BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

ANTHONY D. SOMMA

ON BEHALF OF
WESTAR ENERGY, INC.

IN THE MATTER OF THE APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY. AND WESTAR ENERGY, INC. FOR APPROVAL OF THE MERGER OF WESTAR ENERGY, INC. AND GREAT PLAINS ENERGY INCORPORATED.

DOCKET NO. 18-KCPE-095-MER

I. INTRODUCTION AND PURPOSE

Q: Please state your name, business address and on whose behalf you are testifying.

A: My name is Anthony D. Somma. My business address is 818 S. Kansas Avenue, Topeka, Kansas, 66612. I am testifying on behalf of Westar Energy, Inc. and Kansas Gas and Electric Company (referred to herein as "Westar") in support of the request of Westar, Great Plains Energy Incorporated ("Great Plains Energy" or "GPE") and Kansas City Power & Light Company ("KCP&L") (all parties collectively referred to herein as "Applicants") for approval of the amended transaction providing for the merger of Westar and GPE ("Merger").

Q: By whom are you employed and in what capacity?

A: I am currently employed as Senior Vice President, Chief Financial Officer ("CFO") and Treasurer of Westar. Once the Merger of Westar and Great Plains Energy is completed, I will become Executive Vice President and CFO of the newly-formed holding company ("Holdco", or "the combined Company").

Q: What are your current responsibilities?

A: I am currently responsible for the following functions: finance, accounting, investor relations, tax, and risk management.

Q: Please describe your educational background and business experience.

A: I hold a B.B.A. in accounting from Bellevue University and an M.B.A. from the University of Nebraska at Omaha. I passed the certified public accountant exam, and am a member of the American Institute of Certified Public Accountants, the Association of Financial Professionals and Financial Executives International. I have worked in the energy and utility industry for nearly 25 years. I left Westar in 1999 to serve in various senior financial positions at another public company affiliated with Westar, rejoining Westar in 2004. In 2006, I was named Treasurer, and in 2009, I became Vice President and Treasurer. I held that position until August 2011 when I became Senior Vice President, CFO and Treasurer.

Q: Have you previously testified in a proceeding at the Kansas Corporation Commission ("Commission") or before any other utility regulatory agency?

A: Yes, I have testified at both the Commission and the Federal Energy Regulatory Commission.

Q: What is the purpose of your testimony?

A: I will discuss the financial aspects of the proposed Merger from the perspective of Westar, pre-Merger, and the combined Company, post-Merger. I will also discuss the financial condition and plans of the combined Company including addressing financial-related Merger Standards of the Commission.

Mr. Kevin Bryant, KCP&L's current CFO, also sponsors testimony in support of the financial aspects of the Merger from GPE's and KCP&L's perspective and the credit rating agencies' reaction to the Merger and the credit quality of the combined Company.

Q: Which financial-related Merger Standards do you address in your testimony?

A: The Merger Standards outlined by the Commission in Docket No. 16-KCPE-593-ACQ in its Order issued August 9, 2016 ("16-593 Merger Standards Order")[1] include the following financial-related standards which I address in my testimony from the perspective of Westar and the combined Company:

(a) The effect of the transaction on consumers, including:

(i) the effect of the proposed transaction on the financial condition of the newly created entity as compared to the financial condition of the stand-alone entities if the transaction did not occur;

(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;

(iv) whether there are operational synergies that justify payment of a premium in excess of book value; and

(e) The effect of the transaction on affected public utility shareholders.

[1] In the 16-593 Merger Standards Order, the Commission reaffirmed the Merger Standards adopted in its Order issued Nov. 14,1991 in Consolidated Dockets 172,745-U and 174,155-U, as later modified in the September 28, 1999 Order in Docket No. 97-WSRE-676-MER.

Mr. Kevin Bryant also addresses Merger Standards (a)(i), (a)(ii) and (e) from the perspective of GPE.

Q: Do you believe the Merger satisfies the Commission's financial-related Merger Standards?

A: Yes. As I discuss in more detail throughout my testimony, the Merger satisfies the financial-related Merger Standards by:

- Improving the financial condition of the combined Company as compared to Westar and GPE on a stand-alone basis as demonstrated by the credit rating agencies' favorable reaction to the Merger and the combined Company, and the economies of scale expected to be created by the Merger;
- Providing financial terms which allow for the combining of these two companies with no market or control premium or Merger-related debt;
- Enabling the combined Company to achieve significant Merger savings to benefit customers; and
- Creating benefits for shareholders due to the combined Company's improved business risk profile and improved ability of the utilities to earn closer to Commission-authorized returns on their investment.

Q: How is the remainder of your testimony organized?

A: Following this introduction, my testimony is presented in the following sections:

- **Section II** provides a brief overview of the financial characteristics of the Merger and of the combined Company post-Merger;
- **Section III** explains how the Merger satisfies the requirements of Merger Standard (a)(i);
- **Section IV** explains how the Merger satisfies the requirements of Merger Standards (a)(ii) and (a)(iv);

- **Section V** explains how the Merger satisfies the requirements of Merger Standard (e); and
- **Section VI** states my conclusions.

II. FINANCIAL CHARACTERISTICS OF THE MERGER AND THE COMBINED COMPANY

Q: Please briefly describe the key financial terms of the Merger.

A: Pursuant to the Amended and Restated Agreement and Plan of Merger dated July 9, 2017 (the "Amended Merger Agreement"), which is attached as Appendix C to the Application, Westar and GPE will merge through a tax-free exchange of common stock at an agreed-upon exchange ratio. The Merger will involve no transaction-related debt, no exchange of cash and no market or control premium[2] paid to either company, and timely, guaranteed benefits to retail electric customers in the form of upfront bill credits. Under terms of the Amended Merger Agreement, Great Plains' shareholders will receive 0.5981 shares in the newly-formed holding company in exchange for each existing share of Great Plains' stock, and Westar shareholders will receive one share in the new holding company in exchange for each share of Westar stock.

Q: Please describe the key financial characteristics of the combined Company post-Merger.

A: The combined Company will have an equity value of approximately $14 billion, which is simply the sum of the equity market capitalization of the two standalone companies (*i.e.*, $6.3 billion for Great Plains and $7.6 billion for Westar[3]) immediately prior to the announcement of the Merger. Of course, both companies' stocks will continue to trade

[2] As I discuss in more detail later in my testimony, while there is no premium as it pertains to the exchange of stock, the Merger will result in the recording on Holdco's balance sheet goodwill for accounting purposes. It is important to note that the Merger will not create any additional goodwill beyond the amount reflected in prevailing share prices.
[3] Source: Goldman Sachs, Presentation to the Board of Directors of Great Plains Energy, July 9, 2017, at 7.

until closing, so their respective trading values, and the combined actual market capitalization at closing will likely not be exactly equivalent to the sum of the two parts at announcement. As discussed by Mr. Bryant, due to the equity issued by GPE in connection with the transaction presented in Docket No. 16-KCPE-593-ACQ ("Initial Transaction") and the related cash proceeds, the combined Company will initially have a capital structure of approximately 59% common equity and 41% long-term debt.[4],[5] This is more equity (and related cash balances) than is optimal, and we will rebalance the combined Company's capital structure after closing by repurchasing common stock in order to achieve and maintain a more balanced capital structure typical both for utility holding companies and regulated utilities, generally. I discuss the financial forecasts and plans for the combined Company in more detail later in my testimony. Finally, the combined Company will have strong investment grade credit ratings. As I discuss in more detail in Section V of my testimony, both credit rating agencies have opined that the combined Company will have a strong, investment-grade credit rating and a more favorable business risk profile than either Westar or GPE on a stand-alone basis. This is supported by the ratings actions both Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's") published subsequent to the announcement of the Merger. S&P has affirmed GPE's and Westar's existing credit rating of BBB+ and has changed its "Negative" outlook to "Positive" in response to the Merger. Moody's upgraded GPE's existing long-term rating to Baa2 from Baa3.

[4] Capital structure is calculated as the ratio of equity to total long-term capitalization and long-term debt (including the current portion of long-term debt) to total long-term capitalization. This is the same calculation used to calculate the capital structure of other utility holding companies discussed by Mr. Reed.
[5] Source: Combined financial model of GPE and Westar.

Q: Will the Merger have any negative impact on the financial characteristics or financial risks of the operating utility subsidiaries?

A: No. There will be no change to the operating utilities' assets, liabilities, outstanding debt, or capital structures and no negative credit ratings actions following the closing. To the contrary, S&P has revised the outlook for the both GPE and Westar and their operating utility subsidiaries to Positive from Negative. As discussed by Messrs. Busser and Ives, the operating utilities and their customers will benefit from the creation of significant Merger savings. Further, as I discuss in more detail later in my testimony, the improved business risk profile of the combined Company and its operating utilities will enhance their access to capital to invest in utility infrastructure. Finally, as discussed by Mr. Reed, although, restructuring the Initial Transaction as a merger of equals, or "MOE", addresses the key financial concerns expressed by the Commission, we still propose financial and ring-fencing commitments to assure the Commission and other stakeholders that customers are insulated from the possibility of incremental financial risk as a result of the Merger and, in fact, will have greater protections from the possibility of financial risks than they would absent the Merger.

III. MERGER STANDARD (a)(i)

Q: What is Merger Standard (a)(i)?

A. The Commission's Merger Standard (a)(i) requires the Commission to consider the effect of the transaction on consumers, including the effect of the proposed transaction on the financial condition of the newly created entity compared to the financial condition of the stand-alone entities if the transaction did not occur.

Q: How did the Applicants consider and address Merger Standard (a)(i)?

A: As discussed by Mr. Bryant, we considered the benefits of the credit ratings and credit rating agency assessments of the Merger and its positive effect on the combined Company, Westar, GPE and KCP&L. We also considered the benefits of the larger size of the combined Company and the resulting operational efficiencies. Finally, the combined Company's pro-forma financials were also taken into consideration. Mr. Bryant focuses on the credit rating agencies, while I focus on the benefits created by the Merger and the pro-forma financials and financial plans of the combined Company.

Q: How does the Merger itself improve the financial condition of the combined Company relative to the stand-alone companies?

A: The increased size and scale of the combined Company and its more favorable business risk profile will improve its financial condition relative to the stand-alone companies. Guggenheim Securities, the financial advisor to Westar, conducted an analysis related to the benefits of increased size and scale from the perspective of regulated utilities and their customers. In materials presented to Westar's board of directors in June 2017, Guggenheim Securities found the following correlations with increased size and scale: 1) higher earned returns for larger utility holding companies; 2) lower non-fuel O&M costs as a percentage of property, plant and equipment balances for larger utility holding companies; and 3) lower effective borrowing costs for larger utility holding companies.[6]

Q: How have the credit rating agencies responded to the Merger?

A: As I highlighted earlier and as discussed in more detail in Mr. Bryant's testimony, both S&P and Moody's reacted favorably to the Merger announcement and related redemption

[6] Guggenheim Securities, Board Meeting Discussion Materials, June 12, 2017, at 13.

of the Initial Transaction debt. In particular, both noted the improvement in the business risk profiles of the combined Company, Westar and its subsidiaries, and GPE's and its subsidiaries.

Q: Has S&P discussed the possibility that the rating for the combined Company and its operating utility subsidiaries could be upgraded as a result of the Merger?

A: Yes. As I mentioned previously, S&P changed the outlook for Westar and GPE and their respective operating utility subsidiaries from negative to positive and Moody's upgraded GPE to Baa2 from Baa3. Additionally, S&P has indicated that the ratings for the combined Company (which S&P refers to as GPE) and its operating utility subsidiaries could be upgraded if certain conditions are met:

> We could raise the ratings on GPE and its subsidiaries if the combined companies are able to demonstrate a strengthened business risk profile and a clear path to realizing the proposed synergies that results in operational improvements and cost savings. Further enhancing the business risk profile will be the almost full ownership of the Wolf Creek nuclear plant, strengthening control and driving further operating efficiencies. This could mitigate existing credit quality implications around partial ownership of a single nuclear plant. In addition, we would expect ongoing recovery of capital and operating costs through various regulatory mechanisms across its more diversified jurisdictions. Along with this strengthening of the business risk profile, we would expect GPE to sustain improved financial measures over the 2019-2021 period, including FFO to total debt in the 17%-19% range.[7]

Q: Please compare the credit metrics of the combined Company to those of GPE, pre-Merger.

A. The projected S&P credit metrics for the combined Company are in-line with those of GPE, pre-Merger and prior to any ratings action in regard to the Initial Transaction. Specifically, S&P notes that the projected range of FFO/Debt ratio for the combined Company is

[7] S&P Global Ratings, "Great Plains Energy Inc. and Subsidiaries Outlook Revised to Positive from Negative on Amended Merger Pact," July 11, 2017, at 5.

approximately 17%-19% over the 2019-2021 period, which is around the midpoint of the benchmark range for the credit rating and very similar to GPE's stand-alone financial measures. S&P indicates that the other key credit metric, the ratio of Debt/EBITDA, is expected to hover around 4.4X for the same period[8], essentially in line with the recent historical comparable metric for GPE. Table 1 provides a comparison of the key S&P credit metrics for the combined Company, post-Merger, to those of GPE, pre-Merger.

Table 1: Combined Company S&P Credit Metrics – Pre-and Post-Merger[9]

	Great Plains Energy (Actual / Projected)			**Pro-Forma Combined Company (Projected)**				
	2015 Actual	**2016 Actual**	**2017 Projected**	**2018**	**2019**	**2020**	**2021**	**2022**
FFO /Debt	16.4%	18.9%	17.8%	19.4%	18.4%	19.0%	18.6%	18.4%
Debt /EBITDA	4.68	4.33	4.01	4.14	4.38	4.26	4.26	4.12

As shown in Table 1, the key credit metrics for the pro-forma combined Company are consistent with, and in some instances slightly better than, those of GPE prior to the Merger. The credit metrics for Westar and KCP&L will not be affected by the Merger and will remain at pre-Merger levels, but as I said, have already benefitted from S&P's more favorable "outlook". As discussed by Mr. Bryant, collectively these credit metrics inform the rating agencies' assessment of the financial risk of the companies. As discussed by Mr. Bryant, GPE's financial risk is improved by the redemption of the debt secured to finance the Initial Transaction. Overall, the financial risk of the companies is consistent with pre-

[8] Under S&P's credit rating methodology for regulated utilities, S&P assigns a financial risk profile for each company on a six-point scale from "Minimal" to "Highly Leveraged". A 4.4X Debt/EBITDA is near the lower end of the benchmark range for "Significant" assigned risk profile. With a "Significant" financial risk profile, a utility must have either an "Excellent" or "Strong" business risk profile in order to get either an A- or BBB rating.

[9] Source: Actuals based on GPE standalone results; projections based on combined financial model of GPE and Westar.

Initial Transaction levels, although probable future improvements were noted. Importantly, the Merger results in an improved business risk profile for the combined Company as compared to the stand-alone risk profiles of GPE and Westar, which is consistent with S&P changing its outlook to positive from negative.

Q: How is the combined Company's business risk profile improved by the Merger?

A. The combined Company will have greater size, scale and regulatory diversification. As noted by Mr. Bryant, the rating agencies highlighted the improvement in business risk as compared to the stand-alone companies as a benefit of the Merger.

Q: Please compare the capital structure of the combined Company to the capital structures of GPE, pre-Merger.

A: As I noted earlier, the combined Company's initial capital structure will have significantly more equity than either GPE or Westar stand-alone have historically. As shown in Table 2, the projected equity ratio of the combined Company remains at approximately 48% in 2019-2022, after the capital structure is re-balanced. After rebalancing, this equity ratio is slightly lower than the equity ratios of GPE, pre-Merger, but as discussed by Mr. Reed, consistent with the range of industry norms for utility holding companies.

Table 2: Consolidated Holding Company Equity Ratio – Pre-and Post-Merger[10]

	Great Plains Energy (Actual / Projected)			Pro-Forma Combined Company (Projected)				
	2015 Actual	2016 Actual	2017 Projected	2018	2019	2020	2021	2022
Equity Ratio	50%	62%	58%[11]	54%	48%	48%	48%	48%

[10] Source: Actuals based on GPE standalone results; projections based on combined financial model of GPE and Westar

[11] Equity ratio reflects common equity issued by GPE to finance Initial Transaction and long-term debt, but does not include debt that was issued to finance acquisition of Westar that has been redeemed or short-term debt.

Q: Please explain the necessity for re-balancing the capital structure of the combined Company.

A: In anticipation of financing the Initial Transaction, GPE issued common equity of approximately $1.55 billion, net of transaction costs and expenses, long-term debt of $4.3 billion, and mandatory convertible preferred stock of $863 million. As discussed in Mr. Bryant's testimony, the long-term debt and mandatory convertible preferred stock have been redeemed and the remaining net proceeds are reflected as cash on GPE's balance sheet. The cash relates primarily to the common equity that was issued by GPE which remains outstanding. As a result, once the Merger is completed, the Company will both have excess cash and an equity capitalization of about 59% which is higher than optimal for electric operating and holding companies. Mr. Reed discusses industry norms as it pertains to capital structure.

With regard to the appropriate consolidated holding company capital structure, it is important to recognize that excess cash and/or higher than typical equity is not an efficient deployment of capital. Carrying excess equity increases the combined Company's cost of capital.

Q: How does the combined Company plan to achieve a balanced capital structure, post-Merger?

A: First, the combined Company will use the estimated excess cash of about $1.25 billion, as well as cash flow from operations, to repurchase approximately 30 million shares of Holdco stock in the 2018 to 2019 timeframe. Following this first share re-purchase, the current plan is to use free cash flows and issue approximately $1.1 billion of holding company debt to re-purchase up to 30 million additional shares. This common equity repurchase is not expected to occur until 2019 or 2020. The actual amount will depend on market conditions, changes in tax policy or other factors that may influence the size and timing of share repurchases. The resulting consolidated equity ratio for the combined Company of approximately 48% is, as discussed by Mr. Reed, in line with utility holding companies across the country generally.

Q: Please discuss the combined Company's dividend policy.

A: It was important in restructuring the Initial Transaction that neither GPE's nor Westar's shareholders experience a dividend reduction and that the combined Company be in a strong financial position to pay and sustain its dividend. GPE's current dividend policy is to target a dividend payout ratio (which is the percentage of earnings paid out as dividends to shareholders) of 60-70%, resulting in a current dividend of $1.10 per share. Westar's current dividend is $1.60 per share. Applying the exchange ratio to this dividend would result in GPE's shareholders receiving an unacceptable reduced dividend (0.5981 X $1.60 = $0.96/per share) absent an adjustment to the combined Company's dividend policy. Accordingly, the Applicants determined that the combined Company's initial dividend policy should target a dividend payout ratio of 60-70% in order to establish dividends at such a level that at the exchange ratio GPE's current dividend would be sustained and GPE's shareholders would be kept whole. An added benefit is that also will result in an increase in the dividend for Westar's shareholders. As discussed in the testimony of Mr. Reed, the target dividend payout ratio of 60-70% for the combined Company is consistent with industry standards for regulated electric utility holding companies.

These decisions will be made consistent with our Merger Commitments and Conditions, including but not limited to our commitment that meeting the capital requirements of the utilities will be a high priority of the combined Company's board of directors and executive management. See Application Appendix H, Commitment No. 44. After having met these requirements, the utilities will pay customary dividends to Holdco, so it in turn, can pay dividends to public shareholders. This is also the means of assuring that utilities' capital structures remain balanced. See Application Appendix H, Commitment Nos. 10 and 16.

Q: Have equity analysts commented on the financial condition of the combined Company, post-Merger?

A: Yes. Equity analysts view the Merger as creating a stronger combined Company, with more customers, more geographic diversification, no transaction-debt to complete the Merger, and the prospect for higher earnings growth rates than either Great Plains or Westar would be able to achieve on a stand-alone basis. For example,

Wolfe Research writes:

> We think the combined entity makes strategic sense and has above average earnings and dividend growth, supported by a strong credit profile and quality balance sheet. Further, a share repurchase program that covers 22% of pro forma shares outstanding (60M) will provide upward technical pressure over the next two years. With the deal pending, we see GXP currently trading at just below a group average multiple on implied 2019 EPS using the midpoint of the 6-8% growth target. Long-term, we expect earnings assumptions to prove conservative given considerable synergistic opportunities. Finally, multiple expansion is also warranted assuming GXP executes on its targets given the above-average earnings/dividend growth profile and balance sheet strength.[12]

Wells Fargo Securities comments:

> We are refining our EPS outlook and general thoughts on the GXP/WR MOE following a more thorough integration of our models. While we reiterate our Market Perform ratings, we see a potential path to outperformance assuming reasonable regulatory treatment (approval

[12] Wolfe Research report on Great Plains Energy, July 10, 2017, at 2.

process and 2018 rate cases) and solid execution on projected cost savings.[13]

Q: Will the improved business risk profile and overall financial condition of the combined Company improve its access to capital as compared to GPE and Westar on stand-alone bases?

A: Yes. It is important to recognize that GPE and Westar compete with other companies for debt and equity capital. As Mr. Bassham described, on stand-alone basis we are small relative to other utility holding companies. On a combined basis, we possess greater scale and scope, a more favorable credit outlook, and overall a more attractive investment. Improving the combined Company's financial condition will enhance its ability to access capital markets and meet the capital requirements of the utility operating subsidiaries.

Q: What are your conclusions regarding Merger Standard (a)(i)?

A: The Merger satisfies Merger Standard (a)(i) for the following reasons:

- The combined Company will have a stronger business risk profile, both in the near term and over the longer-term, than either GPE or Westar on a stand-alone basis. Contributing to the combined Company's stronger business risk profile are: (1) its more diverse electric utility cash flow sources, (2) a more balanced regulatory framework, and (3) a larger customer base than either GPE or Westar on a stand-alone basis. On that basis, S&P concluded that "these factors should strengthen the business risk profile of the combined entity compared with Westar's stand-alone business risk profile."[14]

---

[13] Wells Faro Securities Equity Research, "GXP/WR: Refining MOE Outlook Following Comprehensive Model Combination," July 11, 2017, at 1.

[14] S&P Global Ratings, "Westar Inc. and Subsidiary Outlook Revised to Positive from Negative on Amended Merger Pact," July 11, 2017, at 2-3.

- The credit metrics and capital structure of the combined Company are expected to be consistent with GPE's credit metrics and capital structure prior to the Initial Transaction, in line with the balanced regulatory capital structures of the operating utility subsidiaries and industry standards, once adjustments are made to rebalance the combined Company's consolidated capital structure. S&P affirmed the current credit ratings for GPE and Westar, and revised the outlook for both companies and their operating subsidiaries, Westar, KCP&L and GMO, to Positive from Negative, noting that "[s]olid and consistent financial measures along with an incrementally stronger business risk profile could lead to higher ratings if the companies are able to complete the merger as announced."[15]
- Although restructuring the Initial Transaction as an MOE addresses financial concerns expressed by the Commission, we still propose financial and ring-fencing commitments to assure the Commission and other stakeholders that customers have adequate protection from the possibility that the Merger could result in unforeseen incremental financial risk and, in fact, will have greater financial protections than they would absent the Merger.

The Merger results in no additional financial risk, and in fact decreases the risk profile of the combined Company, the operating utilities, and their customers. As such, the Merger satisfies Merger Standard (a)(i) because the effect of the Merger on the financial condition of the combined Company is favorable as compared to GPE's and Westar's stand-alone financial condition.

[15] Ibid, at 3.

IV. MERGER STANDARDS (a)(ii) AND (a)(iv)

Q: What are Merger Standards (a)(ii) and (a)(iv)?

A. The Commission's Merger Standard (a)(ii) requires the Commission to consider the effect of the transaction on consumers, including whether the purchase price was reasonable in light of savings that can be demonstrated from the merger and whether the purchase price is within a reasonable range. Merger Standard (a)(iv) is similar and requires the Commission to consider the effect of the transaction on consumers, including whether there are operational synergies that justify payment of a premium in excess of book value. I am addressing these Merger Standards together because they are similar and related.

Q: What is the purchase price associated with the Merger?

A: As discussed by Mr. Reed, in a stock-for-stock merger of equals there is no purchase price in the sense of one company writing checks to the owners of another company. The value that will be exchanged is instead the agreed upon exchange ratio of GPE's and Westar's common stock arrived at through multiple analyses and arms-length negotiation with the common general intent that neither company receive or pay an implied control premium to the other. Underlying this agreed upon exchange ratio, is an implied price (or price range) per share of common stock.

Q: Please explain how the exchange ratio was developed.

A: As discussed by Messrs. Ruelle and Bassham, our primary objective was to establish an exchange ratio that would not create a market or control premium to either company's stock. In developing the exchange ratio of 0.5981 for Great Plains' shares, Westar and Great Plains sought to remove the effect of the Initial Transaction and market speculations on the market trading values of the respective companies, so that in calculating their respective stand-alone values and the ratio between them, neither company would be paying a control premium for the other. Mr. Bryant discusses the development of the exchange ratio in more detail and explains why it is fair and reasonable from the perspective of Great Plains.

Q: Is the exchange ratio and implied share price for Westar reasonable?

A: Yes. While we are confident in the fairness and reasonableness of the exchange ratio, both companies sought input and verification from their outside advisors. The fairness opinions issued by Westar's financial advisors concluded that the exchange ratio is fair to Westar's shareholders from a financial point of view. Mr. Reed conducted an independent review of the Merger and other comparable transactions and also concluded that the exchange ratio and transaction value are reasonable.

Q: Will the Merger enable operational cost savings and timely bill credits?

A. Yes. As discussed by Mr. Busser, the Merger is projected to create net O&M cost savings of approximately $28 million in 2018, ramping up to $160 million per year in 2022 and beyond. In addition, customers will benefit from an upfront bill credit totaling $50 million and other Merger related savings.

Q: Is the equity value implied by the exchange ratio, and thus the implied purchase price, justified by the operational cost savings and synergies that are expected from the Merger?

A: Yes. First, the equity value implied by the exchange ratio does not reflect a market premium for either company. Second, the Merger is expected to create significant operational cost savings which will benefit customers through rates that are lower than they otherwise would have been absent the Merger, due both to upfront bill credits and future reductions in the cost of service used to establish rates. Great Plains and Westar have committed that retail electric customers in Kansas and Missouri will receive $50 million in timely upfront bill credits. These customer benefits will not exist but for the Merger.

Q: Does the combined Company's financial plan include actions that benefit customers in addition to the bill credits and Merger savings?

A: Yes, in addition to the $50 million bill credits and net Merger savings of approximately $28 million in 2018, ramping up to approximately $160 million per year in 2022 and beyond, the financial plan contains the following additional benefits to customers:

- Capital spending efficiencies that are expected to reduce capital expenditures by approximately $329 million from 2018 through 2022;
- Operational savings associated with the retirement of the KCP&L and GMO generation units of approximately $201 million from 2018-2022; and
- Capital savings associated with the retirement of the KCP&L and GMO generation units of approximately $159 million from 2018-2022.

These benefits to customers are all reflected in the combined Company's pro forma five-year financial plan. Together with the bill credits and Merger savings, customers will benefit from both a lower cost of service reflected in their rates and from less frequent rate increases. By providing the combined Company's utilities the ability to offset increases in their cost of service and the cost of needed infrastructure investment, the utilities will be better able to earn near their authorized returns without needing to request rate increases to address rising costs and infrastructure investments.

Q: You identified capital expenditures efficiencies and savings. Does the combined Company's financial plan provide for sufficient capital investment for the utilities?

A. Unequivocally. The improved financial strength of the combined Company provides sufficient capacity to meet the capital investment by the utilities. In fact, the financial plan contemplates capital expenditures will exceed $6 billion over the 2018-2022 time period. This demonstrates our commitment to fully supporting the utilities' operations after close of the Merger. Further, as I noted earlier, to reinforce this we have proposed Merger Commitments and Conditions that include a specific term stating that meeting the capital requirements of the utilities will be a high priority of the combined Company's board of directors and executive management. See Application Appendix H, Commitment No. 44.

Q: Do you have any concluding thoughts on the combined Company's financial plan?

A: Yes, briefly. The Applicants have worked together diligently in developing a logical and robust pro forma five-year financial plan that sets a solid foundation for the go-forward operations of the combined Company. The significant savings in the financial plan discussed above will benefit customers either through lower rates than would be possible absent the savings actions or by providing the combined Company's utilities the ability to offset cost of service increases and the cost of needed infrastructure investment. This is possible while still planning to make over $6 billion of investment in utility infrastructure over the financial planning period. This demonstrates the financial strength of the combined Company and the benefits of size and scale that this Merger provides.

Q: Will the Merger result in the recording of goodwill for accounting purposes?

A: Yes. As explained by Mr. Busser, for accounting purposes, Westar has been determined to be the accounting acquirer and GPE will be the accounting acquiree. Even though no cash will change hands and no control premium will be paid, Generally Accepted Accounting Principles ("GAAP") require that, as the acquiree, the difference between the underlying net book value of GPE's assets and the market value of GPE equity at the time of the exchange be recorded as Merger-related goodwill. The Merger-related goodwill will be recorded and remain solely on the books of Holdco. Merger-related goodwill will have no impact on the utilities, their balance sheets, capital structures, cost of service or customers' rates. Mr. Ives testifies to the Applicants' commitment that there will be no impact on customers resulting from Merger-related goodwill.

Q: Have you compared Merger-related goodwill to the savings expected from the Merger?

A: Yes. As discussed by Messrs. Greenwood and Reed, it is not entirely clear how Merger Standards (a)(ii) and (a)(iv) were intended to be applied to an MOE. The Merger is different from prior transactions reviewed by the Commission in that 100% of its goodwill is related to a non-cash journal entry required by GAAP, and is not a reflection of a control premium having been paid. We have, however, compared Merger-related goodwill to the net present value of our projected Merger savings and upfront bill credits which will result from the Merger.

Q: Do the projected Merger savings and bill credits exceed the Merger-related goodwill?

A: Yes. As discussed by Mr. Busser, Merger-related goodwill is expected to be approximately \$1.52 billion.[16] Comparing the estimated Merger-related goodwill to the net present value of the expected Merger savings and bill credits demonstrate that Merger savings and bill credits exceed Merger-related goodwill. This calculation is shown in Exhibit ADS-1.

---

[16] The exact goodwill amount will be based upon the trading value at the time of the exchange and will not be known until the Merger closes.

Q: What are your conclusions regarding Merger Standards (a)(ii) and (a)(iv)?

A: The Merger satisfies Merger Standards (a)(ii) and (a)(iv). The exchange ratio and implied share prices for GPE and Westar reflect our best assessment of the common equity value of each company undisturbed by the effects of the Initial Transaction and with no market or control premium paid or received by either company. Additionally, the Merger is expected to generate significant O&M savings, which will benefit customers. Finally, as demonstrated in my Exhibit ADS-1, the net present value of Merger savings and upfront bill credits exceeds Merger-related goodwill.

V. MERGER STANDARD (e)

Q: What is the Commission's merger standard (e)?

A. The Commission's Merger Standard (e) requires the Commission to consider the effect of the transaction on affected public utility shareholders.

Q: What are the benefits of the Merger for current Westar shareholders?

A: The Merger provides many benefits for Westar shareholders, including: 1) 52.5 percent ownership in a combined Company that has increased scale and jurisdictional diversity; 2) ownership in a combined Company with enhanced financial strength and the ability to fund capital investments; 3) enhanced opportunity for the operating utilities to earn closer to their allowed returns due to operating efficiencies and cost savings created by the Merger; 4) an approximate 15 percent increase in dividends due to the adoption of a dividend policy with target dividend payouts consistent with GPE's existing payout and industry norms, and 5) post-closing share repurchases to rebalance the capital structure of the new holding company, all of which leads to 6) the prospect of higher earnings and dividend growth than could be achieved by Westar as a stand-alone entity, and with less dependence on frequent rate increases. In addition, the tax-free nature of the Merger allows shareholders to maintain their present tax position in their investment as the Merger is not a taxable event.

Q: Have equity analysts commented on the Merger from the perspective of Westar shareholders?

A. Yes. Equity analysts view the Merger as favorable for Westar shareholders as compared to the alternative of continuing as a stand-alone entity. For example, the analyst at Evercore ISI wrote:

> Still, WR management's argument that the deal they have announced is superior to stand-alone value with a break-up fee is credible to us. They also dispute the idea that they should have taken the break-up fee and sought another deal with a large control premium, citing the position taken by the KCC in the rejection of the original deal regarding this issue. Even assuming a $56 dollar mostly cash transaction might be forthcoming (a 20% control premium to stand-alone value) from another buyer that deal would still face regulatory risk, and might not be worth more on a tax-adjusted basis than the value being created through this revised deal. We see merit to this argument, which is why this deal makes sense to us.[17]

Wells Fargo Securities observed:

> We view the deal as nearly 10% value accretive relative to a stand-alone case. That said, we previously thought that WR could garner $56-58/share in a revised or new deal. Such a deal would not have been without risk, however, and WR made the regulatory calculation that an MOE with GXP was a more compelling transaction than a higher premium, higher risk deal. WR shareholders will also realize a 15% uplift in the dividend upon close.[18]

Q: Does the Merger require Westar shareholder approval?

A: Yes. The Merger cannot go forward absent approval from a simple majority of Westar's outstanding shares and two-thirds of Great Plains' outstanding shares. These shareholder votes are expected to occur in the fourth quarter of 2017. Shareholders' approval of the

[17] Evercore ISI, "Raising WR to Outperform, Target $53. GXP Still Outperform, Target Now $31,.70," July 11, 2017, at 4.

[18] Wells Faro Securities Equity Research, "GXP/WR: Refining MOE Outlook Following Comprehensive Model Combination," July 11, 2017, at 1.

Merger would be a clear indication that shareholders believe the Merger is positive and in their interests.

Q: What is your conclusion regarding Merger Standard (e)?

A. I am confident the Merger satisfies Merger Standard (e) from the perspective of Westar's shareholders.

VI. CONCLUSIONS

Q: Please summarize your conclusions.

A: The Merger satisfies the Commission's financial-related Merger Standards. In particular, the financial condition of the post-Merger combined Company will be stronger than the pre-merger stand-alone entities due to the increased size and scale of the combined Company. The improvement in the financial condition of the combined Company is achieved with no transaction related debt or increase in the combined Company's financial risk due to the way in which the Merger has been structured (*i.e.*, as a Merger of Equals with no transaction debt and no market or control premium). The capital structure of the combined Company, after re-balancing takes place, will be in-line with the norm for peer utility holding companies and with the utility operating companies' balanced capital structures. For these reasons, I am confident that the Merger satisfies the requirements of Merger Standard (a)(i). Further, the exchange ratio reflects no market or control premium and is reasonable, and the customer benefits attributable to the Merger (in the form of timely upfront bill credits and the reflecting in future rates of Merger savings in the 2018 rate cases and in future rate cases) justify the equity value implied by the exchange ratio. Further, the present value of Merger savings exceeds the expected level of transaction related goodwill, collectively satisfying Merger Standards (a)(ii) and (a)(iv). As discussed by Messrs. Bassham, Ruelle, Ives and Reed, retail electric customers will receive timely upfront bill credits and experience substantial longer-term benefits from the Merger without incurring additional costs or risks including no impact from Merger-related goodwill. The Merger will also benefit shareholders by improving the combined Company's ability to achieve competitive financial returns as the operating utilities are better able to earn near their Commission-authorized returns, satisfying Merger Standard (e). While the structure of the Merger eliminates the financial risks that concerned the Commission in the Initial Transaction, the Applicants have still proposed financial and ring-fencing protections to assure the Commission and other stakeholders that customers have adequate protection from even the possibility of incremental financial risk as a result of the Merger and, in fact, will have greater financial protections than they would absent the Merger. For all of these reasons, I conclude that the Merger satisfies the Commission's financial-related Merger Standards.

Q: Does that conclude your Direct Testimony?

A: Yes, it does.

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Westar Energy, Inc. for Approval of the Merger of Wester Energy, Inc. and Great Plains Energy Incorporated	))))))	**Docket No. 18-KCPE-095-MER**

AFFIDAVIT OF ANTHONY D. SOMMA

STATE OF KANSAS)
) **ss**
COUNTY OF SHAWNEE)

Anthony D. Somma, being first duly sworn on his oath, states:

1. My name is Anthony D. Somma. I work in Topeka, Kansas, and I am employed by Westar Energy, Inc. as Senior Vice President, Chief Financial Officer, and Treasurer.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Westar Energy, Inc. consisting of twenty-five (25) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Anthony D. Somma

Subscribed and sworn before me this 23rd day of August 2017.

Carlene Barkley
Notary Public

My commission expires: 04-18-2021

CARLENE BARKLEY
Notary Public, State of Kansas
My Appointment Expires
04-18-2021

Operational Efficiencies (Excluding GPE Plant Retirements) versus Projected Proforma Goodwill
Great Plains Energy and Westar Energy Proforma Combined (amounts in millions)

		Operational Savings					
Year #	**Year**	**Utility O&M**	**Fuel Cost**	**Carrying Cost**	**Gross Savings**	**Transition Costs**	**Net Savings**
Inflation Rate	2023-2037	2.40%	0.00%	0.00%			
	2016-2017	$ -	$ -	$ -	$ -	$ (35.6)	$ (35.6)
1	2018	$ 46.8	$ 0.7	$ 2.2	$ 49.7	$ (21.9)	$ 27.8
2	2019	$ 108.0	$ 1.0	$ 7.9	$ 116.9	$ (6.6)	$ 110.3
3	2020	$ 133.1	$ 1.1	$ 12.3	$ 146.5	$ (3.0)	$ 143.5
4	2021	$ 137.3	$ 1.3	$ 13.3	$ 151.9	$ (2.6)	$ 149.3
5	2022	$ 146.3	$ 2.3	$ 13.4	$ 162.0	$ (2.2)	$ 159.9
6	2023	$ 149.8	$ 2.3	$ 13.4	$ 165.5	$ -	$ 165.5
7	2024	$ 153.4	$ 2.3	$ 13.4	$ 169.1	$ -	$ 169.1
8	2025	$ 157.1	$ 2.3	$ 13.4	$ 172.8	$ -	$ 172.8
9	2026	$ 160.9	$ 2.3	$ 13.4	$ 176.6	$ -	$ 176.6
10	2027	$ 164.8	$ 2.3	$ 13.4	$ 180.4	$ -	$ 180.4
11	2028	$ 168.7	$ 2.3	$ 13.4	$ 184.4	$ -	$ 184.4
12	2029	$ 172.8	$ 2.3	$ 13.4	$ 188.4	$ -	$ 188.4
13	2030	$ 176.9	$ 2.3	$ 13.4	$ 192.6	$ -	$ 192.6
14	2031	$ 181.2	$ 2.3	$ 13.4	$ 196.8	$ -	$ 196.8
15	2032	$ 185.5	$ 2.3	$ 13.4	$ 201.2	$ -	$ 201.2
16	2033	$ 190.0	$ 2.3	$ 13.4	$ 205.6	$ -	$ 205.6
17	2034	$ 194.5	$ 2.3	$ 13.4	$ 210.2	$ -	$ 210.2
18	2035	$ 199.2	$ 2.3	$ 13.4	$ 214.9	$ -	$ 214.9
19	2036	$ 204.0	$ 2.3	$ 13.4	$ 219.6	$ -	$ 219.6
20	2037	$ 208.9	$ 2.3	$ 13.4	$ 224.5	$ -	$ 224.5

Net Present Value of Net Savings at 7.50% Discount Rate	**$ 1,580**
Projected Proforma Upfront Customer Bill Credits	50
NPV of Net Savings Including Upfront Customer Bill Credits	**$ 1,630**
Projected Proforma Goodwill at December 31, 2017	**$ 1,522**