**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY OF

WILLIAM P. HERDEGEN, III

ON BEHALF OF

**GREAT PLAINS ENERGY INCORPORATED
AND
KANSAS CITY POWER & LIGHT COMPANY**

IN THE MATTER OF THE JOINT APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND AQUILA, INC. FOR APPROVAL OF THE ACQUISITION OF AQUILA, INC. BY GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 07-KCPE-____-____

Q: **Please state your name and business address.**

A: My name is William P. Herdegen, III. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCPL") as Vice President, Customer Operations.

Q: **What are your responsibilities?**

A: My responsibilities include the engineering, design, construction, maintenance, and operation of KCPL's distribution system, as well as the call center and revenue management. My role includes the recent assignment as lead of the Delivery transition teams, responsible for the integration of Aquila, Inc. ("Aquila") with Great Plains Energy Incorporated ("Great Plains Energy").

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

A: I graduated from the University of Illinois, Champaign-Urbana in 1976 with a Bachelor of Science degree in Electrical Engineering, and in 1981, I received my M.B.A. from The University of Chicago. I was first employed at KCPL in 2001. I have nearly 30 years of experience in the electric utility industry. Prior to joining KCPL, I served as chief operating officer for Laramore, Douglass and Popham, a consulting firm providing engineering services to the electric utility industry. Additionally, I was vice president of Utility Practice at System Development Integration, an IT consulting firm focused on development and implementation of technology systems. I began my utility career at Commonwealth Edison and over a course of more than 20 years held various positions, including field engineer, district manager, business unit supply manager, operations manager and vice president - Engineering, Construction & Maintenance.

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

A: I have previously testified before both the Kansas Corporation Commission ("KCC") and the Missouri Public Service Commission ("MPSC").

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide an overview of KCPL's current electric distribution system and customer service operations, as well as the combined distribution system and customer service operations resulting from Great Plains Energy's proposed acquisition of Aquila.

Q: As a preliminary matter, will Great Plains Energy acquire any Kansas jurisdictional distribution assets or begin serving any retail customers in Kansas as a result of the Merger?

A: No, as a result of the merger, Great Plains Energy is acquiring Aquila's Missouri electric operations. Great Plains Energy is not acquiring any distribution or other Kansas jurisdictional utility assets. Similarly, neither Great Plains Energy, nor KCPL, will serve any additional retail customers in Kansas as a result of the Merger.

Q: Please provide a general description of KCPL's existing distribution system.

A: KCPL owns and operates electric distribution facilities in the States of Missouri and Kansas. We serve approximately 500,000 customers. Our service territory is comprised of 11,710 distribution primary circuit miles over 4,600 square miles.

Q: How do KCPL's electric distribution facilities compare to those of Aquila?

A: By acquiring Aquila's Aquila Networks-MPS and Aquila Networks-L&P electric service divisions, Great Plains Energy's service areas will increase to approximately 800,000 customers in western Missouri and eastern Kansas. It will create a footprint that spans the majority of the Kansas City Metropolitan area, covering the northwest corner of Missouri to the Iowa border and links KCPL's metropolitan areas with its East District. This will enable efficiencies in terms of improved service, design and maintenance of infrastructure. The KCPL and Aquila service territory will be comprised of 21,770 distribution primary circuit miles over approximately 18,000 square miles.

Q: How does Great Plains Energy plan to operate the distribution systems of KCPL and Aquila?

A: Aquila's Missouri field employees will become KCPL employees and KCPL will operate both distribution systems.

Q: Do you anticipate synergy savings or other benefits attributable to KCPL operating the distribution systems?

A: Yes. KCPL's preliminary analysis indicates that having KCPL operate the systems of the two companies will result in synergy savings and efficiencies in the overall delivery operations, including transmission operations. Richard Spring will provide testimony in this proceeding on the details of the transmission operations efficiencies.

Q: What areas of distribution operations will comprise the anticipated synergy savings and efficiencies?

A: Efficiencies have been identified in the following areas:

- Safety and Training
- Engineering
- Resource Management
- Vegetation Management
- Emergency Preparedness
- Field Operations

Q: Please discuss Great Plains Energy's plans in connection with Safety and Training.

A: Safety is a core value at Great Plains Energy. We continue toward our stated goal of attaining a World Class Safety culture by 2008.

KCPL will review current training requirements associated with safety at both companies. We will continue our pioneering partnership with OSHA to ensure all compliance issues are addressed.. KCPL will evaluate safety procedures currently in place and create a single manual for all employees to follow. We will review current safety councils at KCPL and their applicability to Aquila.

Additionally, KCPL will build on the current training efforts of both companies. One example is that KCPL and Aquila are partnering with the Metropolitan Community College Business and Technology Campus and have created an associate's degree program for electric utility line technicians. Students will work for one of the utility partners in a paid internship each summer and will receive priority hiring consideration for advanced placement in a utility apprenticeship program. These efforts will result in higher quality jobs within our community, as well as increased synergy savings.

We will develop a strategic plan to create a single, positive safety and training culture. KCPL will evaluate the recent implementation of an automated safety communication process and identify information technology needs to implement across both companies. Programs utilized by both companies will be benchmarked and we will develop a strategy to maximize content retention.

Q: Please discuss integration of the Engineering areas.

A: KCPL will review the approach taken at Aquila to engineering the distribution system, and blend practices to evaluate the entire distribution system against a common set of parameters. We will continue the KCPL focus on customers experiencing a relatively greater number of outages, and the investment decisions necessary to address those facilities. We will review the current five-year engineering plans of both companies against the new parameters to identify any necessary adjustments. For our larger customers, we will evaluate demand-side investment options, distributed generation or other avenues to reduce the system demand peaks that require investment. These savings can then be applied to reinvesting in the aging facilities prioritized across the combined territory.

We recognize the addition of the Aquila service area creates a larger rural component to our business approach. We will review our engineering organization to balance the needs of our rural customers against the larger Kansas City metropolitan area. System-wide, we will evaluate different approaches to project field design, creating strategies to accomplish the work in the most efficient manner.

KCPL will evaluate the current computer Geographic Information Systems ("GIS"), field design systems, and distribution automation systems currently in use at both companies and on the market. We will develop a strategy for a combined computer engineering system that will provide reliability benefits to our customers. We will also focus our field design process to create a common procedure that can be easily accessed by developers and customers. The goal is to provide a low stress, high value process to connect new customer growth in our service territory.

Q: Please discuss integration of Resource Management.

A: KCPL defines Resource Management as the area responsible for providing our distribution operation with the materials, equipment, vehicles, and additional work force necessary to meet customer demand. In the materials area, we will evaluate the total supply chain approach of both companies and create a single approach to material acquisition. We will create a plan to contact current suppliers in both companies to evaluate material specifications and determine best suppliers based on overall long-term value. We will evaluate a central management approach to material storage and supply for both companies. This review will include third party warehouse supply approaches and current industry trends. In the area of vehicles, we will evaluate various fleet standards in both companies and adopt one standard specification for various classes of vehicles. We will review the current fleet size, compare against benchmarks and adjust as necessary. We will review replacement and purchase plans at both companies and consider changing orders to take advantage of economies of scale. We will expand our presence in the area of alternative fuel usage and seek fleet opportunities to increase the use of bio-diesel and ethanol "E85" fuels.

Additionally, we will evaluate parts acquisition and stocking practices at both companies with a focus on creating a single practice. We will evaluate third-party maintenance options. The Company will review the current practices of multiple garage locations at KCPL versus centralized locations at Aquila. We will formulate a future plan for fleet maintenance before service centers are altered or built.

For the management of contractor resources, the industry is presently split between unit-bid style contracting and time and equipment contracting. We will develop a strategy of best practice and create a strategic approach. The Company will evaluate the benefits of the current Quality Assurance/Quality Control approach at KCPL versus the operation management approach at Aquila. We will consider organization shifts to manage the field forces in the most efficient manner. KCPL will coordinate a joint team with training personnel to review contract workforce versus building an in-house workforce, and develop a long-range plan to manage staffing needs.

Q: **Please discuss the plans for Vegetation Management.**

A: KCPL will review the current practices of both companies for tree trimming. We will develop a single approach to cycle trimming and associated vegetation management needs. KCPL will expand its strategy to address vegetation management as a reliability-based effort to increase the performance of our system.

We will evaluate funding levels for trimming in the current separate companies and review problem areas, developing a strategy to best allocate funds. KCPL will review current trimming vendors, associated contracts and existing strategic alliances.

Q: **How will Emergency Preparedness be addressed in the integration process?**

A: Since our 2002 ice storm, KCPL has revised, streamlined, and trained on what some consider an industry-best practice approach to storm restoration. KCPL will assess the current capabilities to respond to emergencies by both companies. We will review current response plans for emergencies, business continuity and pandemic planning. The Company will develop a unified approach and identify organizational assignments of responsibilities. Additionally, KCPL will coordinate current storm response plans to take advantage of synergies during the pendency of the acquisition.

For daily outage response, KCPL will evaluate our current dispatch center and the customer service center approach at Aquila.

Q: **Please discuss the plans for integration of Field Operations.**

A: KCPL will conduct a detailed review of field management resources at both companies. We will develop a labor strategy for field employees, assessing options to streamline job specifications. The Company will review organizational options and develop a strategy to maximize efficiencies.

KCPL will evaluate vehicle and equipment assignments in use at both companies and develop a strategy around standardizing crew complements for the work involved, including quantities of employees, trucks and equipment needed. We will create a best practice organizational hierarchy that manages the operation, maximizes communication to employees and responds to customer needs in the most efficient manner.

Q: Please describe KCPL's customer service operations.

A: KCPL's customer service operations consist of the following departments:

- Call Center
- Billing Services
- Credit and Collection
- Customer Relations
- Meter Reading/Field Service
- Revenue Protection

Q: Please briefly describe the function of the Call Center and KCPL's plans for integration.

A: KCPL has a single call center, and Aquila currently utilizes two call centers to address the electric and gas systems. We refer to our call center as the Customer Care Center ("CCC"). It is the direct link between the utility and its customer base. Daily, the CCC handles residential and business customer contacts for time-saving, self-service options for any service or account need including service requests, new construction or service upgrades, billing and account information, payment options, and special programs and services. We will evaluate the call center approaches currently in place and determine any changes necessary following Great Plains Energy's acquisition of Aquila. Our intention is to create a single call center for the new Great Plains Energy customer base and provide all customers currently served by Aquila a seamless transition to their service needs.

Q: Please explain the Billing Services function and integration efforts.

A: Billing Services ensures the accurate and timely billing of retail customers. Major functions include account adjustments, entering rate changes, set-up of area light billings, processing customer refunds, adding and removing customers on Easy Pay program and resolution of various issues within our computer systems. KCPL has responded to customer desires in the areas of Internet web payment and credit card payment. We will evaluate the approaches each company is taking to payment options, to the delivery and printing of bills and to the information flow from our meter systems. Our intent is to create one approach to the bill process that customers will understand, regardless of geographic location. Our overall focus will be to provide options to our customers for doing business with us in an easy and efficient manner.

Q: Please explain the Credit and Collection function and integration efforts.

A: Credit and Collection handles the collection of past due receivables. KCPL will review the current work force approach taken at both companies, and evaluate the outbound telephone calling technology currently utilized. We will also review third party approaches taken in the industry. We plan to establish a single approach to this business area, and treat all customers with the utmost respect.

Q: Please describe the Customer Relations department responsibilities and integration efforts.

A: Customer Relations is responsible for the investigation and response to informal commission complaints and inquires. The department works closely with the Law Department and Regulatory Affairs when complaints escalate to formal status. Customer Relations builds profiles on community action and social service agencies to strengthen relationships. The department identifies low-income, elderly and disabled customers for purposes of outreach and customer service that is targeted to their needs. Additionally, Customer Relations takes a proactive approach with medical and hospice customers, as well as nursing homes, by staying in touch with them during extended heat periods and extended outages. These proactive steps are taken to help individuals make choices for their best care.

The Customer Relations area will be reviewed in consideration of the added customer base and service territory. Strategies that are customer-focused will require expertise of Customer Relations and information from assistance agencies. Outreach efforts in connection with assistance and community action agencies include in-person visits to build profiles, along with frequent interaction to build partnerships, provide reciprocal communication and to best serve our customers.

Q. Please describe the Meter Reading/Field Service department responsibilities and integration efforts.

A. Meter Reading ensures the accurate and timely reads of electric meters for billing. Field Service responds to customer-requested connects and disconnects, as well as collection of past due receivables.

Initial review of integration for these areas will include meter reading integration, mobile implementation and labor issues. KCPL currently utilizes an Automated Meter Reading ("AMR") system. Consistent with KCPL's intent to demonstrate leadership in efficiency and new delivery technologies, Great Plains Energy will review expansion of metering technology to the acquired geographic areas. Installation of advanced technology in Aquila's service territory for automation of meter reading will allow enhanced superior capabilities.. This technology will also increase the level of program offerings to customers. We will investigate Advanced Metering Infrastructure ("AMI") solutions for the integrated company, reviewing interface capabilities with the current meter reading and CIS systems. Manual meter reading processes now in place in the Aquila territory will initially be maintained.

Q. Please explain the Revenue Protection function and integration efforts.

A. Revenue Protection minimizes the Company's loss of revenue due to fraud, theft of service or other metering irregularities by identifying and investigating abnormal account activity.

We will continue our focus on meter data management solutions to provide early warning of abnormal conditions that enable transition to a proactive revenue assurance approach within KCPL.

Q: Will customer service operations be impacted by the integration of Aquila into Great Plains Energy?

A: Synergies are being evaluated and integration will focus on the best practices of KCPL and Aquila. Customer satisfaction levels at both companies are expected to reach Tier 1.

Q: **Will Great Plains Energy provide customer service assistance to Black Hills Corporation?**

A: The goal is to have Great Plains Energy and Black Hills Corporation operate as stand alone companies immediately following the merger. In order to provide a seamless integration of customer service functions to customers, there may be a short transition period where Great Plains Energy provides assistance to Black Hills Corporation.

Q: **Does that conclude your 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 Aquila, Inc. for approval of the Acquisition of Aquila, Inc. by Great Plains Energy Incorporated	)))))	**Docket No. 07-KCPE-____-____**

AFFIDAVIT OF WILLIAM P. HERDEGEN, III

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

William P. Herdegen, III, being first duly sworn on his oath, states:

1. My name is William P. Herdegen, III. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, Customer Operations.

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 thirteen (13) pages, all of which 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.

William P. Herdegen III
WILLIAM P. HERDEGEN, III

Subscribed and sworn before me this 2nd day of April, 2007.

Nicol A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

JOHN R. MARSHALL

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED
AND
KANSAS CITY POWER & LIGHT COMPANY

IN THE MATTER OF THE JOINT APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND AQUILA, INC. FOR APPROVAL OF THE ACQUISITION OF AQUILA, INC. BY GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 07-KCPE-____-____

Q: Please state your name and business address.

A: My name is John R. Marshall. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCPL") as Senior Vice President, Delivery Division. KCPL is a direct, wholly-owned subsidiary of Great Plains Energy Incorporated ("Great Plains Energy").

Q: What are your responsibilities?

A: My responsibilities include overseeing Customer Operations, Transmission Services, Information Technology and Energy Solutions.

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

A: I graduated from the University of Arkansas at Fayetteville in 1976 with a Bachelor of Science degree in Electrical Engineering. Further education from 1990 through 1997 includes management development at Columbia University, The Aspen Institute, The Wharton School, and Harvard Business School Advanced Management Program. I began employment at KCPL in May 2005. Prior to joining KCPL, I was a Senior Executive Resource for GFI Energy Ventures LLC; Chairman of InfraSource Services Inc.; Chairman of SPL World Group Inc.; and a Director of Power Measurement Holdings, Inc. From 2001-2002, I was Senior Vice President of Customer Service at the Tennessee Valley Authority, and from 1999-2001, I served as President of Duquesne Light Company, Pittsburgh, Pennsylvania. Prior to joining Duquesne Light, I was Vice President of Entergy Corporation and served in various nuclear and fossil generation, transmission, distribution, customer service, information services and retail operations positions from 1976 through 1999.

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

A: I prefiled testimony before the Kansas Corporation Commission ("KCC") and I testified before the Missouri Public Service Commission ("MPSC") in KCPL's 2006 rate cases. I have also testified in proceedings before the Texas Public Utility Commission.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide an overview of the synergy savings Great Plains Energy anticipates realizing as a result of its acquisition of Aquila, Inc. ("Aquila") (the "Merger"). I also provide an overview of the operational impacts of the Merger and various transition-related issues.

I. MERGER SYNERGY SAVINGS

Q: What amount of synergy savings does Great Plains Energy anticipate realizing as a result of the Merger?

A: As described more thoroughly in the direct testimony of Robert T. Zabors of Bridge Strategy Group, LLC, Great Plains Energy anticipates KCPL and Aquila realizing approximately $500 million in pre-tax synergy savings over the next five years (2008-2012). That figure can be broken down into four general categories, *i.e.*, savings attributable to: (i) a lower cost of debt for Aquila following the Merger; (ii) shared services between KCPL and Aquila; (iii) more efficient operations; and (iv) economies of scale, better bargaining leverage, and other efficiencies associated with procurement for a larger entity. Although Great Plains Energy anticipates only minor changes in projected synergies as the transition work progresses, we will provide the Commission an update in August of 2007.

Q: What is Great Plains Energy's estimated cost to achieve the Merger savings?

A: Great Plains Energy estimates that it will cost approximately $181 million to achieve the anticipated synergy savings. This includes both the transition-related costs associated with integrating Aquila operations into Great Plains Energy's operations and the transaction costs associated with completing the Merger. Although Great Plains Energy anticipates only minor changes in projected costs to achieve as the transition work progresses, we will include updated costs-to-achieve data in our August 2007 update.

Q: You mentioned that there are four general categories of synergy savings, could you please elaborate on those?

A: Yes, as I noted, Great Plains Energy anticipates realizing significant synergy savings as a result of reduced debt costs, shared services, operational efficiencies, and a more favorable procurement position. Mr. Zabors elaborates on the nature of these savings, however, the following is a general description of the estimated synergies:

Debt Interest Savings:

As explained in the direct testimony of Terry Bassham, Great Plains Energy estimates that Aquila will achieve approximately $188 million in debt interest savings over the five-year period as a result of the Merger. Great Plains Energy will retire or refinance all of Aquila's currently outstanding debt with the exception of two debt issuances that contain "make-whole" provisions that make their retirement uneconomic. Great Plains Energy estimates that the debt tender costs associated with refinancing and retiring Aquila's debt will equal approximately $35 million.

Shared Services:

Great Plains Energy estimates that KCPL and Aquila will achieve approximately $143 million in synergy savings over the five-year period as a result of KCPL and Aquila sharing certain services. The components of shared services synergies are labor costs associated with shared services functions, and associated benefit costs, third-party spend, executive compensation, and other overhead. Great Plains Energy anticipates eliminating approximately 110 duplicative support or administrative positions. Great Plains Energy anticipates spending less money enterprise-wide on third-party services such as audit services and legal counsel, than KCPL and Aquila currently spend in aggregate.

Overhead and other costs associated with the top Aquila officers will be eliminated following their departure upon consummation of the Merger. Great Plains Energy also anticipates achieving other general overhead savings.

Operations:

Great Plains Energy estimates that KCPL and Aquila will achieve approximately $119 million in synergy savings over the five-year period as a result of operational efficiencies gained as a result of the Merger. The components of operating synergies are labor costs associated with operating functions, emission credits and associated benefit costs, and other operating synergies. Great Plains Energy anticipates eliminating approximately 188 Aquila positions over time due to changes in process or technology and economies of scale efficiencies. Great Plains Energy also anticipates realizing a number of operations and maintenance synergy savings, as Mr. Zabors discusses in his direct testimony.

Procurement:

Great Plains Energy estimates that KCPL and Aquila will achieve approximately $50 million in synergy savings over the five-year period as a result of more efficient procurement practices, a superior bargaining position and other efficiencies gained as a result of the Merger. As Mr. Zabors explains in his direct testimony, this amount was estimated based on a reduction of 2.5% of total spent.

II. POST-MERGER OPERATIONS

Q: Please provide a general overview of the impact of the Merger on KCPL's Kansas operations.

A: The Merger will have no adverse impacts on KCPL's Kansas operations. KCPL will continue to provide service to its Kansas customers under its approved rates, rules, regulations and other tariff provisions until such time as they may be modified according to law. As a consequence, KCPL's existing Kansas customers will continue to experience quality day-to-day utility service at just and reasonable rates without incident or interruption. In fact, KCPL's Kansas retail customers receive a benefit as a result of the increased number of Missouri customers KCPL will serve after the Merger. Kansas customers will receive a smaller portion of the common overhead costs of the company because those costs will be allocated among a larger customer base.

Generation Fleets

Q: Please describe the generation fleet operational efficiencies that you anticipate as a result of the Merger?

A: As discussed more fully in the direct testimony of F. Dana Crawford, through the Plant Operations Integration team process, representatives from both companies will be tasked with identifying operational efficiencies and implementation strategies. Team goals and objectives include: (i) defining and delivering key best practice operations and maintenance strategies with emphasis on safety and training to support top-tier performance; (ii) developing an organizational structure that supports the Great Plains Energy "winning culture" initiative; (iii) identifying optimum on-going staffing requirements and necessary skill levels; and (iv) integrating key data information streams.

Through this team process we will take a collaborative look at KCPL's previously identified performance improvement projects and evaluate the implementation strategy for the current Aquila generation fleet. Great Plains Energy will also evaluate additional performance improvement projects that are identified through the integration process and look for opportunities to implement them where appropriate throughout the KCPL/Aquila generation fleet.

<u>Transmission Operations</u>

Q: Please summarize the impact of the Merger on the transmission operations of KCPL and Aquila and their Regional Transmission Organization ("RTO") participation.

A: As discussed more fully in the direct testimony of Richard A. Spring, following the Merger, KCPL employees will operate the transmission systems of KCPL and Aquila. KCPL proposes to take the following actions in order to build a reliable and efficient organization: (i) consolidate transmission control center operations; (ii) integrate Aquila's planning functions with KCPL's planning functions; (iii) incorporate Aquila's transmission and substation field operations into KCPL's operations; (iv) combine the transmission and substation engineering processes; and (v) include the Aquila facilities in the KCPL comprehensive transmission asset management plan in order to achieve Tier I reliability levels for all customers.

Aquila currently is a conditional member of the Midwest Independent Transmission System Operator RTO, with long-term participation contingent on regulatory approval. KCPL is a member of the Southwest Power Pool RTO. KCPL will evaluate the strategy of RTO membership when the merger is completed, taking into consideration multiple factors including the advantages of operating both transmission systems within a single RTO structure and the results of the pending cost-benefit study evaluating the relative benefits of Aquila's RTO options. Please refer to the testimony of Richard A. Spring for further detail regarding transmission and RTO issues.

Distribution Operations

Q: Please discuss combining the distribution operations of KCPL and Aquila.

A: By acquiring Aquila's Aquila Networks–MPS and Aquila Networks–L&P electric utilities, the number of retail customers served by Great Plains Energy's electric utility subsidiaries will increase to approximately 800,000 in western Missouri and eastern Kansas. It will create a footprint that spans the majority of the Kansas City metropolitan area and links KCPL's metropolitan areas with its East District. This will enable efficiencies in terms of improved service, design and maintenance of infrastructure. The combined service territory will be comprised of 21,770 distribution primary circuit miles over approximately 18,000 square miles.

Q. What areas of distribution operations do you anticipate resulting in synergy savings and efficiencies?

A. As discussed more fully in the direct testimony of William Herdegen, synergy savings and efficiencies are anticipated in the following departments: (i) Safety and Training; (ii) Engineering; (iii) Resource Management; (iv) Vegetation Management; (v) Emergency Preparedness; and (vi) Field Operations.

Customer Service

Q: Please briefly describe KCPL's customer service operations.

A: KCPL's customer service operations consist of the following departments: (i) Call Center; (ii) Billing Services; (iii) Credit and Collection; and (iv) Customer Relations.

Q. Will customer service operations be adversely impacted by the Merger?

A. As discussed more fully in the direct testimony of William Herdegen, Great Plains Energy believes the Merger will improve KCPL's customer service operations.

Synergies are being evaluated and integration will focus on the best practices of both companies.

III. OTHER POST-MERGER CONSIDERATIONS

Q: What other Merger-related issues would you like to bring to the Commission's attention while it considers the overall impact of the Merger on the operations and retail customers of KCPL and Aquila?

A: I would also like to provide a brief overview of the impact of the Merger on energy efficiency and conservation issues, the potential for transition services temporarily being provided either by Great Plains Energy and/or its subsidiaries to Black Hills Corporation ("Black Hills") or *vice versa*, and KCPL's community involvement activities.

Energy Efficiency and Conservation Issues

Q: How will the Merger affect KCPL's current energy efficiency and conservation initiatives?

A: The Merger will have no adverse impact on KCPL's current energy efficiency and conservation initiatives. Great Plains Energy plans to evaluate Aquila's energy efficiency, conservation and other related programs. KCPL will continue its current programs. Great Plains Energy will evaluate extending those programs to Aquila's customers. Great Plains Energy will also explore expanding any successful Aquila programs to KCPL's customers.

Transition Services

Q: How do Great Plains Energy and Aquila propose to address the need to provide or receive transition services following the Merger?

A: It is contemplated that following the Merger and Black Hills' acquisition of Aquila's non-Missouri assets, Great Plains Energy, or one of its subsidiaries, might need to provide services to Black Hills, or *vice versa*, on a temporary basis. Such services might include, among other things, customer support, information technology, and accounting services. Consequently, the parties entered into a Transition Services Agreement ("TSA"). Under the TSA, the parties have composed a transition service committee to examine these transition service issues, and the parties have agreed to finalize a transition service plan setting forth the steps to be taken by each party in order to resolve the transition service issues by July 30, 2007. The parties will provide the Commission with the transition plan after the parties finalize the services to be provided under the TSA.

<u>**Communities**</u>

Q: How, if at all, will the Merger impact KCPL's current community activities?

A: The Merger will have no adverse impact on KCPL's current community activities. KCPL supports initiatives targeted toward: (i) improving the lives of vulnerable youth; (ii) environmental programs that build on our current business practices, including energy efficiency/weatherization, tree care and plantings and conservation; and (iii) agencies and initiatives focused on retaining and stimulating economic and community development, as well as utility-related workforce development. KCPL supports its community strategy by financial contributions, as well as an aggressive volunteerism program allowing employees to participate with partner agencies through a combination of personal and company time. KCPL will continue those activities following the Merger.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE CORPORATION COMMISSION
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In the Matter of the Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for approval of the Acquisition of Aquila, Inc. by Great Plains Energy Incorporated	))))	**Docket No. 07-KCPE-____-____**

AFFIDAVIT OF JOHN R. MARSHALL

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

John R. Marshall, being first duly sworn on his oath, states:

1. My name is John R. Marshall. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Vice President, Delivery Division.

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 ten (10) 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.

John R. Marshall

Subscribed and sworn before me this 2nd day of April 2007.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

RICHARD A. SPRING

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED
AND
KANSAS CITY POWER & LIGHT COMPANY

IN THE MATTER OF THE JOINT APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND AQUILA, INC. FOR APPROVAL OF THE ACQUISITION OF AQUILA, INC. BY GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 07-KCPE-____-____

Q: **Please state your name and business address.**

A: My name is Richard A. Spring. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCPL") as Vice President, Transmission Services.

Q: **What are your responsibilities?**

A: My responsibilities include overseeing KCPL's transmission planning, transmission system operations, transmission energy accounting, Energy Management System ("EMS"), distribution outage management system ("OMS"), substation & transmission engineering, transmission construction & maintenance, substation construction & maintenance, and system protection.

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

A: I hold a Master of Business Administration from Rockhurst College, a Bachelor of Science in Mechanical Engineering from Wichita State University and an Associates of Arts degree from Butler County Community College. I began my career at KCPL in 1978 as a Staff Maintenance Engineer, promoted to Operations Supervisor in 1979 and Maintenance Superintendent 1982, all at the La Cygne Generating Station. I then moved to the Iatan Generating Station as Maintenance Superintendent where I was promoted to Plant Manager in 1984. I returned to the La Cygne Generating Station in 1991 as Plant Manager. In 1993, I joined Northern Indiana Public Service Company as Director of Electric Production. I returned to KCPL in 1994 as Vice President, Production. I shifted responsibilities and was named Vice President Transmission and Environmental Services in 1999. In 2003, I was named to my current position of Vice President Transmission Services.

Q: Please describe your involvement with the Southwest Power Pool.

A: I am currently the Chair of the Southwest Power Pool ("SPP") Strategic Planning Committee, a member of the SPP Members Committee, and a member of the SPP Human Resources Committee. Previously, I served as a Director on the SPP Board of Directors prior to the evolution to the current independent Board of Directors.

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

A: I have previously testified before both the Kansas Corporation Commission ("KCC") and the Missouri Public Service Commission ("MPSC").

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide an overview of both Aquila, Inc.'s ("Aquila") and KCPL's current electric transmission system configuration, operations, and Regional Transmission Organization ("RTO") membership and to describe the plans for the combined transmission systems of KCPL and Aquila after the proposed merger is completed.

Q: Please describe the various Schedules associated with your testimony.

A: Schedules RAS-1 through RAS-6 are transmission maps and system one-line diagrams illustrating the KCPL and Aquila transmission systems.

Q: As a preliminary matter, will Great Plains Energy Incorporated ("Great Plains Energy") acquire any transmission assets in Kansas as a result of the merger?

A: No, as a result of the merger, Great Plains Energy is acquiring Aquila's Missouri electric operations. Great Plains Energy is not acquiring any transmission or other utility assets that are located in the state of Kansas.

Q: Please provide an overview of the Aquila transmission system serving Missouri load.

A: Aquila owns and operates transmission facilities in the northwestern, north central and western areas of Missouri serving approximately 300,000 electric customers in Missouri. Within its transmission system, Aquila has direct interconnections with AmerenUE, Associated Electric Power Cooperative ("AEC"), the City of Independence ("IND"), Mid-American Energy Company ("MEC"), KCPL and Westar Energy Inc. ("WR"). Aquila operates two non-synchronous, normally open interconnections with Empire District Electric Company ("EDE") and KAMO Electric Cooperative ("KAMO").

Aquila has joint transmission ownership and interconnection agreements for the following facilities:

a) St. Joseph to Fairport, Missouri to Cooper Station at Brownville, Nebraska 345kV transmission line; known as the Cooper-Fairport-St. Joseph 345kV Interconnection ("CFSI"); and administered with a joint agreement between AEC, KCPL, Lincoln Electric System ("LES"), MEC, Nebraska Public Power District ("NPPD"), and Omaha Public Power District ("OPPD").
Aquila and OPPD jointly own the Cooper to St. Joseph 345kV transmission line with ownership changing at the point where the line crosses the Missouri river.

b) Aquila owns an 8 percent share of the Jeffrey Energy Center located in the WR territory. Transmission service is reserved, using a Jeffrey Transmission Agreement with WR, to deliver Aquila this capacity and energy via the Jeffrey (WR) to Stranger Creek line; and known as the Aquila-WR Interconnection.

c) Swissvale to Stilwell to Peculiar to Pleasant Hill to Sibley 345kV transmission line; known as the "MOKAN Interconnection"; and joint owners are KCPL, Aquila and WR.

d) Hawthorn to Sibley to Overton 345kV transmission line; known as the "Missouri Interconnection"; and joint owners are KCPL, Aquila and AmerenUE.

e) Aquila owns an 18 percent share of the Iatan Generating Station located near Weston, MO and has a 345kV transmission line directly connected at the station facilities for transfer of this capacity and energy.

Aquila currently operates its transmission system from its Operations Center in Lee's Summit, Missouri using an EMS with Supervisory Control and Data Acquisition ("SCADA"). The Operations Center is manned 24 hours per day providing both normal and emergency operations for transmission and substation facilities.

Schedule RAS-1 illustrates the Aquila 69kV transmission system.

Schedule RAS-2 illustrates the Aquila 345kV and 161kV transmission system.

Schedule RAS-3 illustrates the Aquila (St. Joseph area) transmission system

Schedule RAS-4 illustrates the entire Aquila transmission configuration with land-based geography.

Q: Please provide an overview of the Kansas City Power & Light transmission system.

A: KCPL owns and operates transmission facilities in the west central and central areas of Missouri and east central areas of Kansas serving approximately 500,000 electric customers in Missouri and Kansas. Within its transmission system, KCPL has direct interconnections with AmerenUE, Aquila, AEC, Board of Public Utilities of Kansas City, Kansas ("BPU"), IND, and WR.

KCPL has joint ownership in the following transmission facilities:

a) The CFSI line, which is administered with a joint agreement with AEC, KCPL, LES, MEC, NPPD, and OPPD.

b) The MOKAN Interconnection line, which is jointly owned by KCPL, Aquila and WR.

c) The Missouri Interconnection line, which is jointly owned by KCPL, Aquila and AmerenUE.

KCPL operates its transmission system from its Transmission Control Center in Kansas City, Missouri using an EMS with SCADA. The Transmission Control Center is manned 24 hours per day providing both normal and emergency operations for transmission and substation facilities.

Schedule RAS-5 illustrates the entire KCPL transmission system with land-based geography.

Schedule RAS-6 illustrates the KCPL Kansas City metropolitan area transmission system with land-based geography.

Q: Please describe the proposed plan for integrating Aquila's transmission operations after the merger is completed.

A: The following are proposed action plans for combining the Aquila transmission operations and facilities into KCPL once the merger is completed:

1. Integrate Aquila's Operations Center into KCPL's Transmission Control Center. Combining the Aquila transmission operation into the KCPL Transmission Control Center should provide a more cost effective, integrated real-time and planned transmission operation of the combined transmission system. By operating from a single point of transmission system authority, KCPL can maintain consistent communication, coordinated field operations and integrated training and manpower schedules.

2. Incorporate Aquila's transmission planning functions into KCPL's transmission planning functions. Merging these areas should provide coordinated transmission planning over the combined service territories for: improved synergies in system modeling capabilities; reductions in transmission facility additions; improved tie-line coordination with the region; and a larger, more regional system planning scope.
3. Incorporate Aquila's transmission and substation field functions into KCPL's transmission and substation field functions. This should provide synergies in field operating practices where specific operation and maintenance practices can be engaged. KCPL is a recognized leader in these practices and is in a position to apply specific industry best practices that will provide improvements in these critical operating areas.
4. Integrate Aquila's transmission and substation engineering functions into KCPL's transmission and substation engineering functions. Combining these groups will leverage the collaborative engineering talent and execute standardized design and construction methods, which should result in increased savings in transmission and substation asset investments.
5. KCPL plans to incorporate all Aquila transmission assets into its comprehensive transmission asset management plan. The asset management plan sets forth strategic investments in new transmission and substation facilities while also providing crucial maintenance, inspection, testing and replacement plans for aging infrastructure. KCPL provides

Tier 1 service reliability levels to its customers and will move forward with plans to maintain the same level of service for the Aquila customers.

Q: Does KCPL have membership with a Regional Transmission Organization?

A: Yes. KCPL is a member of SPP and has turned over functional control of its transmission facilities to SPP as an RTO.

Q: Please describe KCPL's participation in the SPP RTO.

A: RTOs were promoted and established, among other reasons, in order to provide benefits and improvements in electric transmission services and in the operation of the bulk power system. These benefits include open and non-discriminatory electric transmission access and pricing, regional Open Access Transmission Tariff ("OATT") administration, regional transmission planning and coordinated regional reliability operations.

Q: Please describe the benefits associated with an OATT.

A: KCPL currently serves its native load under the SPP OATT. Additionally, most service provided on KCPL's transmission system to parties other than KCPL is administered through the SPP OATT. The SPP OATT provides several benefits including one-stop pricing and reservations for transmission customers across the entire SPP region, non-discriminatory transmission service, consistent terms and conditions of service and equitable revenue recovery. KCPL continues to maintain a small number of grandfathered point-to-point transmission reservations under the KCPL OATT but the KCPL OATT is closed except for network service and rollover extensions of existing reservations.

Q: Please describe the benefits associated with regional transmission planning.

A: SPP acts as a regional Planning Coordinator and creates plans for future transmission grid additions through its annual SPP Transmission Expansion Plan and four-month Aggregate Study process (together referred to as the "Plan"). This Plan incorporates OATT transmission service requests, generation interconnection requests, transmission owner additions and proposed economic projects. As a result of the Plan, SPP directs member transmission owners to build all necessary transmission expansions, additions and upgrades in order to provide sufficient and reliable transmission service within the region.

SPP also implements certain cost allocation methods for transmission expansion plans that allocate a portion of the investment costs to all members for those transmission additions that provide regional benefits.

Q: Please describe the benefits associated with coordinated regional reliability operations.

A: SPP serves as KCPL's Reliability Coordinator in order to meet specific reliability requirements set forth in North American Electric Reliability Corporation ("NERC") reliability standards. KCPL submits real-time and planned transmission operations information to the SPP for review and approval on a coordinated regional basis. SPP also provides critical emergency operations and black-start coordination for the region. As the Reliability Coordinator, SPP has the authority to give reliability directives to member owners in order to ensure stable and reliable bulk power grid operations.

Q: Please describe Aquila's RTO membership status.

A: Aquila is a conditional member of the Midwest Independent Transmission System Operator ("MISO") RTO. Certain regulatory approvals are still pending for continued participation. Due to the potential of KCPL and Aquila having membership in separate RTOs, KCPL will evaluate the strategy of RTO membership when the merger is completed. It is anticipated that certain specific conditions Aquila currently has in process for approvals, including interconnection agreements and the release of functional control to an RTO, will be considered within a plan for RTO participation. Also, consideration will be given to the results of a pending consulting study evaluating the benefits of Aquila's full participation in various RTO options including SPP and MISO. There are significant benefits for operating the resulting combined organization within a single RTO structure. The following are benefits KCPL would expect to derive from a single RTO membership:

1. Membership in a single RTO will avoid transmission seam issues between KCPL and Aquila. Establishing the SPP-MISO seam outside the companies' areas may reduce the number of flowgates on the companies' transmission facilities that will have transmission capacity allocated between the two RTOs. In general, keeping the RTO seam outside KCPL's and Aquila's area will simplify the management of transmission capacity and increase the flexibility of power transactions.
2. Maintaining a single RTO structure will reduce costs related to support and participation in stakeholder activities such as governance, market development, transmission planning and expansion, reliability standards

development and tariff administration. Furthermore, participating in one RTO will achieve additional savings by allowing one regional transmission tariff, which simplifies administration and minimizes revenue recovery applications and tariff filings to the Federal Energy Regulatory Commission.

3. Cost allocation methods with a single RTO structure for future transmission upgrades will maintain consistency across both companies, thereby ensuring coordinated transmission cost sharing, lower administrative costs, and more congruent investment structures. It also will facilitate consistent retail rate structures for that portion of retail rates associated with transmission expenditures and investments.
4. Transmission planning and expansion will be more effective from one RTO due to inclusion of both companies' facilities in one planning process that develops regional solutions. KCPL and Aquila being in separate RTO transmission expansion plans could result in solutions that are not only inefficient or redundant for the companies, but also possibly conflicting.
5. Finally, a single structure for reliability coordination ensures the consistent development and adherence to bulk power reliability standards and criteria. While all owners, operators and users of transmission facilities must meet grid-wide NERC reliability criteria, specific reliability criteria also exist for each region. Attempting to meet two separate sets of regional reliability criteria adds unnecessary additional burdens and can

have the potential for conflicting criteria. Therefore, effectively managing operations, planning and other critical functions related to the reliability of the transmission grid will be best facilitated with one set of regional criteria, which will be provided if both companies operate entirely within the control of only one regional reliability entity.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for approval of the Acquisition of Aquila, Inc. by Great Plains Energy Incorporated	)))))	**Docket No. 07-KCPE-____-____**

AFFIDAVIT OF RICHARD A. SPRING

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Richard A. Spring, being first duly sworn on his oath, states:

1. My name is Richard A. Spring. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, Transmission Services.

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 twelve (12) pages and Schedules RAS-1 through RAS-6, all of which 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.

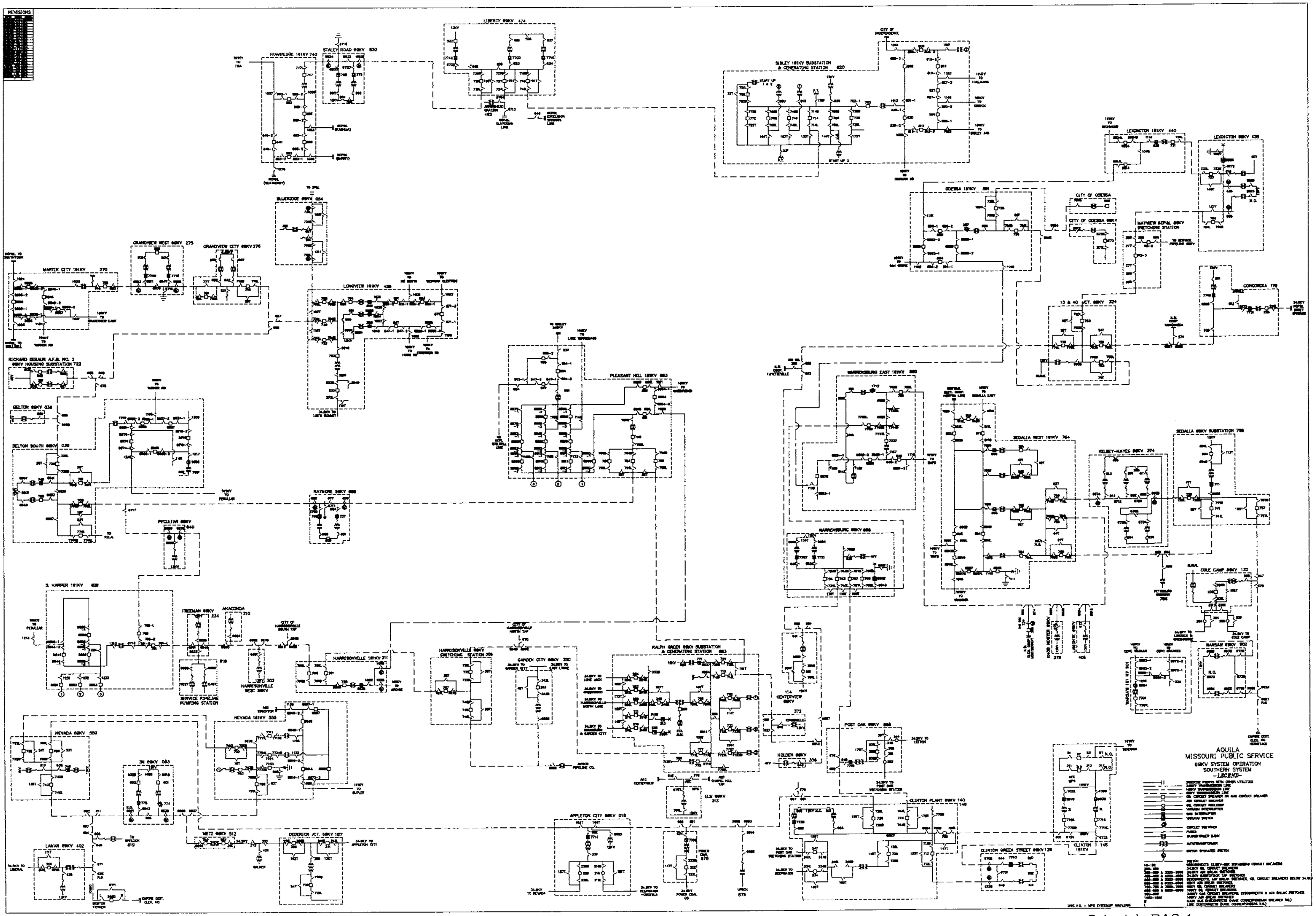
Richard A. Spring
RICHARD A. SPRING

Subscribed and sworn before me this 2nd day of April 2007.

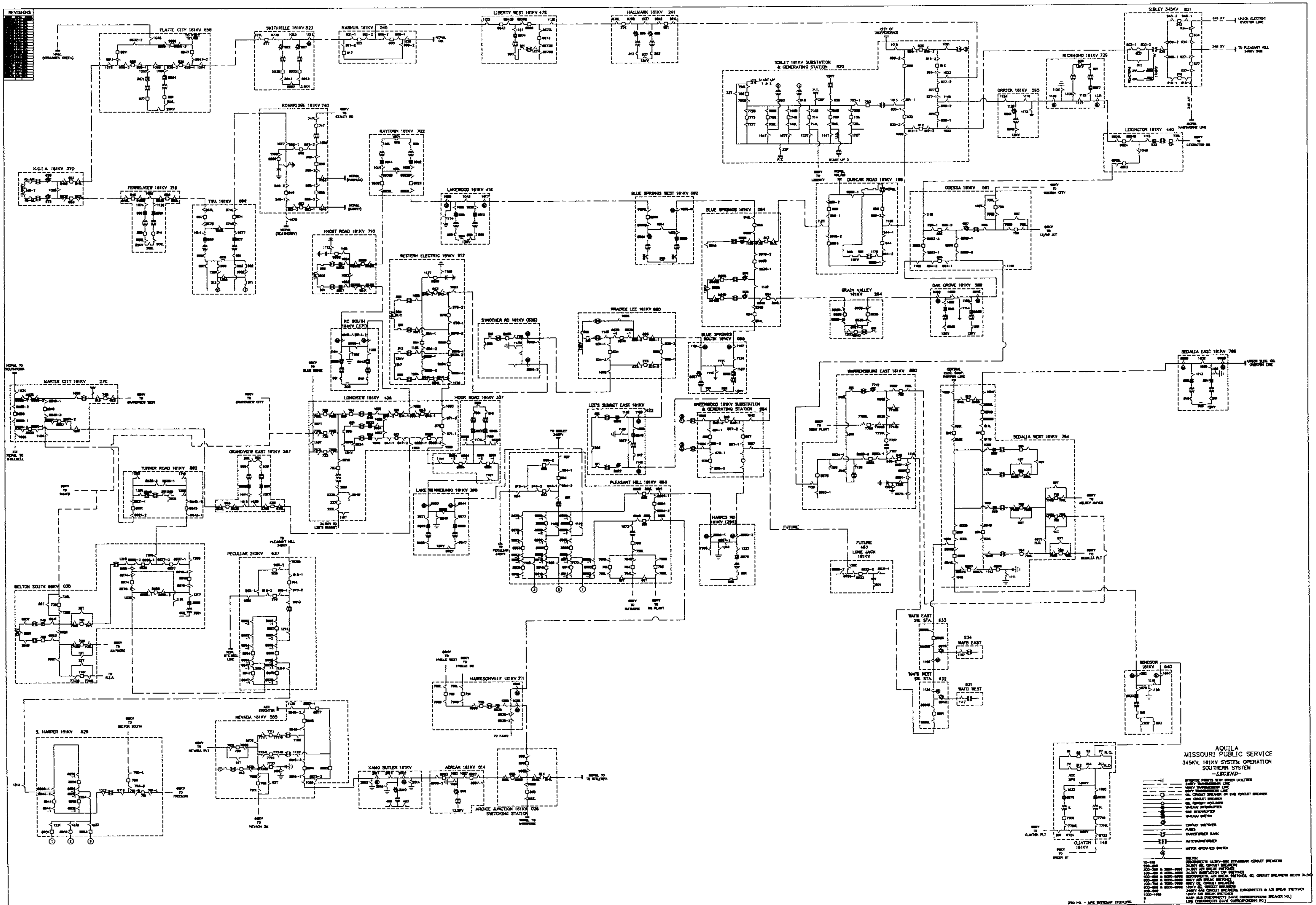
Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011

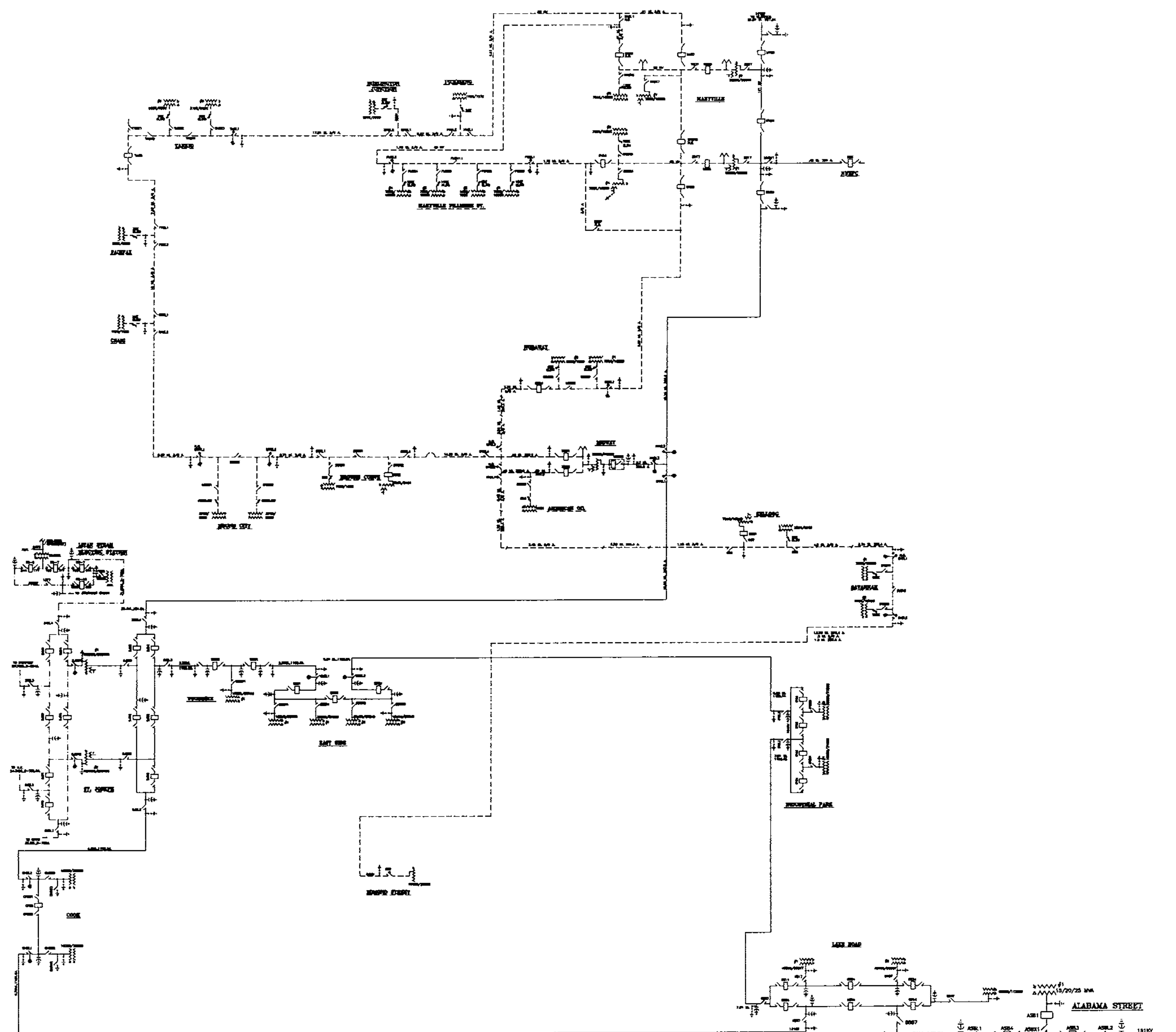
" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200



Schedule RAS-1



Schedule RAS-2



Schedule RAS-3

REVISIONS DESCRIPTION	DATE	BY	APPR.	REVISIONS DESCRIPTION	DATE	BY	APPR.

THE ST. JOSEPH LIGHT & POWER CO.
ST. JOSEPH, MISSOURI

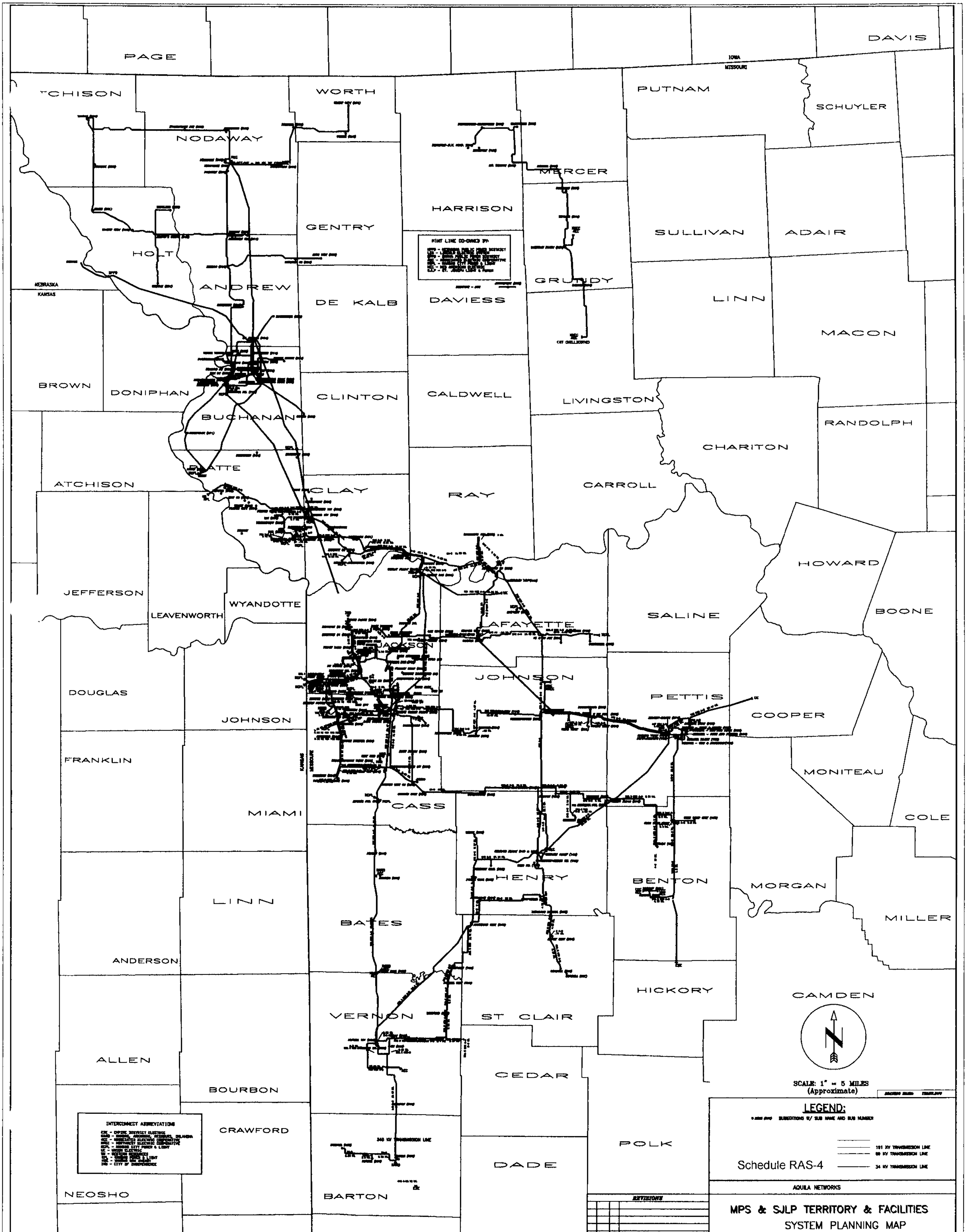
DESIGNED:		APPROVALS: DLC
DRAWN:	EER	
TRACED:		
REFERENCE:		
DATE:	6-16-04	
SCALE:	NONE	

TITLE: ST. JOSEPH LIGHT & POWER CO. TRANSMISSION SYSTEM ONE LINE DIAGRAM

J.O.

DWG. NO. SJLP SYSTEM MAP

SHEET OF


PAGE
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PUTNAM
SCHUYLER
NODAWAY
MERCER
HARRISON
GENTRY
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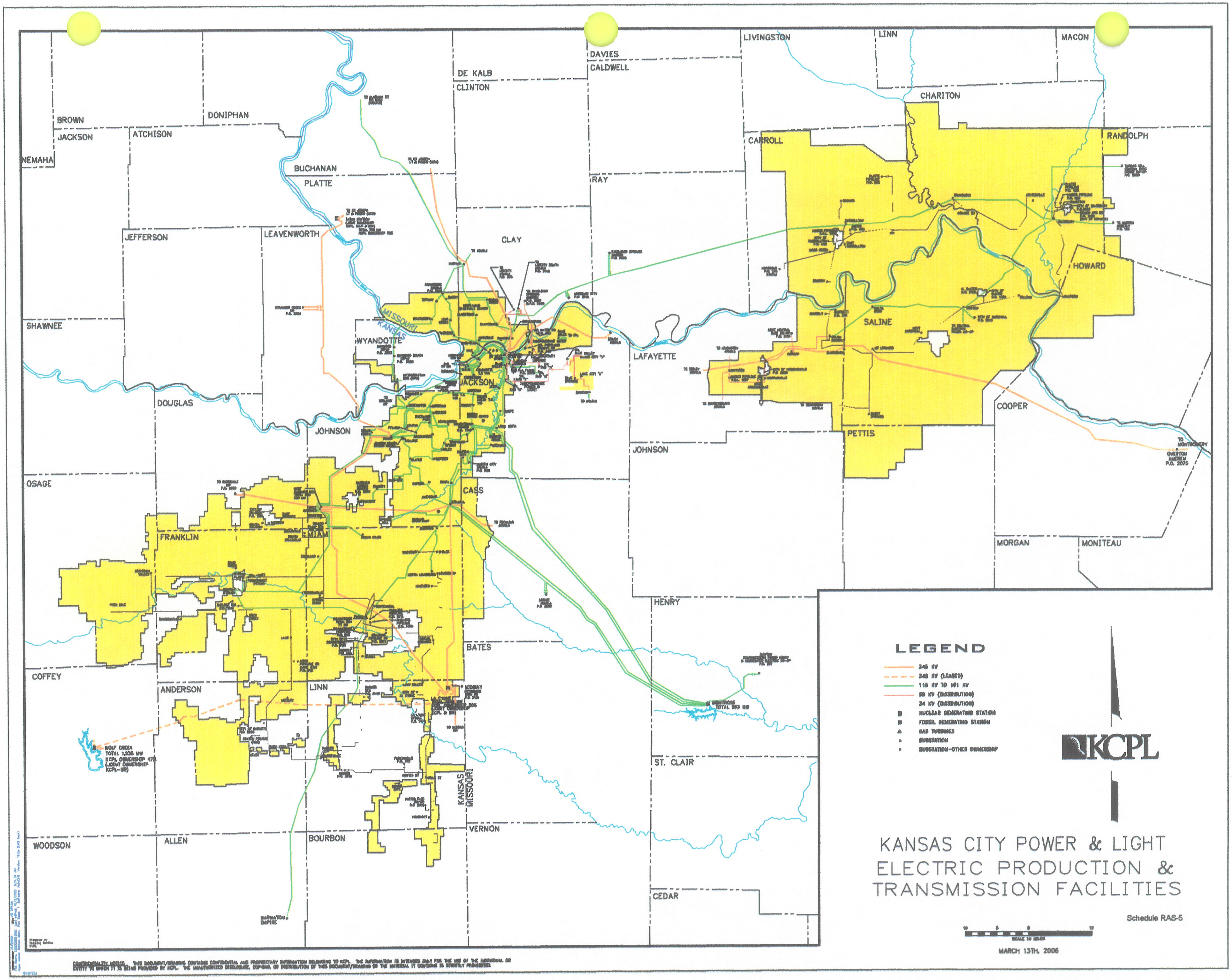
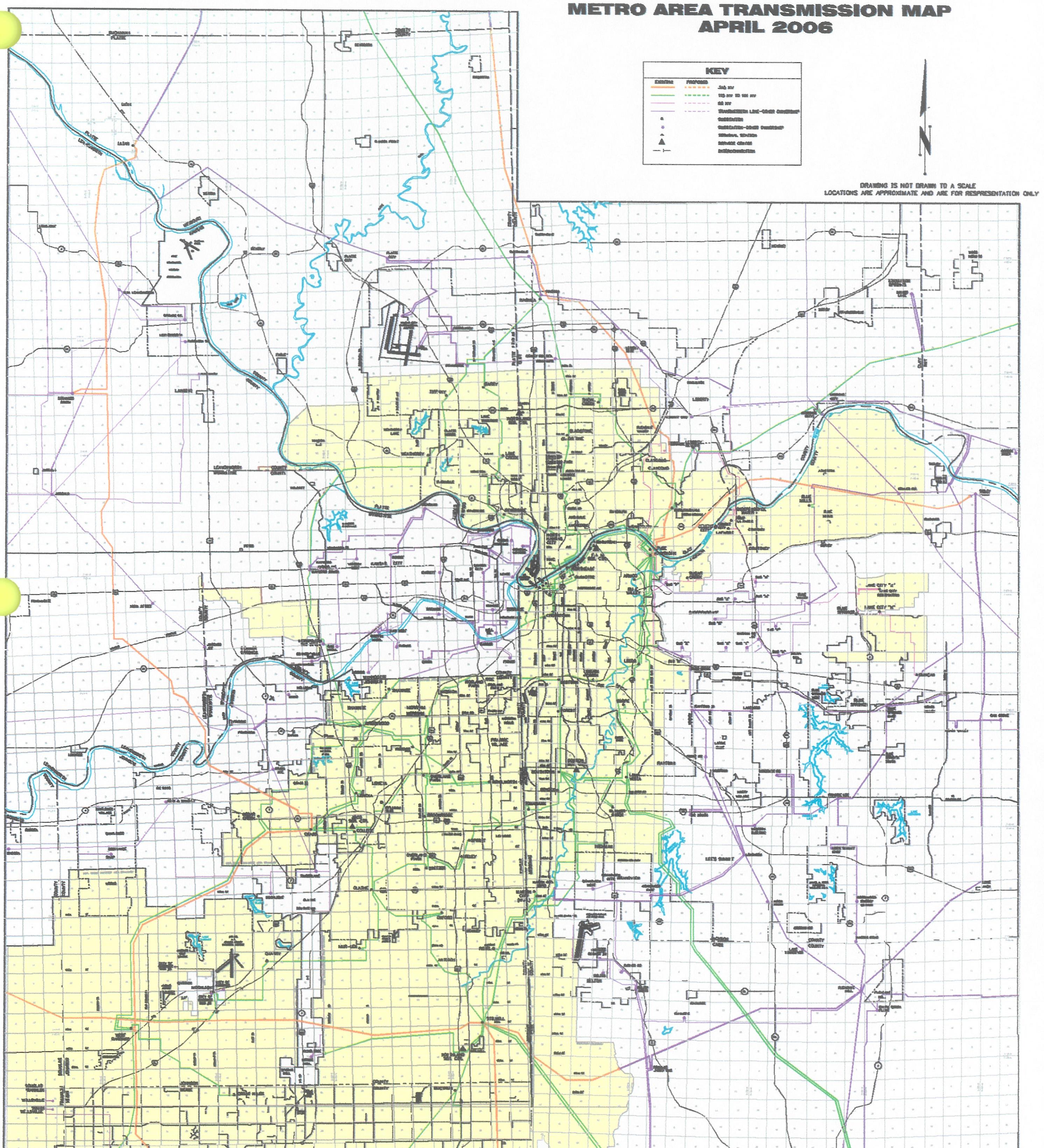
ADAIR
HOLT
NEBRASKA
KANSAS
ANDREW
DE KALB
DAVIESS
GRUNDY
LINN
MACON
BROWN
DONIPHAN
CLINTON
CALDWELL
LIVINGSTON
BUCHANAN
RANDOLPH
CHARITON
PLATTE
ATCHISON
CLAY
RAY
CARROLL
HOWARD
JEFFERSON
LEAVENWORTH
WYANDOTTE
SALINE
BOONE
LAFAYETTE
JACKSON
JOHNSON
PETTIS
DOUGLAS
COOPER
JOHNSON
FRANKLIN
MONITEAU
MIAMI
CASS
COLE
HENRY
BENTON
MORGAN
LINN
BATES
MILLER
ANDERSON
HICKORY
CAMDEN
VERNON
ST CLAIR
ALLEN
CEDAR
BOURBON
SCALE: 1" = 5 MILES
(Approximate)
LEGEND:
SUBSTATIONS W/ SUB NAME AND BUS NUMBER
CRAWFORD
POLK
345 KV TRANSMISSION LINE
161 KV TRANSMISSION LINE
69 KV TRANSMISSION LINE
34 KV TRANSMISSION LINE
Schedule RAS-4
DADE
INTERCONNECT ABBREVIATIONS
NEOSHO
BARTON
AQUILA NETWORKS
REVISIONS
MPS & SJLP TERRITORY & FACILITIES
SYSTEM PLANNING MAP



KANSAS CITY POWER & LIGHT
ELECTRIC PRODUCTION &
TRANSMISSION FACILITIES
Schedule RAS-5
MARCH 13TH, 2006
KCPL
LEGEND
345 KV
345 KV (LEASED)
115 KV TO 161 KV
69 KV (DISTRIBUTION)
34 KV (DISTRIBUTION)
NUCLEAR GENERATING STATION
FOSSIL GENERATING STATION
GAS TURBINES
SUBSTATION
SUBSTATION-OTHER OWNERSHIP
SCALE IN MILES
LIVINGSTON
LINN
MACON
DAVIES
CALDWELL
DE KALB
CLINTON
CHARITON
RANDOLPH
CARROLL
BROWN
JACKSON
NEMAHA
ATCHISON
DONIPHAN
BUCHANAN
PLATTE
RAY
CLAY
JEFFERSON
LEAVENWORTH
HOWARD
SALINE
SHAWNEE
WYANDOTTE
MISSOURI
KANSAS
LAFAYETTE
JACKSON
COOPER
DOUGLAS
JOHNSON
PETTIS
JOHNSON
OSAGE
CASS
FRANKLIN
MIAMI
MORGAN
MONITEAU
HENRY
BATES
COFFEY
ANDERSON
LINN
ST. CLAIR
KANSAS
MISSOURI
WOODSON
ALLEN
BOURBON
VERNON
CEDAR
WOLF CREEK
TOTAL 1,236 MW
KCPL OWNERSHIP 47%
(JOINT OWNERSHIP KCPL-WR)
MONTROSE
TOTAL 563 MW
TO MONTGOMERY
OVERTON
AMEREN
P.O. 2005

METRO AREA TRANSMISSION MAP
APRIL 2006



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Schedule RAS-6

2007.04.04 15:21:57
Kansas Corporation Commission
/S/ Susan K. Duffy

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

APR 04 2007

Susan Talbott Docket Room

DIRECT TESTIMONY OF

LORI A. WRIGHT

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

IN THE MATTER OF THE JOINT APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND AQUILA, INC. FOR APPROVAL OF THE ACQUISITION OF AQUILA, INC. BY GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 07-KCPE-____-____

Q: Please state your name and business address.

A: My name is Lori A. Wright. My business address is 1201 Walnut, Kansas City, Missouri 64106-2124.

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

A: I am employed as Controller of Great Plains Energy Incorporated ("Great Plains Energy"), the parent company of Kansas City Power & Light Company ("KCPL"). I am also the Controller of KCPL.

Q: What are your responsibilities?

A: As Controller, I have primary responsibility for management of KCPL's and Great Plains Energy's accounting functions, including all accounting records, the design of internal controls and the preparation of financial reports for management and shareholders.

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

A: I graduated from The University of Iowa in 1985 with a Bachelor of Business Administration degree in Accounting. I received my Master of Business Administration degree from The University of Iowa in 1989. I am a Certified Public Accountant. I was first employed at KCPL in 2001 as Assistant Controller and became Controller in 2002. From 1990 to 2001, I held various accounting positions at Central and South West and American Electric Power (Central and South West was acquired by American Electric Power in 2000). From 1986 to 1990, I held various accounting positions at Iowa Electric Light and Power Company.

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 in proceedings before the Commission and the Missouri Public Service Commission.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Great Plains Energy and KCPL in this proceeding.

Q: What is the purpose of your testimony?

A: I will discuss various accounting issues surrounding the proposed acquisition of Aquila, Inc. ("Aquila") by Great Plains Energy (the "Merger"), including: (i) acquisition accounting; (ii) costs to achieve; (iii) synergy savings; (iv) post-Merger accounting; and (v) tax issues.

<u>Acquisition Accounting</u>

Q: What accounting pronouncements provide guidance with respect to acquisition accounting?

A: Under Generally Accepted Accounting Principles ("GAAP"), the accounting rules for a business combination are prescribed in Financial Accounting Standards Board ("FASB") Statement No. 141, *Business Combinations.* FASB Statement No. 142, *Goodwill and Other Intangible Assets,* is also relevant to the Merger, among others.

Q: How will Great Plains Energy account for the Merger?

A: Great Plains Energy will use the purchase accounting method to record the Merger. Under the purchase method, Great Plains Energy will record the net assets acquired at fair market value. The excess of the purchase price, including transaction costs, over the fair market value of the net identifiable assets is recorded as goodwill. In the case of regulated assets and liabilities, fair value is generally considered to be book value.

Q: Subsequent to the Merger, will Great Plains Energy amortize this goodwill into expense?

A: FASB No. 142 does not allow amortization of goodwill.

Rather, the statement requires annual impairment testing to determine whether the value of the underlying asset has been impaired. If an impairment is indicated, a write-down would be required. Impairment testing, between annual testing, is required if events or circumstances indicate an impairment is more likely than not.

Q: How do Great Plains Energy, KCPL and Aquila (the "Joint Applicants") propose that goodwill be treated for regulatory purposes?

A: The Joint Applicants do not request authorization to recover the acquisition premium component of goodwill associated with the Merger. The Joint Applicants are requesting recovery of the transaction cost component of goodwill over a five (5) year period, as I discuss later in this testimony.

Costs to Achieve

Q: What is meant by the term "costs to achieve"?

A: Costs to achieve refers to those costs necessary to ensure the Merger is completed, synergy savings are achieved and the Merger process is effective. As discussed more fully in the testimony of Robert Zabors, costs to achieve can be categorized into two types: (i) costs to consummate the merger, also known as transaction costs, and (ii) transition-related costs attributable to integrating Aquila into Great Plains Energy's operations.

Q: What are some examples of transaction costs?

A: Examples include investment banker fees and legal fees. Terry Bassham discusses these costs in more detail in his direct testimony ("Terry Bassham's testimony").

Q: What are some examples of transition-related costs?

A: Transition-related costs refer to those costs necessary to ensure that the synergy savings are achieved and that the Merger process is effective. These costs include severance and retention costs and costs associated with process integration.

Q: What treatment do the Joint Applicants propose for costs to achieve?

A: As set out in the Joint Application, the Joint Applicants request that the portion of the costs to achieve properly allocated to KCPL's Kansas operations be booked as a regulatory asset and amortized into cost of service over five (5) years, beginning on January 1, 2008, or the month immediately following consummation of the Merger, whichever occurs later.

Synergy savings

Q: What is meant by the term "synergy savings"?

A: This term refers to reductions in costs as a result of combining Great Plains Energy and Aquila as compared to the combined costs of the entities standing alone.

Q: What are some examples of synergy savings?

A: Examples include benefits of scale and improved efficiency in support functions, economies of scale in purchasing, savings in customer service and field operations enabled by serving the same geographic area, etc. Greater detail is provided in the direct testimonies of John Marshall and Robert Zabors.

Q: What regulatory treatment do the Joint Applicants propose for synergy savings?

A: As discussed in Terry Bassham's testimony, the Joint Applicants propose that KCPL be permitted to retain fifty percent (50%) of Merger-related synergy savings properly allocated to its Kansas operations for five (5) years, beginning on January 1, 2008, or the month immediately following the consummation of the merger, which ever occurs last. These synergy savings would be based on the synergy savings identified and quantified in the direct testimony of Robert Zabors.

Q: How does Great Plains Energy propose to track synergy savings?

A: Great Plains Energy does not recommend that synergy savings be tracked. Instead, Great Plains Energy recommends using the synergy savings identified in the Joint Application and the pre-filed testimony in support thereof. Tracking synergy savings with any degree of accuracy is problematic at best as business operations are not conducted in a static environment, but rather under constant change, including customer growth, technological improvements, etc. Tracking will become more difficult each successive year after the Merger.

Q: If the Commission should decide that synergy tracking is necessary, how would you suggest it be implemented?

A: I would suggest a simple, very basic approach, given that accuracy is not likely to improve appreciably no matter the level of complexity. I suggest establishing base period costs and then each year subsequent to the Merger comparing that year's actual costs to the base year costs, as adjusted for inflation. The net decrease in expense would be considered synergy savings.

Q: Would you adjust for changes in circumstances subsequent to the base year, such as customer growth or improved technology?

A: Consideration for known and measurable changes should be reflected in the computation, including cost escalations, such as wage increases and the effects of inflation among others.

<u>Post-Merger Accounting</u>

Q: Subsequent to the consummation of the Merger, how do the Joint Applicants intend to account for Aquila's operations in Great Plains Energy's accounting and reporting systems?

A: As a wholly-owned subsidiary of Great Plains Energy, Aquila will have a separate general ledger similar to Aquila's general ledger today, with reporting entities within its accounting and reporting systems for Aquila's regulatory business units (currently named Aquila Networks-MPS, Aquila Networks-L&P, and St. Joseph Industrial Steam) and for those business units' parent company (currently named Aquila, Inc.,). For clarity, I will continue to refer to the entity Great Plains Energy is acquiring as Aquila. Aquila's employees will become KCPL employees and services will be provided to Aquila from KCPL, Great Plains Energy Services Incorporated ("GPES") and Great Plains Energy.

Q: How will the Aquila business units be charged for costs incurred by KCPL, GPES or Great Plains Energy that benefit multiple subsidiaries, commonly referred to as shared or common costs.

A: Certain of these shared costs will be incurred by KCPL, such as accounting, payroll, regulatory, and accounts payable, whereas other shared costs will be incurred by GPES, such as human resources. In either event, the current allocation methodology used by GPES to allocate shared costs to KCPL and other Great Plains Energy business units, as documented in the Great Plains Energy Cost Accounting Manual filed annually with the Commission, will be utilized. That is, GPES's allocation of its shared costs will be expanded to include Aquila in the allocation, and similar KCPL allocations will be established for KCPL's allocation of its shared costs.

Q: Can you please provide an example?

A: Yes. If it is determined that a particular KCPL shared cost should be allocated based on each business unit's utility plant, then Aquila will receive a portion of that cost based on its utility plant.

Q: How will the individual Aquila business units be allocated shared costs that have been allocated to Aquila?

A: At this time we anticipate utilizing Aquila's existing allocation methodologies to allocate costs among the various Aquila business units.

<u>Tax Issues</u>

Q: What do you expect the impact of the Merger to be on the property taxes of Great Plains Energy consolidated?

A: I expect no material difference in the property taxes paid by Great Plains Energy consolidated after the Merger as compared to the combined property taxes paid by the separate companies prior to the Merger.

Q: Can you elaborate?

A: Yes. Utility property taxes are based upon the fair market value of the utility. The fair market value of Aquila and Great Plains Energy combined should not be significantly different than the combined values of the companies standing alone, and therefore the assessed valuation should not change appreciably.

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 Aquila, Inc. for approval of the Acquisition of Aquila, Inc. by Great Plains Energy Incorporated	)))))	**Docket No. 07-KCPE-____-____**

AFFIDAVIT OF LORI A. WRIGHT

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Lori A. Wright, being first duly sworn on her oath, states:

1. My name is Lori A. Wright. I work in Kansas City, Missouri, and I am employed by Great Plains Energy Incorporated as 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 eight (8) 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.

Lori A. Wright
LORI A. WRIGHT

Subscribed and sworn before me this 2nd day of April 2007.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY OF

ROBERT T. ZABORS

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

IN THE MATTER OF THE JOINT APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND AQUILA, INC. FOR APPROVAL OF THE ACQUISITION OF AQUILA, INC. BY GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 07-KCPE-____-____

Q: Please state your name and business address.

A: My name is Robert T. Zabors. My business address is One North Franklin, Suite 2100, Chicago, IL 60606.

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

A: I am a partner with Bridge Strategy Group LLC ("Bridge Strategy Group"), a management consulting firm based in Chicago. I lead the firm's energy and utilities practice.

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

A: I graduated from Northwestern University in 1985, and received an MBA from the University of Chicago, with a concentration in Business Economics. I have spent approximately 20 years in management consulting, primarily serving electric and gas utilities on a wide range of strategic and operational issues. Representative engagements include corporate and business unit strategy, acquisitions, process improvement, cost reduction, organizational redesign, regulatory strategy, alliances and joint ventures. My specific experience with Great Plains Energy Incorporated ("Great Plains Energy") includes supporting the development of the Great Plains Energy strategic intent and the comprehensive energy plan of Kansas City Power & Light Company ("KCPL"). While at Bridge Strategy Group, I have written articles for industry publications such as Public Utilities Fortnightly and Electric Perspectives. Prior to Bridge Strategy Group, I had been a consultant with three consulting firms, Renaissance Worldwide, Booz Allen & Hamilton and Planmetrics.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to discuss the process Great Plains Energy used to quantify the non-fuel synergy savings and the costs to achieve resulting from its acquisition of Aquila, Inc. ("Aquila"), as announced on February 7, 2007 (the "Merger").

Q: Have you included any exhibits to your testimony?

A: Yes, I have included Schedules RTZ-1 through RTZ-2.

THE PROCESS

Q: When did the process to identify non-fuel synergy savings and costs to achieve begin?

A: Estimation began in July of 2006, following Great Plains Energy's agreement to participate in Aquila's auction process. Bridge Strategy Group facilitated the identification of opportunities to reduce non-fuel operating expenses. This process featured substantial input from Great Plains Energy, KCPL, Aquila and Black Hills Corporation ("Black Hills").

Q: Was there an overriding goal that shaped decisions throughout the process?

A: Yes, alignment with Great Plains Energy's strategic intent was the primary goal maintained throughout this process. Attributes of the intent relevant to this process include building an organization capable of sustained top-tier performance, demonstrating leadership in key issues for customers and the community such as energy efficiency and environmental performance, and continuing to build upon Great Plains Energy's winning culture.

Q: How did that goal shape the analysis?

A: It was important to identify where the companies might have significant differences and to reflect transition costs and future benefits that would likely occur from such a change. In addition to areas where the companies had different operating philosophies, Aquila's cost of capital was significantly different than KCPL's due to its non-investment grade rating. The analysis also needed to explore opportunities given a presumed investment grade rating for the utility post-merger.

Q: What was Great Plains Energy's level of familiarity with Aquila's Missouri operations at the beginning of this process?

A: Great Plains Energy had reasonable knowledge of Aquila's Missouri operations when it began this process, which helped to improve the level of discussion and the precision of estimates. KCPL employees have participated alongside Aquila employees in various industry and regulatory activities. KCPL and Aquila have partnership interests in the Iatan 1 and Iatan 2 generating stations. KCPL participated in Aquila's asset sale process in 2005, including Aquila's St. Joseph operations. Prior to that, KCPL was involved in a joint merger application with Aquila's predecessor company, UtiliCorp United Inc. (Case No. EM-96-248), which was subsequently terminated.

Q: Can you provide an overview of the process that supported the bid that was accepted by Aquila?

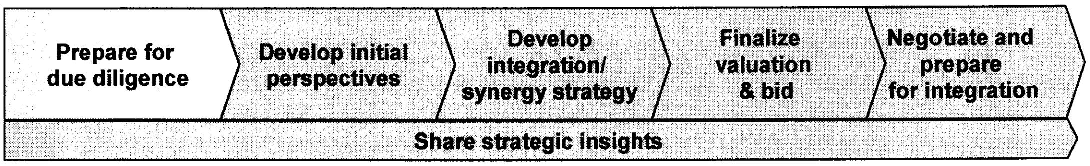
A: Managers from across Great Plains Energy and KCPL developed detailed estimates—a "bottom-up" analysis—of the resources, expenses and capital that Great Plains Energy would require to operate Aquila and KCPL. Participants represented the full scope of functions that would be required in a post-Merger environment, and were able to construct a comprehensive view of how the organization would run after the Merger was complete. That viewpoint was the basis for consideration of potential synergy savings.

Q: Why was there an emphasis on having Great Plains Energy and KCPL management develop a comprehensive evaluation?

A: The premise was that executives and key managers representing the entire operation could best evaluate Aquila's operations and would also be the most qualified to forecast the detailed requirements for operating Aquila and KCPL. In most cases, these are the individuals likely to manage the operations after the Merger. Many of the Great Plains Energy and KCPL managers were already familiar with their Aquila counterparts and had some understanding of their operations. An added benefit of this approach was that mapping all post-Merger functions to the existing Great Plains Energy and KCPL management structure reduced the risk of any major area being overlooked. It should also prove helpful in accelerating the Merger to a fully-integrated operation.

Q: What were the specific steps in this "bottom-up" analysis?

A: There were five steps in the process, as illustrated in the following diagram:



First, Great Plains Energy executives selected representatives for each team. Bridge Strategy Group worked with team leaders to develop templates and timelines to support the evaluations. Next, using the Great Plains Energy and KCPL organizations as the basis for developing forecasts and plans for the integrated company, Aquila's non-fuel operations and maintenance ("O&M") costs and capital expenditures were mapped to each part of the organization. Executives and key managers with knowledge of and, in most cases, operating authority for each area reviewed the data along with a small team of subject matter experts. Each team developed an overall approach to managing the combined organization, and identified transition steps. Data to support decisions in this step came from a variety of sources, including the data room and direct conversations with the Aquila counterparts of team leaders. Strategies were discussed at integration team meetings to ensure consistency and resolve issues. Frequent team leader meetings were forums for comparison of findings and identification of issues across the group. In addition, many of the team leaders participated in a full-day Aquila management presentation and subsequent smaller group interactions. Each team leader completed their estimates and a set of common assumptions across the team, with the data accumulated in standardized workbook formats that enabled easy comparison across groups. And finally, the results of the teams were compiled, discussed among the broader group, and then communicated to the team leading the valuation and bid process.

Q: What were the specific components of the analysis for the teams?

A: Teams developed perspectives on a number of attributes of a combined organization to develop the synergy analysis and to build a platform to accelerate integration planning. Hypotheses were developed on areas such as: what is the going-forward operating model for the area? What are the key issues for integration? What are the likely benefits and costs of combining the groups? Which capital expenditures can be avoided and which will be required? What is the current number of positions in this area for KCPL and for Aquila? How many incremental positions will be required to operate the combined organization? What transitional resources and skills are required?

Q: How did Great Plains Energy and KCPL reflect the sale of specific properties to Black Hills in the analysis?

A: One of the earliest steps in the process was to allocate the non-fuel expense and personnel between the two companies (Aquila (post-Merger) and Black Hills). In most cases the allocation was simple, due to the availability of detailed position information in Aquila's data room. Follow-up discussions with Aquila enabled an even greater degree of precision. A Black Hills team and a KCPL team independently identified estimates of the allocation.

NON-FUEL SYNERGY SAVINGS

Q: Can you quantify the non-fuel synergy savings expected from the Merger?

A: Yes. Based on the process discussed above, Great Plains Energy estimated Merger non-fuel savings of approximately $500 million over a five-year period ending 2012, as shown on Schedule RTZ-1.

Q: What did you use as the baseline for calculating savings?

A: The baseline is Aquila's 2006 non-fuel O&M expense and the capital plan issued in November 2006.

Q: Are Merger savings limited to this five-year period?

A: No. We anticipate that savings will continue beyond this time period. However, because projections of this nature become less certain over time, we limited projections to five years.

Q: Have the synergy savings listed in Schedules RTZ-1 been escalated for anticipated cost increases?

A: Due to the nature of the bottom-up projections, anticipated cost increases were reflected in specific line items within business areas instead of applying a single escalation factor to all items. The teams projected expenses on a quarterly basis for 2008 and an annual basis thereafter, so the bottom-up estimates would be far more reflective of actual conditions than applying a standard escalation. This approach is also consistent with the costs to achieve estimates discussed later in this testimony.

Q: Do all amounts shown on Schedule RTZ-1 represent projected savings directly attributable to the integration?

A: Yes, the reflected savings are directly attributable to the Merger as guided by the goals and operating philosophies described above. In addition, both parties had previously undergone significant cost reduction and efficiency efforts and had reflected resulting savings in their respective "stand alone" company projections.

Q: Are these definitive estimates?

A: This testimony refers primarily to the results of the process that supported the final bid. Due to the level of analysis already completed, Great Plains Energy does not expect major changes in projected synergy savings as the transition work progresses. However, an update will be provided to the Commission in August of 2007.

Q: What are the primary components of these synergy savings?

A: Due to the specific, bottom-up nature of the estimates, there are many ways to aggregate the results. Communications to date have described savings as resulting from four categories: (i) shared services; (ii) operations; (iii) supply chain; and (iv) debt interest savings.

Q: What are the components of <u>shared services</u> synergy savings?

A: These are primarily labor costs associated with shared services functions, and associated benefit costs, third-party spend, executive compensation, and other overhead. As reflected in Schedule RTZ-1, we believe that shared services synergy savings will be approximately $143 million during the 2008-2012 period. These synergy savings consist of:

<u>Labor savings and associated benefit costs</u>- The teams identified 110 positions, not specific employees, in shared services areas to be eliminated over time due to redundancy or overlap. Individuals currently employed should not interpret an elimination of a position to mean there is no opportunity for continued employment with Great Plains Energy, KCPL or Black Hills, particularly with the reality of normal attrition and frequent job opportunities at the companies.

<u>Third-party services</u>- This reduction relates to elimination of external audit services, legal counsel and consulting where the service level provided for one entity would cover many of the costs of the post-Merger organization.

Executive compensation- Overhead for the top Aquila officers will be eliminated following their departure per the Agreement and Plan of Merger. Compensation for these officers was classified in the shared services area consistent with the allocation of their expenses across multiple entities in the Aquila organization.

Other overhead- Primarily relates to non-labor IT and Human Resources ("HR") reductions, including training and support services.

Q: Have any synergy savings been projected that relate to the current Aquila headquarters building and other possible duplicate facilities?

A: No, Great Plains Energy has not yet decided on the future use, if any, of these facilities; therefore, no synergy savings have been estimated.

Q: What are the components of operating synergy savings?

A: The components include labor costs associated with operating functions, and associated benefit costs, specific operating improvements and emissions credits. As reflected in Schedule RTZ-1, we believe these savings will be approximately $119 million during the 2008-2012 period, consisting of:

Labor savings and associated benefit costs- The teams identified 188 Aquila positions to be eliminated over time due to changes in process or technology and scale efficiencies. The process used to determine these savings was the same as discussed above for shared services labor. There were also selected additions to staffing in some operational areas, including safety and performance engineering in Supply and field safety and training in delivery.

Emissions credits- The team determined that environmental improvements would be necessary at two of Aquila's generating stations. These improvements were expected to avoid the use of emissions credits that would have otherwise been utilized, thereby generating the credits reflected in Schedule RTZ-1. The value of these credits was estimated at $9 million in 2009 and $13 million annually from 2010-2012, for a total savings of $48 million.

Fleet lease buy-out benefits- Consistent with actions that KCPL has previously taken to own its transportation assets, this savings represents the O&M savings resulting from Aquila's avoided lease payments following the buyout.

eServices processes efficiencies- KCPL has seen rapid adoption of its eServices offerings. The services provide both operational benefits and an increased level of customer satisfaction. KCPL's intent is to offer the same services to Aquila customers as soon as possible. This savings projection is consistent with KCPL's observations for its own customer base.

Heat rate and reliability improvements- The team believed there could be a small improvement in the efficiency and reliability of Aquila's fleet. For purposes of savings analysis, that amount was expressed as an improvement in heat rate and reliability.

Bill payment- These savings reflect projected benefits from consolidation of similar operations enabled by the Merger.

Automated meter reading ("AMR") operational costs/benefits- Consistent with KCPL's widespread deployment of AMR in its current territory and investments in its Comprehensive Energy Plan, the teams recommended implementation of AMR and supporting infrastructure in Aquila's service territory starting in 2009 (planning) and 2010 for rollout In particular, implementation of AMR will affect existing positions in meter reading beginning in 2010. With that timeframe in mind, it is important to note again that the analysis focused on reduction in positions, not specific employees. KCPL went through a similar process when AMR was implemented at KCPL in the mid to late 1990's. KCPL offered positions within the organization to all employees whose positions were eliminated through the new system. A similar process will likely be used again.

Increased line clearance expenditures- The teams increased annual line clearance budgets each year for five years. This increase was established to ensure consistent approaches are used across the KCPL and Aquila service area.

Additional increases in non-labor costs- Rather than apply an escalation factor for costs, each team projected five-year actual costs. In most cases the teams were very familiar with the costs in KCPL's budgets and could consider the same cost factors, such as materials, in evaluating the integrated business. The majority of these expenses are in the Supply areas.

Q: Have savings from joint dispatch of the generation fleets been considered in the projected operating synergy savings?

A: No, benefits from joint operation of the generation fleet were not considered in the synergy quantification, as more fully discussed in the direct testimony of F. Dana Crawford.

Q: What are the anticipated Supply Chain synergy savings?

A: The $50 million savings over the five-year period represents procurement savings resulting from economies of scale and improved logistics. The integration will lead to procurement savings from greater scale and scope, more effective use of contracted services in operations, and also enable cost-effective investments in centralization of physical storage and better management of inventory. For purposes of supporting the final bid, savings were estimated at $10 million per year for five years. Annual O&M supply chain savings were projected at $8 million for operating functions and $2 million from shared services functions. This initial estimate was derived from various sources. The team looked at Aquila's and KCPL's total projected and historical spending and typical ratios of O&M spending versus capital. Savings were also compared to estimates from other utility mergers. More precise estimates will be provided in a subsequent update to the Commission in August of 2007.

Q: What are the anticipated Debt Interest Savings?

A: Great Plains Energy anticipates the Merger will result in improvements in Aquila's credit rating, thereby lowering its interest rates. The anticipated savings totals approximately $188 million over the five-year period, as discussed in the testimony of Terry Bassham.

COSTS TO ACHIEVE

Q: What are the components of costs to achieve?

A: The components of costs to achieve, totaling approximately $181 million, are identified on Schedule RTZ-2 and can be categorized into two types: transaction costs to consummate the Merger and transition-related costs to integrate Aquila into Great Plains Energy's operations. Although Great Plains Energy anticipates only minor changes in projected costs to achieve as the transition work progresses, we will provide the Commission an update in August of 2007. These costs consist of:

Position costs/Severance- This cost is for exit payments to be made for positions identified for elimination by Great Plains Energy for which Aquila has severance agreements in place.

Position costs/Share of executive change in control ("CIC") and CIC tax gross-up- This cost is for Great Plains Energy's share (60%) of payments that will be made to Aquila executives upon "CIC", grossed-up for excise tax.

Position costs/Rabbi Trust- This cost is for Great Plains Energy's share (60%) of payments that will be made upon change in control to fund Aquila's Rabbi Trusts, a set of non-qualified deferred compensation plans for executives.

Position costs/Retention- The cost is for labor costs needed to retain key resources to assist in transitioning to as well as effectively operating the new, combined organization.

Position costs/Restricted stock and stock options- The cost is for the vesting of restricted stock and value of options resulting from the change in control.

Process integration costs and benchmarking- This cost is for third-party costs for integration planning, integration systems, and benchmarking for customer satisfaction and operational metrics that will enable the integration teams to target and design for sustainable Tier 1 performance.

Legal and HR- The cost is for on-going support of outside counsel for legal and HR issues encountered during the integration process.

Costs to maintain support services for Black Hills- KCPL assumed that it would provide the majority of shared services to Black Hills. These costs represent the amounts estimated for defining and operating the shared services. The amount will be better defined when the scope of necessary transition services is finalized, currently targeted for July 30, 2007.

Integration team- The majority of these costs ($6 million) represent KCPL employee time charges for integration planning efforts in 2007. It is an estimate of the cost of KCPL personnel charging their time explicitly to merger integration activities and some items to support the teams. It is captured to ensure a complete accounting of efforts related to integration planning. No costs have been included to reflect time of employees once a deal is completed.

Transaction costs- These costs include approximately $25 million in investment banking and advisory fees reflecting support received by Great Plains Energy. It also includes approximately $26 million in fees that Aquila will pay its investment bankers. As mentioned previously, supplemental information will be provided to the Commission in August of 2007. Terry Bassham discusses these costs further in his direct testimony.

Incremental debt tender costs- This is the cost to achieve the interest rate savings discussed earlier in this direct testimony and also discussed by Terry Bassham in his direct testimony.

Other/Directors and Officers liability tail coverage- This cost is for increased Aquila Director and Officer insurance premiums for coverage related to the Merger.

Other/Regulatory process costs- This cost is for the external support required for regulatory filings and analyses related to the Merger. This estimate is for third-party fees for regulatory support and assumes these incremental activities will be limited to 2007 and 2008.

Other/Facilities integration- This cost is primarily for integration of headquarters functions. Regardless of future location, the addition of Aquila employees into KCPL's support and operational functions will require reallocation of space and relocation of many groups. As both headquarters and significant operations are in the same metropolitan area, a significant benefit of this transaction versus most others in the industry is that costs to relocate employees are limited to the shifting of their offices, not the relocation of their personal residences.

Other/Internal and external communications- This cost has been projected for internal and external communication of the basis and implications for the Merger, enabling external and internal constituencies to understand the process, timing and impact of the combination. Benefits of internal communication include efficiency, alignment and retention. These expenses are assumed to conclude in 2008.

Q: Does Great Plains Energy anticipate that all costs to achieve will be incurred by 2012?

A: While it is possible that additional costs could be incurred after 2012, any such amounts would likely not be significant. Over 95% of estimated costs should be incurred by 2009.

Q: Does that conclude your 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 Aquila, Inc. for approval of the Acquisition of Aquila, Inc. by Great Plains Energy Incorporated	)	**Docket No. 07-KCPE-____-____**

AFFIDAVIT OF ROBERT T. ZABORS

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Robert T. Zabors, being first duly sworn on his oath, states:

1. My name is Robert T. Zabors. I am employed by Bridge Strategy Group LLC in Chicago, Illinois.

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 fifteen (15) pages and Schedules RTZ-1 through RTZ-2, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

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Robert Zabors
Robert T. Zabors

Subscribed and sworn before me this 2nd day of April 2007.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

NON-FUEL SYNERGIES
(amounts in $ millions)

	2008	2009	2010	2011	2012	Total
Shared Services						
Headcount	10	11	11	11	11	54
Benefits	3	4	4	4	4	19
Third Party Spend	5	5	5	5	5	25
Executive Compensation	5	5	5	5	5	25
Other	5	4	4	4	3	20
Total	28	29	29	29	28	143
Operations						
Headcount	7	8	11	15	19	60
Benefits	3	3	4	6	7	23
Emissions Credits		9	13	13	13	48
Other**	6	4	(3)	(9)	(10)	(12)
Total	16	24	25	25	29	119
Supply Chain						
Shared Services	2	2	2	2	2	10
Operations	8	8	8	8	8	40
Total	10	10	10	10	10	50
Interest	37	38	38	38	37	188
TOTAL NON-FUEL SYNERGIES	**91**	**101**	**102**	**102**	**104**	**500**

**Breakdown of Other Operational Synergies	2008	2009	2010	2011	2012	Total
Fleet Lease Buy-out Benefits	4	4	2	3	4	17
eServices Process Efficiencies	0	2	5	5	5	17
Heat Rate & Reliability Improvements	2	2	2	2	2	10
Bill Payment	2	2	2	2	2	9
AMR operational costs/ benefits	0	(1)	(1)	(1)	1	(1)
Increased Line Clearance Expenditures	(3)	(3)	(3)	(1)	(1)	(11)
Equalization of Benefits for Management & Labor	(6)	(6)	(6)	(6)	(6)	(32)
Additional Increases in Non-Labor Costs (primarily Supply)	7	4	(4)	(12)	(16)	(21)
Total 'Other' Operational Savings	6	4	(3)	(9)	(10)	(11)

COSTS TO ACHIEVE
(amounts in $ millions)

	2007	2008	2009	2010	2011	2012	Total
Position Costs							
Severance		9	2	3	1	1	**16**
Share of Executive Change in Control (CIC)		11					**11**
CIC tax gross-up		4					**4**
Rabbi trust		9					**9**
Retention		3					**3**
Restricted stock and stock options		6					**6**
Process Integration Costs & Benchmarking	5	14	4				**23**
Legal & Human Resources Support	2	1	1				**4**
Cost to Maintain Support Services for Black Hills		1	1				**2**
Integration Team	7	2					**9**
Transaction Costs		51					**51**
Incremental Debt Tender Costs		35					**35**
Other							
Directors and Officers Liability Tail Coverage		1					**1**
Regulatory Process Costs	2	1					**3**
Facilities Integration		2					**2**
Internal and External Communications	1	1					**2**
Costs to Achieve	**17**	**151**	**8**	**3**	**1**	**1**	**181**
Cumulative Costs to Achieve	**17**	**168**	**176**	**179**	**180**	**181**	