BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

STEVEN P. BUSSER

ON BEHALF OF
GREAT PLAINS ENERGY INCORPORATED
AND
KANSAS CITY POWER & LIGHT COMPANY

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

Q: Please state your name and business address.

A: My name is Steven P. Busser. My business address is 1200 Main Street, Kansas City, MO 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") and serve as Vice President-Risk Management and Controller for Great Plains Energy Incorporated ("GPE" or "Great Plains Energy"), KCP&L, and KCP&L Greater Missouri Operations Company ("GMO").

Q: What are your responsibilities?

A: I have executive responsibility for corporate accounting, energy accounting, Securities and Exchange Commission ("SEC") reporting, income taxes, accounting systems, and risk management.

Since mid-2016, in addition to my responsibilities as Vice President – Risk Management and Controller, I have served as an integration leader for the combination of Westar Energy, Inc. ("Westar") and Great Plains Energy. For purposes of describing the collaborative planning activities of Westar and Great Plains Energy, I will refer to GPE, Westar and KCP&L as the "Applicants".

Q: Please summarize your education, experience and employment history.

A: I graduated cum laude from the University of Texas at El Paso ("UTEP") with a Bachelor of Business Administration, with a concentration in Accounting. I have also taken several graduate level classes with a focus in finance and am a Certified Public Accountant.

I have over 20 years in accounting and finance positions in the electric utility industry. Prior to joining KCP&L in September 2014, I was Vice President and Treasurer of El Paso Electric Company ("El Paso Electric") and was responsible for the treasury, risk management, facility services, fleet management and supply chain management functions. In this role, I testified before the Federal Energy Regulatory Commission and state regulatory agencies in Texas and New Mexico regarding El Paso Electric's public and private financing activities and other securities transactions. Prior to becoming Vice President and Treasurer, I served in positions of increasing responsibility at El Paso Electric including Chief Risk Officer, Vice President Regulatory Affairs, and Assistant Chief Financial Officer.

I started my professional career in public accounting at KPMG LLP after graduating from UTEP. I also took several graduate courses at UTEP in Finance while working at El Paso Electric.

Q: Have you previously testified before the Kansas Corporation Commission ("Commission")?

A: Yes. I provided Direct and Rebuttal testimony in Docket No. 16-KCPE-593-ACQ regarding the status of the integration planning process and estimates of efficiencies and addressed certain accounting matters related to the May 29, 2016 agreement to merge between Westar and GPE (the "Initial Transaction").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Great Plains and KCP&L in this proceeding on the proposed merger ("Merger") between GPE and Westar Energy Inc. ("Westar") (collectively, the "Applicants") to form a new combined company ("combined Company", or "Holdco", where appropriate).

Q: What is the purpose of your testimony in this proceeding?

A: I will review the integration planning process. I will discuss the Merger-related efficiencies and associated savings that the Merger is expected to produce. These savings along with the rate commitments and flow-through of savings over time discussed by Mr. Ives address Merger Standard (a)(iii) "whether ratepayer benefits resulting from the transaction can be quantified".[1] I will also address certain accounting issues for the costs to consummate the transaction, including transition costs, post-Merger accounting of

[1] The Merger Standards are outlined by the Commission in Docket No. 16-KCPE-593-ACQ in its Order issued August 9, 2016.

shared corporate costs, and the accounting treatment of Merger-related goodwill that will be recorded and remain solely on the books of Holdco when the Merger is consummated.

Q: Please briefly highlight the savings that the Merger is expected to create.

A: As I discuss in detail later in my testimony, Merger savings of $555 million (net of costs to achieve) will be realized in the first five years of the Merger. Detailed integration plans reflect cost savings of $28 million in 2018 and growing to $160 million per year from 2022 and beyond. As also discussed by Mr. Bassham, these savings will be achieved with no involuntary severance of employees.[2]

Q: How is the remainder of your testimony organized?

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

- **Section II** presents an overview of the Merger integration planning process and a summary of efficiency initiatives and savings. These savings are presented by utility function, by year, and by type of savings (*i.e.*, labor and non-labor O&M, fuel savings and inventory related savings) to provide perspectives that the Commission, Staff and other parties may find useful in assessing efficiencies associated with the Merger;
- **Section III** provides a more detailed discussion of initiatives and savings, focusing on Merger-related savings;
- In **Section IV** I address certain accounting issues; and
- **Section V** summarizes my principal conclusions.

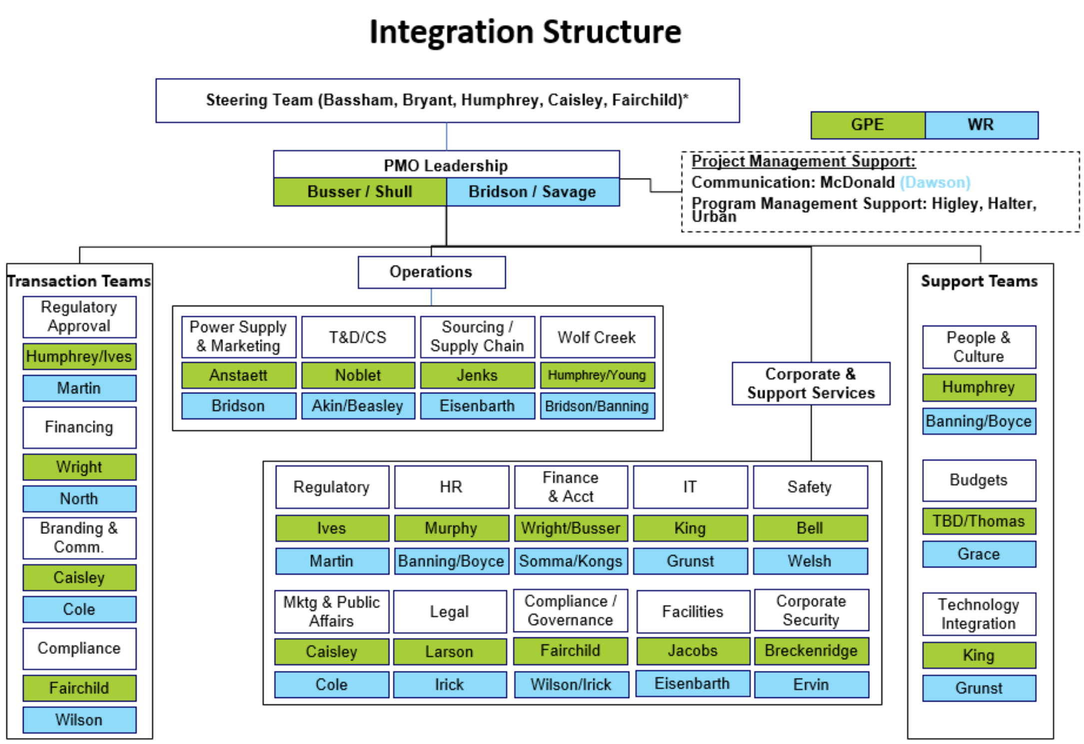
[2] See also Application Appendix H, Commitment No. 7.

II. INTEGRATION PLANNING PROCESS

Q: Please describe the governance structure for the integration planning process.

A: Three levels of governance were utilized to oversee the work of the integration teams. The first level was the Steering Team, the second level was the Project Management Office ("PMO"), and the third level was the individual integration team leads. Commitment and support from senior executives, including the chief executive officer ("CEO"), is key to the success of any project of this magnitude. We established a Steering Team led by Terry Bassham at the time the teams were formed in 2016. Mr. Bassham will serve as the President and CEO of the combined Company upon consummation of the Merger. Figure 1 shows the organizational structure of the project.

Figure 1



The PMO sets the framework and provides governance and oversight. The PMO was led by myself and John Bridson, Senior Vice President, Generation and Marketing at

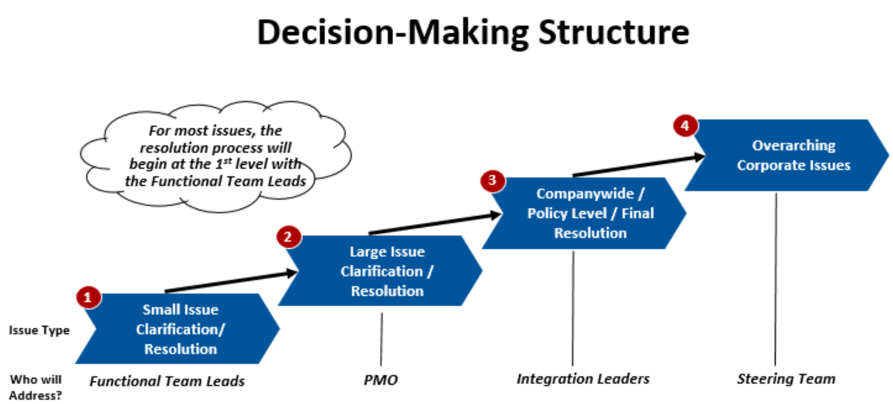
Westar. The role of the PMO was to organize, direct and report on the integration planning and to engage internal and external resources to achieve these objectives. The PMO was responsible for ensuring the working group teams executed on each integration phase.

Each of the individual functional integration teams was jointly led by one executive or director-level leader from each company. This structure allowed leadership from each company to provide input into how the combined Company will operate. Team leads guided the detailed integration activities for their respective areas.

To ensure the teams had a process to finalize decisions throughout the integration process, we utilized the escalation methodology depicted in Figure 2 below.

Figure 2

Decision Escalation Process



This process encouraged dialogue between the integration teams and provided a structure for resolving issues.

Q. Please describe the GPE-Westar integration planning efforts.

A: As shown in Figure 3, the pre-closing effort consisted of four phases: Integration Framework, Design Phases I and II, and Implementation Planning.

Figure 3

Integration Phases

Q: Please briefly describe each of the pre-closing integration planning phases.

A: The Integration Framework phase set the guidelines for how the integration planning effort would be managed. In Design Phases I and II, the daily operating practices of the combined organization were evaluated and efficiency opportunities were assessed. In the Implementation Planning phase, the functional teams took the work of the design phase and laid out plans for modifying processes and achieving identified efficiencies. In conjunction with the preparation of the implementation plans that were established, teams began preparing for Day-1.

Q: Please describe the Integration Framework phase in more detail.

A: The Integration Framework phase was necessary to define the scope of the project. It allowed us to build a project plan and to determine resources needed to execute the project. During this phase, we established governance for the project, adopted the jointly-led executive team approach, assigned the officer or director-level leaders to the functional integration teams, provided guidance needed for the teams to do their work and established the overall integration timeline.

Q: Please describe the two Design Phases in more detail.

A: Design Phase I began with the drafting of team charters and baselines (both headcount and cost baselines) that established the boundaries around their respective area and identified the interdependencies with any of the other 14 integration teams. Each functional team consisted of employees from Westar and GPE working together to perform an assessment of the pre-merger processes, activities and performance metrics at both Westar and GPE. These quantitative and qualitative assessments served as a baseline for identifying potential efficiencies. The teams also initially defined their Day-1 requirements during Design Phase I. Day-1 requirements prepare the two companies to transition seamlessly from operating as separate companies to providing service to our customers on the first day after the closing of the Merger. Finally, each team identified risks that could impact either Day-1 success or achievement of efficiencies after the implementation process begins.

Design Phase II began with the definition of a new integrated operating model for each function, including performance metrics. The teams then developed detailed process inventories, defined their respective organizations to determine staffing requirements, and developed efficiency charters to pursue distinct activities to achieve the identified efficiencies. The teams also developed implementation and business plans in Phase II.

Q: Please describe the Business and Implementation Plans that were developed during Design Phase II.

A: The functional team Business Plans describe the future organization and steps necessary to prepare for Day-1 and future state success. It identifies the growth and efficiency opportunities, expected timing of savings, and associated transition costs necessary to integrate Westar and Great Plains and to create the Merger efficiencies. The Implementation Plan is the final section of the Business Plan and presents the actionable plans for executing all integration activities, including the process alignment activities required to bring the respective organizations together. It specifies the Day-1 requirements, the change management process necessary to establish the new organization and pursue efficiencies, and presents the detailed implementation actions and milestones.

Q: Can you provide a sense of the level of detail involved in the integration planning effort?

A: Yes. The integration planning effort has been an enormous undertaking involving over 400 GPE and Westar employees participating in 18 teams, including the 14 "functional" teams, 2 "cross-functional" teams (Information Technology or "IT" and the People/Culture Team, which led the employee offer and hiring process), the Steering Team and the PMO.

Over the course of 10 months, the functional teams worked through the four integration planning phases during which over 20 deliverables were required of the functional teams. The culmination of this work is reflected in the team business plans, implementation plans, and efficiency charters that detail specific efficiencies and associated timing. There are 85 distinct efficiency charters that include over 300 specific efficiencies. The savings are aggregated into four functional categories: Support Services, Generation, Supply Chain, and Transmission & Distribution ("T&D")/Customer Service. There is also a fifth category of savings that represents labor savings in addition to those which the teams have determined. Management reviewed estimates and developed objectives related to labor savings based on an analysis performed by our integration consultant who has substantial experience and expertise in utility integration to develop more efficient operations.

Q. What is the status of the GPE-Westar integration efforts?

A: As depicted in Figure 3, the first four pre-closing phases were necessary to prepare the combined Company to continue operations on Day-1 and beyond. This work has been completed. The implementation of integration initiatives, including the measurement and reporting of realized savings, is the fifth and final merger integration phase.[3]

Q: Please summarize the Merger-related savings that have been identified by the integration planning effort.

A: We have identified $627 million of gross savings that can be realized over the first five years after the closing for 2018 through 2022. As shown in Table 1, net savings are projected to be $555 million, after reflecting transition costs of $72 million.

[3] While the implementation plans are final, the teams have the flexibility to make minor changes to respond to new information or changed circumstances, as appropriate and with the approval of the Transition Committee.

Table 1

Efficiency Savings by Function

	2016/17	2018	2019	2020	2021	2022	Total
Gross Savings							
Support Services		$18.3	$31.1	$35.5	$39.6	$47.0	$171.4
Generation		$13.6	$33.1	$35.2	$32.0	$33.5	$147.4
Supply Chain		$4.3	$24.3	$38.2	$39.4	$39.7	$145.9
T&D/Customer Service		$1.7	$6.1	$8.7	$9.5	$9.6	$35.5
Benchmark Staffing		$11.7	$22.4	$29.1	$31.3	$32.3	$126.7
Total		**$49.7**	**$116.9**	**$146.7**	**$151.9**	**$162.0**	**$627.0**
Transition Costs							
2016/17	($35.6)						($35.6)
2018-2022		($21.9)	($6.6)	($3.0)	($2.5)	($2.2)	($36.2)
Net Savings	($35.6)	$27.8	$110.3	$143.5	$149.4	$159.8	$555.2

The Applicants incurred or expect to incur $35.6 million of transition costs in 2016 and 2017, which includes costs related to planning and designing the integration as well as voluntary severance programs offered by each company. I will describe each of the source, type and amount of savings for each of these five areas in detail in Section IV.

Q: Why are transition-related costs netted against the savings?

A: Transition costs are costs incurred to enable or ensure that savings are achieved and the integration process is effective. In other words, for customers to receive the benefit of the lower operating costs made possible by the Merger, certain costs must be incurred. A good example of a transition cost would be the cost incurred to enable network connectivity for the merged company and allow for a more efficient combined company. The transition cost – the cost to plan and implement the combination of the systems – is necessary to unlock the future savings. It is appropriate to net the transition cost against the savings to determine the true savings achieved. For purposes of calculating net savings in Table 1, transition costs are assigned to the year that they are incurred. Mr. Ives will discuss the ratemaking treatment of transition costs in his testimony.

III. MERGER SAVINGS ESTIMATES AND MERGER STANDARD (a)(iii)

A. Overview

Q: What will you be addressing in this section of your testimony?

A: I will discuss the efficiency initiatives and associated savings of each of the four functional areas (*i.e.*, Support Services, Generation, Supply Chain, and T&D/Customer Service). Second, I will describe the benchmark-based staffing reductions that enable additional functional area labor savings largely attributable to not filling currently vacant positions and to natural attrition. These will produce a more efficient level of staffing reflecting the increased scale of the combined Company operations. Third, I will describe the IT Roadmap and IT projects that support efficiencies and other enhancements to the IT function that will enable the combined Company to meet its service obligations into the future. Finally, I will discuss the transition costs that are necessary to integrate the companies and achieve efficiencies and savings.

Q: Have you distinguished between savings that are Merger-related and other efficiencies?

A: Yes. In its April 19, 2017 Order in Docket No. 16-KCPE-593-ACQ ("Initial Transaction Order"), the Commission reaffirmed its precedent that savings must be merger-related for purposes of applying Merger Standards (a)(ii) and (a)(iv).[4] While the Initial Transaction Order did not specify a precise definition to determine whether particular savings are "merger-related", it indicates that savings must be "transaction-related".[5] We have

---

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

[5] Initial Transaction Order, at 26, ¶ 55.

applied this criterion in developing our Merger-related savings. As I discuss below and as noted in the Initial Transaction Order, this is particularly relevant for purposes of assessing capital investment savings and generation savings given KCP&L's announced intentions to retire several plants on a standalone basis.

As described in the testimony of Mr. Somma, the financial plan reflects both Merger and non-Merger related savings because whether savings are determined to be Merger related or not, they all result in lowering the cost to serve customers.

Q: How were the Merger-related savings developed?

A: The savings produced by the functional teams are bottom-up estimates, based on identified efficiency initiatives and approved implementation plans. They are supplemented by the benchmark staffing reductions and associated savings estimates. All savings are expressed in relation to a baseline that is represented by the stand-alone Westar and GPE 2016 budgets.

Q: Why were the 2016 standalone budgets chosen as the baseline for measuring merger related savings?

A: Since the Initial Transaction was announced in mid-2016, the 2016 standalone operating budgets were unaffected by the anticipated transaction. Thus, these standalone budgets were considered to be the best baseline from which to measure the level of efficiencies that could be created by combining the two companies.

Q: Please briefly describe the sources of savings in each of the four functional areas.

A: The Applicants expect to achieve labor-related savings throughout the areas that comprise Support Services by eliminating redundant positions and consolidating several other functions. Non-labor efficiency savings in Support Services will be realized from reduced insurance costs and brokerage fees, reduced IT contractors due to system consolidation, and reduced external auditor fees among other items. Total Support Services labor and non-labor savings are $171.4 million over the 2018-2022 period.

The Applicants expect Generation efficiencies will be primarily achieved by reduced labor and maintenance expenditures from planning for and operating the generation fleet on a combined basis versus as two separate fleets. This will allow for acceleration of planned retirement dates for certain older Westar units Tecumseh Unit 7, Gordon Evans Units 1 and 2, and Murray Gill Units 3 and 4 to 2018. The total Merger-related savings for Generation is forecast to be $147.4 million over the first five years.

Efficiencies in Supply Chain will result primarily from an ability to source materials and services at a lower cost enabled by economies of scale, moving to common standards, optimizing inventory and the logistics network, and by applying the KCP&L supply chain process and automation throughout the combined Company's utility operations. These savings include reductions in inventory carrying costs (non-Generation) and sum to $145.9 million over the first five years. Prior to the Initial Transaction Order, Supply Chain management from both companies had completed much of the initial market check of the supply chain savings through work with a subset of suppliers, and the results of that work added to our confidence in these Merger savings.

While we will achieve savings in the T&D/Customer Service functions, we will have the same number of customer facing employees (e.g. linemen) and continue our maintenance efforts and ability to respond to our customers in storm or emergency situations. The $35.5 million of efficiencies that are achievable during the first five years are attributable to process improvements that reduce spending on outside contractors in operations and vegetation management while maintaining service and reliability levels.

Q: How do the savings break down by the four types of savings: labor and non-labor related operations & maintenance, fuel, and reductions in inventory carrying costs/revenue requirements reductions?

A: These savings are shown by type and by function in Table 2.

Table 2

Savings Summary by type and year ($M)

Note: Numbers may not add due to rounding.

Efficiencies	2016-2017	2018	2019	2020	2021	2022	Total
NFOM Labor	-	$38.3	$66.6	$78.1	$83.2	$85.3	$351.5
NFOM Non-Labor		$8.6	$41.4	$55.1	$54.3	$61.1	$220.5
Fuel	-	$0.7	$1.0	$1.1	$1.3	$2.3	$6.4
Inventory Carrying Costs/Revenue Requirements Reduction	-	$2.2	$7.9	$12.3	$13.3	$13.4	$49.0
Gross Efficiencies		$49.7	$116.9	$146.5	$151.9	$162.0	**$627.0**
Transition Costs	($35.6)	($21.9)	($6.6)	($3.0)	($2.5)	($2.2)	**($71.8)**
Net Savings	**($35.6)**	**$27.8**	**$110.3**	**$143.5**	**$149.4**	**$159.8**	**$555.2**

Q: Are all Merger-related savings included in this table?

A: No. Capital-related savings and savings likely to be achieved from the consolidation of Wolf Creek ownership shares are not included in the estimates.

The Merger will result in meaningful capital cost savings that result either from the avoidance, or more likely, deferral of capital projects from optimization of capital projects across the much larger combined Company. We have excluded these from Merger savings as a way to reduce controversy in this proceeding because others may view them as being more a matter of management discretion than attributable to the

Merger. However, they are included in the pro forma five-year financial model as discussed in the testimony of Mr. Somma.

Regarding Wolf Creek, in the interest of making the plant more efficient, the three plant owners have already agreed to have KCP&L and Westar assume additional responsibilities for administrative functions. This decision is not dependent on the Merger and some of the work has already begun. The exception to Wolf Creek savings being excluded from the Merger efficiency estimates is savings related to economies of scale in purchasing. Some opportunities have been identified in this area and are reflected in the Supply Chain savings.

Q: How do the labor-related savings translate to the number of employees required to operate the more efficient combined Company?

A: The Merger will create a substantially more efficient organization, with appropriate reductions in labor-related expenses consistent with the work of our integration teams and integration consultant.

Q: How will you manage these reductions to minimize disruption, adverse effects and labor dislocations?

A: To minimize such effects we have taken a number of careful actions in contemplation of the Merger. This includes temporarily holding unfilled positions open including:

- positions that were open but unfilled prior to the announcement of the Initial Transaction in May 2016;
- positions that were open but unfilled as employees have left the Companies voluntarily since the Initial Transaction in May 2016;

- positions that were open but unfilled at KCP&L for employees that left as a result of the Voluntary Employee Exit Program ("VEEP") that was completed in 2017; and
- positions that will be opened but unfilled at Westar for employees that are expected to leave as a result of a voluntary severance offering that is expected to be completed.

By temporarily holding unfilled positions open (positions that won't jeopardize safety, reliability or customer service) we can prevent negative effects on employees. Labor savings beyond those represented by these open positions we will achieve over time, through natural attrition. These approaches assure we can realize labor related savings with minimal disruption.

Q: This is an important issue. Will you please describe it in more detail?

A: Since the announcement of the Initial Transaction on May 31, 2016, we have been working toward optimal staffing levels, consistent with providing opportunities for employees who wish to remain with the combined Company, and consistent with maintaining safety, reliability and customer service. As noted earlier, one element of this strategy was to temporarily hold open vacant positions that were created by retirements, etc., to create more opportunities to reassign employees to both create savings and minimize labor dislocations due to Merger. These positions would have already been filled "but for" the Merger. The companies have been relying on overtime, contractors, and other compensating measures during the transition to assure that there are no negative effects on safety or service quality. Staffing efficiencies from the Merger will be achieved with no involuntary layoffs. We can achieve the efficiencies through natural retirements and attrition, aided by the natural transition in our workforce demographics. We'll use this same approach--natural attrition and voluntary changes--to achieve additional efficiencies we identified through benchmarking analyses with our integration consultant.

Q: Can you please illustrate these measures with numbers?

A: The number of vacant positions we have temporarily held open is over 500. This includes 189 positions open at the Initial Transaction announcement, 135 net positions that were opened through employees voluntarily leaving from July 2016 to April 2017, an additional 98 employees that elected to take severance as part of the KCP&L VEEP and approximately 91 positions we expect will be open upon completion of the Westar voluntary severance program. This means that already we have held open positions equal to 54 percent of the labor savings we plan.

Q: How will you address the remaining 46 percent?

A: Both companies continue to experience a high degree of natural attrition. This is due, in large part, to the demographics of our workforces. Consistent with the combined Company's recent experience, we expect annual natural attrition of employees will allow us to transition our workforce nicely with these naturally occurring openings. These factors, coupled with the fact that we will realize the Merger savings over a few years explain how we can achieve these efficiencies, while avoiding layoffs or involuntary severance and while minimizing labor dislocations.

Q: Does the Merger integration plan contemplate integration of IT systems?

A: Yes. Westar and GPE each have many critical systems that support the business. Fortunately, we use many common systems and approaches, as well. Utilities make substantial capital investments in their IT systems and supporting infrastructure every year to upgrade foundational platforms that support multiple functions (*e.g.* asset management systems, communication systems), provide better customer service (*e.g.*, an update to the customer information system), and improve operations (*e.g.*, integration of an outage management system with other systems). Westar and GPE have invested over $440 million on a combined basis on IT and supporting infrastructure over the past five years (2012-2016). The portfolio of IT projects changes from year-to-year as some projects are completed, multi-year projects are continuing, and new projects are starting up.

Q: Do investments in IT systems contribute to the Merger savings?

A: Yes. Each of the functional teams worked with the IT function to identify whether and how their respective efficiency initiatives depend on IT systems. Since many IT systems support multiple functional areas, it is not always possible to directly assign IT-related Merger savings to a single functional team but they are reflected in overall savings.

Q: What proportion of savings are reasonably within the control of the Applicants?

A: We estimated approximately 78 percent of savings are within the control of the Applicants, including all the labor efficiencies. An additional 8% are mostly controllable in the sense that we are partially dependent on market conditions to achieve forecasted savings. A good example of this is property insurance savings we expect to achieve but which are subject to shifts in market conditions that could positively or negatively impact actual results. The remaining 14 percent of the savings are subject to the outcomes of negotiations with suppliers and are based on assumptions regarding the ability of the combined Company to negotiate more favorable terms and pricing for larger contracts.

Our initial wave of discussion and pricing results with a group of key suppliers gives us early confirmation of our ability to achieve the Supply Chain Merger savings.

Q: How will the Applicants ensure that the integration plan is implemented and that savings are realized?

A: Prior to closing and continuing until shortly after close, the integration planning PMO will transition to the Integration Success team. This team will oversee implementation of the integration plan and be led by Greg Greenwood. Mr. Greenwood describes this Integration Success process in his direct testimony.

Q: Are the savings studies complete?

A: Yes. They have been subject to thorough review on both an individual efficiency basis by the functional integration teams and as elements of the comprehensive integration implementation plan by the Integration Success team, the PMO and the Steering Committee. The efficiency initiatives and associated savings have been approved by the Steering Committee and are ready to be implemented by the management team.

Q: Can you provide more detail on these savings?

A: Yes. I will review each of the functional areas in the next four subsections (III.B-E), before discussing the benchmark staffing savings and IT function efficiencies in sections III.F and III.G, respectively. The savings in these sections are presented and discussed on a gross savings basis. Related transition costs necessary to achieve the gross savings are discussed in section III.H.

B. Support Services

Q: Please identify the integration teams that comprise the Support Services functional grouping.

A: Ten functional teams comprise Support Services: Legal, Regulatory, Human Resources, Finance & Accounting, Compliance, Information Technology, Facilities, Corporate Security, Safety, and Marketing & Public Affairs. There are substantial opportunities to achieve efficiencies by optimizing duplicative and overlapping functions within the combined Company.

Q: Please describe the labor efficiencies in Support Services.

A: There is approximately $89.2 million in labor-related savings from optimizing payroll costs for the combined Company, including benefits and other loading factors. We will have significant labor-related savings as a result of being able to eliminate duplicative staffing expenses in most of these Support Services areas.

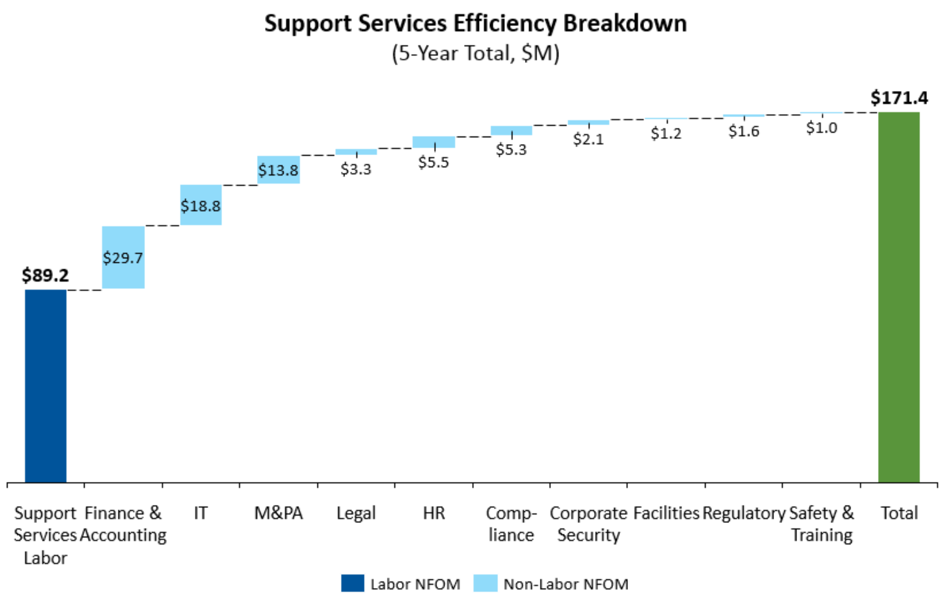
Q: What non-labor efficiencies have been identified over the five-year period, 2018-2022 for Support Services?

A: The non-labor efficiencies for Support Services total $82.3 million over this five-year period and are attributable to the elimination of redundant spending (*e.g.*, audit fees) as well as efficiencies in the use of contractor and other outside services, software and other subscription services, and consolidation of IT systems and software. For example, IT is expected to produce $18.8 million in savings over the first five years, which will primarily come from the consolidation of IT systems and software as well as rationalization of IT contractors. Economies of scale also contribute to efficiencies in several of the Support Services functions. For example, lower insurance premiums and broker fees are expected to produce $19.0 million in savings in the first five years as insurance services are combined and optimized for the combined Company's size. Other sources of efficiencies result from the application of best practices from either Westar or GPE across the merged company. These best practices impact policies, procedures and organization design.

Support Services efficiencies are summarized in Figure 4.

Figure 4

Efficiency Breakdown – Support Services



As shown in Figure 4, the largest non-labor related savings are realized in Finance & Accounting ($29.7 million), IT ($18.8 million), Marketing and Public Affairs ($13.8 million) and HR ($5.5 million).

Q: Do you perceive any significant challenges or risks related to the achievement of Support Services savings?

A: There is minimal risk of lower savings associated with Support Services as the vast majority of savings are attributable to elimination of redundancies that are within the control of the Applicants.

C. Generation

Q: How are the generation resource portfolios of Westar and GPE currently planned and dispatched?

A: External factors that impact the portfolio composition include potential changes to environmental regulations and changes to Southwest Power Pool ("SPP") rules and trends in the power markets. Of course, cost, efficiency and reliability of plants also are important factors.

Both generation portfolios are generally dispatched by SPP based on economics of the plants in relation to other generating units across the 15-state region and transmission system availability.

Q: How will this planning and dispatch change with the Merger?

A: In addition to continuing to evaluate each of the Applicants' generation needs on an individual basis, the planning process will also evaluate an integrated company generation portfolio to determine if additional efficiencies can be gained. The generation portfolios will remain dispatched by SPP as they are today.

Q: How did Applicants identify Merger-related Generation efficiencies?

A: We have continued to evaluate the resource portfolios independent of the Merger. As part of these reviews, and as noted in Section II, GPE has announced that it will retire six coal-fired units at Sibley, Montrose, and Lake Road either in 2018 or 2019. The retirement of these older, less efficient plants will occur with or without the Merger, as they reflect general market and environmental conditions, and the costs of retrofitting and maintaining the plants.

Q: How will customers benefit from these announced plant retirements?

A: The Applicants project that the announced KCP&L plant retirements will result in approximately $222.6 million of savings over the first five years after they are retired. Although these savings are not Merger-related and are not included in the savings estimates discussed in my testimony, these savings will be reflected in the cost of service as rate cases are processed, benefitting customers, as discussed by Messrs. Ives and Somma.

Q: Have the Applicants identified any changes to the portfolio made possible as a result of the Merger?

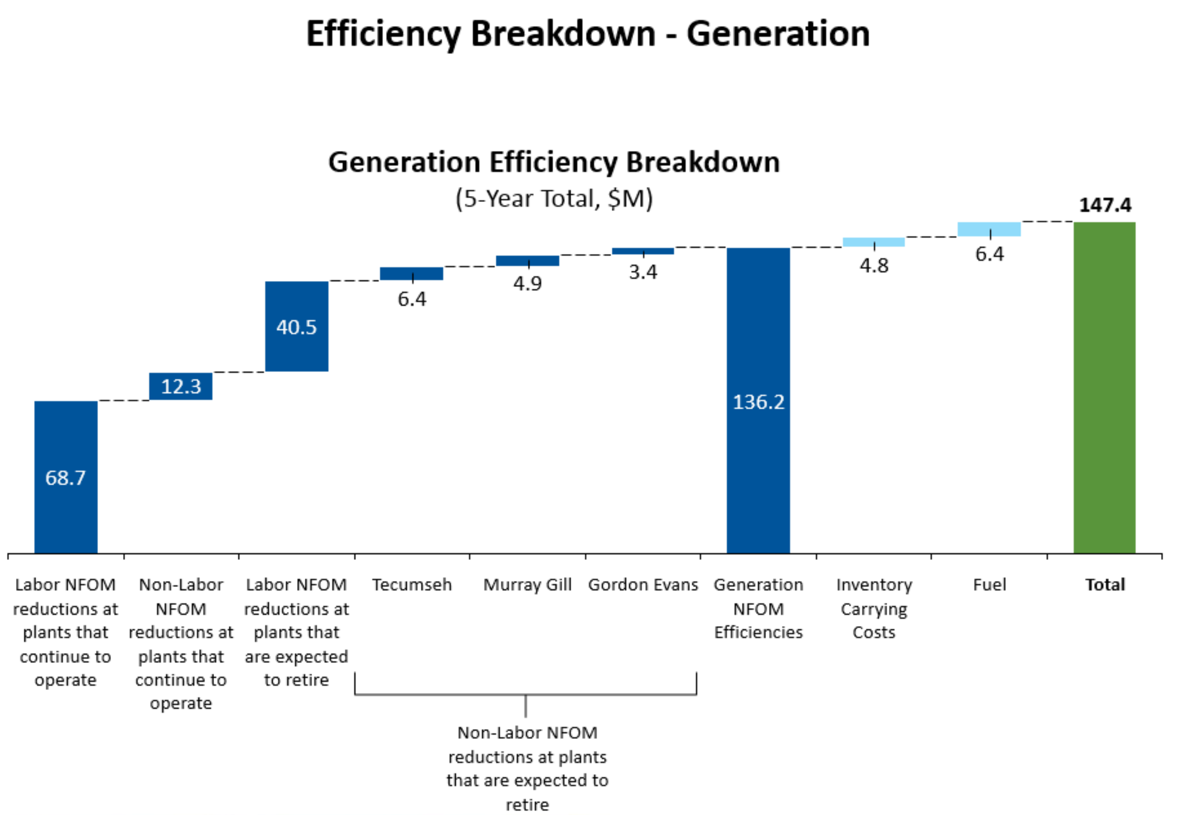
A: Yes. We have determined that it will now be possible to accelerate the retirement of five generating units at three of Westar's generating plants (Tecumseh unit 7, Gordon Evans units 1 and 2, and Murray Gill units 3 and 4). These retirements can be accelerated to reduce costs for customers, yet still meet reserve requirements established by the SPP. Cost savings attributable to accelerating these retirements from the mid-to-late 2020s to 2018 are Merger-related, and accordingly, have been included in Merger savings. Non-fuel operations and maintenance ("NFOM") savings from these retirements are estimated to be $55.4 million over the first five years after retirement.

Q: What other Generation-related savings are attributable to the Merger?

A: Generation efficiencies will be realized by reduced labor, maintenance, and fuel expenditures from operating a combined fleet approximately twice the size of either independent generation portfolio. These savings are created by improved processes that reduce both labor and non-labor related O&M expenses. Optimization across the combined portfolio will also reduce the number of rail car deliveries and inventory carrying costs. In addition, a consolidation of the Generation support functions (*e.g.*, generation system planning, generation engineering, etc.) will contribute to Merger savings. Generation Merger-related savings other than those attributable to the acceleration of Westar unit retirements are forecast to be approximately $80 million over the first five years (excludes inventory carrying costs and fuel).

Savings from Generation efficiencies are summarized in Figure 5.

Figure 5



Q: Do you perceive any significant challenges or risks related to the achievement of Generation savings?

A: No. Generation-related savings are primarily within the control of the Applicants although a minor portion of the savings will be impacted by reduced fuel costs and from interest rates that affect inventory-carrying costs. This portion remains exposed to market influences.

D. Supply Chain

Q: Please describe the nature of Supply Chain savings.

A: The Supply Chain function is a critical function for utilities because a relatively small percentage of savings in the costs associated with purchasing from equipment and service providers will produce large dollar savings for customers. GPE and Westar combined spent approximately $1.9 billion on “repeatable” equipment and services in 2015.

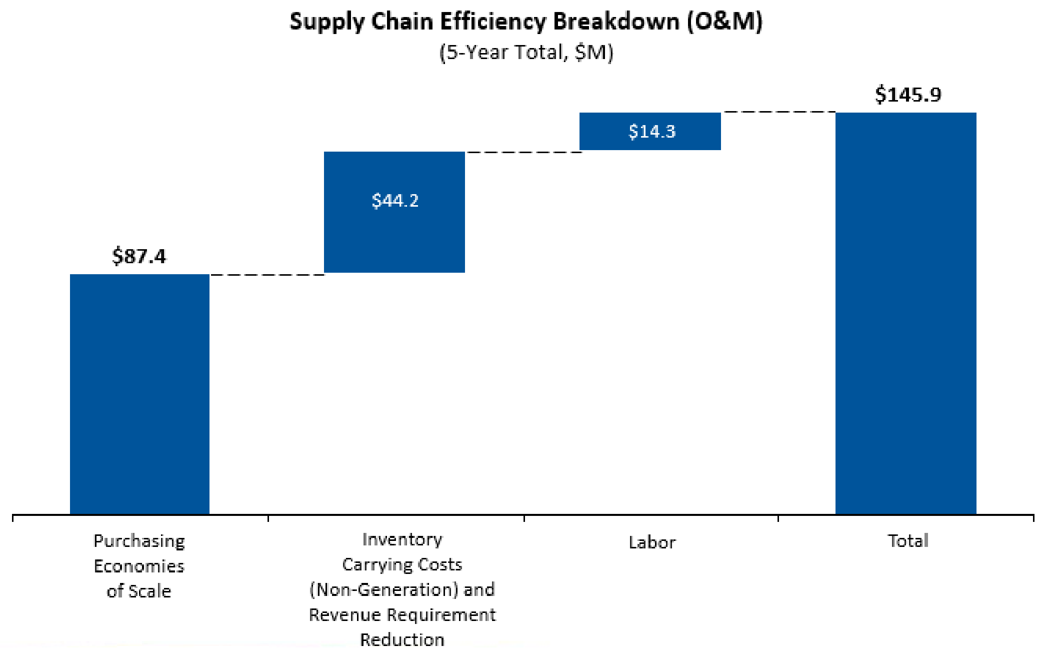
The supply chain organizations achieve savings through a range of practices, and measure their success by performing analytics and understanding the impact of supplier negotiations against a baseline spend (pricing and volume) to determine efficiencies associated with negotiating new contracts. The practices include inventory management, competitive solicitations, and supplier relationship management.

Q: Please describe the opportunities for efficiencies in this area.

A: Most savings are attributable to two non-labor categories: economies of scale in purchasing including supplier rationalization ($87.4 million) and reduced inventory carrying costs (non-Generation) and revenue requirements on capital sourcing savings ($44.2 million). The economies of scale result in opportunities to consolidate the supply base, negotiate volume-driven cost reductions with potential suppliers, leverage better logistics alternatives, adopt common standards, increase outsourcing for certain functions that are outside of the utilities’ core competencies, and other improved sourcing practices.

Savings from Supply Chain efficiencies are summarized in Figure 6.

Figure 6



Q: Do you perceive any significant challenges or risks related to the achievement of Supply Chain savings?

A: Approximately $87.4 million of the Supply Chain savings are attributable to the ability of the Applicants to negotiate lower costs with suppliers because of improvements in the purchasing process and economies of scale. This portion of the Supply Chain savings depends on our negotiations with suppliers and prevailing market conditions, as well as our ability to move to common standards and a consolidated supply base. However, as stated earlier, our initial market checks of these potential savings are consistent with our overall savings expectations.

E. <u>T&D/Customer Service</u>

Q: Please describe the T&D/Customer Service functions.

A: This functional area has two teams: T&D and Customer Service with a combined annual labor O&M budget of approximately $185 million. The T&D functions are responsible for maintaining the T&D assets including vegetation management activities, providing reliable service, and restoring power in response to emergency conditions or more routine outages. The Customer Service function includes activities performed at the customer location and all interactions with customers through the customer contact centers as well as billing and collection processes.

Q: What efficiencies have been identified by the T&D Integration Team?

A: The most significant efficiency opportunity will come from optimizing the vegetation management process. As a result of adopting a “best of both” approach, Westar will adopt KCP&L’s outsourcing model for its distribution system and KCP&L will adopt Westar’s fixed pricing bidding strategy for its transmission system. The Applicants also expect to negotiate a more favorable contract with an outside vendor due to the increased scale of the combined Company program, while remaining consistent with Westar’s existing “ReliabiliTree” program parameters. In addition, the KCP&L vegetation management cycles will be extended to the Westar service area. Using standardized cycles and crew sizes along with optimizing both KCP&L’s and Westar’s programs will allow for better planning and more efficient spend while maintaining consistent levels of customer reliability.

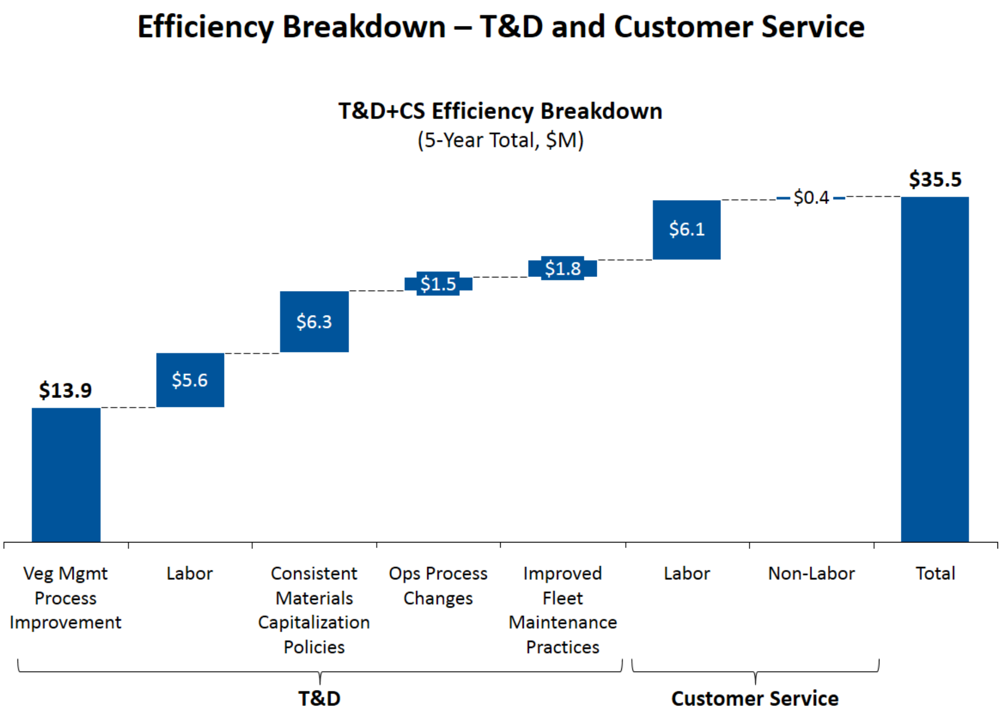
Q: What are the estimated savings over the 2018-2022 period from T&D efficiencies?

A: The Applicants forecast non-labor savings of $13.9 million related to improvements in the vegetation management process. Other sources of non-labor O&M savings include $6.3 million from adoption of consistent materials capitalization practices in both utilities, $1.8 million from improved fleet maintenance practices, and $1.5 million from streamlined operations processes. Labor-related savings in T&D are expected to be $5.6 million, bringing total O&M savings to $29.0 million.

Q: What efficiencies have been identified by the functional Customer Service Integration Team?

A: The Customer Service team identified non-labor savings of $0.4 million and $6.1 million in labor-related O&M savings. The combined T&D/Customer five-year savings are summarized in Figure 7.

Figure 7



Q: Do you perceive any significant challenges or risks related to the achievement of T&D/Customer Service savings estimates?

A: No. The vegetation management savings are largely within the control of the Applicants although the precise savings from a new contract will not be known until the negotiations are completed.

F. Achieve Benchmark Savings – Benchmark Staffing

Q: Can the combined Company achieve additional labor savings with no Merger-related layoffs?

A: Yes. Total labor savings enabled by the Merger over the first five years of combined operations as detailed on Table 2 above are $351.5 million, of which $224.8 million are from these four functional areas and $126.7 million are Achieve Benchmark Savings. The labor savings will be achieved by eliminating many vacant positions both companies have held open in contemplation of the Merger, ongoing natural attrition including, importantly, the contribution of baby boomers continuing to leave the workforce in large numbers, and perhaps other voluntary methods. Accordingly, we can achieve these savings with no Merger layoffs.

Q: Please describe the Achieve Benchmark Savings.

A: To further evaluate labor-related Merger savings potential, we worked with Strategy&, a consulting firm that specializes in merger savings analysis. Strategy& performed three analyses to help management estimate staffing levels for the combined Company reflecting its now more efficient scale. One analysis related to identifying staffing levels that would be consistent with a "Model Utility", with potential staffing consistent with such a "model". Another analysis compared KCP&L and Westar staffing efficiencies to other transactions. A final analysis looked at a similar peer group and identified differences in quartile performance. Our assessment based on this further analysis indicates that the combined Company will have the systems and processes in place to enable reductions in staffing while maintaining and assuring service quality.

Q: What were the results of these analyses?

A: The benchmark staffing savings were developed using an average based on three analyses. Two of these analyses evaluated staffing levels against peers and a third looked at headcount savings from prior transactions with the intent of estimating a staffing level for combined Company. When evaluated together, these analyses yielded staffing levels that are consistent with other transactions and companies of the size and scale of the combined company. We determined the combined Company could achieve additional savings of $126.7 million over the first five years of combined operations through this effort.

Q: How will these be achieved?

A: These reductions will be achieved by implementing further process improvements and by managing net attrition over this period to achieve a level of labor savings that is incremental to the integration team work. However, we will defer the specific decisions as to the number, timing, and functional areas affected until we have experience operating for a period of time as a combined Company. Additionally, since the reductions will be achieved through attrition, management will need to balance the attrition with the targets by functional area to ensure the attrition aligns with the objectives, as attrition can happen anywhere and may not happen in the areas identified for the savings. Managing these position reductions through attrition has several advantages. Most importantly, we will make better-informed decisions that reflect the input of teams that have had the opportunity to work together and validate that performance can be maintained at reduced staffing levels. The alternative, assigning identified reductions to specific functions at this time, would likely produce suboptimal decisions and result in avoidable and disruptive labor dislocations. In addition, operating the combined Company prior to making additional reductions will allow us to monitor these reductions to ensure that we maintain customer service levels, even as we pursue these additional efficiencies.

G. <u>IT Roadmap and IT Business Plans</u>

Q: Please describe the contribution of IT initiatives to achievement of efficiency savings.

A: The IT integration team had two primary goals: (1) examine opportunities to execute IT responsibilities more efficiently by integrating the GPE and Westar IT functions into a single, integrated support organization, and (2) working with each of the integration teams to identify opportunities to utilize existing, upgraded, and new IT systems to enable greater efficiencies and better serve customers in the future.

The IT team developed an IT Roadmap that examined each system at both utilities and presented a plan, supported by the associated project business cases that would optimize the IT capital plan across both utilities. In some cases, we plan to take a better and/or recently updated system at either Westar or GPE and invest as necessary to expand and/or modify the system to address the needs of both companies (*e.g.*, Westar's Maximo management system being adapted for use by GPE's utility subsidiaries).

The IT Roadmap combines the project business cases into a single planning document that includes an optimal design, prioritization and sequencing of IT projects that considers the need to replace certain systems, interdependencies among IT projects, and customer rate impacts. The IT Roadmap focuses first on preparing the Applicants to serve customers over the next decade and longer, and then, to achieve Merger savings.

This reflects the evolution of IT systems throughout the industry. The IT Roadmap reflects new Merger-related projects and deferral or avoidance of other projects. The prioritization reflects the benefits to customers from enhanced and/or more reliable service and the fact that certain systems contribute to greater efficiencies.

Q: What role did the PMO serve in development of the IT Roadmap and Business Cases?

A: The PMO served in a coordinating role. It worked with the IT integration team to develop the IT Roadmap and project business cases, because IT activities are foundational to the achievement of other teams' integration plans. Most all plans depend, to some extent, on technology. In addition, the PMO facilitated the review of the IT Roadmap by the Steering Team and ensured consistency in how the financials were aggregated and integrated into the financial plan of the combined Company.

Q: How were IT projects prioritized in developing the IT Roadmap?

A: Projects were first assigned to one of four groups, in priority:

i. Foundational capabilities;

ii. Customer-related;

iii. Operations-related; and

iv. Infrastructure projects.

Q: Please further describe each of the groups of projects on the IT Roadmap.

A: Projects that deliver foundational capabilities establish a platform that may support multiple efficiency initiatives. Projects that deliver customer benefits address the Applicants' commitments to maintaining or enhancing the quality of service. Operations-related projects are intended to deliver efficiencies and ensure and/or improve quality of service. Finally, infrastructure projects such as corporate mobility, access management, and data center consolidation deliver on an ongoing commitment to maintain IT infrastructure necessary to support the entire combined Company.

Q: How were individual projects prioritized within each grouping?

A. IT projects were further prioritized based on the efficiencies dependent on those projects, and the benefits to the combined Company. Projects on the IT Roadmap were then sequenced to ensure that systems that are obsolete or approaching obsolescence were addressed first. They were then sequenced to ensure that the projects with the highest level of efficiencies and benefits were completed first.

H. Transition Costs

Q: What constitutes transition costs?

A: As I noted earlier and is also discussed in the testimony of Mr. Ives, Transition costs are costs necessary to integrate Westar and Great Plains and to create the Merger efficiencies and savings. Transition costs unlock the savings of the Merger. Examples of transition costs include voluntary severance, other than change-in-control severance, costs incurred in integration planning as well as costs incurred to enable network connectivity for the merged company and allow for a more efficient combined company. Transition costs are netted against gross savings to calculate and present net savings.

Q: How will you track transition costs?

A: The Applicants are utilizing project accounting capabilities of their accounting systems to track the costs to achieve the Merger savings. This information is captured by integration team and resource cost category. All requisitions, purchase orders and invoices for services charged to the Merger project are routed through Accounting for review to ensure the costs are appropriately coded. I regularly review the transition costs that have been incurred.

Q: Please summarize the amount of transition costs that have been identified in the integration effort.

A: We have identified $71.8 million of transition costs over the first five years after the closing, including $35.6 million incurred or expected to be incurred in 2016 and 2017 in the planning and design of the integration of GPE and Westar as shown in Table 3 below.

Table 3
Transition Costs ($M)

	2016/2017	2018	2019	2020	2021	2022	Total
Transition Costs							
Severance	$ 6.1	$ 14.5	$ -	$ -	$ -	$ -	$ 20.6
Supply Chain	7.1	6.8	5.4	2.0	1.6	1.2	24.2
Information Technology	11.8	0.3	0.3	0.3	0.3	0.3	13.4
Integration Planning & Integration Support	7.5	-	-	-	-	-	7.5
Other integration teams	3.1	0.3	0.9	0.6	0.6	0.6	6.1
Total	**$ 35.6**	**$ 21.9**	**$ 6.6**	**$ 3.0**	**$ 2.5**	**$ 2.2**	**$ 71.8**

Q: What comprises severance costs?

A: Severance is comprised of two voluntary separation offers made available to employees during the integration planning phase. It also includes voluntary severance associated with the accelerated retirement of Westar plants. GPE non-union employees received an opportunity to participate in a VEEP which provided a severance payment. A total of 98 employees elected to participate in the VEEP at a total cost of $6.1 million.

Additionally, Westar non-union employees had the opportunity to elect to participate in Westar's severance program ("Westar Severance"), which provides for varying levels of pay and benefits based on employee position and length of service, through an organizational design and staffing process. A total of 91 employees initially elected to participate in the Westar Severance at a cost of $11.1 million. While due to the passage of time and change of circumstances we will give employees an opportunity to revisit their decisions, we do not expect a meaningfully different outcome. Finally, the severance cost includes the expected amount associated with accelerating the retirement of the Westar generation facilities. Because we do not assume that all employees at those plants will be able to relocate to another plant, we have assumed a severance cost of $3.4 million.

Q: Please describe the nature of the transition costs associated with the Supply Chain function.

A: In connection with the planning and design of the integrated Supply Chain function and the identification of the $145.9 million of Supply Chain savings discussed previously, we incurred consulting costs to assist in the analysis of combined spend, inventory levels and prioritization of competitive solicitation. In addition, the Supply Chain team plans to implement more advanced analytics and management systems across the combined organization to enable the savings.

Q: What costs principally make up the Information Technology transition costs?

A: They are comprised of costs associated with several IT efforts. First, we engaged a consultant to assist the IT integration team to examine opportunities for combining into a single, integrated support organization, work with each of the integration teams to identify opportunities to utilize IT systems to enable efficiencies and assist the IT team in the development of the IT Roadmap. Second, these transition costs include costs associated with Day-1 projects prioritized to enable connectivity and visibility across both companies' IT systems. In addition, the IT Transition Costs include incremental costs to facilitate network connectivity between GPE and Westar IT networks.

Q: What costs comprise the Integration Planning & Integration Support?

A: These are comprised primarily of consulting fees totaling $7.5 million in support of integration planning.

Q: Are there other costs to achieve not included in the total above?

A: Yes. GPE and Westar employees have tracked their time associated with integration team activities. Related labor and benefits are charged to the same accounting projects as the incremental non-labor costs above. These costs, totaling $14.7 million through June 30, 2017, were not in final transition costs amounts as they are already included in the cost of service already reflected in rates.

Q: Does the combined Company expect to recognize the transition costs totaling $71.8 million in rates as an offset to the gross Merger savings?

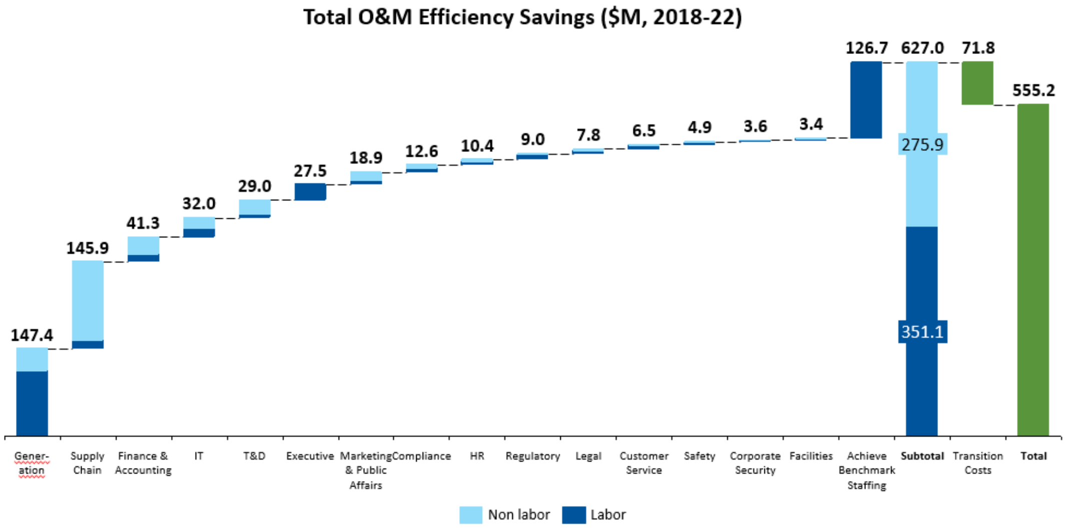
A: Yes. This rate-related issue is addressed by Mr. Ives in his direct testimony.

I. Summary of Efficiencies and Savings Estimates

Q: You have indicated that the savings can be presented along multiple dimensions. Please identify these dimensions and present summary results.

A: Savings by function and year were presented in Table 1. Figure 9 presents similar information with savings disaggregated between labor and non-labor savings.

Figure 9



Q: How are these savings relied upon by the Applicants?

A: They support benefits that will accrue to customers as a result of the Merger and they are critical inputs to the financial projections and related analyses described in the testimony of Mr. Somma.

Q: Have the Applicants satisfied Merger Standard (a)(iii)?

A: I am confident we have. The integration planning process has been comprehensive and is complete, including the identification of well-defined efficiency initiatives. Each initiative and each team's plan demonstrate reliable savings and executable implementation plans. They have been developed to capture all efficiencies, while avoiding any double-counting. Mr. Ives addresses how savings flow-through and will benefit customers in addition to the upfront bill credits, and thus satisfy Merger Standard (a)(iii).

IV. MERGER ACCOUNTING

A. Introduction

Q: Please summarize the accounting topics you will address in this section of your testimony.

A: In this section of my testimony, I will address the following Merger accounting topics:

- Goodwill;
- Shared services and affiliate transactions; and
- Property taxes.

B. Goodwill

Q: What accounting pronouncements provide guidance with respect to accounting for the Merger?

A: Under Generally Accepted Accounting Principles ("GAAP"), the accounting rules for a business combination are prescribed in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations. ASC Topic 350, Goodwill and Other, is also relevant to the Merger, among others.

Q: How will the combined Company account for the Merger?

A: Even though Great Plains Energy and Westar are combining in a merger of equals, in which neither company is acquiring the other in the sense of paying or receiving a control premium, the accounting rules still require that one company be determined to be the "acquirer" and by default the other company is deemed to be the "acquiree", solely for accounting purposes. Westar has been determined to be the accounting acquirer and GPE will be the accounting acquiree. The acquisition method of accounting will be used to record the Merger. Under the acquisition method, Holdco will record the net assets of

Great Plains Energy acquired at fair market value. In the case of regulated assets and liabilities, fair value is generally considered to be book value. At closing, the exchange value of Great Plains Energy's stock that is in excess of the book value of GPE's net identifiable assets must be recorded as goodwill. Goodwill to be recorded for the Merger is currently estimated at approximately $1.52 billion. As discussed by Mr. Ives, Merger-related goodwill and the related purchase accounting adjustments will be recorded only on Holdco's books and will not be pushed down to the books of any utility operating company.

Q: If there is no control premium, why is there still goodwill being recorded?

A: Determining goodwill for accounting purposes is independent of whether a control premium is paid. Rules require that the exchange value (market value, in this case) of Great Plains Energy's stock upon the closing of the Merger still be compared to its book value. As discussed by Mr. Reed, this will result in the booking of goodwill, but not the creation of any goodwill beyond the amount reflected in prevailing share prices. This is a non-cash journal entry only. The recording of goodwill will have no impact on the exchange ratio or equity value for the transaction. Goodwill simply sits on the books of Holdco and will not ever be reflected in utility rates. See Application Appendix H, Commitment No. 20.

Q: Does the existence of Merger-related goodwill impose any obligations on Holdco or any of its utility subsidiaries?

A: No. The goodwill is merely an accounting entry required by GAAP in recognition of the difference between the exchange value (market value) of GPE's stock at closing and the book value of GPE's net assets.

Q: After the consummation of the Merger, must the combined Company amortize this goodwill as an expense?

A: No. While that practice – or something like it – may have been required in the past, ASC Topic 350 no longer allows the amortization of goodwill for publicly traded companies. The rules now simply require impairment testing to determine whether the value of the underlying asset has been impaired. If no impairment exists, that asset simply continues on the books indefinitely, at the same amount. If an impairment were ever indicated, a write-down of the value of recorded goodwill would be required. That too, would never affect the utilities or their rates. See Application Appendix H, Commitment No. 21.

Q: Is a write down of goodwill likely?

A: No. Because most of the combined Company's assets are regulated utility plant, and utilities are allowed a reasonable opportunity to earn a return on their book value reflected in rate base, a circumstance in which the fair value of the combined Company's regulated utility operations was less than its book value (which would indicate an impairment) would be unlikely.

Q: Even if extremely unlikely, would the utilities be protected from any adverse effect of a potential write down of Merger goodwill at Holdco?

A: Yes. In the unlikely event that a write down would occur, it would be a non-cash journal entry at Holdco only, and would not affect the financial condition or capital structures of its utility subsidiaries. Mr. Ives testifies to how our Merger Commitments and Conditions further insulate the utilities from even the potential of adverse effects at Holdco, offering more insulative protections than exist today.

C. Shared Services and Affiliate Transactions

Q: Subsequent to the consummation of the Merger, how does Holdco intend to account for KCP&L's and Westar's operations in its accounting and reporting systems?

A: Holdco along with its direct and indirect subsidiaries will each have a separate general ledger similar to GPE's and Westar's general ledgers today, with reporting entities within its accounting and reporting systems for regulatory business units consistent with their current accounting records.

Q: How will the various business units be charged for costs incurred by another business unit that benefit multiple subsidiaries, commonly referred to as shared or common costs?

A: Certain shared costs will be incurred by both KCP&L and Westar, such as accounting, payroll, regulatory, accounts payable, and human resources. The current allocation methodology used by KCP&L to allocate shared costs among KCP&L and other Great Plains Energy business units, as documented in the Great Plains Energy Cost Allocation Manual filed annually with the Commission, will be utilized, updated as required for the combined Company's operations and those of its subsidiaries.

Q: Can you please provide an example?

A: Yes. If it is determined that a particular KCP&L shared cost should be allocated based on each business unit's utility plant, then Westar will receive only a portion of that cost based on its utility plant; if by customer count, then by the number of customers, etc. If it is determined that a particular Westar shared cost should be allocated based on each business unit's utility plant, then KCP&L will receive only a portion of that cost based on its utility plant; if by customer count, then by the number of customers, etc.

Q: Have the Applicants made commitments regarding Affiliate Transactions and Cost Allocation Manuals?

A: Yes. These commitments are discussed by Mr. Ives in his direct testimony.[6]

Q: How will costs that have been allocated to Westar be allocated among Westar and its subsidiaries and business units?

A: We plan to use Westar's existing allocation methods to allocate costs among Westar entities. As is customary, those processes will be reviewed periodically to ensure they continue to reflect appropriate allocations of cost.

D. <u>Property Taxes</u>

Q: What do you expect the impact of the Merger to be on the property taxes of the combined Company?

A: I do not expect a material difference in the property taxes paid by the combined Company as a result of the Merger. We have not discussed this Transaction with the tax commissions in Kansas or Missouri, and cannot predict for certain what their positions may be.

---

[6] See Exhibit DRI-1, Commitments Nos. 29 and 32.

Q: Can you elaborate?

A: Yes. Utility property taxes are based upon the fair market value of each utility legal entity. Therefore, KCP&L, KCP&L Greater Missouri Operations Company, Westar Energy, Kansas Gas & Electric Company, and Prairie Wind Transmission, LLC will continue to have their fair market values assessed separately. As a result, the Merger is not expected to have material impact on the property taxes of the combined Company overall.

Q: How will the acceleration of power plant retirements affect local property taxes?

A: While our power plant values decrease as plants are retired, simultaneously we will have been investing more in substation and transmission capital investments. Net plant, we expect, will remain at levels higher than just a few years ago.

V. CONCLUSIONS

Q: Please summarize your conclusions.

A: The primary conclusions from my testimony are:

1) GPE and Westar have undertaken a very detailed and thorough integration planning effort involving over 400 GPE and Westar employees participating in 18 teams, including the 14 “functional” teams, 2 “cross-functional” teams, the Steering Team and the PMO;

2) The culmination of this work is reflected in the team business plans, implementation plans, and efficiency charters that detail specific efficiencies (over 300) and associated timing;

3) We have identified net Merger savings of $555 million in the first five years following the Merger. Detailed integration plans reflect cost savings of $28

million in 2018 and growing to $160 million per year from 2022 and beyond. These savings will be achieved with no involuntary severance of employees;

4) Customer benefits resulting from the Merger can and have been quantified, and support a finding that the Applicants have satisfied Merger Standard (a)(iii) as discussed further by Mr. Ives;

5) GAAP requires the booking of Merger-related goodwill and that goodwill will be booked at Holdco level. This is a non-cash journal entry only. It will have no impact on the exchange ratio or equity value for the transaction. Goodwill simply sits on the books of Holdco and will not ever be reflected in utility rates;

6) Great Plains Energy Cost Allocation Manual filed annually with the Commission, will be utilized, updated as required for the combined Company's operations and those of its subsidiaries, to allocate shared costs among GPE entities. We plan to use Westar's existing allocation methods to allocate shared costs among Westar entities; and

7) While we have not discussed the Merger with the tax Commissions in Kansas or Missouri, I do not expect a material difference in the property taxes paid by the combined Company as a result of the Merger.

Q: Does this conclude your prepared 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 STEVEN P. BUSSER

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Steven P. Busser, being first duly sworn on his oath, states:

1. My name is Steven P. Busser. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President of Risk Management and Controller.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of forty-six (46) 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.

Steven P. Busser

Subscribed and sworn before me this 25th day of August 2017.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021