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State Corporation Commission
of Kansas

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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by
State Corporation Commission
of Kansas

In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company and Westar Energy, Inc. for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated.	))))))	Docket No. 16-KCPE-593-ACQ

STAFF'S REPLY TO JOINT APPLICANTS' VERIFIED RESPONSE TO
<u>COMMISSION'S ORDER ON MERGER STANDARDS</u>

The Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) files its Reply to Joint Applicants' Verified Response to Commission's Order on Merger Standards (Reply). In support of its Reply, Staff states as follows:

I. BACKGROUND

1. On June 28, 2016, Great Plains Energy Incorporated (GPE), Kansas City Power & Light Company (KCP&L), and Westar Energy, Inc. and Kansas Gas and Electric Company (Westar), (collectively referred to as "Joint Applicants") filed an application seeking approval for GPE to acquire 100% of the stock of Westar in a transaction valued at approximately $12.2 billion, including assumed debt.[1]

2. On August 9, 2016, the Commission issued an Order on Merger Standards wherein the Commission reaffirmed the merger standards as enumerated in the November 14, 1991 order approving the Kansas Power & Light and Kansas Gas & Electric merger in consolidated dockets 172,745-U and 174,155-U and as modified in the September 28, 1999 order

[1] Joint Application, ¶6 (June 28, 2016).

in docket no. 97-WSRE-676-MER.[2] The Commission's August 9, 2016 Order on Merger Standards set out the standards to be used in determining whether a proposed merger will promote the public interest.[3]

3. On August 30, 2016, the Joint Applicants filed their Verified Response to the Commission's Order on Merger Standards (Verified Response).[4] In their Verified Response, Joint Applicants state they fully adopt the merger standards and any paraphrasing was not intended to change the Commission's merger standards.[5] Joint Applicants further explain in their Verified Response that despite the omission of the words "in excess of book value" in the recitation of factor (a)(iv) in the Joint Application, testimony supporting the Joint Application addresses this factor.[6] Finally, Joint Applicants' Verified Response goes on to address the additional questions raised in the Commission's Order on Merger Standards.[7]

II. STAFF'S RESPONSE

4. While the Joint Applicants state that by "paraphrasing" the merger standards, they did not intend to change the Commission's merger standards in any way; the revisions to the merger standards in the Joint Application and testimony go far beyond "paraphrasing." In several respects, the revisions that the Joint Applicants made to the merger standards dramatically change the meaning of the standards in a way that would ease the burden on the Joint Applicants. Among the most substantive revisions to the merger standards in the Joint Application involve standard (a)(ii), *the effect of the transaction on consumers, including [...] reasonableness of the purchase price, including whether the purchase price was reasonable in*

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[2] Order on Merger Standards, (Aug. 9, 2016).
[3] *Id.* at ¶5.
[4] Joint Applicants' Verified Response to Commission's Order on Merger Standards (Aug. 30, 2016).
[5] See *id.* at ¶¶6-7.
[6] *Id.* at ¶8.
[7] See *id.* at ¶¶10-19.

light of the savings that can be demonstrated from the merger and whether the purchase price is within a reasonable range[8]*;* and standard (a)(iv), *the effect of the transaction on consumers, including [...] whether there are operational synergies that justify payment of a premium in excess of book value.*[9] These revisions are discussed in greater detail below.

5. Given that the testimony in support of the Joint Application addresses Joint Applicants' significantly revised merger standards, there are several areas of the Joint Application that are currently deficient. Necessarily, these areas must be supplemented by the Joint Applicants in order for the Commission to have a complete record upon which to determine whether the proposed transaction will promote the public interest under the Commission's merger standards.

6. Staff requests the Commission direct Joint Applicants to rectify these deficiencies by amending their Joint Application with the necessary information immediately so that Staff and intervening parties may have the opportunity to respond to a full and complete Joint Application that properly addresses the Commission's merger standards; or, in the alternative, to dismiss the Joint Application without prejudice so that Staff and intervening parties are not placed at a procedural disadvantage. Staff's specific concerns with merger standards (a)(ii) and (a)(iv) are as follows:

A) Merger Standard (a)(ii); ***the effect of the transaction on consumers, including [...] reasonableness of the purchase price, including whether the purchase price was reasonable in light of the savings that can be demonstrated from the merger and whether the purchase price is within a reasonable range.***

7. Merger standard (a)(ii), with redlines and strikethrough as presented in Attachment A of the Joint Applicants' Verified Response, is as follows:

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[8] Merger Standard (a)(ii) as set forth in the Commission's August 9, 2016 Order on Merger Standards.
[9] Merger Standard (a)(iv) as set forth in the Commission's August 9, 2016 Order on Merger Standards.

(a)(ii) Reasonableness of the purchase price,~~;~~ including whether the purchase price was reasonable in light of the ~~potential~~ savings that can be demonstrated from the ~~caused by~~ merger and whether ~~is~~ the purchase price is within a reasonable range;[10]

8. With regard to the revision of merger standard (a)(ii) in the Joint Application, Staff notes that the Verified Response indicates that the Joint Applicants believe that these substantial revisions "do not change the meaning of the merger standard(s) to be applied in this case."[11] Staff does not agree that the revision to this merger standard contained in the Joint Application and testimony do not change the meaning of the standard. Further, Staff does not agree that the support provided in the Joint Application for this revised standard can be used to support the original merger standard (a)(ii) as contained in the Commission's August 9, 2016 Order on Merger Standards.

9. The Joint Application is replete with references to *potential* or estimated savings that can be *caused* by the merger, but the Joint Application lacks details about savings that can be *demonstrated* from the merger. Additionally, early discovery efforts have not resulted in any additional details regarding savings that can be *demonstrated* from the merger. If anything, discovery responses provided to Staff to date have only further confirmed that savings are speculative, containing statements such as, "[i]t has not yet been determined what specific departments or functions will remain or be relocated to the Topeka office or which, if any, departments will be eliminated or relocated to Kansas City as a result of the Transaction,"[12] and, "[w]hile GPE has committed to having its Kansas headquarters located in Topeka after the Transaction, it has not determined a

[10] Verified Response, Attachment A, p.1.
[11] See Verified Response, ¶7.
[12] See response to Staff Data Request No. 6 (Attached hereto as 'Attachment 1').

period of time for that commitment."[13] Further, in response to a Staff discovery request seeking specific details on overhead cost allocation savings, Joint Applicants' response, in part, stated:

> Information at the specific level of detail requested in this data request is not currently available as the integration process has only recently started. Nevertheless, there are certain types of overhead costs of the combined companies that will obviously decrease as a result of the Transaction. Examples of these overhead costs include: public company costs (*e.g.*, Westar will no longer publish an annual shareholders report, etc.), executive management costs (*e.g.*, there will be only one CEO, CFO, COO, General Counsel, etc.) and corporate support services (*e.g.*, there will be only one leader of departments for accounting, human resources, information technology, regulatory affairs, etc.).[14]

10. While the Joint Applicants have been responsive to Staff's early investigatory efforts and discovery requests, it appears as though the Joint Applicants simply have not prepared an analysis of savings that can be *demonstrated from* the proposed transaction. This could likely be due in part to Joint Applicants basing the Joint Application and testimony on a revised standard that called for *potential* savings, as opposed to savings that can actually be demonstrated. Therefore, Staff requests the Commission require the Joint Applicants to provide testimony and evidence supporting the savings that can be *demonstrated from* the proposed transaction, as opposed to just *potential* savings from the proposed transaction.

11. Related to and integral with Staff's concerns about the Joint Application and testimony lacking a presentation and discussion of savings that can be demonstrated by the proposed transaction, Staff is concerned that Great Plains has not yet sought the Missouri Public Service Commission's (MoPSC) approval of a variance for Missouri's affiliate transaction rule. Missouri's affiliate transaction rule presently would require KCP&L and GPE to provide goods

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[13] See *id.*

[14] See response to Staff Data Request No. 4 (Attached hereto as 'Attachment 2').

and services to Westar at the *greater* of fair market value or fully distributed costs. [15] Conversely, without obtaining a waiver of this rule, KCP&L and GPE would be required to compensate Westar for goods and services provided by Westar at the *lesser* of fair market value or fully distributed costs.[16] This issue is discussed at length a recent report of the Staff of the MoPSC.[17]

12. Further, GPE's response to Missouri Staff's Investigation Report acknowledges that, "[r]equiring asymmetrical pricing in such circumstances would only serve to cause one state's retail rate regulated customers to subsidize another state's retail regulated rate customers."[18] Despite GPE's acknowledgment of the consequences of the application of Missouri's affiliate transaction rule to the proposed transaction, Joint Applicants cannot indicate to Staff with any certainty when GPE will make a request for a variance.

13. Joint Applicants' response to Staff discovery regarding KCP&L and GPE's plans to seek a variance to these affiliate transaction rule was as follows:

> GPE expects that such a variance request, which is consistent with the variance granted to GMO and KCP&L in connection with GPE's acquisition of Aquila in 2008, will be made prior to the closing of the GPE/Westar transaction but does not presently have a more specific date.[19]

14. Without an affirmative determination by the MoPSC relevant to GPE's request for a variance regarding Missouri's affiliate transaction rule, the Joint Applicants cannot demonstrate what the effects of the proposed transaction will be on the combined cost structure

[15] See Missouri Code of State Regulations, 4 C.S.R. § 240-20.015..
[16] See *id.*
[17] See Missouri Public Service Commission Case No. EM-2016-0324, Staff's Investigation Report, available online at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EM-2016-0324&attach_id=2017001413.
[18] See Missouri Public Service Commission Case No. EM-2016-0324, Response of Great Plains Energy Incorporated to Staff's Investigation Report, pp. 19-20, §4 (Affiliate Transactions), available online at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EM-2016-0324&attach_id=2017001819.
[19] See response to Staff Data Request No. 21 (Attached hereto as 'Attachment 3').

of the combined company, including whether there will be any savings attributable to the proposed transaction. Therefore, Staff requests the Commission require the Joint Applicants provide testimony and evidence to verify that the variance request has been approved by the MoPSC, as such is a key requirement of providing support for savings that can be *demonstrated* from the merger.

B) Merger Standard (a)(iv); *the effect of the transaction on consumers, including [...] whether there are operational synergies that justify payment of a premium in excess of book value.*

15. Merger standard (a)(iv), with redlines and strikethrough as presented in Attachment A of the Joint Applicants' Verified Response, is as follows:

(a)(iv) Whether there are any operational synergies that justify payment of premium <u>in excess of book value;</u>[20]

16. Regarding merger standard (a)(iv) in the Joint Application, the Joint Applicants contend that although the phrase "in excess of book value" was eliminated from the merger standard in the Joint Application and testimony, this issue has been fully addressed throughout the testimony.[21] Staff disagrees. A review of the Joint Application and testimony reveals that the words "book value" only appear one time in the entire filing; on page 12 of Stephen P. Busser's Direct Testimony. Through this testimony, Mr. Busser describes the $4.9 billion of goodwill that will be recorded on the books of Great Plains, however he does not describe how this amount can be justified on the basis of any operational synergies that the Joint Applicants believe can be demonstrated as a result of the merger.[22]

17. While several other witnesses discuss the Joint Applicants' view of the potential amount of savings that will arise from the proposed transaction, none of these witnesses attempt

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[20] Verified Response, Attachment A, p.1 (August 30, 2016).
[21] See Verified Response, ¶8 (Aug. 30, 2016).
[22] See Direct Testimony of Steven P. Busser, pp. 8-9, 11-12.

to justify the amount of the purchase price or acquisition premium over *book value* that is justified by these potential savings or synergies. Mr. Bryant's Direct Testimony contains discussion on the reasonableness of the purchase price, the size of the premium agreed to be paid to Westar shareholders in excess of market value ($2.3 billion), and the amount of savings estimated by the Joint Applicants.[23] However, nowhere in this testimony does he mention how any of this relates to the existing *book value* of Westar's assets, rate base, or equity. In fact, the term "book value" does not appear in Mr. Bryant's testimony.

18. In response to Staff discovery seeking information relevant to premium paid over book value relative to operation synergies, Joint Applicants identified one witness' testimony covering the accounting of the goodwill and another witness' testimony covering anticipated savings, but assert that, "because the Joint Applicants are not requesting recovery from customers of the premium paid above book value, the operational synergies justifying the purchase price are more relevant in relation to Merger Standard (a)(ii)."[24]

19. In the Verified Response, the Joint Applicants again downplay the omission of any discussion or support in the Joint Application and testimony for how the premium paid over book value can be justified by operational synergies or cost savings.[25] By pointing out that previous Commission Orders in merger cases have tied recovery of the acquisition premium to an analysis of cost savings, the Joint Applicants seem to indicate that this factor is irrelevant because they are not seeking recovery of the acquisition premium through rates.

20. Conversely, Staff believes the issue of whether the premium over book value that can be justified by the level of operational synergies is very relevant to the Commission's determination of whether this transaction is in the public interest as it offers valuable insight into

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[23] See Direct Testimony of Kevin E. Bryant, p. 7-8.
[24] See response to Staff Data Request no. 17 (Attached hereto as 'Attachment 4').
[25] See Verified Response, ¶8.

how Great Plains views the true drivers of value in Westar's utility business going forward. For example, how does GPE justify payment of the acquisition premium above the net present value of demonstrated synergies, and how does GPE intend to recover the acquisition premium if not from synergies and not from ratepayers? Staff recommends the Commission find the Joint Application and testimony is lacking in substance and support for how the agreed upon purchase price over *book value* can be justified by operational synergies that can be demonstrated from the merger.

21. Joint Applicants' revision of this standard in the Joint Application and testimony, to completely remove the phrase *in excess of book value*, should not be dismissed as simple paraphrasing. This omission is a substantive revision of the merger standard, and a simple comparison between the size of the premium in terms of market value ($2.3 billion[26]) and the size of the premium in terms of book value ($4.9 billion[27]) illustrates this. Further, it is also important to note that a regulated utility's book value has unique meaning and importance in the context of utility regulation; this is the value that a utility's shareholders are legally entitled an opportunity to earn a 'return on' and a 'return of' for purposes of ratemaking. In other words, there is very little difference between Westar's rate base and its book value of assets. Therefore, Staff requests the Commission require Joint Applicants to provide testimony and evidence supporting how the operational synergies and cost savings that can be demonstrated from the proposed transaction justify GPE's desire to pay nearly $5 billion more than the book value (rate base) of Westar.

[26] See Direct Testimony of Kevin E. Bryant, p. 11, ll. 7-9.
[27] See Direct Testimony of Steven P. Busser, p. 12, ll. 3-4.

III. Summary

22. The insufficient detail and lack of support for the Joint Application have caused Staff (and other intervening parties to this docket) to use valuable investigatory time seeking information, data, and other support in an attempt to get Joint Applicants' request to a place where it merely meets the threshold requirements for consideration. Even so, the necessary supporting information remains absent.

23. To resolve this deficiency, Staff requests the Commission direct Joint Applicants to amend their Joint Application and provide this information immediately so that Staff and other intervening parties to this docket have a full and complete application to investigate and analyze. In the alternative, in order to preserve the procedural rights and due process for all parties to the docket that will be responding to these substantial revisions to the Joint Application and testimony, Staff recommends the Commission dismiss the Joint Applicant without prejudice as this will preserve the full statutorily allotted time afforded to the Commission to review a merger transaction pursuant to K.S.A. 66-131.

WHEREFORE, for the reasons more fully set forth above, Staff respectfully requests the Commission (i) find that the Joint Applicants' Verified Response is deficient insofar as it does not adequately address the Commission's merger standards as affirmed by the Commission in its August 9, 2016 Order on Merger Standards; (ii) direct the Joint Applicants amend the Joint Application and testimony to fully address the merger standards as more specifically detailed herein; or, in the alternative, dismiss the Joint Application without prejudice; and (iii) for any such further relief as the Commission deems just and proper.

Respectfully Submitted,

Amber Smith

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ATTORNEYS FOR STAFF

KCPL KS
Case Name: 2016 Westar Aquisition
Case Number: 16-KCPE-593-ACQ

Response to Figgs Katie Interrogatories - KCC_20160803
Date of Response: 8/15/2016

Question:6

RE: Kansas Headquarters:

Paragraph 23 of the Application states GPE will retain Westar's downtown Topeka offices as its Kansas headquarters after closing of the Transaction.

(a) Please indicate the specific departments and functions at Westar's current headquarters projected to remain at or be relocated to the Topeka office as a result of the Transaction.

(b) Please indicate the specific departments and functions at Westar's current headquarters projected to be eliminated or relocated to GPE's headquarters in Kansas City, Missouri as a result of the Transaction.

(c) Please identify the projected Transaction savings and related transition costs associated with retaining Westar's downtown Topeka offices as GPE's Kansas headquarters.

(d) Please indicate the period of time GPE will commit to having its Kansas headquarters located in Topeka after the Transaction.

Response:

(a) and (b) It has not yet been determined what specific departments or functions will remain or be relocated to the Topeka office or which, if any, departments will be eliminated or relocated to Kansas City as a result of the Transaction.

(c) This information is not presently available.

(d) While GPE has committed to having its Kansas headquarters located in Topeka after the Transaction, it has not determined a period of time for that commitment. In the Merger Agreement between GPE and Westar, GPE provided the following commitment:

> SECTION 6.06 Governance Matters.
> (a) Parent shall cause the Surviving Corporation to maintain its headquarters in Topeka, KS.

In short, there is no duration to the commitment to retaining Westar's Topeka downtown headquarters.

That said, upon close of the transaction, approximately 60% of GPE's retail customers, through its operating subsidiaries, will be located in Kansas. Going into this transaction, we understood the importance of Westar to the communities it serves and the meaningful contributions it makes as a major employer in Kansas. We also have as a core value strong commitment to the communities we serve. These factors led us to the commitment to maintaining the Topeka downtown headquarters in support of our Kansas service territory operations. We believe it is essential to our operations to maintain a strong presence in the communities we serve.

Attachment: Q6_Verification.pdf

Verification of Response

Kansas City Power & Light Company

Docket No. 16-KCPE-593-ACQ

The response to KCC Data Request# 6, submitted by KCP&L, is covered by this Verification of Response:

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: [signature]

Title: Sr. Director, Corporate Strategy

Date: 8/9/16

KCPL KS
Case Name: 2016 Westar Aquisition
Case Number: 16-KCPE-593-ACQ

Response to Figgs Katie Interrogatories - KCC_20160803
Date of Response: 8/12/2016

Question:4

RE: Overhead Costs:

Paragraph 20 of the Application starting on page 10 states: "An additional benefit to all of GPE's utility subsidiary customers, including KCP&L's Kansas customers and Westar's Kansas customers occurs as a result of the increased number of customers GPE utility subsidiaries will serve after the Transaction. Customers will receive a smaller per customer portion of certain overhead costs of the combined companies because those costs will be allocated among a larger customer base".

(a) Please identify each of the specific "overhead costs of the combined companies" to which this paragraph refers.

(b) For each specific overhead cost identified in (a), provide the following information and provide all supporting documentation and calculations:

(i) State the amount of the overhead cost in 2015 and the cost per customer based on KCP&L's Kansas customers at December 2015.

(ii) State the amount of the overhead cost and the cost per customer projected in 2020 for KCP&L's Kansas customers.

Response:

(a) Information at the specific level of detail requested in this data request is not currently available as the integration process has only recently started. Nevertheless, there are certain types of overhead costs of the combined companies that will obviously decrease as a result of the Transaction. Examples of these overhead costs include: public company costs (*e.g.*, Westar will no longer publish an annual shareholders report, etc.), executive management costs (*e.g.*, there will be only one CEO, CFO, COO, General Counsel, etc.) and corporate support services (*e.g.*, there will be only one leader of departments for accounting, human resources, information technology, regulatory affairs, etc.).

(b) (i) and (ii) GPE's estimate of Operations and Support non-fuel operations and maintenance expense per customer reductions due to the Transaction (comparing 2015 to projections for 2020) can be seen in GPE's financial modeling as follows:

Customers

680,000 Westar KS
+ 237,000 KCP&L KS
917,000 KS combined
+ 609,100 MO
1,526,100 Pro-Forma combined customers

2015 Operations and Support NFOM

$646,027,734 GPE Standalone
+ $580,569,936 Westar Standalone
$1,226,594,670 Pro-forma combined
/ 1,526,100 Pro-forma combined customers
$ 803.74 Pro-forma combined per customer

2020 Operations and Support NFOM

$746,747,808 GPE Standalone
+ $593,642,476 Westar Standalone
$1,340,390,284 Pro-forma combined before efficiencies ($878.31 per customer)
- $171,970,000 Pro-forma combined projected efficiency savings
$1,168,420,284 Pro-forma combined projection
/ 1,526,100 Pro-forma combined customers
$ 756.62 Pro-forma combined per customer

$756.62 (2020) vs $803.74 (2015) = 5.9% reduction
$756.62 (2020) after savings vs $878.31 (2020) before savings = 13.9% reduction

Attachment: Q4_Verification.pdf

Verification of Response

Kansas City Power & Light Company

Docket No. 16-KCPE-593-ACQ

The response to KCC Data Request# 4, submitted by KCP&L, is covered by this Verification of Response:

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: Mary Britt Turner

Title: Director, Regulatory Affairs

Date: August 11, 2016

KCPL KS
Case Name: 2016 Westar Aquisition
Case Number: 16-KCPE-593-ACQ

Response to Figgs Katie Interrogatories - KCC_20160810
Date of Response: 08/15/2016

Question:21

Has KCP&L requested, or does KCP&L intend to request, a variance to the Missouri Public Service Commission's affiliate transactions rule, 4 CSR 240-20.015(2)(A), 1 and 2, which will allow KCP&L, GMO, and Westar to provide information, assets, goods, or services at cost to, and receive information, assets, goods, or services at cost from each other, and not consider fair market price in those transactions? If so, please provide the date of the request or state when KCP&L intends to request the variance.

Number of Attachments:

Response:

GPE expects that such a variance request, which is consistent with the variance granted to GMO and KCP&L in connection with GPE's acquisition of Aquila in 2008, will be made prior to the closing of the GPE/Westar transaction but does not presently have a more specific date.

Attachment: Q21_Verification.pdf

Verification of Response

Kansas City Power & Light Company

Docket No. 16-KCPE-593_ACQ

The response to __KCC_____ Data Request#_____21____________, submitted by KCP&L, is covered by this Verification of Response:

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: Mary Britt Turner

Title: Director, Regulatory Affairs

Date: August 15, 2016

KCPL KS
Case Name: 2016 Westar Aquisition
Case Number: 16-KCPE-593-ACQ

Response to Gatewood Adam Interrogatories - KCC_20160804
Date of Response: 08/15/2016

Question:17

With reference to the Commission's Merger Standards set in 174,155-U at page 35 paragraph a (iv), indicate which Joint Applicant witness(es) addresses the premium paid to bookvalue relative to operational synergies expected from the acquisition.

Number of Attachments:

Response:

The testimony of Steven Busser addresses how GPE will account for the Transaction. He states,

> "GPE will record the net assets acquired at fair market value. The excess of the purchase price over the fair market value of the net identifiable assets is recorded as goodwill. In the case of regulated assets and liabilities, fair value is generally considered to be book value. Goodwill to be recorded for the Transaction is currently estimated at almost $4.9 billion. Goodwill and the related purchase accounting adjustments will be recorded at consolidated Great Plans Energy and will not be pushed down to Westar's books."

He goes on to explain that GPE will not amortize this goodwill into an expense and is not asking for recovery in rates of the amortization expense of goodwill. (Busser Direct, pp. 11-12.)

William Kemp's testimony addresses the anticipated savings in detail. He explains that GPE estimates the Transaction would produce total savings of approximately $426 million over a 3.5-year period from mid-2017 to the end of 2020. Thereafter, ongoing savings would be close to $200 million per year. (Kemp Direct, p. 6)

However, because the Joint Applicants are not requesting recovery from customers of the premium paid above book value, the operational synergies justifying the purchase price are more relevant in relation to Merger Standard (a)(ii),

> (ii) reasonableness of the purchase price, including whether the purchase price was reasonable in light of the savings that can be demonstrated from the merger and whether the purchase price is within a reasonable range;

Kevin Bryant testified that the Acquisition Premium is $2.3 billion when computed using the stock price of Westar. Mr. Bryant explained why this price was reasonable in today's marketplace and how the Transaction benefits shareholders. (Bryant Direct, pp.11, 19-20.) Terry Bassham and Mark Ruelle also explain the value of the acquisition to the Company overall, justifying the Transaction, including the purchase price.
Attachment: Q17_Verification.pdf

Verification of Response

Kansas City Power & Light Company

Docket No. 16-KCPE-593-ACQ

The response to KCC Data Request# 17, submitted by KCP&L, is covered by this Verification of Response:

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: Mary Britt Turner

Title: Director, Regulatory Affairs

Date: August 12, 2016

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

Amber Smith, of lawful age, being duly sworn upon her oath deposes and states that she is Chief Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Staff's Reply to Joint Applicants' Verified Response to Commission's Order on Merger Standards,* and attests that the statements therein are true to the best of her knowledge, information and belief.

Amber Smith

Amber Smith, S. Ct. #23911
Chief Litigation Counsel
The State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 9th day of September, 2016.

VICKI D. JACOBSEN
Notary Public - State of Kansas
My Appt. Expires 6-30-18

Vicki D. Jacobsen
Notary Public

My Appointment Expires: 6-30-18

CERTIFICATE OF SERVICE

16-KCPE-593-ACQ

I, the undersigned, certify that a true and correct copy of the above and foregoing docket was served via electronic service this 9th day of September, 2016, to the following:

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