BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

WILLIAM J. KEMP

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 WESTAR ENERGY, INC. FOR APPROVAL OF THE ACQUISITION OF WESTAR ENERGY, INC. BY GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 16-KCPE-___-ACQ

Q: Please state your name and business address.

A: My name is William J. Kemp. My business address is 18 S. Michigan Avenue, Chicago, Illinois 60603.

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

A: I am a co-founder and Senior Managing Director of Enovation Partners, LLC ("Enovation"), and currently serve as leader of our Strategy Implementation Practice and co-leader of our management consulting business unit.

Q: What are your responsibilities?

A: I help clients in the energy industry develop strategies which leverage competitive advantages and then focus and align their organizations around achieving the desired results. This includes consulting services in areas such as strategic planning, business

planning, Merger & Acquisition ("M&A") transaction support, regulatory strategy, commercial due diligence, merger integration, financial analysis, financing strategies, operations improvement, resource planning, and litigation support.

TESTIMONY PURPOSE

Q: What is the purpose of your testimony?

A: I will provide an overview of how Great Plains Energy Incorporated ("GPE") estimated the reasonably achievable level of savings from GPE's proposed acquisition of Westar Energy, Inc. ("Westar") (the "Transaction"), and then will review the soundness of GPE's savings estimation approach. Similarly, I will summarize the savings estimates by major functional area, as well as the costs to achieve these savings, and then will review the reasonableness of the estimated savings levels in the context of utility industry experience. I will also comment on the basic industrial logic of the Transaction, based on my experience.

My testimony supports that of Messrs. Terry Bassham and Kevin Bryant, by providing important inputs into the financial logic and sustainability of the Transaction. It also feeds into the testimony of Mr. Steven Busser, who discusses the integration approach that GPE is following to ensure the capture of the targeted savings.

QUALIFICATIONS

Q: What are the relevant qualifications of Enovation Partners, LLC?

A: Enovation Partners, LLC is a management consulting firm that was created to help our clients capitalize on emerging technologies that are shaping the future of the energy industry, and to develop growth opportunities that leverage their capabilities. Our firm focuses exclusively on energy and infrastructure.

Collectively, our team has served many of the leading companies throughout the energy value chain. Our team takes a global energy perspective, supported by our experience in more than 30 countries during more than 600 hands-on engagements with utilities, governments, developers, suppliers, investors, and private equity interests.

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

A: My educational background includes a B.A. magna cum laude from Harvard University and a Master of Public Policy from the Goldman School of Public Policy at the University of California at Berkeley, with a focus on energy policy.

Prior to co-founding Enovation Partners, LLC in July 2013, I served as Vice President for Black & Veatch from 2005 to 2012, leading their strategic consulting services. Before that, I co-founded and served as a Managing Director of Economists.com, a management consultancy focusing on financial and technology issues in the power, gas, and water industries.

My previous consulting experience was primarily with Deloitte Consulting. From 1986 to 1999, I held positions of increasing responsibility in that firm's management consulting practice in the energy industry, ultimately serving as one of three managing partners for the worldwide practice. I was energy industry leader for the Asia-Pacific-Africa region, and before that the western U.S. region. My experience includes advisory roles in the competitive restructuring of the power industry in a number of countries, including the United States, Australia, New Zealand, United Kingdom, Singapore, the Philippines, Turkey, and China. I advised energy clients on numerous M&A transactions, served on Deloitte's Global Steering Committee for its M&A practice across

all industries, and led development of major portions of its M&A methodology, including the merger integration approach.

My experience includes advice or analysis on the following publicly announced enterprise-level utility M&A transactions: PacifiCorp - Utah Power & Light, Puget Sound Power & Light - Washington Energy, Pacific Enterprises - Enova, Public Service Company of Colorado - Southwestern Public Service, Washington Water Power - Sierra Pacific Resources, AGL Resources - NUI, Exelon - PSEG Enterprises, PacifiCorp - Powercor, Texas Utilities - Eastern Energy, Australian Gas Light - Natural Gas Corp of New Zealand, Transalta New Zealand - Southpower, Singapore Power - GPU PowerNet, and Kansas City Power & Light - Aquila. I have advised on several other sizable utility transactions where I am not authorized to disclose publicly my role. I have also reviewed saving and efficiency data on numerous other transactions, and have advised on many M&A transactions for specific energy assets, as well as many potential utility enterprise transactions that were not publicly announced.

Earlier in my career, I held positions as Senior Wholesale Rate Engineer for Pacific Gas & Electric Company, Regulatory Cost Analyst for Southern California Edison Company, Research Specialist for Lawrence Berkeley Laboratory in the U.S. Department of Energy, and Regulatory Economist for the President's Council on Environmental Quality, Office of the White House.

My resume is included as Schedule WJK-1.

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

A: I have testified previously before the Kansas Corporation Commission ("Commission" or "KCC"), specifically, in Docket No. 07-KCPE-1064-ACQ for Great Plains Energy's acquisition of Aquila, Inc. Additionally, I have testified as an expert witness or prepared expert witness testimony before federal and state regulatory agencies in the U.S., the U.S. International Trade Commission and civil courts, and presented on energy policy issues to numerous governmental bodies outside the U.S. My expert witness experience is summarized in Schedule WJK-2.

Q: Have you included any additional exhibits to your testimony?

A: Yes. The full list of exhibits to my testimony is as follows. Their relevance is explained in the course of my testimony.

Schedule	Title
WJK-1	Kemp Resume
WJK-2	Kemp Witness Experience
WJK-3	Estimated Transaction Savings
WJK-4	Transaction Savings by FERC Account Function
WJK-5	Industry Experience on Merger Savings

KEY ISSUES AND METHODOLOGY

Q: What are the key issues addressed by your testimony?

A: My testimony will offer conclusions on the following questions:

1. Is GPE's method for estimating savings reasonable, and generally consistent with accepted industry practice?

2. Are GPE's estimates of Transaction-related savings reasonable, and generally consistent with the range of industry experience in similar transactions?
3. Can the KCC and GPE's Kansas customers be reasonably assured that at least the targeted total annual net savings will be achieved?

Q: Could you provide a preview of your main findings?

A: Certainly.

- GPE estimated that the Transaction would produce total savings of approximately $426 million over a 3.5-year period from mid-2017 to the end of 2020. Ongoing savings beyond 2020 would be close to $200 million per year. This includes both O&M expense savings and the revenue requirement impact of capital expenditure reductions.
- GPE's general approach to estimating savings is consistent with industry practice, and is in fact more detailed and better supported than in most transactions. Its methodology is comprehensive, current, detailed, attributable, quality assured, and conservative.
- GPE's estimates of savings are reasonable, and generally consistent with the range of industry experience in similar transactions. At least three lines of evidence support this conclusion.

Q: What methodology did you follow to develop your testimony?

A: I served GPE in both an analytical and quality control role, and assessed the reasonableness of GPE's savings estimates for this Transaction based on my knowledge of other transactions.

In my analytical and quality control role, I participated in planning and executing GPE's savings analyses, including activities such as the following:

- Preparation of work plans and templates for the savings analysis;
- Analysis of relevant source data on costs and cost drivers from both GPE and (as available) from Westar;
- Supervision and quality control of analyses in process;
- Review and challenge of savings estimates; and
- Participation in most interviews and savings brainstorming sessions with GPE functional leaders.

My assessment of the reasonableness of GPE's savings estimation methods and results included activities such as the following:

- Review of completed savings estimates and supporting workpapers;
- Comparison of GPE's methods to prevailing utility industry practice;
- Updating of Enovation Partners' database on realized savings from other utility mergers since 1996; and
- Comparison of GPE's savings estimation results to the statistical range of industry experience.

I drew from my base of experience in merger savings estimation and due diligence projects for other clients, and analyzed information from a number of sources that is relevant to the issues I am addressing in this proceeding, as explained below in the body of my testimony.

Using my experience base and the information gathered and reviewed, I tested the soundness of GPE's savings estimation process, and compared both the process and the resulting estimates to U.S. industry practice.

POST-TRANSACTION OPERATIONAL MODEL

Q: What other contextual information should be considered in evaluating transaction savings estimates?

A: The operational model for the new entity after the closing of the transaction can affect the range of savings and benefits that can be accessed. If the utilities' service territories are geographically separated by significant distance (*e.g.*, NextEra – Hawaiian Electric, or Dominion Resources – Questar), many types of savings in generation, transmission, and distribution operations may not be accessible. Similarly, if the new entity plans to maintain substantial corporate separation between the predecessor companies, with their own management teams, organizations, headquarters facilities, etc. (*e.g.*, the practice of Berkshire Hathaway or Fortis of deliberately not pursuing meaningful operational integration), some elements of back office savings may not be accessible.

Q: Will the post-transaction operational model planned by Great Plains Energy allow the full range of savings and benefits to be accessed?

A: Yes. GPE witness Mr. Bassham describes the intended organizational structure and operational plan. My understanding is GPE intends to retain the current operating utility structure, and to maintain Westar's downtown Topeka headquarters building as GPE's Kansas headquarters. Over the longer term, KCP&L, KCP&L Greater Missouri Operations Company ("GMO") and Westar will migrate on a prudent path toward functioning as an integrated utility operational unit, while retaining local operations and

support centers where it makes sense for the customer.[1] This integration may take several years, and certainly will not be completed fully by transaction close.

Therefore, the combined company will be able to benefit from one of the major drivers of savings: geographic proximity of the two companies' utility operations. Their service territories are adjoining, with excellent transportation and communication linkages. There is no geographic barrier to accessing the full range of savings.

Furthermore, GPE and Westar share similar size, organization structures, business models (electric utility), information technology platforms, and even corporate values and commitments to customers and employees, as they know from having worked together for many years.

Compared to many recent utility transactions that involved geographically separated entities and a business practice of maintaining separate operations, and lacked many of the other natural contributors to higher savings, the combined GPE-Westar entity should have some significant advantages. It will be able to harvest savings and benefits from a broader range of utility operations than in most merger transactions.

TRANSACTION SAVINGS ESTIMATION METHODOLOGY

Q: When did GPE begin to assess the potential savings from an acquisition of Westar?

A: Due to their proximity, participation in regional and national utility groups, and long history of operational cooperation, GPE already was generally familiar with Westar's organization and processes before the current transaction process began in early 2016.

[1] Unless and until the KCC and Missouri Public Service Commission ("MPSC") decide that consolidation of regulatory filing entities is in the public interest, separate rate bases and rate filings will be maintained for KCP&L, GMO, and GMO steam, and Westar's operating utilities.

Enovation's assistance in the savings estimation effort for the current transaction began in earnest in early March 2016, when we were retained to help define a reasonable set of expectations around potential percentage levels of transaction savings in various major utility functions and overall. This was in an industry-wide context, and not explicitly about the potential Westar transaction. We updated our utility savings database and summarized for GPE the range of percentage savings by function that were realized in other utility M&A transactions over the past twenty years. This short piece of analysis ended in early April. We later learned that GPE used this information to validate their analyses of the potential attractiveness and financial viability of a GPE-Westar transaction.

Q: When did GPE begin the savings analyses that were used to support the bid to acquire Westar?

A: Enovation was called back in to work intensively with GPE to analyze potential Transaction-related savings in a Westar acquisition beginning on April 20, 2016 and continuing for the next month.

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

A: Yes, alignment with GPE's strategic intent was the primary goal maintained throughout this process. The central strategic intent is to build an enterprise that can prosper while meeting the challenges facing the U.S. utility industry and continuing to improve life in the communities we serve.. GPE's major initiatives for achieving this strategic intent are to efficiently managing its core business, serving as its customers' provider of choice, growing entrepreneurial activities, and continuing to build upon GPE's winning culture.

Q: How did that goal shape the analysis?

A: GPE will maintain a balanced scorecard approach to how it serves its various stakeholders (*i.e.*, investors, customers, employees, communities). Clearly the financial metrics of strategic success will gain in priority during the integration process, so that the cost savings that underpin the rationale for the Transaction can be achieved.

However, the balanced nature of GPE's strategic intent requires that the customer, longer term growth, employee/cultural and community perspectives must also be reflected in the transition to the combined company. For example, cost reductions should not erode the non-price drivers of customer satisfaction such as reliability, customer service, and corporate citizenship; employees should be treated with respect and provided opportunities for further development; and environmental stewardship must be maintained.

The teams performing the savings analyses kept these broader strategic perspectives in mind, in prioritizing the cost savings areas and evaluating the prudent level of cost reductions.

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

A: The process was comprehensive, conservative and bottom-up, with buy-in from the GPE executives who would be accountable for achieving the savings.

- Comprehensive: looked at all areas of utility operations;
- Conservative: including only savings that reasonably could be achieved with proven tools and processes; and

- Bottom-up: savings estimates in each functional area were developed through collaborative process between the responsible executive and the Enovation consulting team.

Managers from across GPE developed detailed estimates—a "bottom-up" analysis—of the resources, expenses and capital that GPE would require to operate its utility operating companies under the post-transaction operating model. Participants represented the full scope of functions that would be required in a post-Transaction environment. In aggregate, they constructed a comprehensive high level view of how the organization would run after the Transaction was complete. That viewpoint was the basis for estimation of potential savings and benefits.

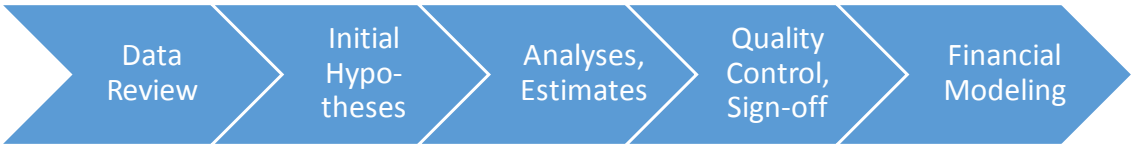
Q: Why was there an emphasis on having GPE management lead the development of a comprehensive evaluation?

A: The premise was that, given the many similarities between GPE and Westar, executives and key managers representing the entire GPE operation could best make intelligent assumptions about and evaluate Westar's operations. They would also be the most qualified to forecast the detailed requirements for operating a combined GPE and Westar entity. These are also the individuals likely to manage the operations after close of the Transaction. Many of the GPE executives were already familiar with Westar and had some understanding of its operations.

Another benefit of this comprehensive approach was that mapping all post-Transaction functions to the existing GPE management structure reduced the risk of any major area being overlooked. It should also prove helpful in accelerating the integration of operations after the Transaction close.

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

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



Enovation and GPE's lead transaction team executives reviewed the data that Westar had posted to its electronic data room. If important data relevant to the savings analysis was missing from the data room, we requested that Westar provide those data.

1. Data Review. Based on the preliminary data review, GPE's prior knowledge of Westar's operations, and general industry experience, Enovation and GPE developed initial hypotheses on where the biggest pools of savings might be. We then defined four major savings areas for study, consistent with these hypotheses: Generation, T&D/Customer, Shared Services, and Supply Chain. All areas of GPE and Westar operations were mapped to one of these four functional areas. One or more GPE executives were assigned as the analysis leader in each area. Enovation provided consulting support to each executive.
2. Initial Hypotheses. The initial savings hypotheses were shared with the GPE functional analysis leaders. They were encouraged to react to hypotheses, supply additional data and expand or revise the hypotheses. Major common assumptions were defined, including:
   - Transaction close in late spring or early summer 2017. This is often called Day 1.
   - The baseline costs (without the Transaction) were defined by each company's most recent budgets and spending plans.
   - All estimates were in nominal dollars, as stated in the spending plans.

- Fuel and purchased power expenses were excluded from the savings analyses that supported GPE's bid, since these costs are flowed through to customers in fuel clauses applying to each company, and thus did not affect valuation.

3. Analyses, Estimates.
   - Enovation developed savings estimates templates and interview questionnaires to guide the analysis and discussion with each GPE functional leader, to ensure consistency and comparability. We conducted at least two rounds of interviews with each responsible executive.
   - Enovation and GPE then collaboratively developed initial savings estimates by functional area, for the years 2017 through 2020. The estimates included both O&M expense savings and capital expenditure reductions. The functional teams followed the guiding principles of comprehensiveness and conservatism, as discussed above. The teams focused on the major pools of potential savings, so it is quite possible that additional smaller amounts of savings will be identified and realized over time.
   - Each team also estimated the transition costs necessary to achieve the estimated savings, by year.
4. Quality Control, Sign-off. Enovation conducted a thorough quality control review of assumptions, logic, and calculations. The lead GPE executive reviewed, modified if necessary, and signed off on the savings estimate for their function. Enovation summarized non-fuel O&M ("NFOM") expense savings and capital expenditure ("capex") savings by functional area by year, through 2020.

5. Financial Modeling. The results of the teams were compiled, discussed among the broader group, and then communicated to GPE's deal team and its advisors in the valuation and bid process. GPE ran these NFOM and capex savings through its financial model, to get an accurate picture of the revenue requirement impact of the savings. The financial model results were used to support the deal team's analyses of credit metrics and financial impacts of the Transaction.

Q: Did the savings estimation team and deal team have an over-riding question in mind, which their analyses tried to answer?

A: Yes. That over-riding question was: Are the reasonably achievable savings sufficient to meet the targets for making a competitive bid while maintaining GPE's financial and operational health and producing significant long-term benefits for customers and shareholders? As is obvious from the GPE decision to submit a bid and agree to the Transaction, the answer was "yes".

REASONABLENESS OF TRANSACTION SAVINGS ESTIMATION METHODOLOGY

Q: Is the savings estimation methodology used by GPE in this proposed transaction similar to the methods used by other utilities in other transactions?

A: In general terms, yes. Transactions have their particular circumstances. They may have different starting points, different objectives, different opportunities, and different management. The bidding/negotiation timeframes and availability of key data can also differ. These factors can lead to differences in approach. But GPE's process has been similar to the process I have seen used in many other utility transactions over my twenty-five or so years working in this area. Knowledgeable functional teams drill down into

their own areas of expertise, and come up with their best estimates of the savings that are reasonably achievable.

Q: Why do you believe GPE's savings estimation methodology is consistent with accepted utility industry practice?

A: GPE's methodology met the following set of criteria, which I developed and applied. These criteria capture the extent to which GPE's approach follows the same general principles and analytical guidelines that have been applied in other transactions.

- Comprehensive. Did the analyses cover all significant areas of costs and revenue that are included in regulated rates? Did the teams coordinate to avoid gaps or double counting? Were costs to achieve the savings properly reflected?
- Current. Were the source data current and reliable, especially the base resource and cost levels? Were these data consistent with the regulated cost basis?
- Detailed. Were the estimates based on detailed, realistic analysis of the relevant functions? Was the use of less accurate high-level assumptions minimized?
- Attributable. Were developed savings and other types of costs and benefits not directly related to the Transaction excluded from the estimates?
- Quality Assured. Were the savings estimates thoroughly reviewed for quality control, from several perspectives?
- Conservative. Was the overall approach conservative and balanced? Did it screen out unrealistically optimistic estimates? Did the teams adequately consider the challenges of implementing the required initiatives?

Taken together, I believe these criteria represent a rigorous test of the soundness of a methodology for estimating transaction savings.

Q: Was GPE's transaction savings estimation methodology "comprehensive"?

A: Yes. All functions were assigned to one or more teams. The teams addressed as a first order of business any boundary issues between their areas, to ensure that all cost items belonged to one and only one team. They also performed a top-down check to verify that the sum of the NFOM costs across their areas was equal to the companies' total NFOM costs. The teams appropriately identified and quantified transition costs necessary to achieve the estimated gross savings.

Q: Were GPE's transaction savings estimates "current"?

A: Yes. The base cost data were recorded actual from the most recent available year, *i.e.*, 2015, and the most recent approved budgets or spending plans. These were reliable and current sources for the data. Hart-Scott-Rodino Act restrictions on sharing competitively sensitive information restricted GPE's access to detailed Westar information in areas such as generation or supply chain, but the available public data and information from Westar's data room were adequate.

Q: Was GPE's transaction savings estimation methodology adequately "detailed"?

A: Yes. Estimated savings in each area were built up from analyses of their constituent sub-areas, *i.e.*, bottom-up estimates were preferred. Top-down estimates based on high-level assumptions or comparative data were used mainly as reality checks, to validate the bottom-up estimates.

GPE's savings analyses were likely more detailed and thorough than other bidders, judging from the number of times that the GPE team noted with surprise that, judging from the cumulative content of Westar's transaction data room, no other bidders had requested certain data that GPE considered important for the analysis.

Q: Were GPE's transaction savings estimates "attributable"?

A: Yes. GPE counted only operational and capital cost savings that were attributable to the Transaction, *i.e.*, they were directly created or enabled by the Transaction, and could not be realized in the normal course of business as separate companies.

Q: Why is it important to consider more than just operational savings and benefits?

A: An important measure of the public interest test is the long term impact on rates to customers. Do customers receive a price benefit from the transaction? Therefore, any type of attributable cost or benefit that would be included in the cost basis for regulated rates should be considered in savings or benefit estimates. This would include not only revenue requirement impacts from operations and maintenance ("O&M"), but also the revenue requirement impacts of capital cost savings from all functions (*e.g.*, generation, transmission, distribution, customer service, administrative & general, etc.).

Q: Were GPE's transaction savings estimates "quality assured"?

A: Yes. Quality control procedures were implemented on several levels. The functional teams checked their own work and reviewed the work of other teams. Outside consultants facilitated the analytical process and also conducted quality assurance reviews. The transaction team assessed the quality and reasonableness of the estimates as they rolled up to the enterprise level. Finally, GPE senior executives reviewed and approved the estimates, and took ownership for achieving the targeted benefits. This last level of quality assurance is the acid test. If the sponsoring executives are willing to sign up to own the estimates, they must be convinced they are realistic and achievable.

Q: Was GPE's transaction savings estimation methodology "conservative"?

A: Yes. The functional teams screened out hard-to-quantify benefits, even if potentially significant. They deliberately excluded estimates that required top quartile cost performance (vs. peer utilities), when ranges of performance improvement were available for consideration. For example, the savings estimates did not reflect moving to the top quartile in Customer Service staffing levels per customer. Overly aggressive benefit estimates were screened out, as they are typically subject to higher execution risk. As noted above, the involvement of sponsoring executives ensured that implementation plans were realistic.

Q: The savings estimation teams completed their analysis to support the bid in a period of one month. Was this amount of time sufficient?

A: Yes. GPE has taken multiple looks at a transaction with Westar in the past. It already had a good sense of the size and location of the available savings pools. Also, GPE's management built on the process, analytical templates and capabilities that were developed in the Aquila transaction, which offered a similar range of operational savings opportunities. We used a very similar analytical approach.

So, even though one month is a quick turnaround, it was adequate due to the ability to leverage existing knowledge and experience.

DESCRIPTION OF ESTIMATED TRANSACTION SAVINGS

Q: Can you quantify the total non-fuel savings expected from the GPE-Westar transaction?

A: Yes. Based on the process discussed above, GPE estimated Transaction-related non-fuel savings of approximately $426 million over a 3.5-year period from mid-2017 to the end

of 2020. See Schedule WJK-3. This is the revenue requirement impact of O&M expense reductions and capex reductions, net of costs to achieve. O&M expense reductions affect revenue requirement on a 1-for-1, dollar-for-dollar basis, while capex reductions flow through the return, depreciation, and tax elements of revenue requirement.

The savings shown in Schedule WJK-3 are total per year, not incremental over the prior year. It is important to note that the Transaction savings will be recurring over time, while almost all of the costs to achieve these savings are one-time and will not recur.

Q: Why did estimates use a 3.5-year period?

A: The Transaction was assumed to close on a date near the middle of 2017, so for estimation purposes the first savings period would be a half year. The team assumed, reasonably in my experience, that 2020 would be the year in which the ramp-up to full levels of Transaction savings would be achieved. Also, the Board-approved budgets that served as the baseline for the financial modeling of GPE's bid only extended through through 2020.

Q: Are Transaction savings limited to this 3.5-year period?

A: No. We anticipate that savings will continue beyond this time period, and accrue to the long-term benefit of GPE's customers, without the burden on customers of paying for the acquisition premium or transaction costs resulting from the Transaction.

Q: What are the expected Transaction savings over the first ten years?

A: GPE did not perform a detailed analysis of savings beyond 2020. However, because almost all costs to achieve would be incurred by 2020, the annual net non-fuel O&M savings for the years 2021-2027 would continue to recur, and could reasonably be expected grow with inflation.

Q: From what cost baseline were these savings calculated?

A: As explained in the savings estimation methodology section above, the cost baselines were actual 2015 costs and the most recent budgets and spending plans for GPE and Westar.

Q: Have the Transaction savings listed in Schedule WJK-3 been escalated for anticipated inflation-related cost increases?

A: Due to the nature of the bottom-up projections, anticipated cost increases were reflected in specific line items within the budgets and spending plans for the business areas, instead of applying a single escalation factor to all items. The teams projected expenses on a quarterly basis for 2017 and on an annual basis thereafter, so the bottom-up estimates would be more reflective of actual conditions than applying a standard escalation. This approach toward inflation was also used in the transition cost estimates discussed later in this testimony.

Q: Do all amounts shown on Schedule WJK-3 represent projected savings directly attributable to the Transaction?

A: Yes, the reflected savings are directly attributable to the Transaction 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. GPE does not expect major changes in projected total Transaction savings as the

integration work progresses; however, greater access to Westar data and further drill-down by the integration teams may allow refinement of the savings estimates.

Q: What are the primary areas in which the expected Transaction savings will be realized?

A: As described above, the savings estimates aggregated into four functional areas: Generation, Transmission & Distribution ("T&D")/Customer Service, Shared Services and Supply Chain.[2]

Q: What are the components of the estimated <u>Generation</u> Transaction savings?

A: The major high level drivers for GPE-Westar savings in the Generation function include:

- The larger fleet enables a more efficient deployment of capital and a potential to rationalize the portfolio on both sides allowing accelerated retirement and a transition to a less carbon intensive future;
- GPE's formal integrated resource planning ("IRP") process and capabilities represent additional value that GPE can bring to Westar, for example through its IRP-justified, more robust portfolio of energy efficiency and demand management programs; and
- The much larger scale of the combined company enables a comprehensive and less costly long term approach to compliance with any future regulations on carbon emissions.

The Transaction-related O&M and capex savings in the Generation function primarily reflect the combination's effects on the generation fleets of GPE and Westar,

[2] GPE witness Mr. Busser mentions five integration teams, including these four functional areas but adding a separate team for the Wolf Creek Nuclear Operating Company (WCNOC). For the savings estimates, WCNOC's operations were included in the Generation area and its support functions in the Shared Services and Supply Chain areas. WCNOC has been broken out separately for integration planning due to the need to provide additional levels of assurance around nuclear safety and regulatory compliance.

with the related reduction in required planning reserves for generation capacity. The consolidation of GPE's and Westar's separate generation support and management services (*e.g.*, central engineering, operations management support, ISO and market operation) is also a significant source of savings. is also a significant source of savings. (The achievable reductions in shared services and supply chain costs for Wolf Creek are covered in those functions' savings estimates.)

See Schedule WJK-3 for the estimated savings for the Generation function, by year through 2020.

Q: What are the components of the estimated <u>T&D and Customer Service</u> Transaction savings?

A: The major high level drivers for GPE-Westar savings in the T&D/Customer Service functional grouping include:

- The scale benefits from efficiently allocated capital, streamlined operations and best practice sharing will drive savings across T&D/Customer Service. In addition to creating cost savings, these will support improvement in system reliability benefiting customers in the form of reduced outages (*e.g.*, from the improved affordability of T&D data analytics applications when applied to a larger system); and
- Both organizations are actively improving customer information platforms. With proper integration, GPE and Westar's customers will benefit from a streamlined back office systems and improved customer operations.

The Transaction-related O&M and capex savings in the T&D/Customer Service functional grouping primarily relate to opportunities for fleet and service center consolidation, more efficient call center operations, streamlining of the combined

management structures, and in the longer term, consolidation in information systems for both T&D and Customer Service.

See Schedule WJK-3 for the estimated savings for the T&D/Customer Service function, by year through 2020.

Q: Why are the savings estimates for the <u>T&D and Customer Service</u> functions relatively small?

A: The savings estimates for these functions were developed with a high level of conservatism, because they are the functions which most affect reliability and customer satisfaction. The GPE-Westar integration team may well find additional savings that can be prudently pursued, as they drill down deeper into the opportunities. But the initial estimates developed for the bid process in these areas included only savings that could be achieved with minimal or no risk of negative service impacts on customers.

Q: What are the components of <u>Shared Services</u> Transaction savings?

A: These are costs associated with shared services functions, including many Administrative & General ("A&G") costs, *e.g.*, executive management, human resources, finance, information technology, facilities, security, and other activities that support the other operating functions. These costs are composed primarily of labor costs, benefit costs, insurance, third-party spend, executive compensation, information technology, communications, facilities, and other overhead.

The major drivers of shared services savings in this transaction are:

- Both companies operate similar support organizations and by combining the knowledge from their separate experience, they create opportunities to share best

practices. Shared best practices improve operations and create efficiencies for employees and customers.

- The combined company's scale offers the opportunity to expand use of a shared services structure to improve corporate functions through the consolidation of functional areas, re-alignment of resources and optimization of technology.
- The combined company will gain the scale benefits associated with doubling the size of the organization through expanded use of shared services across corporate functions.

See Schedule WJK-3 for the estimated savings for the Shared Services function, by year through 2020.

Q: What are the components of <u>Supply Chain</u> Transaction savings?

A: These are costs associated with the procurement and logistics processes, and related external spend, to support both operating and back office functions. They include elements such as management labor, operations labor, purchase costs, transportation, and warehousing.

The major drivers of Supply Chain savings in this transaction are:

- Sourcing from the best contracts of each company – prices, terms and conditions;
- Rebidding duplicate contracts with increased volume – reduce vendor base;
- Optimizing contractor staffing levels (IT, Accounting, Operations, Call Center);
- Applying GPE's advanced analytics and processes to combined spend categories;
- Leveraging GPE's procurement automation efficiency across Westar purchases; and
- Applying best practices in intra and inter-company logistics, and leverage much larger combined scale over larger contiguous service area.

See Schedule WJK-3 for the estimated savings for the Supply Chain function, by year through 2020.

TRANSACTION COSTS AND TRANSITION COSTS

Q: Are both transaction costs and transition costs necessary to achieve the estimated Transaction savings?

A: Yes. Savings or benefits will not be achieved without effort or cost. The costs to achieve need to be considered in evaluating net transaction benefits. Utility shareholders should consider all costs to achieve, while regulatory commissions and customers would necessarily focus on the costs to achieve that will flow through the acquiring utility's rates. Again, GPE is not requesting recovery in rates of any acquisition premium or transaction cost.

GPE's costs to achieve the estimated savings include both Transaction costs to consummate the acquisition and transition costs for executing the GPE-Westar integration plans savings. The Direct Testimony of Mr. Bryant addresses estimated Transaction costs to consummate the Transaction (*e.g.*, financial and legal advisor fees, financing fees, change in control payments). Transaction costs are generally incurred by the time of closing which I understand is expected in the second quarter of 2017.

The total transition costs through 2020 to achieve the Transaction savings are estimated at $60 million. See Schedule WJK-3. The major elements of the operational transition costs are:

- Integration design, planning, and implementation costs. This element is for third-party costs for organization, process, and technology integration planning and execution, including benchmarking for cost, customer satisfaction and operational

metrics that will enable the integration teams to set appropriate short-term and longer term performance targets.

- Position costs – Retention. This element 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 – Severance. This element is for payments for voluntary severance, or for non-voluntary terminations for redundant positions that are covered by existing severance agreements. As I understand GPE's intent, and as discussed in more detail in the Direct Testimony of Terry Bassham, non-voluntary termination costs would be incurred only in the event that natural attrition, retirements and voluntary severances were not sufficient to accomplish the efficient post-transaction staffing levels.
- Legal and Human Resources ("HR"). This cost is for on-going support of outside counsel for legal and HR issues encountered during the integration process.
- Other - Regulatory process costs. This cost is for the external support required for regulatory filings and analyses related to the Transaction. This estimate is for third-party fees for regulatory support and assumes these incremental activities will be limited to 2016-2017.
- Other/Facilities integration. This cost is primarily for integration of selected headquarters functions. Regardless of future location, the addition of Westar employees into GPE's support and operational functions will require reallocation of space and relocation of many groups, and in some cases relocation of employees.
- Other - Internal and external communications. This cost has been projected for internal and external communication of the basis and implications for the

Transaction, 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 2017.

Q: Does Great Plains Energy anticipate that almost all transition costs will be incurred by the end of 2020?

A: Yes. While it is possible that additional costs could be incurred after 2020, any such amounts are not expected to be significant.

REASONABLENESS OF GPE'S ESTIMATED TRANSACTION SAVINGS

Q: How did you assess the reasonableness of GPE's Transaction savings estimates, compared to what has been achieved in other utility transactions?

A: I compared GPE's estimates with the range of utility industry experience, and considered the deal-specific circumstances.

My standardized measure was the percentage real dollar NFOM savings (from the pre-transaction baseline) realized within the three years of transaction close. This metric compares the sum of the two companies' NFOM expenses in the last full calendar year prior to transaction close with the combined company's NFOM expenses in the calendar year three years after transaction close. By three years after transaction close, all of the major savings initiatives should have gained full traction.

Realized savings are the actual reductions in real costs (or transaction-related increases in revenue) that are achieved by the combined company. Data on realized efficiencies or savings are most reliably and consistently obtained from utilities' annual filings to Federal Energy Regulatory Commission ("FERC") on their actual costs of

utility operations (FERC Forms 1 and 2). These data must be reviewed carefully, as organizational changes, changes in operating models, one-time events (large storms or extreme weather), changes in accounting methods, changes in industry structure, and subsequent M&A transactions can distort the filed costs.

The pre and post-transaction cost data for each of the comparative transactions were adjusted for inflation to a common real dollar basis, using the U.S. Consumer Price Index ("CPI-U"), before calculating the percentage savings. This adjustment ensured comparability among the percentage savings numbers for different transactions in different inflation circumstances.

To make the GPE percentage savings projections comparable to the realized savings in other utility transactions, I divided the estimated 2020 Transaction savings by the combined GPE-Westar actual NFOM expenses in 2015, after adjusting for inflation with CPI-U to put both numbers in a common 2016 base year. For other utility mergers, the comparison was the sum of actual pre-transaction costs for the two companies vs. actual costs three years after close for the combined company (*e.g.*, 2010 vs. 2014 costs for a transaction that closed in 2011).

It should be noted that savings related to capex reductions or capitalized supply chain cost savings are not included in these comparisons, because they are much more difficult to compare. Unlike for NFOM expenses, which are reported in FERC Form 1, there is no uniform basis for capex cost reporting. The reporting practices for capex vary across utilities, as do the return, depreciation and accounting factors involved in converting capital spending into revenue requirements impacts. As shown in Schedule

WJK-5, the projected capex-related savings from the proposed GPE-Westar transaction are expected to be substantial.

Q: What steps did you take to prepare GPE's estimated Transaction savings for comparison to other utility transactions?

A: The base 2015 NFOM costs for both GPE (*i.e.*, KCP&L) and Westar were obtained directly from their 2015 FERC Form 1 reports. These base costs were inflated to 2016 dollars using the CPI-U.

Since the savings estimates were prepared by major operational function, and not necessarily by FERC account grouping, I have classified the estimated Transaction savings into the functional groups of accounts in FERC's Uniform System of Accounts: Generation, Transmission, Distribution, Customer Service and A&G. The Sales function was not analyzed because it is an immaterial cost item (less than $0.5 million per year) at both GPE and Westar. I assigned each line item in GPE's savings estimates to the appropriate FERC function, based on GPE team leaders' descriptions of the type of costs in the line item.

The savings estimates in the supply chain process were allocated to the five FERC functions with guidance from GPE's supply chain leaders, as follows: 50% to Generation, 5% to Customer Services, 15% to A&G and 30% to T&D. The T&D savings were allocated to Transmission and Distribution according to each function's share of the base non-fuel O&M expense.

The 2020 GPE estimated savings were deflated to 2016 dollars using the CPI-U, to put the savings on the same real basis as the base year costs. Finally, I excluded fuel and purchased power costs from my comparisons of realized savings, as the data from

transaction to transaction for this type of cost are so heavily influenced by regional energy market factors and commodity price cycles that they are not meaningful to compare.

Since the absolute level of pre-transaction base costs varies widely, according to the size of the companies I used in the comparison, it would not be meaningful to compare absolute savings. Rather, quantified savings levels across different transactions are typically compared on the basis of percentage of base costs.

Q: What proportion of GPE-Westar's base 2015 NFOM costs are estimated to be saved through the Transaction?

A: The 2020 total NFOM net savings of $162 million ($148 million in 2016 dollars) amounts to 9.1 percent of the combined 2015 NFOM costs of GPE and Westar's utility operations (in 2016 dollars). The estimated savings by FERC account group function, as a percentage of base costs, are as follows:

Function	Annual Savings by 2020	% of Baseline Costs (1)
	(2016 $million)	
Non-fuel Generation O&M	102	19.5%
Transmission O&M	14	3.5%
Distribution O&M	9	4.9%
Customer Service	4	2.5%
A&G Expense	33	6.5%
Total Non-Fuel O&M	**148**	**9.1%**

(1) 2020 savings as % of 2015 base NFOM costs, all in 2016 dollars

Schedule WJK-4 provides supporting detail for the functionalization of the savings estimates, and the comparison to base 2015 costs.

Q: Do these estimated savings levels strike you as reasonable, given the characteristics of this Transaction?

A: Yes, based both on my knowledge of the specific circumstances of this transaction, and on comparison of total savings with other transactions. A total non-fuel savings level of nine percent would be above average for a utility-utility merger. This is roughly what you would expect for a transaction between neighboring firms, who can access the full range of savings.

Q: What factors can influence the level of savings that can be expected from a utility transaction like this?

A: The level of achievable savings is affected by many factors. Some of the more important factors are:

- Relative size. Similarly sized companies have greater savings opportunities. Acquisitions of smaller companies by much larger companies do not affect combined costs as much on a percentage basis.
- Relative operating performance. Greater savings can be achieved if one company has significantly lower unit costs or superior service quality. Its practices can be transferred to the other company. This is also true on a functional level, *e.g.*, leveraging one company's better distribution O&M practices.
- Proximity. Neighboring or overlapping service territories make greater savings possible in both field and corporate operations.
- Need for capacity. Reductions in capital expenditures for new generation or transmission capacity will be larger if one utility has a long position (*i.e.*, more than adequate capacity) and the other has a more pressing capacity need.

- Corporate and management culture. Benefits can be larger if one of the companies (especially the dominant partner) has superior project execution capabilities or has demonstrated an ability to achieve superior operating results relative to its peers.

From my review of the data on the proposed GPE-Westar transaction, it appears that most of these factors line up to increase the savings that could be achieved through this Transaction.

Q: How do GPE's estimated Transaction savings compare with the range of realized savings from other utility transactions?

A: GPE's estimated savings are higher than the median level of total realized savings in other comparable transactions, as you would expect, but are solidly within the zone of reasonableness.

Comparisons by function are much less valid across differing utility types, due to the differing functional mix of costs in gas versus electric utilities. For this set of comparisons, therefore, I limited the data set on comparable transactions to sizable mergers between utility companies, at least one of which was an electric utility. This yielded 36 comparable transactions, which are shown below.

Deal Year	Buyer Name/ Target Name
1997	Ohio Edison Company/ Centerior Energy
1997	Puget Sound Power & Light Company/ Washington Energy Co
1998	Brooklyn Union Gas/ Long Island Lighting Company
1998	LG&E Energy LLC/ Kentucky Utilities Company (KU)
1998	Pacific Enterprises/ Enova Corporation
1998	Union Electric Company/ CIPSCO Inc.
1999	Consolidated Edison Company of New York/ Orange and Rockland Utilities, Inc.
1999	Delmarva Power & Light Company/ Atlantic Energy Inc.
1999	Nevada Power Company/ Sierra Pacific Power Company
2000	SCANA Corporation/ Public Service Company of North Carolina, Incorporated
2000	American Electric Power Company, Inc. (AEP)/ Central and South West Corporation
2000	Carolina Power and Light Company (CP&L)/ Florida Progress Corporation
2000	Unicom (Commonwealth Edison)/ PECO Energy
2000	Dominion Resources, Inc./ Consolidated Natural Gas Co.
2000	Energy East Corporation/ Central Maine Power Company
2000	Indiana Energy Inc./ SIGCORP, Inc.
2000	Northern States Power Company / New Century Energies, Inc.
2001	AES Corporation/ IPALCO Enterprises, Inc.
2001	FirstEnergy Corporation/ GPU, Inc.
2002	Potomac Electric Power Company/ Conectiv Energy, Inc.
2003	Ameren Corporation/ CILCORP, Inc.
2004	Northeast Utilities/ Connecticut Valley Electric Co Inc.
2004	Ameren Corporation/ Illinois Power Company
2005	PNM Resources Inc./ TNP Enterprises, Inc.
2006	Duke Energy/ Cinergy
2006	Midamerican Energy/ PacifiCorp
2006	UGI Corporation/ PG Energy
2007	WPS Resources/ Peoples Energy Corp.
2007	National Grid/ KeySpan Corp
2007	MDU Resources/ Cascade Natural Gas
2008	Great Plains (Kansas City Power & Light)/ Aquila Inc. (MO)
2008	MDU Resources/ Intermountain Gas
2011	AES Corporation/ DPL Inc.
2011	FirstEnergy Corp./ Allegheny Energy, Inc.
2012	Northeast Utilities/ NSTAR
2012	Exelon Corporation/ Constellation Energy Group, Inc.

A number of the utilities in these comparable transactions went through structural changes in the three years after their transaction, most notably the divestiture of all or most of their generation assets.[3] Such changes caused large shifts in their mix of

[3] Unicom-PECO, ConEd-O&R, Delmarva-Atlantic, Energy East-CMP, FirstEnergy-GPU, and PEPCO-Conectiv.

purchased energy versus generation NFOM expense, not related to their transaction. To avoid distortion, their data were excluded from the comparison for Generation NFOM. The Total NFOM percentage changes for these companies also excluded Generation NFOM.

Schedule WJK-5 shows the quartiles of the realized cost reductions by major function for the 36 historical utility mergers and GPE-Westar.[4] GPE's estimated savings are greater than the median for total NFOM and for three of five the FERC account functions, generally placing GPE's estimated savings performance in the second quartile.

It is interesting to note that the estimated total NFOM savings from the GPE-Westar transaction are extremely close to the realized total NFOM savings in the GPE-Aquila transaction, when compared on a percentage basis using the method described above.

Q: Do you have any other industry information that corroborates these comparisons?

A: Yes. In my experience advising on potential utility transactions, we commonly cite the range of 7-10 percent as a reasonable general expectation for total non-fuel savings in transactions with similar business models and geographic proximity. This advice is based on savings estimates and realized savings across a large number of proposed combinations. Expectations for the GPE-Westar transaction, at around 9 percent, are within this typical range.

[4] As explained above, the comparison was between inflation-adjusted costs three years after the year of transaction close vs. costs in the year before close.

Q: Why are GPE's estimated total Transaction savings modestly higher than the industry average?

A: The drivers for and specific components of the estimated savings for the GPE-Westar transaction are described in some detail above in my testimony. But in general, the GPE-Westar pairing has unusually broad opportunities for savings, as I noted above in listing the factors that drive the level of achievable benefits. They are similarly sized. They have complementary operating strengths that enable transfer of better practices and creation of substantial savings. They have adjoining service territories, which increases potential operating and corporate savings. Their generation fleets offer significant opportunities for more efficient asset utilization.

The industry data for other transactions, on the other hand, include many transactions that did not have the advantages of proximity or similar business models. About 40 percent of our comparable transactions between predominantly electric utilities involved geographically separated service territories. About 20 percent involved merging an electric utility with a gas utility. GPE-Westar's geographic and business model fit gives the new company natural advantages for achieving savings in Generation and T&D operations, and in Supply Chain.

Q: What are your comments on the basic industrial logic of the GPE-Westar combination?

A: The Transaction just makes a lot of sense. The physical fit is good, with adjoining territories. The cultural fit is good. The strategic synergy is good, creating a larger, more capable utility to serve its home region. Significant savings and more efficient use of resources can be achieved, to the long-term benefit of customers and the health of the

regional economy. The consolidation of generation fleets and better access to low cost renewable resources (mainly in Kansas) will accelerate the transition to a lower carbon future and shrink the new GPE's environmental footprint. All this will be done within strict guidelines of maintaining safe, reliable service. GPE and Westar already have a positive relationships with the approving regulatory jurisdiction, namely the KCC.

In short, the industrial and public policy logic for the GPE-Westar combination is very compelling.

Q: Why can you conclude that GPE's savings estimates are reasonable and conservative?

A: I have reviewed GPE's savings estimates both on a stand-alone basis and in the context of industry experience. At least four separate lines of corroborating evidence support the conclusion that the estimates are reasonable and conservative:

1. GPE's savings estimation methodology is sound. It is comprehensive, conservative, and bottom-up. The savings analysis teams have identified and vetted reasonable levels of savings. The sources of savings that they cited are credible.
2. GPE's estimated savings for NFOM expense, though higher than the median realized savings over 36 other utility transactions, are justified by understandable reasons due to the favorable circumstances and superior industrial logic for the Transaction.
3. GPE's estimated savings are within the range that we have advised utility clients, based on our experience, is reasonable to expect in transactions between neighboring electric utilities.
4. GPE has proven recently its ability to achieve this level of savings, based on its track record with the recent Aquila transaction.

GPE's estimates tend to exceed the industry averages because GPE and Westar are neighboring utilities who can access an unusually broad range of savings opportunities.

SUMMARY AND CONCLUSIONS

Q: What are your conclusions on the central issues addressed in your testimony?

A: My conclusions are as follows:

1. *Is GPE's method for estimating savings reasonable, and generally consistent with accepted industry practice?*

   Yes. GPE's general approach to estimating savings is consistent with industry practice, and is in fact more detailed and better supported than in most transactions. Its methodology is comprehensive, current, detailed, attributable, quality assured, and conservative.

2. *Are GPE's estimates of savings reasonable, and generally consistent with the range of industry experience in similar transactions?*

   Yes. The estimated savings are only modestly above the industry average, even though the nature of the transaction would put the combined company among the best possible circumstances for capturing savings. They appear reasonable on a stand-alone basis, and in total are in the range that would be expected on the basis of comparable transactions in the utility industry and the circumstances of GPE and Westar. At least three lines of evidence support this conclusion.

3. *Can the KCC and GPE's Kansas customers be reasonably assured that at least the targeted total annual savings will be achieved?*

Yes. GPE has proven that it can deliver substantial transaction-related savings, based on its performance in the Aquila transaction. Tapping the identified savings pools can rely on well-proven processes and capabilities. Also, the finally realized savings in the Aquila transaction, as is typical of most utility transactions, were significantly higher than were initially estimated.

Q: What was the impact of the Transaction savings analyses on GPE's offer to Westar?

A: GPE's management and Board were able to conclude with confidence that the reasonably achievable savings were sufficient to meet the targets for making a competitive bid while maintaining GPE's financial and operational health and producing significant long term benefits for customers.

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 Westar Energy, Inc. for approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated	)))))	**Docket No. 16-KCPE-____**

AFFIDAVIT OF WILLIAM J. KEMP

STATE OF ~~ILLINOIS~~ Missouri)
COUNTY OF ~~COOK~~ Jackson) **ss**

William J. Kemp, being first duly sworn on his oath, states:

1. My name is William J. Kemp. I work in Chicago, Illinois, and I am a Founder and Director—Strategy Implementation Services at Enovation Partners, LLC.

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 thirty-nine (39) 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.

William J. Kemp

Subscribed and sworn before me this 28th day of June 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200

William J. Kemp

+1.941.448.5674 | wkemp@enovationpartners.com

Bill is a co-founder of Enovation Partners. For more than 25 years, he has crafted and delivered solutions for energy and utility industry clients around the world on critical strategy, finance, operations, and technology issues. He has directed more than 400 consulting projects.

He has advised on energy industry restructuring efforts in the U.S., Australia, New Zealand, China, India, Russia, Singapore, the Philippines, Turkey, U.K., and other countries, as well as on energy company technology initiatives, restructurings, mergers, acquisitions, and greenfield investments, in the U.S. and overseas. He has testified as an expert witness before numerous courts and agencies.

Bill has served in various leadership positions in the International Association for Energy Economics, and speaks frequently before industry groups such as the Edison Electric Institute, the Western Energy Institute, American Gas Association, Association of Municipal Water Agencies, and others.

RELEVANT ENGAGEMENTS

Following are snapshots of selected engagements that are particularly relevant to expert witness assistance around commercial terms in long term energy Sale and Purchase Agreements:

- Prepared expert witness report for **Kaiser Aluminum & Chemical**, in an electricity-related contract dispute before the International Court of Arbitration in London. Litigation involved legitimacy of force majeure declaration and contract termination, in context of tight electricity supplies and unusual power market conditions. Identified key issues to be addressed, used industry network and personal expertise to compile documentary record, analyzed market fundamentals and related price behavior, drafted initial and reply reports, developed relevant exhibits. Coordinated with outside counsel in case strategy, briefs, hearings.
- Testified in defense of global primary metals producer, **Norsk Hydro**, against countervailing duty claims before U.S. International Trade Commission. Analyzed incremental cost basis, pricing and market context of long-term electricity contract with government-owned utility. Established contract's consistency with comparable contracts at similar utilities. Assisted in drafting sections of brief, and served as expert witness in presenting final oral argument before Commission. Saved client $30 million per year in ultimate duty costs.
- Served as expert witness for **Snohomish PUD** in litigation before the FERC. Litigation focused on alleged overcharges, unreasonable contractual terms, and exercise of market power by certain power marketing firms during the Western power crisis of 2000-2001. Quantified economic impacts on clients, identified bounds for just and reasonable terms based on

FOUNDING PARTNER

Focus Areas

- Strategic planning
- Competitive markets analysis
- Litigation support
- Technology economics
- Mergers and acquisitions
- Pricing and regulatory strategy
- Sustainability
- Strategy implementation
- Re-engineering/process redesign

Office

- Tampa, FL

Education

- MPP, University of California – Berkeley
- BA magna cum laude, Anthropology and Physics, Harvard

Industry Associations

- American Gas Association
- American Public Power Association
- Association for Public Policy Analysis and Management
- Edison Electric Institute
- International Association for Energy Economics
- Suncoast Technology Alliance
- Western Energy Institute

competitive market fundamentals and accepted industry practices, demonstrated compelling public interest to justify contract modification, outlined proposed remedies. Supported client counsel in case strategy, discovery. Case ultimately appealed to U.S. Supreme Court and decided largely in client's favor.

- Independently reviewed expected economic performance and asset value of numerous power or gas production and midstream assets in the U.S. and overseas. Analyzed current and future market context, determined likely dispatch pattern, evaluated forecasts of fuel expense, O&M expense, capex, and product revenues, estimated intrinsic and extrinsic values, assessed major risk factors.
- Served as expert witness before U.S. District Court for Eastern Virginia in civil litigation for **Ragnar Benson Inc.**, in dispute surrounding delay in construction of large power plant and termination of construction prime contractor. Testified on the project developer's economic motivation for delaying or cancelling project, based on changes in power market conditions during the construction period. Analyzed the relevant regional markets, the plant's expected economic performance, and the financial pressures facing the developer. Assessed reasonableness of damage claims. Assisted in case strategy, discovery, depositions.
- Served as expert witness before arbitration panel in civil litigation for **Williams Group**, in dispute surrounding termination of large power plant construction project. Testified on the project developer's economic motivation for termination, based on changes in power market conditions during the construction period. Analyzed the relevant regional markets, the plant's expected economic performance, and the financial pressures facing the developer. Reviewed damage claim estimates. Assisted in case strategy, discovery, depositions. Case settled favorably for client after hearings.
- Managed national study of construction cost accounting practices in regulated firms, in support of **U.S. Department of Justice** in largest bankruptcy litigation case in history of power industry to that time (WPPSS). Characterized industry practices for cost assignment and allocation by reviewing accounting and regulatory standards, developing survey instrument and sampling plan, conducting extensive interviews with relevant firms, and gathering supporting documentation. Analyzed economic damages under several scenarios. Results were instrumental to successful settlement.
- Served as expert witness on financial implications of proposed sale of **Verizon Pacifica**, working jointly for Verizon Pacifica and the Commonwealth of the Northern Mariana Islands. Analyzed reasonable range of five-year scenarios for revenues and costs across all business lines, and assessed post-transaction financial performance and investment capability in these scenarios. Assisted in efforts to resolve legal and regulatory issues around sale.
- Supervised litigation support team defending **Southern California Edison** in an antitrust suit relating to wholesale power pricing. Analyzed competitive effects of pricing practices, developed economic arguments, managed expert witnesses, directed staff in testimony preparation and documentation.
- Prepared expert witness report and deposition testimony in defense of **Lyon Productions**, "Barney" toy and entertainment producer, against copyright infringement claim. Analyzed marginal revenues and costs, allocated whole product net profits to aspect of product in dispute. Prepared expert witness report and deposition testimony.

- Managed consulting and technical staff for **Southern California Edison**, in rate litigation before the Federal Energy Regulatory Commission and the Bonneville Power Administration.
- Prepared economic support for countervailing duty claims against foreign steel producers, on behalf of **six U.S. steel producers**. Reviewed power contracts between foreign governments or government-owned enterprises and steel producers, analyzed market context, analyzed relevant marginal and incremental costs, determined existence of preferential pricing. Supported claim successfully before Department of Commerce.
- Managed interdisciplinary teams to assist **Daishowa America** in pursuing renewal of federal licenses for two hydroelectric facilities. Quantified life-cycle costs of various potential mitigation measures and license conditions, and evaluated effects on project financial feasibility. Developed valuation of dam based on costs of replacement power. Led successful negotiations with U.S. Senate committee staff on economic provisions of landmark legislation to transfer dams to federal ownership and compensate client.
- Directed preparation of damage claims for **three major fish processors in Alaska**, in relation to disruption of operations and market effects due to the Exxon Valdez oil spill. Analyzed relevant national and international food markets, developed methodology to project foregone revenue and costs, calculated lost margin, organized supporting documentation. Achieved rapid and favorable settlement.
- Advised numerous energy industry clients in M&A transactions and integration. Developed strategic framework, screened targets, evaluated strategic fit of customer/resource portfolios, quantified synergies, assessed regulatory/financial/operational risks.

MAJOR AREAS OF CONSULTING EXPERIENCE

Following are summaries of selected groups of relevant projects and consulting engagements, by functional area.

Regulation and Litigation Support

- Served as expert witness or prepared expert testimony on various ratemaking issues (revenue requirements, forecasted sales, cost allocations, rate design) before numerous utility regulatory commissions or governing bodies.
- Served as expert witness in disputes regarding enforceability of commodity supply contracts in unusual market conditions. Identified key issues, used industry network and personal expertise to compile documentary record, analyzed market fundamentals and related price behavior, drafted initial and reply reports. Considered issues regarding client bankruptcy filings. Co-ordinated with outside/inside counsel in case strategy, discovery, depositions, hearings, briefs.
- Served as expert witness on energy-related issues in countervailing duty claims before international trade agencies. Analyzed cost basis and market context of contracts to purchase energy from foreign government-owned utilities. Quantified impacts of subsidized pricing.

Representative Clients: Norsk Hydro, Williams Group, U.S. Dept. of Justice, Lyon Productions, Bethlehem Steel, Snohomish PUD, North Pacific Seafoods, Kaiser Aluminum & Chemical, Bonneville Power Administration, Daishowa America, Washington Natural Gas, Ragnar Benson

Market Analysis, Marketing, Pricing

- Advised governments and regulatory agencies on market liberalization policy and design of commodity markets. Clarified policy objectives, outlined optimal market and regulatory structure, designed market rules and business practices, analyzed market power issues, assessed technology platforms, recommended strategies for mitigating financial and operational risk.
- Advised strategic and financial investors on acquisitions of midstream assets in the North American natural gas industry. Analyzed broader market trends, assessed production economics by sub-basin, screened potential targets for fundamental value and strategic fit, assisted in diligence and transaction. Clients closed on substantial asset deals.
- Assisted in creation of start-up retailers of gas and electricity. Assessed market opportunities, defined business model, developed business processes, procured human and IT resources, analyzed upstream and downstream risks, acquired customers, executed marketing campaigns.
- Developed revenue and demand forecasting models for energy companies and public agencies. Implemented on selected technology platforms, tested and rolled out completed systems.
- Performed production and distribution cost studies for Northwest and Pacific utilities. Identified management objectives, analyzed historical and forecasted costs and loads, determined revenue requirement, allocated costs to products and customer classes, designed rates, and developed supporting testimony.

Representative Clients: FirstEnergy Services, Sempra Utilities, Washington Natural Gas , Edison International, Areva, PG&E, Bonneville Power Administration, State Power Corp. of China, Atlanta Gas Light, Electricity Corp. of New Zealand, President's Council on Environmental Quality, Singapore Public Utility Board, Transalta, U.K. Dept. of Energy, Napocor (Philippines), State Electricity Commission of Victoria (Australia), Guam Power Authority

Strategy and Finance

- Developed growth strategies for companies in energy, manufacturing, and software industries. Identified critical business issues, assessed core competencies and key assets, defined strategic vision, identified capability gaps and partnering opportunities, prioritized strategic and financial risks, analyzed business cases for investment, recommended near term tactics.
- Drove strategic plans through to successful strategy implementation. Deployed Accelerated Corporate Transformation© process architecture to achieve quick traction on most important initiatives. Improved clients' management capabilities for sustained progress on achieving strategic objectives.
- Determined appropriate valuations for production and distribution assets in various electricity or gas markets. Assessed upstream/downstream markets, regulatory issues, operating strategy.
- Developed long-term financial strategies for energy companies. Defined financial objectives, identified long-term market threats and opportunities, evaluated financing alternatives, recommended improvements to financial operations, advised on pre-IPO initiatives.
- Advised numerous energy industry clients in mergers and acquisitions, and post-transaction integration, both in US and internationally. Developed strategic framework, screened targets and management teams, evaluated strategic fit of customer/ resource portfolios, quantified synergies, assessed regulatory/ financial/operational risks. Established governance structure

and policies for affiliated entity transactions. Set benefit goals, facilitated integration teams, implemented key IT systems, helped drive benefits realization.

- Assisted numerous U.S.-based energy firms in acquiring in foreign assets. Analyzed relevant power/gas markets, identified potential acquisition targets, analyzed market and regulatory impacts on revenues and risks, coordinated expert teams in due diligence.
- Performed commercial and technical due diligence for proposed acquisition of two gas distribution utilities by a large infrastructure fund with adjacent utility assets. Conducted a broad range of analyses relating to enterprise acquisition and integration. Performed regulatory due diligence, including regulatory precedents and strategy.
- Improved risk management performance at energy companies and agencies. Identified new types of risks deriving from competitive restructuring of commodity markets, developed comprehensive risk management policies, defined governance structure and capabilities.

Representative Clients: Sempra, PG&E, TECO Energy, Puget Energy, Eskom, FirstEnergy, Entergy, Hunt Generation, Areva , Idacorp, Verizon, Deloitte & Touche, JEA, Orlando Utilities Commission, Atlanta Gas Light, Intel, Bonneville Power Administration, Avista, Exelon, Duke Energy, State Power Corp. of China, Electricity Corp. of New Zealand [plus other confidential clients]

Operations and Performance Improvement

- Developed IT strategic plans for specific companies and for industry sectors. Identified critical business issues, mapped and prioritized significant IT applications across enterprises, assessed IT capability gaps, analyzed business cases, recommended solutions.
- Directed enterprise transformation projects at major energy companies, including strategic planning, process visions and redesigns, technology implementations (ERP, CRM), change leadership, cost reduction targets, benefit realization.
- Managed technology-enabled process redesign, project oversight and account relationships for large ERP implementations. Defined high level business needs, developed business cases, performed quality assurance reviews, assisted in change leadership, resolved project issues.
- Conducted benchmarking and comparative practices studies for industrial operations. Developed consistent engineering and cost information, analyzed key practices and metrics.
- Advised on organizational restructurings, carve-outs, and spin-offs for major industrial corporations and public agencies. Clarified change mandate, recommended structure and governance mechanisms, analyzed organization development issues, drafted business plans.
- Assisted commodity producers in analyzing the operational economics of wholesale customers. Modeled customers' supply portfolios, customer demands, distribution operations, retail pricing, and finances. Analyzed impact of various wholesale contracting and pricing strategies.

Representative Clients: Puget Sound Energy, BC Gas, U.S. Bureau of Reclamation, Australian Gas Light, India Ministry of Power, Kansai Electric, Pacific Gas & Electric, Bonneville Power Administration, Jiangsu Power, Western Power Exchange, Mossgas, New York Independent System Operator, Sacramento Municipal Utility District

PROFESSIONAL EMPLOYMENT

Enovation Partners

Founding Partner. Member of executive leadership team of management consultancy focused on strategic, financial and regulatory issues in the natural gas and electricity industries. Leader of strategy implementation practice and thought leadership function.

Economists.com

Managing Director. Responsible for strategic direction, sales and marketing leadership, alliance development, client relationship management, thought leadership, direct services to major clients. Grew firm to four offices.

Black & Veatch Management Consulting

Vice President, Strategy Solutions. Leader of Black & Veatch's strategy consulting services, including strategy development, customer strategy, mergers and acquisitions, power delivery strategy, sustainability assessment and strategy, technology strategy, and Accelerated Corporate Transformation (a proprietary strategy implementation methodology).

Precise Power Corporation

President/Chief Operating Officer. Responsible for strategic direction, day-to-day operations, and financial and administrative management for this start-up manufacturer of high-tech electric motors and power quality equipment. Raised substantial private capital investment. Led transition of company from R&D to commercial manufacturing. Company was named fastest growing private manufacturer in Florida (486% growth over three years) for three consecutive years.

Deloitte Consulting

Managing Partner, Asia-Pacific-Africa Energy & Resources Practice
Lead Partner, U.S. West Energy Practice
As managing partner, responsible for management of one of three global regions in Deloitte's management consulting practice in Energy & Resources industry (oil, gas, electricity, water, mining). Defined strategic direction, managed key account relationships, set practice and partner goals, controlled practice costs. Served as CEO of Utility Consulting International.

Pacific Gas and Electric Company

Supervising Wholesale Rate Engineer, Senior Regulatory Analyst

Southern California Edison Company

Regulatory Cost Analyst

U.S. Department Of Energy

Research Scientist, Energy Demand Forecasting

Executive Office of the President, Council on Environmental Quality

Regulatory Economist

Enovation Partners

SUMMARY OF TESTIMONY EXPERIENCE

WILLIAM J. KEMP

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
Direct Expert Witness Testimony					
Guam Public Utilities Commission	11-09	Guam Power Authority	Guam Power Authority	2011	Transmission level cost-of-service analysis, standby rates, customer retention rates
Guam Public Utilities Commission	07-010	Guam Power Authority	Guam Power Authority	2007, 2009	Transmission level cost-of-service analysis, rate design
Missouri Public Service Commission	EM-2007-0374	Kansas City Power & Light Co.	Kansas City Power & Light Co.	2007	Merger synergies, allocation of merger benefits
California Public Utilities Commission	U-902-E	San Diego Gas & Electric Co.	San Diego Gas & Electric Co.	2007	Economics of renewable generation development, need for transmission
U.S. District Court, Eastern Virginia	Civil Action No. 05-CV-34	Old Dominion Electric Cooperative	Ragnar Benson, Inc.	2006	Wholesale power markets, natural gas markets, generation project economics, transmission constraints
American Arbitration Association	Consolidated Case No. 53 Y 110 00521 03	Williams Service Group Inc. of Ohio	Williams Service Group Inc. of Ohio	2005	Wholesale power markets, natural gas markets, generation project economics, transmission constraints
FERC	EL02-56	Snohomish Public Utility District	Snohomish Public Utility District	2003	Wholesale market power, wholesale power contracts, credit terms, forward markets

Jurisdiction	Case or Docket No.	Utility/Organization Initiating Proceeding	Client	Year	Subject Matter
Guam Public Utilities Commission	93-001	Guam Power Authority	Guam Power Authority	1995	Load study design and analysis, cost of service analysis
Guam Public Utilities Commission	92-001	Guam Power Authority	Guam Power Authority	1994	Transmission-level and retail cost of service analyses, interruptible rates, rate design
U.S. International Trade Commission	US-95-1257	Bethlehem Steel	Bethlehem Steel	1994	Steel production costs, electricity production costs, wholesale power contracts, steel markets
U.S. International Trade Commission	USA-92-1904-05	Gouvernement du Québec	Norsk Hydro Canada	1993	Aluminum production costs, electricity production costs, wholesale power contracts, aluminum markets
Guam Public Utilities Commission	92-003	Guam Power Authority	Guam Power Authority	1993	Transmission-level and retail cost of service analyses, interruptible rates, rate design, labor costs, performance standards
FERC	ER83-03	Bonneville Power Administration	Pacific Gas & Electric Co.	1983	Hydroelectricity economics, wholesale power markets
FERC	ER82-04	Bonneville Power Administration	Pacific Gas & Electric Co.	1982	Hydroelectricity economics, wholesale power markets
Bonneville Power Administration	1983 Rate Case	Bonneville Power Administration	Pacific Gas & Electric Co.	1983	Hydroelectricity economics, wholesale power markets
Bonneville Power Administration	1982 Rate Case	Bonneville Power Administration	Pacific Gas & Electric Co.	1982	Hydroelectricity economics, wholesale power markets

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
Testimony Prepared on Behalf of Client Witnesses					
International Court of Arbitration	12 573/JNK	Kaiser Aluminum & Chemical Corp.	Kaiser Aluminum & Chemical Corp.	2003	Aluminum production costs, electricity production costs, wholesale power contracts, aluminum markets
California Public Utilities Commission	96-10-038	Pacific Enterprises	Pacific Enterprises	1997	Merger synergies for proposed merger of Pacific Enterprises and Enova
Washington Utilities and Transportation Commission	Various	PacifiCorp, Portland General Electric	Bonneville Power Administration	1987-1996	Power production costs, investment prudence, conservation/DSM, wholesale cost of service, merger synergies
Washington Utilities and Transportation Commission	Various	PacifiCorp, Portland General Electric	Bonneville Power Administration	1987-1996	Power production costs, investment prudence, conservation/DSM, wholesale cost of service, merger synergies
Oregon Public Utilities Commission	Various	PacifiCorp, Puget Power, Washington Water Power	Bonneville Power Administration	1987-1996	Power production costs, investment prudence, conservation/DSM, wholesale cost of service, merger synergies
Idaho Public Utilities Commission	Various	Idaho Power	Bonneville Power Administration	1987-1996	Power production costs, investment prudence, conservation/DSM, wholesale cost of service, merger synergies

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
Montana Public Service Commission	Various	Montana Power	Bonneville Power Administration	1987-1996	Power production costs, investment prudence, conservation/DSM, wholesale cost of service, merger synergies
Colorado Public Utilities Commission	95A-531EG	Public Service Co. of Colorado	Public Service Co. of Colorado	1995	Merger synergies for proposed merger of Public Service Co. of Colorado and Southwestern Public Service
U.S. District Court, Alaska		North Pacific Seafoods	North Pacific Seafoods	1990	[Exxon Valdez oil spill] Fisheries industry economics, business interruption damages
U.S. District Court, North Texas		Lyon Productions	Lyon Productions	1989	Film/TV industry economics, revenue and cost unbundling

SCHEDULE WJK-3

ESTIMATED TRANSACTION SAVINGS

(based on analyses performed in support of GPE's bid)

$million	Gross Savings				Costs to Achieve				Net Savings				
	2017 (1)	**2018**	**2019**	**2020**	**2017** (1)	**2018**	**2019**	**2020**	**2017** (1)	**2018**	**2019**	**2020**	**2021+** (3)
NFOM Expense													
Generation	1	6	61	79	1		28	9	0	6	33	70	80
T&D / CS	6	5	5	5	1				5	5	5	5	5
Shared Services	10	23	24	24	6	2	2	1	5	21	22	23	25
Supply Chain	11	22	66	66	8	2	2	2	3	21	64	64	65
Total NFOM	28	55	156	174	14	3	31	12	13	52	125	162	176
Capital (2)	3	11	25	36	-	-	-	-	3	11	25	36	
Total	**30**	**66**	**180**	**210**	**14**	**3**	**31**	**12**	**16**	**63**	**149**	**199**	**176**

(1) Assumed Jul-Dec 2017

(2) Revenue requirement impact of capital expenditure reduction

(3) Annual savings after 2020 were not projected for GPE's bid, but minimal additional costs to achieve would be expected, and gross annual NFOM savings would be expected to increase at roughly the rate of inflation. Capital-related savings would decline after 2020 and have not been quantified.

Source: GPE savings estimates

SCHEDULE WJK-4

ESTIMATED TRANSACTION SAVINGS BY FERC ACCOUNT FUNCTION

Baseline Costs					2020 Transaction Savings				
$million		SNL Totals for 2015		Total	$million	2020 Net Savings Estimates			
Baseline Category	FERC Accounts	Great Plains Energy Inc.	Westar Energy, Inc.	Baseline Costs in 2016$	Direct NFOM Savings	Allocated Supply Chain Savings (2)	Total O&M Savings	In $2016	Percent Savings vs. Baseline
Non-fuel Generation O&M (1)	500-557	238.9	237.0	477.9	70.0	32.0	102.1	93.3	19.5%
Transmission O&M	560-574	115.2	254.4	371.2	1.2	13.1	14.3	13.1	3.5%
Distribution O&M	580-598	85.3	86.5	172.5	3.1	6.1	9.2	8.4	4.9%
Customer Service O&M	901-910	101.9	33.4	136.0	0.5	3.2	3.7	3.4	2.5%
A&G Expense	920-935	240.5	221.7	464.2	23.3	9.6	32.9	30.1	6.5%
		781.8	833.1		98.1	64.1	162.2	148.2	9.1%
	Total 2015 NFOM		1,614.8	1,621.8					

(1) Exclududing accounts 501, 518, 547, 555 (fuel and purchased power)

(2) Allocated per guidance from GPE

Sources: SNL library of FERC Form 1 data, GPE savings estimates

The range across U.S. utility M&A transactions in realized synergy savings by function is based on actual NFOM expenses as reported to FERC

Updated M&A database

- 856 US power and natural gas transactions with close dates in 1996-2012 period
- Varying deal value sizes and types across U.S.
- Screened out transactions that were under $300 million in equity value, were not enterprise level, or did not involve an electric utility

Vetted Reported FERC Data

- Extracted data reported by operating utilities for FERC Forms 1 and 2 data, on O&M expense by FERC account group
- Adjusted for inflation
- Excluded outliers due to accounting changes or external structural changes (e.g., generation divestiture)

Calculated Realized Savings

- Total Non-Fuel O&M Expense (NFOM)
- NFOM by major function
- Determined quartiles of savings performance across set of relevant transactions

Realized Savings Calculation

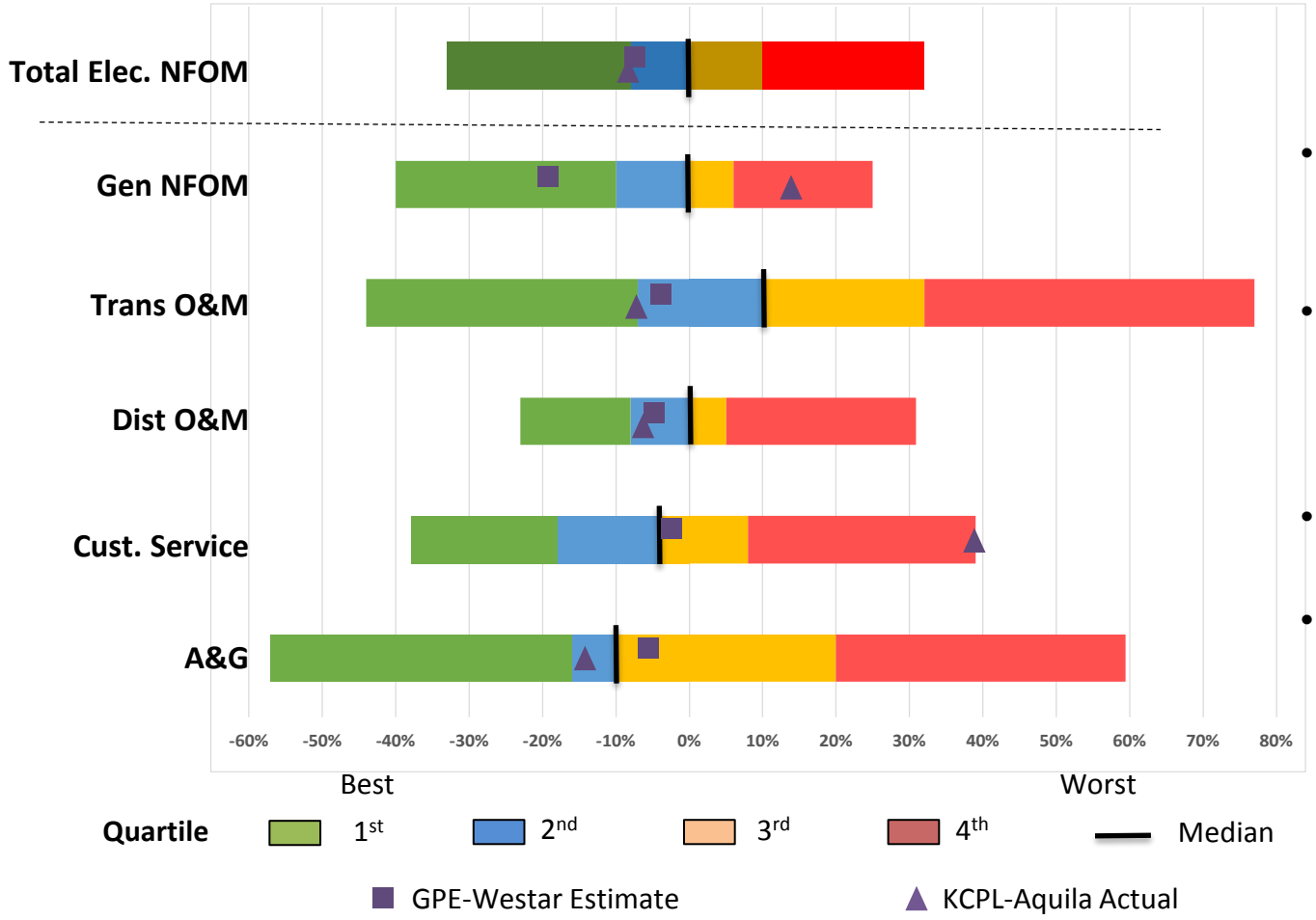
$$\frac{\left(\text{Merged entity expenses 3 years* after close (Inflation Adjusted)} - \text{Buyer expenses + acquired firm expenses in year* prior to close}\right)}{\text{Buyer expenses + acquired firm expenses in year* prior to close}} = \text{Realized Savings (percent change in real NFOM expenses by function)}$$

* Full calendar year. 3 years chosen as reasonable time to achieve full synergies.

Source: FERC Form 1 data, SNL transaction data base

GPE expects total NFOM savings to be in the upper second compared to other transactions - generally similar to our Aquila experience

Realized Annual Savings as a Percentage of Pre-Transaction Combined Non-Fuel O&M Expense, by Function
(36 U.S. utility transactions 1996-2012)



Examples of Savings Sources for GPE-Westar

- Generation fleet consolidation (O&M and capital savings)
- Field support center consolidation, fleet rationalization, inventory reduction
- Combined CIS, better labor utilization
- Supply chain leverage, management and corporate programs consolidation