC data  
6 request 2102, but I was also looking -- let me see if  
7 I can find 2101.

8 MR. MILLS: 2101.

9 THE WITNESS: I'm sorry for the clutter.

10 MR. MILLS: Your Honor, may I approach?

11 JUDGE PRIDGIN: You may.

12 THE WITNESS: These data responses -- or  
13 data requests I believe were issued by Ryan Kind of  
14 our office, and although I wasn't there, I know they  
15 were issued in response to a meeting that the parties  
16 had with the company. And in question No. 2,  
17 on 2102 and 2 on 2101, he asked for -- about the  
18 higher-than-normal level of forced outages at KCPL's  
19 Hawthorne and Iatan plants. So that's essentially  
20 where I got the terminology. The company responded  
21 to those data requests.

22 BY MR. ZOBRIST:

23 Q. Well, in truth, the question was one  
24 posed by Public Counsel, correct?

25 A. That is correct.

1           Q.       Okay. And in none of the answers to the  
2   company do they use the term above normal or below --  
3   below normal, correct?

4           A.       I believe you are correct.

5           Q.       Okay. They simply reported the data to  
6   you, correct?

7           A.       They responded to the questions in the  
8   data request, that is correct.

9           Q.       Right. And in the -- the information  
10   that they provided indicated in response to data  
11   request 2102 that 58 percent of the adverse impacts  
12   here to date related to a decrease in the wholesale  
13   price of electricity, correct?

14          A.       You're referring to the schedule that's  
15   attached to 2102 --

16          Q.       Yes, sir.

17          A.       -- is that correct? They -- in that  
18   schedule or that chart, essentially a pie chart, they  
19   describe the -- the impact of the -- on the sales  
20   margins as 58 percent for price, 4 percent to load  
21   and 30 percent to outages.

22          Q.       And just so the record is clear, when we  
23   say 58 percent of price related to a decrease, and  
24   that wholesale price of electricity is what caused  
25   the price to go down?

1           A.       I don't know that that's actually  
2 correct, if it's -- if it's a specific decrease. I  
3 believe in the testimony of Mr. Crawford, he  
4 describes those essentially average prices. But as  
5 far as a specific price, I don't know if there's been  
6 a general decrease or a general increase.

7           Q.       Well, the -- the chart that you're  
8 looking at says, "Changes from budget assumptions for  
9 load, unit outages and commodity prices each  
10 contributed to adverse impacts on year-to-date  
11 nonfirm margins of," and then I think the number is  
12 highly confidential.

13          A.       That is correct, it is.

14          Q.       Okay. All I'm saying is, is of that  
15 adverse impact which is a decrease in off-system  
16 sales margins, 58 percent of that decrease is due to  
17 the drop in the price of electricity?

18          A.       58 percent price, 30 percent outages, 40  
19 percent load.

20          Q.       Right. 30 percent related to outages  
21 and then 12 percent to an increase in native load?

22          A.       That is correct.

23          Q.       Okay. And finally, on page 12 of your  
24 testimony on line 8 --

25          A.       Okay.

1           Q.       -- you speak about a failure of the  
2 managers to do their jobs properly.

3           A.       That's correct.

4           Q.       And again, you have not conducted any  
5 investigation nor has the Office of the Public  
6 Counsel that has expressed a specific opinion of the  
7 failure of any particular managers with regard to any  
8 outage that occurred in the year 2007?

9           A.       Well, we haven't done an investigation,  
10 but there's been investigations done. In particular,  
11 one was put in the paper just this week regarding  
12 the -- the steam pipe explosion at Iatan where the --  
13 where the company was fined for failing to have  
14 emergency procedures in place for such an accident.  
15 So I'm interpreting that as a management  
16 responsibility, yes.

17          Q.       Okay. Now, that was by the Occupational  
18 Safety and Health Administration?

19          A.       OSHA, that's correct.

20          Q.       So that did not deal with an  
21 investigation of whether the job ended up properly to  
22 keep the plant running; it dealt with emergency  
23 procedures?

24          A.       I can't tell you the details. I just  
25 know it's in the media currently, and then -- and

1 they were fined for not having procedures in place,  
2 among other things, and it regarded management's  
3 responsibilities.

4 Q. And is it fair to say that you haven't  
5 studied this in detail and cannot at this time  
6 provide any recommendation to the Commission on the  
7 cause of that outage at Iatan 1?

8 A. I cannot.

9 MR. ZOBRIST: Okay. Thank you. Nothing  
10 further, Judge.

11 JUDGE PRIDGIN: All right. Thank you.  
12 No bench questions. Any redirect?

13 MR. MILLS: Just a bit, your Honor.

14 REDIRECT-EXAMINATION BY MR. MILLS:

15 Q. Mr. Zobrist asked you a question about  
16 the Hawthorne 5 outage. Do you recall that?

17 A. Yes.

18 Q. Does the Hawthorne 5 outage have  
19 anything to do with the off-system sales margin  
20 shortfall in this case?

21 A. According to the company's response to  
22 OPC data request 2101, it has a pretty significant --  
23 or responsible for a pretty significant portion of  
24 the reduction in the sales margin because it was  
25 down.

1 Q. It was down for what period?

2 A. I believe this is a highly confidential  
3 response, so --

4 Q. Okay. Then we won't go there.

5 A. I mean, that's probably public --

6 Q. Okay. In the answer that you gave about  
7 recovering substantial amounts of money from the  
8 Hawthorne 5 incident, is that the same outage that  
9 you're talking about here?

10 A. I don't believe so, no. The -- I  
11 believe that occurred -- and I don't remember the  
12 exact -- exact -- the exact time frame, but it's been  
13 a while back.

14 Q. Several years ago?

15 A. As a matter of fact, that's correct.

16 Q. Okay. Now, with respect to the OSHA  
17 fine, when did the -- when did the Occupational  
18 Safety and Health Administration fine KCPL?

19 A. Well, let's see. Actually, as far as  
20 when did they fine them, the document that I -- the  
21 document that I have come from the Kansas City Star,  
22 and it's -- that document actually said that the  
23 company is facing fines.

24 Q. Okay.

25 A. I don't know if they've actually been

1     assessed yet because the company -- even though the  
2     OSHA has came up with reasons why the fine should  
3     exist, the company still has the opportunity to  
4     respond, I believe.

5             Q.       Okay. And what incident do those fines  
6     relate to?

7             A.       They relate to, as I told Mr. Zobrist, a  
8     steam pipe explosion that occurred at the I -- I  
9     believe at the western plant, Iatan power plant in  
10    May of 2007, I believe.

11            Q.       And that was the one that contributed --  
12    or that caused the extended outage at Iatan 1 over  
13    the summer, correct?

14            A.       And it was a -- it's a very significant  
15    outage also related to that. That was a -- that was  
16    a big part of the reduction.

17            Q.       Okay. And that's the same incident that  
18    OSHA was looking to fine in connection with?

19            A.       That's correct.

20            Q.       Okay. Now, the testimony that  
21    Mr. Zobrist had you look at from Mr. Schnitzer, was  
22    that in Case No. ER-2006-0314 or ER-2007-0291?

23            A.       Case 291, but his testimony -- well,  
24    291.

25            Q.       So the -- the -- the passages that you

1 looked at there could not have influenced the  
2 Commission's decision in Case No. ER-2006-0314 when  
3 they first set up the 25 percentile and the sharing  
4 mechanism?

5 A. Well, since I don't have his testimony  
6 memorized from that case, I'd -- I'd have to agree  
7 that that's true.

8 MR. MILLS: No further questions.

9 JUDGE PRIDGIN: All right. Thank you.  
10 Mr. Robertson, thank you very much, sir.

11 THE WITNESS: Thank you.

12 JUDGE PRIDGIN: And Mr. Traxler I'm  
13 showing is the next witness. And Mr. Mills, did I  
14 overhear you say you didn't think you had any  
15 questions?

16 MR. MILLS: I have no questions for  
17 Mr. Traxler on this issue.

18 JUDGE PRIDGIN: Does anyone have any  
19 cross-examination for Mr. Traxler on off-system  
20 sales?

21 (NO RESPONSE.)

22 JUDGE PRIDGIN: No volunteers? Okay.

23 MR. DOTTHEIM: Judge, then at this time  
24 I'd like to offer Exhibit 130 which is Mr. Traxler's  
25 direct testimony for the true-up.

1 JUDGE PRIDGIN: And Exhibit 130 has been  
2 offered. I show that as being both NP and HC.

3 MR. DOTTHEIM: Yes.

4 JUDGE PRIDGIN: Any objections?

5 (NO RESPONSE.)

6 JUDGE PRIDGIN: Hearing none, Exhibit  
7 130 NP and HC is admitted, so there's no need for  
8 Mr. Traxler to take the stand.

9 (EXHIBIT NO. 130 NP AND HC WERE RECEIVED  
10 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

11 JUDGE PRIDGIN: It would then be to  
12 Mr. Rush. I believe that's our last witness.

13 (THE WITNESS WAS SWORN.)

14 JUDGE PRIDGIN: Thank you very much,  
15 sir. Please have a seat. Anything before he's  
16 tendered for cross?

17 DIRECT EXAMINATION BY MR. FISCHER:

18 Q. Mr. Rush, do you have a change you need  
19 to make on page 5 of your testimony?

20 A. Yes, I do. On page 5 on line 13, the  
21 date "January 1, 2007," should read "January 1,  
22 2008."

23 Q. Are there any other changes that you  
24 need to make at this time?

25 A. No, sir.

1                   MR. FISCHER: I would tender the witness  
2 for cross-examination.

3                   JUDGE PRIDGIN: Mr. Fischer, thank you.  
4 Let me make sure I've got that change correct. It's  
5 page 5, Mr. Rush?

6                   THE WITNESS: That's correct, on  
7 line 13.

8                   JUDGE PRIDGIN: Line 13, thank you.

9                   MR. FISCHER: Actually, I might as well  
10 move for admission as well.

11                  JUDGE PRIDGIN: Okay. I show that  
12 Exhibit No. 41, that's NP and HC, if I'm not  
13 mistaken?

14                  MR. FISCHER: Yes.

15                  JUDGE PRIDGIN: Exhibit 41 NP and HC has  
16 been offered.

17                  MR. MILLS: And, Judge, I'd like to  
18 reserve making objections until after I've had a  
19 chance to question Mr. -- Mr. Rush.

20                  JUDGE PRIDGIN: Okay. We'll show that  
21 the offer is still pending. Anything else before he  
22 stands cross?

23                  (NO RESPONSE.)

24                  JUDGE PRIDGIN: And Mr. Mills, you'll  
25 have questions?

1 MR. MILLS: I do.

2 JUDGE PRIDGIN: Mr. Dottheim, questions?

3 MR. DOTTHEIM: No questions.

4 JUDGE PRIDGIN: All right. Any other  
5 counsel?

6 (NO RESPONSE.)

7 JUDGE PRIDGIN: All right. Mr. Mills.

8 CROSS-EXAMINATION BY MR. MILLS:

9 Q. Mr. Rush, my -- my questions will all go  
10 to the -- to the schedules attached to your testimony  
11 rather than the text of the testimony itself.

12 A. All right.

13 Q. And I'm basically just gonna have you  
14 sort of go through and -- and -- and tell me where  
15 all the numbers come from and which ones you prepared  
16 and which ones -- the ones that you didn't prepare,  
17 where they came from and how they're related to the  
18 issues in the case.

19 And first, just so the record is clear,  
20 is there a -- the schedule D you've got attached to  
21 your true-up testimony started with TMR-5. Are there  
22 not schedules 1, 2, 3 and 4 attached to your -- your  
23 true-up testimony that were attached to your earlier  
24 testimony?

25 A. There are four schedules, I believe,

1     that were attached to my prior schedules --

2             Q.       Okay.

3             A.       -- or my prior testimony.

4             Q.       Okay.  And with respect to the company's  
5     overall position in this case, are you -- is the  
6     company asking for the Commission to implement rates  
7     that would recover an increase of \$47.6 million or  
8     \$45.4 million?

9             A.       The case that we presented demonstrates  
10    that there's -- when trued up, including the  
11    amortizations, there's a need for an increase of  
12    \$47,318,000.  I recognize that we've only asked for  
13    \$45 million, and -- and so there will be -- we  
14    cannot -- I don't think that the Commission is --  
15    would give us more than the 45 million that we  
16    requested.

17            Q.       Okay.  So it's --

18            A.       But my point is, the case demonstrates  
19    the outcome of a true-up is \$47.3 million.

20            Q.       But you're not seeking an order from the  
21    Commission authorizing you to -- to increase rates by  
22    that amount; you're planning to limit it to the  
23    amount that you originally asked for; is that  
24    correct?

25            A.       Yes.

1           Q.       Okay. Now, with respect to your  
2     schedule TMR-5, the first page is simply a cover  
3     sheet; is that correct?

4           A.       Right.

5           Q.       Page 2, that's a table of contents?

6           A.       Yes.

7           Q.       Okay. Now, page 3 is where we start to  
8     get into some numbers. Line-1-009 [sic], what is the  
9     second column there? What does the account number  
10    refer to?

11          A.       What does the account number -- oh, you  
12    mean the 400?

13          Q.       The second column, yeah, exactly.

14          A.       That is just simply the FERC account --

15          Q.       The FERC account?

16          A.       -- accounting code.

17          Q.       Okay.

18          A.       For revenues.

19          Q.       Okay. And then the next two columns are  
20    blank, and how is the 6.18 percent derived in the  
21    column labeled "Traditional Rev Req," column 605?

22          A.       The 6.18 is the representation of the  
23    33,430,000 divided by the base revenues in the case  
24    which was the 540,848,257.

25          Q.       Okay.

1           A.       And that's just simply a percentage.

2           Q.       Okay. And then the next number, 2.62  
3 percent?

4           A.       That's the amortization amount that --  
5 that is a result of our true-up which is 14,155,968  
6 divided by 540 -- divided by again, divided by the  
7 base revenues which is the 540,848,257.

8           Q.       Okay. And the 540,848,257, that's shown  
9 down on the next line, 1-010?

10          A.       That's correct.

11          Q.       And where is that calculated in this  
12 schedule?

13          A.       That's not a calculated number in the  
14 schedule. That is the revenue that comes from a  
15 result of truing up and annualizing and normalizing  
16 the customers through the September 30 period,  
17 applying the test period normalized levels of sales  
18 per units to those customer accounts, and then  
19 pricing those out through the pricing schedules that  
20 are in existence today. So it's the revenue that's  
21 derived in the -- in the case from the annualized,  
22 normalized base of sales and revenues.

23          Q.       Okay. And where -- where is the  
24 calculation that leads to that \$540,000?

25          A.       It's in the work papers that were

1 provided that are derived from going through that  
2 process.

3 Q. Is it in the record anywhere in the  
4 case?

5 A. Are those revenues in the record? I  
6 mean, the revenues are in the record here, yes.

7 Q. Other than this number right here, are  
8 they anywhere else in the case?

9 A. Well, they're also shown on some later  
10 schedules by segment, but as far as if you're trying  
11 to talk about the work papers associated with  
12 deriving this number, they're not as far as a  
13 schedule filed in this case.

14 Q. Are you --

15 A. Just like most of the other work papers.

16 Q. Are you the person that calculated that  
17 number?

18 A. Yes, I did.

19 Q. Okay. Okay. And going back to the line  
20 up above, the 8.8, that's simply the sum of 6.18 and  
21 2.62; is that correct?

22 A. Now, say that again. I'm sorry. I  
23 didn't --

24 Q. The 8.8 which is at the far right of the  
25 very first row --

1           A.       Uh-huh.

2           Q.       -- that's simply the sum of the previous  
3 two columns; is that correct?

4           A.       That's correct.

5           Q.       Okay. Now, with respect to the  
6 \$33,430,000, the number that follows the 540 million  
7 that we were just talking about --

8           A.       Yes, uh-huh.

9           Q.       -- what does that number represent?

10          A.       That's the revenue requirement developed  
11 from going through a true-up of the September 30  
12 data, and going through -- applying the capital  
13 structure, the rate of return that we're requesting  
14 in this case, and developing a revenue requirement  
15 associated with it. So it is the revenue requirement  
16 for -- in our request, trued up through  
17 September 30th, 2007.

18          Q.       Okay. And how does that relate to the  
19 540 million number?

20          A.       Well, it's our request on top of the  
21 540 million number. So what we're -- well, if you  
22 look at it in a traditional sense, what we're  
23 requesting is \$33,430,000 on top of the -- of the  
24 test period revenue of 540,848,000.

25          Q.       Okay. And will that tie back to the

1 reconciliation that was filed in this case?

2 A. Not exactly, no.

3 Q. And why --

4 A. It will be very close.

5 Q. And why -- why does it differ?

6 A. Because what we've done is we have  
7 agreed with the Staff of the -- of the Missouri  
8 Public Service Commission to use their revenue number  
9 in this case as a basis for developing rates.

10 And so we -- well, our company, our  
11 filing was this: When we went to the reconciliation,  
12 we worked with the Staff to validate and verify all  
13 of the numbers in here, and we -- we agreed to use  
14 the Staff's revenue number.

15 Q. So at least with respect to this  
16 33,430,000 number, that doesn't reflect your -- your  
17 current position?

18 A. That's correct.

19 Q. Okay.

20 A. Our current position is, I believe,  
21 \$166,000 lower when you come up to the true-up  
22 number.

23 Q. With respect to the 540 million number,  
24 does that reflect your current position?

25 A. I'm sorry. Say that -- the 540 million

1 number is the one that is 166,000 less, would be our  
2 current position.

3 Q. Okay. And that -- and that also impacts  
4 the revenue required number of 33,430; is that  
5 correct?

6 A. Well, several other things have impacted  
7 it, but that -- it would be one that impacts it, yes.

8 Q. Okay.

9 A. When you go -- and the key to all of  
10 that, while we have \$33,430,000, is you need to go to  
11 the reconciliation schedule that was filed by the  
12 Staff in this case. And it would -- it goes through  
13 and links and ties all of the numbers, because what  
14 happens is, we filed our case on Friday, for example,  
15 of last week. Staff also filed theirs -- their  
16 case.

17 And there's a little bit of  
18 discrepancies, and we go through and reconcile all  
19 of those items to come up with a -- both where we  
20 have a consistent case. And that was a process we  
21 went through. And that's demonstrated on what we --  
22 what Staff filed as the reconciliation schedule.

23 Q. Okay. And then moving along on  
24 that same row, the 14,155,000 number, that's the  
25 additional amortizations that KCPL believes are

1 called for under the regulatory plan amortization --

2 A. That's correct.

3 Q. -- is that correct?

4 A. Yes.

5 Q. Now, does that number tie into exactly  
6 the reconciliation?

7 A. Yes, it does.

8 Q. Okay. That hasn't changed at all?

9 A. No.

10 Q. Okay. And then the very last number in  
11 that column is typically the sum of the -- of the  
12 three numbers moving up to it; is that correct?

13 A. That's correct.

14 Q. So that would no longer be accurate?

15 A. That's right. In fact, you can go to  
16 the reconciliation schedule that was filed, and  
17 you'll see the difference. It's probably \$240,000  
18 different, and actually, it shows that we're  
19 requesting now instead of the -- so the sum of the  
20 two -- the 33,430 and the 14,150 is now -- instead of  
21 that -- what is it, 47,580, it is now 47,318,855 in  
22 the reconciliation schedule.

23 Q. Okay. Now, in the next line, 1-011,  
24 there is \$8,413,579 for miscellaneous revenue.

25 A. That's correct.

1           Q.       What exactly goes into the makeup of  
2 miscellaneous revenue?

3           A.       It has a variety of revenues coming from  
4 all kinds of things that the company do for -- for  
5 services rendered throughout the year.

6           Q.       Okay. Can you tell me what those all  
7 are?

8           A.       Can I tell you what they all are, no.

9           Q.       Okay. Can you tell me what a  
10 significant portion of them are?

11          A.       I believe probably a significant portion  
12 of them are attributable to services that we've  
13 provided customers either through line extension  
14 revenues, through -- where we have turn-ons for  
15 nonpayment where -- you know, if you go through our  
16 tariff book, you'll see where we have all these  
17 miscellaneous revenue items for various services from  
18 disconnecting services, reconnecting services, late  
19 payment fees, et cetera. My guess is that --

20          Q.       Well, I'm not asking you to guess and,  
21 in fact, I'd prefer that you not.

22          A.       All right. It's the book numbers that  
23 are attributable to account -- in the 400 accounts  
24 associated with the miscellaneous revenues.

25          Q.       So is there a subaccount under the 400

1 accounts that's labeled miscellaneous revenues or are  
2 there more than one account?

3 A. There are subaccounts.

4 Q. Several subaccounts?

5 A. Uh-huh.

6 Q. What are those numbers?

7 A. I don't have the exact numbers.

8 Q. Okay. Did you calculate that 8,413,579  
9 number?

10 A. No, I did not. Those numbers come from  
11 the books and records, and there was no adjustment  
12 made to those.

13 Q. And then down the next line, the sales  
14 from resale --

15 A. Uh-huh.

16 Q. -- 65,545,887, who calculated the sales  
17 for resale revenues?

18 A. I'm not following you.

19 Q. Well, let me put it more -- more  
20 generically: Where did that number come from?

21 A. The books and records of the company for  
22 the test period.

23 Q. Okay.

24 A. There was no adjustments made, there was  
25 no recreation. It was simply a factual number.

1           Q.       Okay. So that one is just -- that one  
2 is just simply pulled from some account or several  
3 accounts in the 400 series of accounts?

4           A.       No, I want to take that back. I'm not  
5 saying -- I said that incorrectly. I have a better  
6 way to look at that. If you -- if you'll take a look  
7 over to schedule 2, page 5 of 48, you can see what  
8 the attributes of the various accounts are.

9                   And the summary page that we show on  
10 page 3 that you were talking about, defined as the  
11 retail revenues, the number, the 548,48 is actually  
12 the Missouri portion. When you come over to the  
13 column 604, there's only the Missouri jurisdictional  
14 retail revenues as defined by the case.

15                   And if you look back on this page 5,  
16 you'll see where all of the adjustments were made to  
17 develop those numbers. Maybe this is a better way to  
18 describe it. And then when you get to the  
19 miscellaneous revenues which is the other column you  
20 were asking about, it does show -- for example, if  
21 you take that 450, which was the account -- you  
22 remember I said I didn't remember the account, that  
23 would be the account for miscellaneous -- for  
24 forfeited discounts, for example, which is your late  
25 payment fees. And those would be developed --

1 Q. What is -- what are they?

2 A. Late payment fees or late payment  
3 charges. And you can kind of go through and see all  
4 of the elements or the attributes of the  
5 miscellaneous revenues. And so you can see where  
6 they came from from the books versus what they  
7 resulted in in the outcome of the pro forma  
8 adjustments for the case.

9 Q. And just --

10 A. And then when you were asking about the  
11 one which was the bulk power sales, that's where I  
12 kind of discovered I was incorrectly stating it. The  
13 bulk power sales are associated with our off-system  
14 sales. They're also associated with our sales for  
15 firm customers.

16 And so that they're revenues  
17 attributable to, you know, firm bulk power sales or  
18 nonfirm bulk power sales that we've been talking  
19 about with the margins, and there's actually a number  
20 of calculations with those in the case.

21 Q. So I guess just to try to speed this up  
22 a little bit, page 3, this is really a summary of the  
23 information that we're gonna -- that we're gonna run  
24 across later in the schedule 5?

25 A. That's right. You'll find those later

1 throughout the case, yeah, throughout these  
2 schedules.

3 Q. All right. Well, then, let's --  
4 let's -- since we were talking about that to begin  
5 with, forfeited revenue -- forfeited discounts from  
6 Missouri --

7 A. Uh-huh.

8 Q. -- there's an -- there's an adjustment  
9 column --

10 A. Right.

11 Q. -- 186,586. What's the nature of that  
12 adjustment?

13 A. I believe that is the adjustment --  
14 well, pardon me. That is the adjustment associated  
15 with the annualization of the revenues. There's a  
16 corresponding -- there's a link to forfeited discounts  
17 to revenues. And so when you adjust the revenues,  
18 you need to adjust the forfeited discounts --

19 Q. Okay.

20 A. -- to be corresponding as a relational  
21 base.

22 Q. Okay. And then -- and then not to --  
23 not to get ahead, let's go back to -- to page 448.  
24 And -- and the -- well, I guess -- I guess it's the  
25 second line, line 1-010. What are -- what is -- what

1 is the adjustment in column 602 on that number?

2 A. 602, that is the -- taking out the  
3 license fees associated -- or grocery feed stacks,  
4 it's often called, associated with the Missouri  
5 revenues. You have a -- you have a payment -- or a  
6 fee that you charge to customers that is a tax by the  
7 communities or counties, et cetera. And so we take  
8 that out of the bare revenue -- out of the revenues  
9 to come up with a base revenue, and you take a  
10 corresponding amount out of the expense side.

11 Q. And why is that a negative adjustment  
12 for bulk power sales?

13 A. Well, now you're talking about something  
14 different than that, and you're looking at the 602?

15 Q. Uh-huh.

16 A. So the best way to look at that would go  
17 over to line 5 -- or page 5, excuse me, of 48, and  
18 you'll see the summation down there on line 2-042 --

19 Q. Uh-huh.

20 A. -- which is the 70,821,000.

21 Q. Uh-huh.

22 A. And you can go through and identify each  
23 one of the items here. And what's going on there is  
24 you've annualized your capacity contracts  
25 associated -- we've annualized the capacity contracts

1 associated with the revenues coming from the sale of  
2 energy -- of capacity. We have made adjustments to  
3 reflect annualized revenues associated with firm bulk  
4 power sales.

5                   And we have gone through and subtracted  
6 out the fuel cost that's embedded -- that was  
7 embedded -- maybe a better way to say this, we have  
8 taken out all of the off-system sales revenues, and  
9 in place we've put in the margin number. And that's  
10 what we're trying to get to in that area, is going  
11 through the off-system sales margin number which is  
12 shown on line 2-038. So you can see taking out this  
13 33,706 and the 47,455, are trying to get you to an  
14 actual margin number in the case.

15           Q.       That might be confidential.

16           A.       Those should be the book numbers,  
17 they're not highly confidential.

18           Q.       Okay. On my schedule they're marked  
19 otherwise.

20           A.       That's true. Thank you, yeah.

21           Q.       So at least the number that's right  
22 above the nonhighly confidential number, the  
23 33,706,808 --

24           A.       Uh-huh.

25           Q.       -- is that -- is that the same

1 off-system sales margins through September 30th,  
2 2007, that shows up elsewhere in the testimony?

3 A. Those -- those -- that number in  
4 particular is not a margin number. It is our way of  
5 trying to take out the aggregate total of the --  
6 because you don't -- in the nonfirm sales which is  
7 combined of both a margin and a cost, if you think  
8 about the revenue side has both of those components,  
9 we're trying to get to the margin. But you -- what  
10 we're trying to do is take out a number to equal the  
11 margin.

12 And what we've tried to do is break it  
13 up between the cost of sales as well as the margin  
14 number. But we don't have the actual numbers to back  
15 it out of. Those are our projected numbers in there.  
16 We know the total is correct.

17 Q. Which total is correct?

18 A. The sum of the lines -- well, of column  
19 600. Lines 2-038 and 2-039 is the total number we  
20 know. You can see that both of them have the same  
21 title, Cost Nonfirm Sales?

22 Q. Yes.

23 A. And what you're trying to do is break  
24 the two, you're trying to break both the cost out and  
25 the margin out, and we're trying to end up with a

1     margin number. We don't -- actually don't put a cost  
2     of those sales in there, we develop the margin which  
3     came from the testimony of Mr. Schnitzer.

4           Q.     So really, you're saying that you know  
5     the number on line 2039?

6           A.     No. We know the line -- we know the  
7     total of 2-038 and 2-039 which is the -- I guess it  
8     is subtotal -- no, we know the sum of those two  
9     numbers. I mean, they actually have -- they're  
10    identified. But what we try to do is split it -- one  
11    of them is cost and one of them is margin, and we  
12    want to end up with a margin for our pro forma  
13    adjustment in the case.

14          Q.     Okay. So the one that you do know is  
15    line 2-040?

16          A.     Well, we -- well, we also know that  
17    number, but that is not -- that has more than just  
18    simply the nonfirm sales, it also has the firm sales  
19    in there.

20          Q.     Is line 2-040 simply the sum of 038 and  
21    039?

22          A.     No. It is the sum of 2-034 through  
23    2-039.

24          Q.     Okay. So it has --

25          A.     So it has the numbers above what you're

1 asking about.

2 Q. Okay. Now, back to schedule 1, page 4.

3 A. Okay.

4 Q. Okay. The sales for resale, line 1-013,

5 where does -- where does that refer back to?

6 A. Well, again, if you'll turn to page 5 of

7 48, you'll see a section down there starting on

8 2-045 --

9 Q. Right.

10 A. -- through 2-04 -- 2-045 and 2-046 which

11 is the sales for resale. Those are our FERC sales.

12 Q. Right. Are these Missouri

13 jurisdictional numbers?

14 A. No, they're not.

15 Q. All right.

16 A. They're actually taken out of our case.

17 You can see that when we zero them out over on page 5

18 of 48.

19 Q. Okay. And then back on schedule --

20 page 4 --

21 A. Uh-huh.

22 Q. -- line 1-014, are each of the numbers

23 in that line simply the sum of the columns up above?

24 A. Yes.

25 Q. So that's just a summary line?

1           A.       Uh-huh.

2           Q.       Okay.  And then with respect to line  
3 1-017, the fuel number --

4           A.       All right.

5           Q.       -- where are -- where are those numbers?  
6 Where do they refer back to later in the schedule?

7           A.       Well, maybe a good place to look would  
8 be on page 7 of 48.  Excuse me.  And you'll see  
9 the -- there's a number of places that fuel comes  
10 from.  Fuel is -- is a set of accounts.  I believe  
11 it's 501, 547, 518.  There are a number of accounts.

12                    So here on this sheet starting on page 7  
13 and going on through, you have the summation of the  
14 various fuels and the adjustments that were made to  
15 it.  So it's a summation of a number of different --  
16 you know, coal costs, oil, natural gas, it has labor,  
17 it has additives, it has all of the elements to  
18 operate our business.

19           Q.       Okay.  Well, I'm a little confused.

20           A.       All right.

21           Q.       On page 4 of 48, it shows fuel and it  
22 gives an account number of 401.

23           A.       Yes.

24           Q.       And you just referred me to a series of  
25 calculations that talk about account 501.

1           A.       Right. This is not necessarily -- this  
2   is not a FERC account here. This -- the 401 --

3           Q.       Which --

4           A.       -- the 401 isn't.

5           Q.       Okay.

6           A.       The 400 is a sub -- is the primary  
7   account for revenues, but the 401 is not. The  
8   accounts you go to for fuel are affiliated with a  
9   number of areas. 501, I believe that it's 518, I  
10   believe it is 547 -- 547. And you can actually see  
11   each one of those elements starting on page 7 of 48.

12          Q.       Okay. And so how -- how do you get  
13   from -- how do you aggregate the different fuel  
14   accounts, 518 --

15          A.       501 and 547?

16          Q.       Yeah, I believe. So it's not into where  
17   it's labeled 401 on page 4?

18          A.       You just add them up.

19          Q.       Okay. And so if you -- you just go  
20   through the 500 number account and you pick out the  
21   ones --

22          A.       -- that are -- that are associated with  
23   fuel.

24          Q.       You add those all together --

25          A.       That's right.

1           Q.       -- and then you reflect them over here  
2 on 401?

3           A.       Yes.

4           Q.       Now, who -- who did -- or let me ask you  
5 this: 501, are all the numbers in there actual  
6 per-book numbers?

7           A.       Well, in column 600 they are.

8           Q.       Right. And then we'll talk about the  
9 adjustments next, but -- but the column 600 numbers,  
10 those are all book numbers rather than calculated  
11 numbers?

12          A.       Yes, they should be, yes.

13          Q.       And then with respect to the adjustments  
14 that are made in column 602, how are those per-book  
15 numbers adjusted?

16          A.       I'm not quite following what you're  
17 asking. I mean, what we do -- what we've done is we  
18 really haven't made an adjustment to those numbers.  
19 What we've done is we've run a fuel model, and the  
20 fuel model takes are annualized sales -- annualized  
21 and normalized sales that increases it for losses.

22                   It comes up with what I would call the  
23 net system input. And then it -- we run it through a  
24 fuel model, and then that fuel model is what you see  
25 with regard to column 604, and -- for the Missouri

1 jurisdiction.

2 Q. Okay.

3 A. And then you compare that to the

4 actual -- and you actually force the adjustment.

5 Q. Okay.

6 A. That's what I was trying to get at.

7 Q. And so -- so in -- in simple terms,

8 column 600 is per-book numbers --

9 A. Yes.

10 Q. -- column 604 is the output of a fuel

11 model?

12 A. For Missouri jurisdictions.

13 Q. For Missouri jurisdictional. And the

14 adjustments in between are simply the difference?

15 A. The way to get there, that's correct.

16 Q. The way to get from one to the other?

17 A. Uh-huh.

18 Q. Okay. Did you conduct the fuel model

19 that came up with these numbers?

20 A. Did I conduct -- no, I did not conduct

21 the fuel model. I reviewed the results.

22 Q. Who did the fuel model?

23 A. You want an individual's name or a

24 department?

25 Q. Whichever.

1           A.       It was done through the -- a gentleman  
2     named Doug Yazza (phonetic spelling) who was  
3     responsible for doing the fuel model for the retail  
4     portion of it.

5           Q.       Okay.

6           A.       Reviewed by me and included in here.

7           Q.       Okay. Does he work for you?

8           A.       No, he does not.

9           Q.       Does he work for KCPL?

10          A.       Yes, he does.

11          Q.       Okay.

12          A.       Now, he -- we're only dealing with the  
13     fuel for jurisdictional retail sales.

14          Q.       Okay.

15          A.       Just to clarify one thing, we did work  
16     with the Staff through this process and we agreed --  
17     came up and agreed to a fuel number, basically an  
18     adjustment to reflect the differences of the two  
19     between our fuel run and their fuel run that is  
20     reflected in the reconciliation that I described  
21     earlier.

22          Q.       Okay. And I think what you've just  
23     described in terms of columns 600 and 604 was for  
24     account 501. Is that the same for the other 500  
25     number accounts that make up fuel?

1           A.       That make up fuel, yes.

2           Q.       Are they derived the same way?

3           A.       Yeah, yes, it is.

4           Q.       Okay. Why is it that for 518 it shows

5 there's nothing for fuel, it's just zero?

6           A.       Because it is a nuclear fuel and it uses

7 an amortization process rather than a spent fuel

8 burn, is my understanding. And it comes up with this

9 nuclear fuel net amortization.

10          Q.       Okay. And was that done through the

11 same fuel modeling or --

12          A.       Yes.

13          Q.       -- was that a different fuel modeling?

14          A.       No, no. It's all through the same

15 process.

16          Q.       Okay. And then was it -- 547 done the

17 same way?

18          A.       Yes.

19          Q.       And what -- what types of fuel are

20 reflected there?

21          A.       Those are attributable to a CT or a

22 combustion turbine. So it's a -- typically natural

23 gas. I believe there's some fuel oil associated with

24 it too, but it's associated with a particular type of

25 generating unit.

1           Q.       And that -- that calculation was done  
2     the same way that the model results are shown in 604?

3           A.       Give me the -- where 604 is. Oh, yes.  
4     Yeah, it was.

5           Q.       Okay.

6           A.       And all of that is done in concert, so  
7     it's all -- you create a run, a fuel run that has all  
8     of those components in it. And you also have  
9     purchased power in that also which is in your 555  
10    accounts.

11          Q.       Well, and purchased power shows up,  
12    going back to page 448, it's also labeled as account  
13    number 401 and it's reflected on line 1-018?

14          A.       Right. And there, you can go back to  
15    seeing that on -- again, that would show on page 9 of  
16    48, and that would be under the purchased power area.

17          Q.       Is that under other power supply  
18    expenses?

19          A.       Yes. That's 4-199, the line number.

20          Q.       4-199? Okay. That's the total for  
21    account 555 there?

22          A.       Right. And that's the number that you  
23    see on line 1-018 on page 4.

24          Q.       And is that -- is this also calculated  
25    through a fuel model?

1           A.       Yes.

2           Q.       The same fuel model?

3           A.       Uh-huh.

4           Q.       And it -- how does that fuel model

5       assign a cost to demand and energy that are -- that

6       are different from the actual booked costs of demand

7       and energy?

8           A.       Well, it doesn't assign a different

9       demand cost. What it assigns is a different energy

10       cost.

11          Q.       Okay.

12          A.       And it's only the energy component that

13       is driven in that model. The demand component is

14       annualized where you go and you look at all of the

15       capacity contracts that are out in your -- in your

16       market at the end of September 2007, and you

17       annualize your capacity contracts at that date.

18          Q.       Okay. So what you're saying is that

19       line 4-198 on page 9 --

20          A.       That's in the fuel model, 4 --

21          Q.       That's in the fuel model?

22          A.       That's correct. 4-197 is an annualized

23       amount.

24          Q.       Okay. Is column 600 or column 604 the

25       annualized amount?

1           A.       604 --

2           Q.       Okay.

3           A.       -- is the Missouri portion of the

4   annualized amount.  If you look at it in terms of

5   first of all, your fuel model, you run as if you're

6   running both the Kansas jurisdictional retail load

7   and the Missouri jurisdictional retail load

8   simultaneous.  And then you have an allocation factor

9   that you split the two between Missouri and Kansas.

10   604 is the result of those two activities.

11          Q.       Okay.  So, for example, on line -- lines

12   1 -- line 198, the energy number, that's --

13          A.       Line -- wait a second.

14          Q.       -- already then allocated to Missouri on

15   the basis of an E 1 allocator.  That's the energy 1

16   allocator.

17          A.       I'm not -- I don't know where 190 -- oh,

18   4-198?

19          Q.       Yeah, 4-198, there's a fuel number --

20          A.       That has an E 1 allocator when it gets

21   to 604, that's correct.

22          Q.       Okay.  So in column 600, are the numbers

23   for demand and energy there, are those total company

24   or are those already Missouri?

25          A.       They're total company.  I don't remember

1     that on that account, I do not.

2           Q.       Because if that's -- if that's the case,  
3     then the difference between 600 and 604 is not very  
4     much.  If that was the case, then virtually all the  
5     purchased power --

6           A.       That's why I said I don't remember.

7           Q.       -- would be Missouri rather than --

8           A.       I understand.  That's why I said I don't  
9     remember on that account.

10          Q.       Okay.  Other than those lines, roughly  
11     4-195 down through 4-199 on page 9, is there anything  
12     else that leads to the purchased power number back on  
13     page 4?

14          A.       No.

15          Q.       Okay.  Now, on page 4, line 1-019, Other  
16     Operation and Maintenance Expenses --

17          A.       All right.

18          Q.       -- where do we go later in -- in your  
19     schedule 5 to find the backup for those numbers?

20          A.       All right.  You go to page 7 through  
21     page 12, and it's all of the non -- make sure I read  
22     that right.  It's all of the nonfuel components,  
23     nonfuel, nonpurchased power components in that --  
24     those areas.

25          Q.       Okay.  So other than the ones we've

1 already talked about which are fuel and purchased  
2 power, all the rest of those accounts --

3 A. -- are defined in those pages by account.

4 Q. Okay. They lead up to the number that  
5 we're looking at as 1-019 on page 4?

6 A. That's correct.

7 Q. Okay. And just to -- just to start  
8 somewhere, on -- on -- on page 7, line 4-014 ...

9 A. 7- -- page 7.

10 Q. Page 7, line 4-014. It's the first --  
11 it's the first line with numbers in it.

12 A. All right.

13 Q. What is the -- what does the -- the  
14 column 599 indicate on that? That seems to be zero  
15 on virtually all of those schedules, or on many of  
16 them, unless they're rate based. Is that -- is that  
17 something that has to do just with rate base rather  
18 than expense?

19 A. In many of the accounts on the  
20 operate -- O&M expenses, you cannot break out  
21 necessarily the labor -- all of the components of an  
22 account, and yet, when we go through and put a rate  
23 case together, we break it out into segments. So we  
24 go through labor, we go through other nonlabor  
25 accounts and other items. And apparently -- well,

1   pardon me, this does not have those numbers in -- the  
2   actual split-out.

3           Q.       Okay.

4                   MR. FISCHER:  Your Honor, I understand  
5   cross-examination is broad.  We certainly provided  
6   these schedules for purposes of cross.  I would ask  
7   counsel if he could tie how -- how the cross is  
8   relating to capital structure off-system sales margin  
9   and the -- and the experimental additional  
10  amortization issue that I thought were gonna be tried  
11  today.

12                  MR. MILLS:  Well, frankly, Judge, I  
13  don't know yet because I haven't had a chance to go  
14  through these schedules.  As you'll recall in the  
15  last case, we had a very similar schedule like this  
16  that had embedded in it one simple number that --  
17  that cost ratepayers \$10 million.  It was -- it was a  
18  number that appeared only in these schedules, and the  
19  underlying support for it was not found elsewhere in  
20  the record.  And I'm gonna go through each one of  
21  these numbers in these schedules to find out if  
22  there's something like that in this case.

23                  Before -- before I can say whether or  
24  not I object to the admission of this schedule, I  
25  need to understand what it's showing, where the

1 numbers came from, whether Mr. Rush calculated them  
2 and whether he understands and can support them.

3 JUDGE PRIDGIN: All right. I'll  
4 overrule.

5 MR. MILLS: It doesn't necessarily have  
6 to do with these particular issues, but if it's going  
7 into the record, I need to know, and I think  
8 everybody needs to know where they came from and what  
9 they're -- what they're intended to prove.

10 JUDGE PRIDGIN: I overruled. You can  
11 continue.

12 MR. MILLS: Okay.

13 BY MR. MILLS:

14 Q. So we were -- we were talking about  
15 page 7, line 4-014.

16 A. Yes.

17 Q. And can you explain to me again why --  
18 why there's a zero in column 599?

19 A. Because we did not show the actual  
20 numbers broken out between labor and other on an  
21 actual basis.

22 Q. Okay.

23 A. But we do show, for example, the  
24 projected number which is shown in the next column.  
25 And -- for labor and other. And then we show the

1 adjustment that was made to it, to that account for  
2 labor. And then ultimately we come up with the  
3 Missouri and Kansas jurisdictional portion, and then  
4 we break it using a demand allocator to go in between  
5 Missouri and Kansas, and ultimately at 604 we come up  
6 with the Missouri portion of labor attributable to  
7 account 500.

8 Q. And what -- what is the adjustment in  
9 column 602?

10 A. It's part of the annualization, but I'm  
11 trying to find what -- I mean, it's the payroll  
12 annualization attributable to the adjustment for the  
13 overall account, but I'm trying to define what the  
14 total number is. I'm sorry. I can't find it right  
15 off, but it's the payroll annualization attributable  
16 to that -- to the payroll associated with labor  
17 501 -- 5 -- account 500.

18 Q. Well, just give me an example about how  
19 that would have been annualized.

20 A. All right. How we would go through a  
21 process is, we took the employee accounts at the end  
22 of September 30th and we went through and -- and  
23 annualized the pay raise -- pay wages at that time.  
24 And we took into account all of the components of  
25 overtime and all of the other elements associated

1 with pay. And then we came up with the total cost  
2 for the company attributable to that area for pay and  
3 for each one of these accounts.

4 And what we had to do, we had to go back  
5 and make an allocation to get -- to each one of them  
6 to an account for what I call the FERC jurisdictional  
7 accounts, and that was the process we went through  
8 for pay.

9 I will say that we then went through and  
10 provided that to the Staff. They went through and  
11 made sure that we were consistent, and that's why we  
12 made a number of adjustments to our reconciliation  
13 because what we did, then, is we confirmed with Staff  
14 all of the numbers that we had through the process.

15 So there is a slight difference between  
16 our numbers in this case and our reconciliation  
17 because we reconciled our numbers to Staff and  
18 reached an agreement on every item that's there which  
19 is what I talked about earlier.

20 Q. Uh-huh. Okay. With respect to the next  
21 line --

22 A. Okay.

23 Q. -- where we had the 015, what goes into  
24 other supervising engineering?

25 A. Honestly, I -- whatever other

1 expenses -- you know, buying pencils and paper and  
2 paying miscellaneous expenses associated with that.

3 Q. Okay. So these are overhead type  
4 expenses --

5 A. Uh-huh.

6 Q. -- that go with the labor in the  
7 previous line?

8 A. Yeah, yes.

9 Q. And in this case there were no  
10 adjustments?

11 A. That's correct.

12 Q. And then total account 500 is simply the  
13 sum of the previous two lines --

14 A. That's right, uh-huh.

15 Q. -- 401, 406? And we've already talked  
16 about fuel.

17 A. You know, all the components that you're  
18 talking about, we provided back to you -- OPC in work  
19 papers that delineated every one of the adjustments  
20 that we made in here. So I mean, what you're  
21 referencing are things that came from work papers  
22 attributable to these -- these adjustments.

23 Q. And then down at line 4-01 -- 031, the  
24 steam expenses, is that similar to supervising and  
25 engineering where you've got a labor amount that's --

1     that's adjusted for an annualization at line 4-032?

2             A.       The same process.

3             Q.       Same process?

4             A.       Uh-huh.

5             Q.       Do you know how -- how that was adjusted  
6     to annualize labor for that?

7             A.       I know how we developed the annualized  
8     payroll which is the process I described to you  
9     earlier, though we had to make adjustments to each  
10    one of these areas.  And -- and I mean, it was just a  
11    distribution of adjustments to reflect the total  
12    payroll.

13            Q.       Okay.  And then line 4-033, the Other,  
14    is that similar to the other under supervising and  
15    engineering?  This is just overheads associated with  
16    the labor as far as you know?

17            A.       Yes, yes.

18            Q.       Okay.  What -- what are Electric  
19    Expenses Turbo Gen, line 4-040?

20            A.       I honestly don't know.  I mean, it's  
21    part of the expenses associated with FERC account  
22    505.  It's whatever is attributable to that area.

23            Q.       But you don't know what that is?

24            A.       Well, my guess is it's electric expenses  
25    turbo gen.  But I -- honestly, you know, without

1 looking at a FERC account, chart of accounts and  
2 trying to dig into it, I really wouldn't know.

3 Q. But this schedule shows that at least  
4 for Missouri customers, approximately \$3.2 million of  
5 this expense is gonna be included in rates?

6 A. That's right.

7 Q. Where -- where in the record would I  
8 find support for what that number is?

9 A. It would have been in the work papers,  
10 and it would have been in the actual expenses. I  
11 mean, if you -- and I'm not sure of your piece that  
12 you're looking for, but part of it is attributable to  
13 the -- you know, what is charged to our overall  
14 electric costs, what goes into the accounts, and then  
15 how that is allocated between the jurisdictions.

16 And it's all based on FERC accounts.  
17 It's -- for example, you can't take your boiler  
18 accounts in 512 and start charging them to turbo  
19 expense accounts. But turbo expense accounts  
20 probably have something to do with turbo generators  
21 which probably have something to do with our  
22 generation fleet, and we assign it based on how  
23 it's -- how the actual costs are incurred.

24 Q. Well, you say it probably has something  
25 to do with. Do you know that?

1           A.       Well, every time I've been involved with  
2   an audit of our accounts and how they've been  
3   associated, I've found that we do charge them based  
4   on the FERC accounts. We have a guideline that says  
5   we'll charge based on the FERC chart of accounts.

6           Q.       Well, I'm not talking about in general,  
7   I'm talking about this specific account, this \$3.2  
8   million.

9           A.       If you're asking if I went in and looked  
10   to see where each of the \$3.2 million came from, no,  
11   I did not.

12          Q.       Okay.

13          A.       But I did look at the overall payroll  
14   associated with it. I looked at the employee  
15   complements. I worked with the Staff to develop a  
16   reconciliation of the payroll attributable to it, and  
17   we came up with an agreement of -- of actually the  
18   body -- you know, the people as of September 30th,  
19   the labor associated with that, and then the total  
20   amount of dollars that were attributable to it.

21                    So I -- I mean, I've tried to do  
22   everything I can to validate that the numbers are, in  
23   fact, correct and, you know, annualized and  
24   normalized for the rate case.

25          Q.       But as we're sitting here today trying

1 to figure out whether to admit this schedule or not,  
2 you don't know either what the turbo gen electric  
3 expenses labor is or exactly what the \$3.2 million  
4 that's charged to that does for ratepayers?

5 MR. FISCHER: Your Honor, I'm going to  
6 object at this point. Missouri law does not require  
7 that the utility justify each and every expenditure  
8 that is on its books and records. There's a  
9 presumption that those expenditures are prudent until  
10 someone raises a question and produces evidence that  
11 would question that presumption.

12 I think that's where the Public Counsel  
13 is going here. This man has obviously showed that  
14 he's very familiar with this -- these schedules and  
15 he has the overall control of this rate case. He  
16 certainly has been answering the questions. But he's  
17 not expected or -- or required by law to be able to  
18 explain each and every number that might be on the  
19 books and records of our company. And I therefore  
20 would object to this line of questioning.

21 JUDGE PRIDGIN: Mr. Mills?

22 MR. MILLS: I simply asked him if he  
23 could tell me what that particular number bought for  
24 ratepayers. I think -- I'm not trying necessarily to  
25 disagree with Mr. Fischer's characterization of the

1   burden of proof, but I don't -- I don't think he can  
2   say well, you know, we've got a presumption of  
3   prudence so you can't ask us about that.

4                   And I think the presumption of prudence,  
5   the only way you can challenge it is to ask questions  
6   about it, and -- and without -- without being able to  
7   ask questions about what these numbers are, I don't  
8   see how I am to challenge the -- the prudence.

9                   JUDGE PRIDGIN: All right. I'll -- I'll  
10   overrule it, Mr. Mills. Do you have any idea how  
11   long the questioning is going to continue? I -- it's  
12   a matter of getting someone from school.

13                  MR. MILLS: Well, Judge, I think I  
14   explained the problem. I'm -- I'm very much afraid  
15   that I'm gonna find like we did in the last case that  
16   there's some number in here that's gonna come back  
17   and bite me. And without knowing that each of these  
18   numbers is supported and relates to an issue that I  
19   know about, I'm -- I think it's gonna take a while to  
20   go through all of these numbers.

21                  MR. FISCHER: Your Honor, I think I'm  
22   going to object to references to the previous case.  
23   That case is on appeal right now. The Public Counsel  
24   has challenged, I think, that particular issue, and  
25   it seems to me to be irrelevant to this proceeding.

1                   MR. MILLS:  It's not irrelevant because  
2  regardless of whether or not I'm successful on that  
3  appeal, the dollars charged to ratepayers are not  
4  gonna go back to ratepayers.  That's the way the law  
5  works in Missouri.  And by the time we get through  
6  the -- through that appeal, even if I win, ratepayers  
7  will be out \$10 million a year approximately until  
8  the case is concluded.

9                   And if the same thing happens in this  
10 case, where there is an amount charged that  
11 ultimately I don't believe is justified in the record  
12 and I win that on appeal, there's no way for  
13 ratepayers to get that back either.  So I think it's  
14 very relevant, and I think -- I think I'm allowed  
15 under due process the opportunity to cross-examine  
16 this witness on -- on a piece of testimony and a  
17 piece of evidence that the company has tried to offer  
18 into the record.

19                  MR. FISCHER:  Your Honor, the question  
20 is whether this man has the -- is presented with --  
21 or whether we provided a foundation for the admission  
22 of this testimony.  I think perhaps a little more  
23 voir dire -- voir dire would clear that up, but he's  
24 clearly eligible to sponsor this overall picture of  
25 the company with all the summary exhibits that are

1 here.

2 And I don't have a problem with Public  
3 Counsel asking questions, but it seems to me that it  
4 needs to relate to the issues that were being  
5 presented at this true-up proceeding, and identified  
6 as such in this case.

7 JUDGE PRIDGIN: I'm gonna overrule and  
8 I -- and Mr. Mills, to the extent that you can, I'm  
9 not asking you to waive any rights that you have to  
10 cross-examine this witness on this document, but I'm  
11 just wondering if there's some less painful way we  
12 can do this other than going line by line through all  
13 of these accounting schedules. And if not -- and  
14 there's not --

15 MR. MILLS: I wish there was. I  
16 certainly have better things to do with my time.  
17 But, I mean, there's -- there's a huge number of  
18 numbers here. These were just filed a week ago.  
19 I -- I didn't have the opportunity in the interim to  
20 depose Mr. Rush to find out what these all are.

21 I'm not the one that's trying to get  
22 them in the record. The company is trying to get  
23 them in the record. And I think if they're gonna go  
24 into the record, I have the opportunity to ask and  
25 find out what they are.

1 JUDGE PRIDGIN: All right. We'll -- I  
2 mean, I'll overrule, and Mr. Mills, you can continue.

3 BY MR. MILLS:

4 Q. And Mr. Rush, we were talking about --  
5 I've lost it now.

6 A. We were talking about electric expenses,  
7 turbo gens.

8 Q. Uh-huh.

9 A. Those are expenses that are done in the  
10 fuel area. They are expenses associated with our  
11 generating units, and you'd asked about the specific  
12 details within them. Those are, you know, our  
13 operations side of the business.

14 If you try to break down how the  
15 accounting is set up, they are operations expenses.  
16 They are associated with dealing with generators.  
17 And so that -- that part of the business, they're not  
18 a maintenance expense, and they're not dealing with,  
19 you know, things like control room operations. But  
20 there are people at the plants, labor side associated  
21 with dealing with the generator side of our business.

22 Q. Okay.

23 A. Not -- not boilers.

24 Q. Okay. But specifically, what exactly  
25 people labor on when they're -- when they're charging

1 their labor to electric expenses, turbo gen, do you  
2 know any more detail about what that is?

3 A. Well, part of it is going out and  
4 inspecting the operations of the generators while  
5 they're in operations to make sure that everything's  
6 in sync. It's not controlling it like, you know,  
7 how -- what level it is, but it's assuring that  
8 everything is operating properly.

9 Q. And then the next line, 4-041, the  
10 Other, is that what we've talked about above, just  
11 simply the overheads associated with that labor?

12 A. Yes.

13 Q. Okay. And what goes into miscellaneous  
14 steam power expenses?

15 A. Well, I believe it is anything that is  
16 not directly assigned to the 500 through 50 -- 50 --  
17 let's see, 505 accounts that's associated with the  
18 operations side of our generation fleet. And there's  
19 specific definitions that are set out in the FERC  
20 code of accounts.

21 Q. So this --

22 A. I know why you're going through all of  
23 these. You're trying to isolate each one of the  
24 components. You know, and I've tried to describe how  
25 we went through the annualization of payroll process

1    which really didn't look at -- annualize each one of  
2    these subaccounts that you're talking about. We  
3    annualized the whole payroll of the organization, and  
4    then we reassigned them to accounts. And that  
5    process then was validated with the Staff. And so  
6    the numbers that you see and you've been asking about  
7    are not necessarily the numbers that are in our  
8    reconciliation which is the basis of our case. You  
9    understand that?

10       Q.     I do understand that.

11       A.     Okay.

12       Q.     And that's -- and that's -- and that's  
13    at least part of my problem. Some of the numbers in  
14    here are gonna be different from the reconciliation.

15       A.     That's because they're Staff's numbers.

16       Q.     Right. And if they're significantly  
17    different, if this goes into the record, then the  
18    Commission can pick these numbers whether they're the  
19    same as the reconciliation or not because they're in  
20    the record. And so I need to identify --

21       A.     Well, the reconciliation -- I don't want  
22    to argue.

23               MR. FISCHER: Your Honor, we'll  
24    stipulate that this case should be decided based upon  
25    the reconciliation numbers that the company and Staff

1    have -- and I think Public Counsel have worked  
2    together to come up with. Obviously, there are many  
3    issues that get resolved, compromised along the way.  
4    The reconciliation is the final document that we used  
5    for making these adjustments, and I think that's the  
6    way it's been done in this jurisdiction for a long  
7    time. And therefore I'd stipulate to that.

8                   MR. MILLS: Well, then, I'll -- and that  
9    may actually -- may help some, but then what is the  
10   purpose of this document that we're talking about  
11   here?

12                   THE WITNESS: This doc --

13                   MR. MILLS: If the company has offered  
14   it in, then obviously they must think it has some  
15   purpose, but I don't see what that is.

16                   MR. FISCHER: Your Honor, the witness  
17   can explain exactly what the purpose of this document  
18   is from his perspective, but from the legal  
19   perspective, this is the summary of all the company's  
20   case and all of the adjustments that we have  
21   supported in our position as we came into this case.

22                   Obviously we have made compromises.  
23   We've made compromises to get to the reconciliation  
24   that was just filed here last week. And that is the  
25   document that will reflect the adjustments that are

1 left, I think, to be resolved by the Commission in  
2 this proceeding.

3 JUDGE PRIDGIN: To the extent -- I mean,  
4 if there's an objection standing and if I'm not  
5 mistaken, did you launch an objection, Mr. Fischer,  
6 or you just simply said you stipulated and it's  
7 Mr. Mills' objection?

8 MR. FISCHER: I stipulated to try to  
9 move it along to try to help the bench if there's an  
10 issue here about what -- what the purpose of the  
11 reconciliation or what the purpose of this schedule  
12 is.

13 JUDGE PRIDGIN: Okay. And I -- and if  
14 I -- if I heard it correctly, I think Mr. Mills was  
15 questioning maybe rhetorically the relevance of the  
16 document. And I don't think the document has been  
17 offered yet, so it's still pending, and you're still  
18 able to object to that document's admission if you  
19 wish.

20 MR. MILLS: Well, it has been offered  
21 and maybe this will cut it short. I object to this  
22 on the basis, one, that this witness is not  
23 completely familiar with all of the numbers in it so  
24 far and we haven't even gotten very far. There's  
25 some that he only knows in a very general way.

1 There's some annualizations that he's already said  
2 that he doesn't know how they were calculated.

3 There is a series of numbers from the  
4 fuel run that he didn't conduct. And on top of that,  
5 I don't believe it's relevant because the company has  
6 just stipulated that we're gonna work from the  
7 reconciliation. So I'd object to it on all those  
8 bases.

9 JUDGE PRIDGIN: Okay. Mr. Fischer?

10 MR. FISCHER: Your Honor, I think I  
11 should ask permission to voir dire the witness.  
12 We -- we eliminated most of the beginning questions  
13 that we normally ask, but perhaps that would lay a  
14 better foundation for this and would address  
15 Mr. Mills' objections.

16 JUDGE PRIDGIN: You may voir dire the  
17 witness.

18 VOIR DIRE EXAMINATION BY MR. FISCHER:

19 Q. Mr. Rush, would -- would you explain the  
20 purpose of these schedules?

21 A. The purpose of these schedules were to  
22 file our case that was due to be filed last Friday  
23 which was to be the true-up associated with the  
24 September 30 date. And this is a -- this is  
25 literally the -- the computation of all the true-up

1 issues in the case to come up with a revenue  
2 requirement for our case as of September 30th data  
3 that was our position when we filed it last Friday.

4 Q. Were these schedules prepared by you or  
5 under your supervision or direction?

6 A. Yes, they were.

7 Q. And are they true and accurate to the  
8 best of your knowledge and belief?

9 A. Yes, they are.

10 MR. FISCHER: Your Honor, I'd move for  
11 the admission of this exhibit. He's obviously shown  
12 that he knows -- I'd move for the admission of the  
13 exhibit.

14 JUDGE PRIDGIN: All right. And  
15 Mr. Mills, your objections?

16 MR. MILLS: I've raised objections to  
17 it.

18 JUDGE PRIDGIN: All right. I will  
19 overrule, but I will certainly -- if you still  
20 have -- and the exhibit is admitted, but if you want  
21 to cross-examination on -- on accuracy or potential  
22 bias or whatever reasons you'd want to cross-examine  
23 on the document, you may continue to do so.

24 (EXHIBIT NO. 41 WAS RECEIVED INTO  
25 EVIDENCE AND MADE A PART OF THE RECORD.)

1                   MR. MILLS:  If it's -- if it's already  
2   in the record, then there's not a whole lot of point  
3   on that.

4                   JUDGE PRIDGIN:  All right.

5                   MR. MILLS:  I have no further questions  
6   of this witness.

7                   JUDGE PRIDGIN:  All right.  Thank you.  
8   Any bench questions, Mr. Chairman?

9                   CHAIRMAN DAVIS:  No, your Honor, I don't  
10  believe I have any questions of Mr. -- Mr. Rush at  
11  this time, but I believe I may have some -- some  
12  questions -- or questions for Mr. Mills before we  
13  finish up today, if we finish today.

14                  JUDGE PRIDGIN:  Okay.  And I don't have  
15  any questions for the witness.  Any redirect?

16                  MR. FISCHER:  Just briefly, yeah.

17  REDIRECT EXAMINATION BY MR. FISCHER:

18                 Q.     Mr. Rush, do parties routinely exchange  
19  work papers in rate cases?

20                 A.     Yes, they do.

21                 Q.     Did that happen in this case?

22                 A.     Yes, it did.

23                 Q.     Did you provide work papers related to  
24  your true-up case to the parties in this case?

25                 A.     Yes, I did.



1 And Mr. Rush, thank you very much, sir. And  
2 Mr. Chairman, did you have questions for Mr. Mills or  
3 did you want to wait on those?

4 (NO RESPONSE.)

5 JUDGE PRIDGIN: I believe Mr. Rush is  
6 the last scheduled witness; is that correct, Counsel?

7 MR. ZOBRIST: That's correct. Judge, I  
8 had one housekeeping matter.

9 JUDGE PRIDGIN: Yes, sir.

10 MR. ZOBRIST: I think there was a  
11 reference to Mr. Schnitzer's direct testimony in the  
12 2006 case which is No. ER-2006-0314, and my  
13 recollection is that it was admitted into evidence.  
14 And I would ask the Commission to take administrative  
15 notice of that piece of evidence in the other case in  
16 this case.

17 JUDGE PRIDGIN: And that's fine. We'll  
18 certainly take administrative notice of that. I'm  
19 sorry. Mr. Dottheim?

20 MR. DOTTHEIM: Yes, Judge, there was the  
21 true-up direct testimony and the Staff's true-up  
22 accounting schedules that were marked as exhibits  
23 that I've not offered which I'd like to offer at this  
24 time. There's Leon Bender's true-up direct testimony  
25 which is Exhibit 126. I can go through those in

1 total or if you want to address them on an  
2 item-by-item basis.

3 JUDGE PRIDGIN: No, you can just do them  
4 all at once, if you don't mind.

5 MR. DOTTHEIM: Okay. There's Shawn  
6 Lange's true-up direct testimony which is  
7 Exhibit 128; Michael Taylor's true-up direct  
8 testimony which is Exhibit 129; Curt Wells' true-up  
9 direct testimony which is Staff Exhibit 131;  
10 Mr. Traxler who is sponsoring the Staff's true-up  
11 accounting schedules which have been marked as Staff  
12 Exhibit 124 which is the Staff's EMS run and  
13 accounting schedules. And the Staff also had marked  
14 earlier today the reconciliation, reconciliation that  
15 was filed on Monday of this week and marked as  
16 Exhibit 123. Staff would also offer that exhibit.

17 MR. ZOBRIST: Did you have Mr. Elliott's  
18 127?

19 MR. DOTTHEIM: Okay. I'm sorry if I  
20 missed Mr. Elliott's. Thank you, Mr. Zobrist.  
21 Mr. Elliott's true-up direct testimony which is Staff  
22 Exhibit 127. That's both highly confidential and  
23 public, nonproprietary or nonhighly confidential.

24 JUDGE PRIDGIN: And I'm sorry. Those  
25 are all being offered, Mr. Dottheim?

1                   MR. DOTTHEIM: Yes, I would like to  
2 offer all of those exhibits at this time.

3                   JUDGE PRIDGIN: And if I followed along  
4 correctly, that would be Exhibits 123 and 124, 126  
5 through 129, 131. I believe that was all that was  
6 offered; is that correct?

7                   MR. DOTTHEIM: That's correct.

8                   JUDGE PRIDGIN: All right. Any  
9 objections?

10                   (NO RESPONSE.)

11                   JUDGE PRIDGIN: Hearing none, Exhibits  
12 123, 124, 126, 127 NP and HC, 128, 129 and 131 are  
13 all admitted.

14                   (EXHIBIT NOS. 123, 124, 126, 127 NP AND  
15 HC, 128, 129 AND 131 WERE RECEIVED INTO EVIDENCE AND  
16 MADE A PART OF THE RECORD.)

17                   JUDGE PRIDGIN: All right. Thank you.  
18 Mr. Chairman, did you have questions for Mr. Mills?

19                   CHAIRMAN DAVIS: Okay. Mr. Mills,  
20 the -- I apologize. I am gonna have to go back and  
21 thoroughly read the transcript in this area, but your  
22 cross-examination of Mr. Rush and the schedules that  
23 were being used in the true-up documents, I mean, do  
24 you not -- do you not agree with the -- the  
25 reconciliation that -- my understanding that Staff

1 has put together, the most recent one, or I mean,  
2 what's the issue here?

3 MR. MILLS: I don't have any objection  
4 to the numbers shown in the reconciliation. I don't  
5 know -- my problem is I don't know what is buried in  
6 40 pages of fine print in Mr. Rush's schedule 5. And  
7 my point was I was trying to go through line by line  
8 to have him explain what all those numbers are, how  
9 they relate to the issues in the case and how they  
10 were determined.

11 CHAIRMAN DAVIS: And did you get an  
12 answer to that -- that satisfied you?

13 MR. MILLS: I got part way through it,  
14 and then the -- then the exhibit was admitted over my  
15 objection. And once the -- once all that stuff is in  
16 the record, it doesn't do me a whole lot of good to  
17 try to determine whether or not it's accurate if it's  
18 in the record already.

19 CHAIRMAN DAVIS: Okay. And had you --  
20 had you or anyone in your office had access to these  
21 schedules at any time previous to Mr. Rush's filing  
22 them or sending them out in this case?

23 MR. MILLS: I'm not aware that we got  
24 any of this before it was filed on November 2nd.

25 JUDGE PRIDGIN: Does anybody dispute

1     that?

2                   MR. FISCHER:  Your Honor, I think Public  
3     Counsel got it the same time that every party did,  
4     including the work papers that were also provided  
5     very soon after the filing of that, much like happens  
6     in almost every rate case that has a true-up  
7     proceeding.

8                   CHAIRMAN DAVIS:  All right.  All right.  
9     Judge, I don't have anything else.  No further  
10    questions.  Thank you.

11                  JUDGE PRIDGIN:  All right.  Thank you.  
12    Is there anything -- and I don't see any other  
13    witnesses.  I'm sorry.  Mr. Dottheim, did you have  
14    something?

15                  MR. DOTTHEIM:  Yes.  I'd -- I think I'd  
16    like to raise something.  I don't know -- I don't  
17    think it's been raised.  It may have been, and I may  
18    have just entirely missed it which is very possible.

19                  I think maybe Mr. Mills might have been  
20    alluding to this a little bit earlier this afternoon,  
21    and this matter, I think, indirectly came up in the  
22    Empire case last year, and I don't know that we  
23    ultimately ever had to address it.

24                  But the reconciliation filed earlier  
25    this week on Monday shows for the -- the company's

1 case, with the amortization, shows the company's  
2 revenue requirement as \$47.3 million. And if I am  
3 looking correctly at the -- the company's filing with  
4 the Commission, I believe they -- their initial  
5 filing on February 1 or thereabouts of this year was  
6 for a revenue requirement, an increase in rates of  
7 \$45.3 million.

8                   So right now, we are showing on the  
9 reconciliation that if the Commission were to award  
10 all issues to Kansas City Power & Light, the revenue  
11 requirements, the increase in rates would be \$47.3  
12 million, and the company filed for 45.3 million  
13 dollars.

14                   I believe Mr. Mills inquired of Mr. Rush  
15 whether he knew whether the company was seeking, in  
16 essence, in excess of what it had filed for, and I  
17 think Mr. Rush indicated that he thought the company  
18 was seeking what it had filed for.

19                   I think I will raise this matter in  
20 this -- in this context, and for counsel for KCPL and  
21 other counsel, I don't know whether this, other than  
22 just casually as it -- as it occurred earlier this  
23 afternoon, if not raised in the manner would  
24 otherwise have been just thought of as having been  
25 casually raised and therefore, that the -- the

1 company not having definitively responded.

2 But -- but when it occurred to me from  
3 Mr. Mills' -- from Mr. Mills' question, the -- the  
4 subject matter, I thought I would broach the matter.  
5 Because again, I didn't think that -- that this had  
6 been raised in the context of this case previously.  
7 So I, again, may have missed this and it may have  
8 been raised and it may have been addressed, but if  
9 it -- if it hasn't, it may be something that -- that  
10 the RLJ or Commissioners may want the parties to  
11 address, or if you want KCPL first to respond and  
12 then the parties.

13 JUDGE PRIDGIN: If I recall correctly --  
14 and I don't know if it was under Mr. Mills' --  
15 Mr. Mill's questioning or someone's questioning, I  
16 believe a KCPL witness stated that the company was  
17 only seeking the revenue requirement as filed in the  
18 direct case and not one penny in excess. That was my  
19 understanding.

20 MR. DOTTHEIM: Well, and if that person  
21 is -- is authorized to speak for the company and we  
22 can get some indication on that from Mr. Fischer  
23 and/or Mr. Zobrist or Mr. Blanc, then with respect to  
24 that, that this item that I've broached may be at an  
25 end or probably is at an end.

1                   MR. MILLS: And, Judge, if it turns out  
2     that Mr. Rush is not authorized to speak for the  
3     company, I may have some further objections.

4                   MR. PRIDGIN: Let's see if counsel would  
5     care to bind the company to that position.

6                   MR. FISCHER: Your Honor, I'd be glad to  
7     speak to that. We believe our case does support an  
8     increase of \$47 million, three-hundred-eighty --  
9     318,855. However, I am aware of precedent in this  
10    jurisdiction, the Capital -- the Capital City Water  
11    case back in the '70s, I believe, where the  
12    Commission has ruled that you can't have -- you can't  
13    get more than what you requested in your tariff  
14    filing.

15                   I'm also aware of cases where a company  
16    has filed and the Staff has come in with a higher  
17    revenue requirement and the company is limited to  
18    what it requested.

19                   In this particular case, the company is  
20    not seeking from this Commission an order of more  
21    than what we've requested.

22                   JUDGE PRIDGIN: In your direct case?

23                   MR. FISCHER: Yes.

24                   JUDGE PRIDGIN: All right.

25                   MR. DOTTHEIM: Thank you.

1 JUDGE PRIDGIN: You're welcome.

2 Anything further from counsel on that issue or on  
3 other issues?

4 (NO RESPONSE.)

5 JUDGE PRIDGIN: All right. If there's  
6 nothing further -- I'm sorry. Did you --

7 MR. MILLS: There is one other topic.  
8 This has been raised before. I don't recall if it  
9 was raised on the record, but I -- I will either file  
10 something or I would like to request on the record  
11 today that we have an extra day for either the reply  
12 brief or the true-up brief or both which are  
13 currently due next Thursday, the 15th. It's not  
14 anticipated that we'll get the transcripts in our  
15 hands until perhaps as late as Tuesday which would  
16 give a turnaround time of just two days.

17 JUDGE PRIDGIN: And -- and I understand,  
18 and because of the length of this -- the true-up  
19 hearing, because it was the better part of the day, I  
20 think that's a reasonable request. I mean, I'm kind  
21 of caught in the middle. I'm running short of time,  
22 and so every day hurts. But then on the other side,  
23 I almost have no -- no time, so what's one more day.

24 And I -- and I -- and I do want to -- I  
25 assume counsel have to attend NARUC and have other

1 business meetings or issues to deal with, and so I  
2 think it's a reasonable request. And so we'll  
3 certainly allow you till Friday to file either your  
4 reply and/or a true-up brief.

5 MR. MILLS: Thank you.

6 JUDGE PRIDGIN: You're welcome. Is  
7 there anything further?

8 (NO RESPONSE.)

9 JUDGE PRIDGIN: All right. If not,  
10 that will conclude the true-up hearing in Case  
11 No. ER-2007-0291. Thank you very much. We're off  
12 the record.

13 (WHEREUPON, the hearing in this case was  
14 concluded.)

15

16

17

18

19

20

21

22

23

24

25

1	I N D E X	
2		
3	Opening Statement by Mr. Zobrist	1135
4	Opening Statement by Mr. Mills	1141
5		
6	CAPITAL STRUCTURE	
7	COMPANY'S EVIDENCE	
8	MICHAEL W. CLINE	
9	Direct Examination by Mr. Zobrist	1149
	Cross-Examination by Mr. Mills	1150
10	Questions by Chairman Davis	1153
	Recross-Examination by Mr. Mills	1157
11	Redirect Examination by Mr. Zobrist	1160
12		
13	STAFF'S EVIDENCE	
14		
15	MATTHEW J. BARNES	
16	Direct Examination by Mr. Dottheim	1161
	Cross-Examination by Mr. Mills	1162
17		
18	OPC'S EVIDENCE	
19	MICHAEL GORMAN	
20	Direct Examination by Mr. Mills	1163
21	Cross-Examination by Mr. Zobrist	1164
	Questions by Chairman Davis	1165
22	Redirect Examination by Mr. Mills	1171
23		
24		
25		

1 KCPL EXPERIMENTAL REGULATORY PLAN ADDITIONAL  
2 AMORTIZATION

3 COMPANY'S EVIDENCE

4 MICHAEL W. CLINE

5 Cross-Examination by Mr. Mills 1176  
6 Cross-Examination by Mr. Dottheim 1183  
7 Redirect Examination by Mr. Zobrist 1202

8 STAFF'S EVIDENCE

9 STEVE TRAXLER

10 Direct Examination by Mr. Dottheim 1209  
11 Cross-Examination by Mr. Mills 1210  
12 Redirect Examination by Mr. Dottheim 1215

13

14

15 OPC'S EVIDENCE

16

17 RUSSELL TRIPPENSEE

18

19 Direct Examination by Mr. Mills 1216  
20 Cross-Examination by Mr. Zobrist 1217  
21 Redirect Examination by Mr. Mills 1239

22

23

24

25

26

27

28

29

30

31

1	OFF-SYSTEM SALES MARGIN	
2	COMPANY'S EVIDENCE	
3	CHRIS B. GILES	
4	Direct Examination by Mr. Blanc	1246
	Cross-Examination by Mr. Mills	1247
5	BURTON L. CRAWFORD	
6	Direct Examination by Mr. Blanc	1250
	Cross-Examination by Mr. Mills	1252
7	BURTON L. CRAWFORD (IN CAMERA)	
8	(Cross-Examination Continued) by Mr. Mills	1260
9	BURTON L. CRAWFORD	
10	Redirect Examination by Mr. Blanc	1262
11	MICHAEL M. SCHNITZER	
12	Direct Examination by Mr. Zobrist	1266
13	Cross-Examination by Mr. Mills	1266
14	OPC'S EVIDENCE	
15	TED ROBERTSON	
16	Direct Examination by Mr. Mills	1268
17	Cross-Examination by Mr. Zobrist	1269
	Redirect Examination by Mr. Mills	1280
18	STEVE TRAXLER	
19	(No questions from any parties)	
20		
21	TIMOTHY M. RUSH	
22	Direct Examination by Mr. Fischer	1284
	Cross-Examination by Mr. Mills	1286
23	Voir Dire Examination by Mr. Fischer	1333
	Redirect Examination by Mr. Fischer	1335
24		
25		

1	EXHIBITS INDEX		
2		MARKED	REC'D
3	Exhibit No. 36 (NP and HC)		
4	Direct testimony of Michael W. Cline	1132	1205
5	Exhibit No. 37 (NP and HC)		
6	Rebuttal testimony of Michael W. Cline	1132	1205
7	Exhibit No. 38 (NP and HC)		
8	Direct testimony of Burton Crawford	1132	1251
9	Exhibit No. 39 (NP and HC)		
10	Direct testimony of Chris Giles	1132	1247
11	Exhibit No. 40		
12	Direct testimony of William Herdegen	1132	1208
13	Exhibit No. 41		
14	Direct testimony of Tim Rush	1132	1334
15	Exhibit No. 42 (NP and HC)		
16	Direct testimony of Michael Schnitzer	1132	1267
17	Exhibit No. 43		
18	First page and signature page of Stipulation	1224	1238
19	Exhibit No. 44		
20	Appendix E and Appendix F	1230	1238
21	Exhibit No. 123		
22	Reconciliation	1132	1339
23	Exhibit No. 124		
24	Staff's EMS run and accounting schedules	1132	1339
25	Exhibit No. 125		
	Direct testimony of		

1	EXHIBITS INDEX		
2		MARKED	REC'D
3	Exhibit No. 126		
4	Direct testimony of Leon Bender	1132	1339
5	Exhibit No. 127 (NP and HC)		
6	Direct testimony of David Elliott	1132	1339
7	Exhibit No. 128		
8	Direct testimony of Shawn Lange	1132	1339
9	Exhibit No. 129		
10	Direct testimony of Michael Taylor	1132	1339
11	Exhibit No. 130		
12	Direct testimony of Steve Traxler	1132	1284
13	Exhibit No. 131		
14	Direct testimony of Curt Wells	1132	1339
15	Exhibit No. 210		
16	Direct testimony of Michael Gorman	1132	1164
17	Exhibit No. 211 (NP and HC)		
18	Rebuttal testimony of Ted Robertson	1132	1269
19	Exhibit No. 212		
20	Rebuttal testimony of Russell Trippensee	1132	1217
21	Exhibit No. 213		
22	Document entitled "Staff 9/30 [2006] EMS Run, 6.1 Percent Discount Rate For Off-Balance-Sheet Obligations"	1201	1206
24	Exhibit No. 215 HC		
25	Data request 2101	1260	1261

## 1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI )  
3 ) ss.  
4 COUNTY OF COLE )  
5

6 I, PAMELA FICK, RMR, RPR, CSR, CCR #447,  
7 within and for the State of Missouri, do hereby  
8 certify that the foregoing proceedings were taken by  
9 me to the best of my ability and thereafter reduced  
10 to typewriting under my direction; that I am neither  
11 counsel for, related to, nor employed by any of the  
12 parties to the action to which this hearing was  
13 conducted, and further that I am not a relative or  
14 employee of any attorney or counsel employed by the  
15 parties thereto, nor financially or otherwise  
16 interested in the outcome of the action.

17  
18  
19  
20  
21 \_\_\_\_\_  
PAMELA FICK, RMR, RPR, CSR, CCR #447  
22  
23  
24  
25