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Issue: Synergies and Operations
Witness: John R. Marshall
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Sponsoring Party: Great Plains Energy Incorporated and Kansas City Power & Light Company
Case No.: EM-2007-0374
Date Testimony Prepared: November 13, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

SURREBUTTAL TESTIMONY

OF

JOHN R. MARSHALL

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
November 2007

SURREBUTTAL TESTIMONY

OF

JOHN R. MARSHALL

Case No. EM-2007-0374

Q: Are you the same John R. Marshall who submitted Direct and Supplemental Direct Testimony?

A: Yes, I am.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to respond to issues related to synergies and operations in the Rebuttal Testimony of Staff, the Office of Public Counsel ("OPC"), and the City of Kansas City, Missouri ("Kansas City"). First, I will show how the synergy values were derived using a comprehensive and thorough process that engaged a broad constituency of Kansas City Power & Light Company ("KCPL"), Aquila, Inc. ("Aquila") and outside resources. The synergies are not simply a result of high level estimates. They reflect operational reality, a deliberate and extensive consideration of the opportunities provided by the merger and are grounded in the sound working knowledge of the people who will actually lead the business going forward. Second, I will show how this commitment of the Aquila and KCPL team members over the past 12 months has laid a solid foundation to ensure a smooth transition that, at the least, maintains service quality for the companies' customer base and enables realization of synergies according to the current projections. Finally, I will respond to the Rebuttal Testimony filed by Wayne Cauthen, City Manager for Kansas City and Stanley Harris, Director of Public Works for Kansas City in regards to select operational issues and Robert Hix, consultant to Kansas City.

Q: **Do you agree with the contentions of Staff and OPC regarding the adequacy of the merger process and synergy valuation?**

A: No. To ensure that the best possible results are delivered to all stakeholders from the merger, KCPL and Aquila have spent considerable time and resources since June 2006 analyzing and developing plans. For the due diligence phase, a team of 20 KCPL senior executives spent three months developing a top-down estimate of synergy potential and building integration plans for the key areas of the business. The top-down analysis involved:

- Assessing the strategic implications of the merger;
- Estimating potential ranges of values for the transaction using comparable metrics from numerous mergers and acquisitions in the electric utility sector;
- Identifying potential areas of synergy and estimating potential value ranges through the application of benchmarks;
- Establishing multiple teams focused on operations and corporate center that analyzed the available information to further refine the synergy analysis; and
- Utilizing these teams to build preliminary integration plans that would provide the basis for future integration.

Upon completion of the preliminary bid and prior to the public announcement of the merger, Aquila and KCPL worked together to review the analysis and jointly agreed on key principles such as synergy potential. This high level of analysis and collaboration ensures that the companies will meet their commitments to customers in terms of synergies and service quality.

Since the merger was publicly announced in February 2007, integration planning efforts expanded to include more than 20 teams and 150 employees of both KCPL and Aquila, as documented in Schedules JRM-5 and JRM-6. These joint-company teams have been involved in a thoughtful, bottom-up analysis to identify material opportunities for creating operational and financial value. A bottom-up analysis involves a detailed assessment whereby the projected headcount and costs for the companies were developed through detailed analyses. For example, teams built models of their go-forward organizations and used actual salary data to build labor cost projections. And, the teams have focused on ensuring that successful operations are achieved at Day 1. Following the shareholder approvals received in October, integration planning teams are moving to the next phase of activities and planning efforts in anticipation of a February transaction close. In addition to increasing the level of activity, the shareholder vote has also enabled a greater level of integration planning as the two parties have greater access to each other's information. It should be noted that KCPL was supported with outside experts versed in the areas of synergy potential/identification and opportunity valuation during this whole process. These experts include Mr. Robert Zabors of Bridge Strategy Group for synergy identification and analysis; Wallace Buran for identification of supply chain opportunities; William Kemp for synergy and process validation and support; and Robert Steinke for plant operations/generation support and synergy identification. These outside resources provided an additional level of support for the synergy projections and merger value.

The employees participating on these teams are leaders in their respective companies and, in most cases, people that are targeted as future leaders. In addition to using the best that both companies have to offer, the integration planning effort has also tapped industry experts in key areas such as plant operations and supply chain to identify and value opportunities.

It is important to note that this process is unique in one very important way. In using employees from both companies to develop and validate the synergies, the synergy projection is much more robust and accurate than typical valuations conducted during merger analyses. All synergy projects were tested and validated at multiple levels within both companies. The Integration Planning Leadership Team ("IPLT") assessed all potential synergies to ensure that they met the definition of a synergy. Also, both companies filed two separate joint proxies in which both companies agreed to the identified synergies. Finally, the joint teams enabled direct analysis of synergies rather than the estimates and comparison that are sometimes used in other transactions.

Finally, as the integration planning progresses, KCPL is working to address integrated combined operations in its 2008 business planning process. As such, the goals, strategies, tactics, and metrics identified to achieve successful operations will include both core KCPL operations and the incremental Aquila operations.

Q: How are synergies defined for the purpose of the merger?

A: Two primary types of synergies result from mergers. The first type of synergy occurs as a direct result of combining the entities, that is, "but for" the merger, these synergies would not exist. These are commonly called "created" savings. These include overlapping positions and functions as well as savings that result from economies of scale. The second type of synergy is "enabled" by a merger. The merger enables the company to apply improved practices, processes, and skills from either party.

Q: Do you agree with OPC's contention that $59 million in "enabled" synergies should not be allowed as the two companies should already be realizing these savings?

A: No. Synergies are the result of more efficient companies. The allowance of synergies provides an incentive mechanism for management to achieve greater efficiencies, resulting in improved returns for customers and shareholders.

It is our contention that the majority, if not all, of the synergies identified in our filing are a direct result of the merger. Schedule JRM-7 provides our response to OPC Schedule JRD-1 to show how these synergies are, in fact, created by the merger. For example, successfully implementing automatic meter reading ("AMR") across the Aquila customer base will only be achieved with the skills, knowledge, financial, and employee resources that KCPL possesses. Specifically, KCPL has detailed systems and information technology ("IT") knowledge that has resulted in the development of code, capabilities, and enhanced processes for KCPL's CIS Plus system that will be leveraged to expedite the implementation of AMR and accelerate the realization of value.

Q: Do you agree with OPC that this approach is not conservative?

A: No. The combined efforts of KCPL and Aquila ensure an accurate and detailed analysis of the merger potential. As noted, the synergies identified represent only two types of synergies. We did not address a third type of synergy identified in mergers, that is, "developed" synergies. Developed synergies are those that are reductions in cost due to management decisions that could have been made on a standalone basis with regards to the merger. Incorporating developed synergies is not appropriate as the management of Aquila and KCPL develop these opportunities regardless of merger activities.

Q: **What steps did the companies take to ensure that evaluated projects would result in synergies?**

A: To ensure that a project qualifies as a synergy, we utilized a rigorous process. First, all teams were offered definitions of what constitutes a synergy. Second, our employees from the regulatory and finance areas met with each team on a periodic basis to review synergy ideas for appropriateness and to ensure accurate valuation. Third, all synergies were tested in IPLT peer review sessions. To demonstrate this review process, the IPLT evaluated a potential synergy project whereby value would be created by installing environmental controls at Aquila's Sibley generating station and selling the incremental allowances. In this case, the IPLT, with input from Aquila, determined that this was not a synergy because Aquila had the ability to do this modification in the course of its normal business. As such, the IPLT modified its plans to recognize that the capital needs for this project have already been accounted for.

Q: **How is the sharing of synergies conservative?**

A: It should be noted that KCPL and Aquila have only asked for synergy recovery over the first 5 years of the acquisition. In many acquisitions, synergy recovery typically addresses a 10-year window. With many of the synergy opportunities increasing in value over time, we anticipate that customers will achieve significant benefits. Specifically, of the $755 million in total synergies, $603 million will occur to customers over the 10-year analysis period, as documented in Schedule JRM-8.

Q: How do you respond to OPC's statement that the synergies identified are aggressive?

A: As stated in the Supplemental Direct Testimony of William Kemp, the synergy estimates are at or slightly above industry averages. This is to be expected as the synergy potential from this merger has numerous advantages over comparable mergers and acquisitions. The key driver of improved synergy potential over other mergers and acquisitions is the proximity of the two companies. KCPL's and Aquila's service territories are contiguous. This proximity enhances synergy potential as the overlap in operations results in similar operating models and fossil fuel generating fleets, the Corporate centers are within a few blocks of one another, the companies share common values, numerous employees have worked for both companies and employees of both companies worked together on numerous industry and community ventures.

Q: Do you agree with Staff's contention that the synergies will not be realized in the timelines offered?

A: No. In terms of the timing of synergy capture, the close working relationship between Aquila and KCPL has resulted in the development of detailed plans to realize the synergies. The teams are actively working to ensure that synergy capture is at full potential as close to the day the merger closes as possible.

Q: Does OPC's claim that the synergies are overstated have any merit?

A: No. Our initial step was to separate the Missouri electric operations cost base from the total cost base that KCPL is acquiring. Opportunities identified for the Missouri electric operations were reported as synergies for the August 8, 2007 supplemental filing.

Opportunities identified in this remaining cost base are considered to be corporate savings.

The baseline non-fuel Operations and Maintenance ("O&M") expense level for the Missouri electric operations, based on 2006 actual spending, and to our knowledge consistent with Aquila's most recent rate order as cited in testimony filed by Robert Zabors, is $151 million. The baseline was developed using Aquila's 2006 actual costs as applied to the Missouri electric jurisdictions. Aquila represented these as consistent with information provided during the regulatory process. This detailed information was provided to KCPL by Aquila and allocated to each of the integration planning teams. Subsequent to the announcement of the merger, in May 2007, Aquila received final rate orders in both of its Missouri electric jurisdictions. The Missouri costs that were the foundation for the Orders in those cases were compared to the 2006 actual information that was allocated to the Missouri jurisdictional operations. In collaborative reviews with Aquila, the two sets of data were seen as consistent. This baseline was used to identify the $305 million in synergies that apply to the Missouri Electric operations.

Q: Is Aquila already enjoying economies of scale and shared corporate overhead-related synergies based on its current organization as cited by OPC?

A: No. Capturing the identified savings will only be achieved by leveraging the integrated infrastructure and capabilities of KCPL and Aquila. This integration will allow both companies to realize greater economies of scale and shared services. The savings potential for these costs is projected to be $302 million.

Costs have only been considered that are included in the Missouri rate case. Any current economies of scale and overhead-related synergies that Aquila enjoys are lessened by a business model with higher costs and non-investment grade debt. Rather than enjoying current savings, Aquila is burdened by an inefficient capital structure and expensive cost base. Savings derived from the merger will offer significant benefits to Aquila and are not achievable without the benefits and improved operations of the merger.

Q: **As part of the OPC claim of an overstatement of synergies, how do you view your claim that the inclusion of inflation was conservative?**

A: As previously mentioned in the Direct Testimony of Robert Zabors, cost projections were compared against actual 2006 Missouri electric expenses (the baseline). An escalation factor was applied to the budgets and to the baseline to ensure that the effects of inflation were not ignored and that the 2006 baseline was suitable for analysis. The savings versus baseline represent synergies and were reported as such in the August 8, 2007 filing.

Q: **Is there any merit to OPC's claim that Great Plains Energy Incorporated ("Great Plains Energy") or KCPL will pay officers more for running a larger company resulting in reduced synergies?**

A: There is no merit to OPC's claim. We do not expect any significant changes in compensation for our executives as a result of the acquisition of Aquila. First, Great Plains Energy does not plan on changing the peer group for executive compensation as a result of the merger. The companies that are currently used to benchmark our executive compensation appear to still be appropriate. Second, most of the utility executive surveys used to market price our utility executive positions currently classify us as a medium revenue company and we expect that will continue to be the case. Third, our executives are, in general, currently positioned appropriately in the market based on both market data and company performance. And finally, Great Plains Energy strongly believes in pay for performance, and the incentive or variable components of pay are based on our performance against our internal goals or, in the case of the long-term incentive plan, long-term shareholder value against the Edison Electric Utility Index which includes utilities of all sizes.

Q: How does the Company propose to account for the 20 West Ninth Street building and adjacent properties at the close of the transaction?

A: As was stated in my Supplemental Direct Testimony and the testimony of Mr. Robert Zabors, the Company intends to sell these properties with a target date for sale by the end of 2008. Additionally, as referenced in the Rebuttal Testimony of Mr. Dittmer in this case, the company has supplied a Broker Opinion of Value for the properties as prepared by Grubb & Ellis, which indicates a projected market value below the expected net book value of the assets at the time of close.

Based on these factors, and the application of purchase accounting under the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 141, Business Combinations, the Company anticipates writing down the value of the 20 West Ninth Street building and adjacent properties to fair value at the time of close. The reduction to the net book value of these properties in the application of purchase accounting is expected to increase the excess of cost over the fair value of acquired net assets in the acquisition (*i.e.*, goodwill).

Q: Is there merit to Mr. Dittmer's assertion that synergy savings attributable to the closure of the 20 West Ninth Street headquarters are overstated as a result of the sale of the properties at an amount below net book value?

A: No, there is not. As described in my answer above, the net book value of the properties is anticipated to be written down to fair value in the application of purchase accounting for the acquisition, which is expected to result in an increase to goodwill. The Company has not requested recovery of goodwill associated with this acquisition.

Q: How will KCPL ensure that Staff's concern of a degradation of service quality does not occur with culmination of the merger?

A: Over the past few months, both Aquila and KCPL have received multiple awards for service. KCPL was recently awarded the National Reliability Excellence Award by PA Consulting (October 2007 – Schedule JRM-9); the EEI Edison Award (Schedule JRM-10); the EEI Outstanding Customer Service Award for Mid-Sized utilities (May 2007 – Schedule JRM-11); and is ranked Number Three in the Midwest by JD Power for Customer Service Satisfaction for Business Customers (March 2007) (Schedule JRM-12). Aquila was also recently awarded the JD Power award for Outstanding Customer Service Experience. (September 2007).

For planning purposes, KCPL and Aquila are expending significant resources during the nearly one year prior to actual integration to plan the merger. This significant investment in planning and employee time will help ensure that the proper plans are put in place and proper risks mitigated. In addition, this significant lead time will ensure that merger integration is conducted at a measured pace rather than aggressively conducted. KCPL employees have engaged in integration planning activities since the due diligence phase of the process in July, 2006. This timing means that KCPL employees will have spent over 18 months planning for the merger and considering service quality issues by the time the merger closes.

Q: What specific measures will be taken within Customer Service?

A: First, KCPL has reached agreement with Jim Alberts to lead Customer Service operations for both companies. Mr. Alberts is a key reason for Aquila's successful, and award-winning, customer service operations. We expect Mr. Alberts to use his experience to deliver high service levels. In addition to hiring Mr. Alberts, KCPL is actively working to identify and hire other key resources to augment Customer Service Operations in areas such as billing.

A second measure will be to provide incremental Customer Service Representatives ("CSR") at the time the merger closes to ensure a smooth transition. This action will help avoid any service quality degradations that stem from underestimating the demands of the newly integrated companies and the uncertainties that customers face in the post-merger environment.

Third, the merger will leverage the best practices of KCPL and Aquila to ensure the best possible service. As an example, on the Sibley Unit 1 and Unit 2 opportunity, KCLP will use its significant combustion engineering and outage planning experience. This knowledge has been demonstrated at KCPL plants and will be essential if Sibley is to realize higher output. A similar combustion improvement project on LaCygne Unit 1 resulted in increased operating capacity. KCPL will apply tested and proven technical resources together with in-house-developed methodologies. Additionally, the optimization for Sibley Unit 1 and Unit 2 will eliminate or reduce the need for fall cleaning outages. None of the Aquila units have intelligent sootblowing, so all can benefit.

Fourth, both companies will make the proper decisions to balance customer satisfaction with risk. Operations will be integrated in Raytown for a single location from which to conduct Customer Service operations. To further mitigate potential risks, the decision has been made to use separate CIS systems from Day 1. This will enable CSR's to use a familiar interface and it will ensure that there are no data conversion issues. Over time, CIS will be migrated to a common interface. Prior to that point, employees will have ample time to train on the new system to facilitate a smooth transition.

Q: What about Delivery operations?

A: KCPL and Aquila will also implement several measures to improve reliability. These are discussed in the Direct and Supplemental Direct Testimony of William P. Herdegen.

Q: How will service quality be measured?

A: The merged company will continue to report key service quality metrics following the merger. Using these metrics, it will be possible to measure the performance of service quality. Key metrics such as customer satisfaction and reliability (*e.g.*, System Average Interruption Duration Index ("SAIDI") will be measured to gauge progress.

Q: Please summarize your response to Mr. Cauthen's Rebuttal Testimony.

A: The City's request that the Commission condition the proposed merger rests on several legal and factual errors. For example, the franchise agreement between KCPL and Kansas City is a valid and binding contract that sets forth the rights and obligations of each signatory ("Franchise Agreement"). While over the years Kansas City has expressed interest in renegotiating certain aspects of the Franchise Agreement and while KCPL has entertained some of Kansas City's proposals, KCPL has repeatedly elected to maintain the rights contained in the Franchise Agreement because they provide significant benefits to KCPL's customers. By asking the Commission to condition approval of the proposed merger on KCPL's willingness to sign away its rights under the Franchise Agreement, Kansas City is asking the Commission to impair KCPL's rights under the Franchise Agreement in contravention of law. KCPL will address this legal issue in its pre-hearing brief.

Q: Do the Company's tariffs and Missouri law provide clear guidelines for determining which party is responsible for the cost of relocating facilities and line extensions?

A: Disputes over requests for relocations and line extensions are limited, in general, to the issue of who is responsible for these costs. KCPL's Commission-approved tariffs provide clear guidance on the question of who pays for relocation costs, line extensions and undergroundings and ensure KCPL's customers do not subsidize the development costs of private entities. For example, if a municipality asks KCPL to relocate facilities that are located in a private easement, KCPL's tariffs require the municipality to pay the relocation costs. Conversely, if a municipality asks KCPL to relocate facilities that are located in a public right-of-way and the purpose of the request is to further a governmental purpose, KCPL must absorb the relocation costs.

Missouri common law also provides guidance on the issue of relocation and line extension costs. In its pre-hearing brief, KCPL will discuss the Missouri line of legal cases that establishes rule for deciding who pays relocation and line extension costs. Missouri law states that utilities must relocate their facilities located in public right-of-ways at their own expense if the change or improvement necessitating the relocation is for a government purpose. If, however, the relocation is for a private or proprietary purpose, utilities are entitled to be reimbursed for the costs associated with a relocation or line extension.

KCPL applauds and supports Kansas City's efforts to encourage businesses to expand and entice other businesses to relocate to Kansas City. Consistent with its tariffs, however, KCPL seeks reimbursement for relocation or line extension costs that can be traced backed to the development of private property by developers. The fact that these developers are working closely with Kansas City does not permit these developers to shift their costs to KCPL's customers. To protect its customers from overreaching, KCPL makes case-by-case determinations to ensure development costs are not shifted from developers to KCPL's customers.

Q: Has KCPL received many customer complaints regarding requests for relocations and line extensions?

A: No. KCPL is proud of the first-rate service that it provides its customers in connection with request for relocations and line extensions. Over the past several years KCPL has received thousands of requests for relocations and line extensions. KCPL's records indicate that only two formal complaints have been filed against KCPL.

Q: Does KCPL provide adequate information regarding relocation and line extension costs?

A: Yes. KCPL uses a sophisticated software program that estimates the costs of relocation or line extension projects ("STORMS"). The first step in the process requires KCPL's engineers to determine what facilities will be necessary to complete the project. The engineers enter this information into the STORMS program. Then STORMS generates a detailed estimate of the cost of the project ("STORMS Report"). It is KCPL's practice to share the information contained in the STORMS Report with the entity requesting the relocation or line extension. If a customer needs the information contained in the STORMS Report explained to them or makes reasonable requests for additional information, it is KCPL's policy to honor the request.

Q: Does KCPL disclose the locations of its facilities to third parties?

A: As a general proposition, KCPL does not disclose the location of its facilities. After the 9/11 terrorism attacks, KCPL and many other utilities took steps to secure its facilities from an attack. Because of heightened security concerns KCPL does not disclose information regarding its infrastructure unless the entity requesting the information has a specific need for the information. Nevertheless, to the extent Kansas City has a specific need for information regarding KCPL's infrastructure, KCPL will gladly work with the City.

Q: Is KCPL merging with Aquila?

A: The City mistakenly believes that KCPL has asked the Commission to approve a merger between KCPL and Aquila. See Rebuttal Testimony of Cauthen, at p. 3. Consummation of the proposed merger will not extinguish Aquila's corporate existence. Under the terms of the merger agreement, Gregory Acquisition Corp., a direct, wholly-owned subsidiary of Great Plains Energy, will be merged into Aquila, with Aquila as the surviving entity (although Great Plains Energy anticipates that it will rename Aquila). After the merger closes, Aquila, as well as KCPL, will continue to exist as separate corporate entities. In addition to maintaining separate corporate entities, KCPL and Aquila will maintain separate control areas for the foreseeable future. Consequently, discussions regarding the propriety of consolidating franchise agreements are premature.

Q: Will the merger result in additional burdens for Kansas City?

A: No. In terms of corporate structure, the merger will not result in any changes that will have an adverse effect on Kansas City. In its testimony, Kansas City alleged that it has experienced operational problems with Aquila. See Rebuttal Testimony of Cauthen, at p. 4. Kansas City described its working relationship with KCPL as, on the whole, "good." See Rebuttal Testimony of Cauthen, at p. 7. In fact, Kansas City praised KCPL for making significant contribution to Kansas City's demand-side management and weatherization programs. See Rebuttal Testimony of Cauthen, at p. 7. As stated in the Direst Testimony of William H. Downey, "KCPL has achieved an impressive history of providing low-cost, reliable electric service to its customers and communities. It is recognized throughout the communities it serves as an innovative and high-performing utility." Following the merger, the companies will be operated as KCPL is today, thus eliminating many of the alleged deficiencies identified by the City in its Rebuttal Testimony.

Q: Does KCPL agree with Mr. Harris's request to fund a comprehensive, third-party audit to evaluate the City's opportunities to lower energy costs?

A: No. First, there are numerous programs under KCPL's Comprehensive Energy Plan ("CEP") of which Kansas City could avail itself. Second, it is unclear as to why Kansas City should receive such a service at the expense of KCPL's other customers. Third, as part of the CEP a group, *i.e.*, the Customer Program Advisory Group ("CPAG"), was established specifically to evaluate programs such as what is being proposed by the City here. The City is a participant in the CPAG, as it helps to advise as to the best programs to allocate CEP funding. The CPAG evaluates programs that would be available to all customers, or at least all members of a particular customer class. It would appear that Kansas City, seeks to circumvent that collaborative, inclusive process to derive a benefit for a single customer, the City.

The CEP contemplated demand response, energy efficiency, and affordability programs to be considered and evaluated by CPAG. As the result of this collaborative process, KCPL has successfully implemented several programs and continues to evaluate others. Kansas City has directly benefited from a number of these programs. Specifically, KCPL has:

- Committed \$2.25 million over a five-year period to Kansas City's Weatherization Program beginning in 2006;
- Offered KCPL's Energy Audit rebate program to various City departments to help fund audits;
- Suggested energy efficient improvements for City buildings, such as the custom energy efficiency rebate for lighting;
- Offered Energy Optimizer and mPower tariffs, key components in KCPL's suite of energy efficiency solutions, to various City departments.

Beyond the context of the CEP programs, KCPL has used its AccountLink program on Kansas City's streetlight program to improve billing accuracy. Moreover, KCPL has been a driving force behind creating an Energy Efficiency framework for the Kansas City region. One highlight of this effort was the September 14th Kansas City Energy Efficiency Forum at Bartle Hall in downtown Kansas City. This event drew over 500 stakeholders and focused on ways to increase energy efficiency and reduce energy costs and future capacity requirements. A follow-up event is currently being planned for December 2007.

Moreover, Mr. Harris's request for an audit is partially premised on his mistaken belief that after the transaction is approved, Kansas City will only receive a bill from a single entity. As explained earlier, Kansas City will continue to receive bills from the Aquila and KCPL legal entities, although it is contemplated that both will have the KCPL brand.

Given that the above measures regarding energy efficiency are already in place, KCPL does not believe it should be required to fund an energy audit for the benefit of one of its customers.

Q: Mr. Hix also proposes that KCPL submit a Quality of Service plan. Please comment.

A: Mr. Hix's proposal ignores the fact that the Staff already reviews the very performance measures mentioned by Mr. Hix as part of its Cost of Service report when a utility files a rate case. In KCPL's last rate case (ER-2007-0291), the Staff reviewed five years of data for System Average Interruption Frequency Index ("SAIFI"), SAIDI, Customer Average Interruption Duration Index ("CAIDI"), and Momentary Average Interruption Frequency Index ("MAIFI") and found no evidence of long term trends that should be cause for concern by the Commission. Because the Staff regularly reviews the reliability data in rate cases and can take action should the data indicate a problem, Mr. Hix's proposal is not relevant to the Commission's decision to approve the merger.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Requester Relief	))))))	**Case No. EM-2007-0374**

AFFIDAVIT OF JOHN R. MARSHALL

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

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

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

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of nineteen (19) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

John R. Marshall

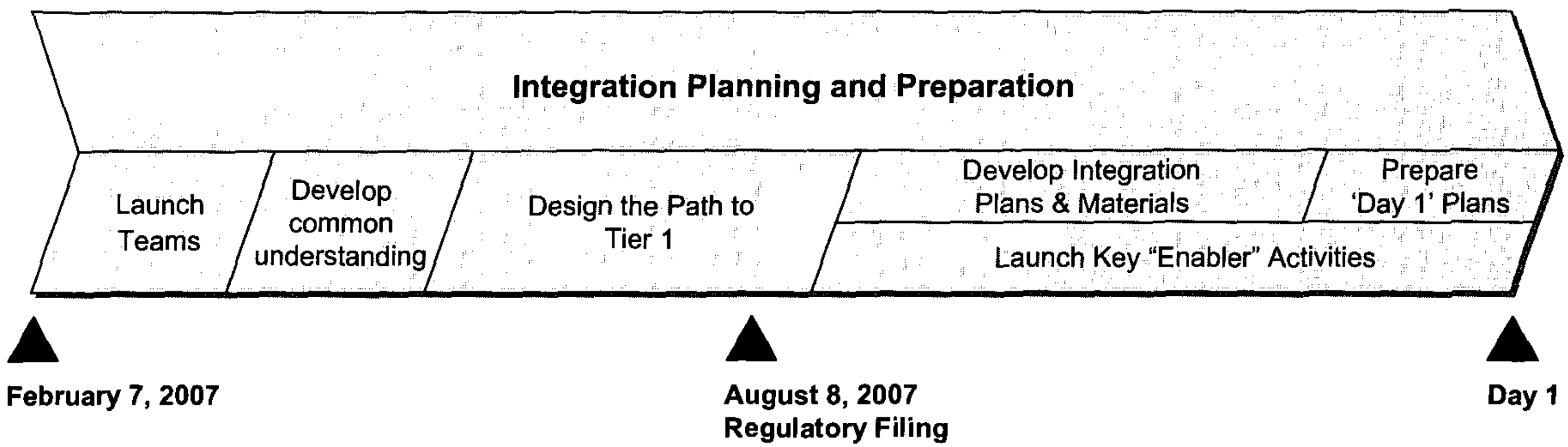
Subscribed and sworn before me this 13th day of November 2007.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011

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

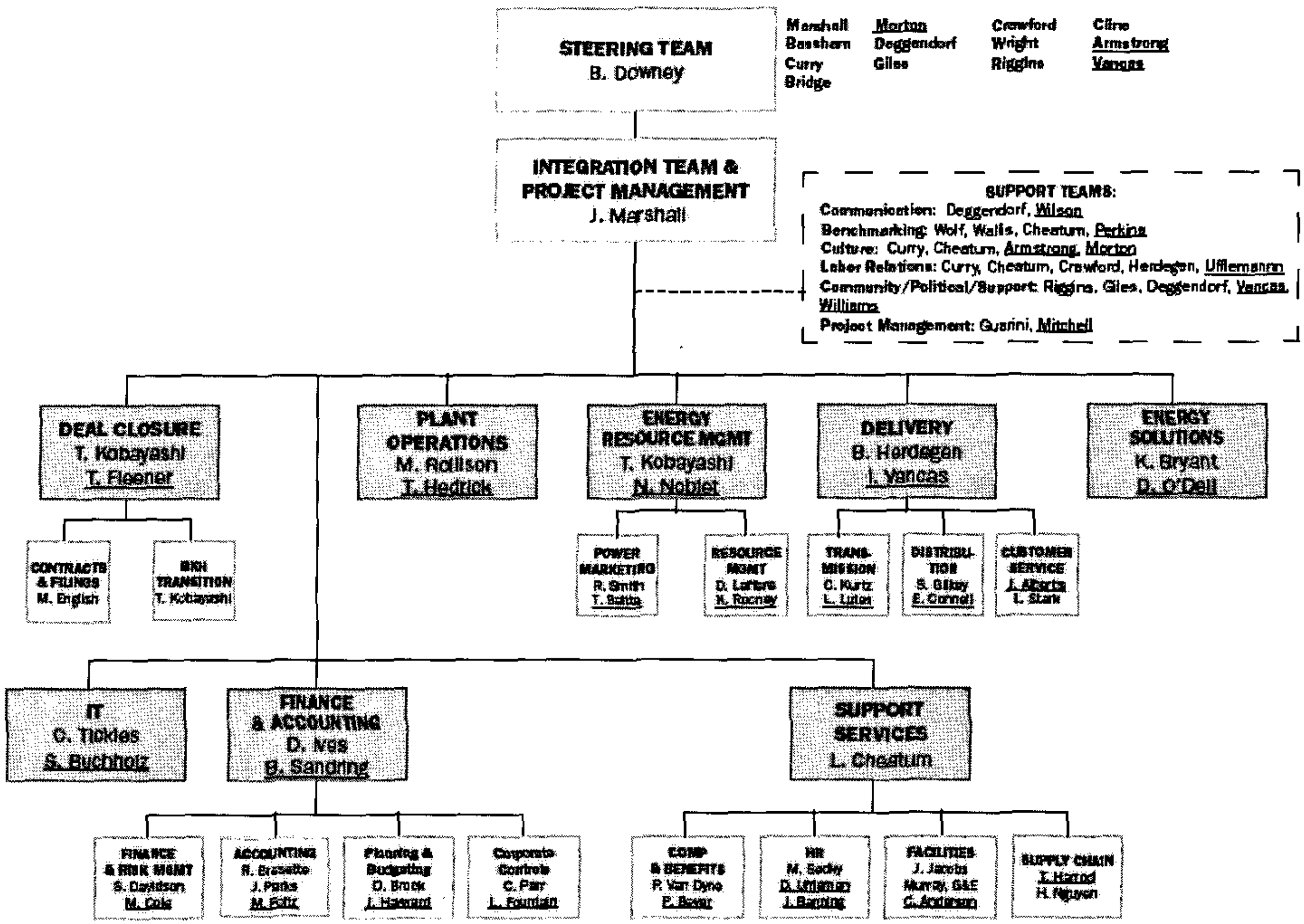
Project Approach



Schedule JRM-5

Project Team Organization and Leaders

Integration Planning Team



Schedule JRM-6

Note: Underlined names represent Aquila employees

Rationale for synergies identified in rebuttal testimony

1. Automated Meter Reading ("AMR")

Item Description: Conversion of manually read meters to Automated Meter reading system. KCPL expects to convert 310,000 of the 330,000 Aquila customers to the automated meter reading system.

Rationale for inclusion: KCPL has 10-years of AMR experience as well as established capabilities to deliver associated energy efficiency ("EE") and demand response ("DR") programs to deliver project synergy targets in the relevant 5-year time horizon. Aquila does not. It is this experience and these capabilities that create the synergy. KCPL has developed deep technical expertise in AMR hardware, software, and infrastructure. KCPL has 10-years of practical working knowledge regarding how to deploy, operate and manage AMR capabilities. KCPL has implemented AMR on a mass scale. KCPL understands the change management complexities required to capture AMR operational efficiencies.

Similar to AMR, KCPL's EE and DR capabilities create this synergy. EE and DR programs and services are critical for delivering project revenue targets. KCPL's Energy Solutions group, responsible for EE and DR, has a staff of 35 with average utility experience of nearly 15 years. The group spearheaded the development and promotion of many of the Comprehensive Energy Plan (CEP) programs in place today. The group has developed and has a strong understanding of advanced demand-side frameworks and models, critical to analyzing alternative program opportunities. Similarly the group has experience-refined marketing research to support effective promotion of EE and DR products and services. The group also has existing partnerships with key channel partners and customers needed to pursue energy efficiency and demand response programs. KCPL can develop the programs and achieve associated customer penetration of these programs across the customer base of the post-merged organization to deliver target AMI-related benefits.

Finally, KCPL's experience deploying its AMR, EE, and DR capabilities creates this synergy. Like all proposed capital investments, AMR must be deemed a capital priority within the portfolio of capital investment alternatives to both regulators and shareholders. KCPL's experience mitigates risk associated with this major capital investment and makes this a post-merged organization priority worth undertaking.

2. Billing Enhancements

Item Description: Introduce existing Aquila Billing Enhancement experience, capabilities and tools to optimize rate realization across the merged organization's customer base.

Rationale for inclusion: The Billing Enhancement synergy project is created by the merger by Aquila's unique capabilities, experience, and tools for mining complex Customer Information System ("CIS") to identify billing errors and increase rate realization. In addition, the synergy is created by the merger, since, but for the merger, KCPL would not have understood the potential value associated with envisioned enhancements and therefore would not have pursued them.

Sophistication of current CIS's offers tremendous opportunities to automate very involved and complex billing calculations. Customer Information System (CIS) dramatically improves overall billing accuracy and drives significant operating efficiencies, but errors do occur. Aquila has developed a set of billing analysts with a unique expertise in understanding how rate plans, regulations, and business rules are entered into the system and utilized to calculate associated customer charges. In addition, these analysts have expertise in navigating and querying the CIS to identify instances where customers have not been charged in accordance with applicable rates and rules. Over time, the analysts have honed instincts regarding where to look and how to identify potential billing errors. Queries have been developed and approaches to new query development established to consistently enhance group productivity.

KCP&L expects to hire Aquila Revenue Assurance analysts and benefit from their associated experience, expertise and support tools. Since KCPL and Aquila use the same SPL CISPlus systems (slightly different versions), with the same database structures, benefits will accrue immediately following the merger.

But for the merger, KCPL would not have considered undertaking the type of analysis underlying this project. Utility companies recognize that billing errors occur. However the status quo view has been and remains that the myriad of billing rates and rules coupled with the technical difficulties of mining complex CIS's makes focus on uncovering errors low investment priority. Billing error-related analysis efforts have been proposed at KCPL over the years, but none of these efforts have been funded and delivered meaningful results. Aquila's Jim Alberts has stated that he has not identified another utility company with a group such as his Revenue Assurance team. Without the proposed merger and associated integration planning activity, KCP&L would not have appreciated billing error-related rate realization potential or funded independent analysis.

3. Energy Efficiency (EE)

Item Description: By deploying KCPL's CEP energy efficiency programs in Aquila's service territory, KCPL can leverage its knowledge, experience, existing programs and regulatory relationships to increase the adoption of demand-side programs with Aquila's customers.

Rationale for inclusion: KCPL's institutional knowledge and capabilities will be leveraged for the benefit of the combined organization. This project increases service quality and reliability, using EE programs to reduce KCPL's dependence on purchased power to meet capacity needs. As a leader in EE, KCPL brings experience and intellectual capital that Aquila does not have, such as:

- A large team with significant experience (35 people with average utility experience of nearly 15 years);
- Recent experience with development and promotion of CEP programs
- Development and understanding of advanced demand-side modeling frameworks
- Existing partnerships with key channel partners and customers
- Existing programs that can be implemented for Aquila
- Experience-refined marketing research that allows for more effective promotion of products and services

4. Heat Rate Improvement

Item Description: Improve Aquila base load coal unit heat rate to lower fuel cost and improve unit output.

Rationale for inclusion: Aquila units do not currently have data acquisition systems, on-line performance monitors or unit performance engineers. KCPL uses OSI-PI data acquisitions systems and EndResult performance monitors, along with an "Engineered Performance" heat rate program. By applying these systems and program to Aquila units, significant efficiency improvements are expected. KCPL will bring additional, well trained, in house industry professionals to the project and will able to get increased benefits much sooner that Aquila could alone.

5. Sibley 1 and 2 Optimization

Item Description: Improve Sibley #1 & #2 combustion and sootblowing processes through investment and combustion engineering to reduce boiler slagging and allow unit to run at higher average output. Also utilize KCP&L outage planning experience to reduce outage time.

Rationale for inclusion: KCLP has significant combustion engineering and outage planning experience that can be used at Aquila facilities. This knowledge has been demonstrated at KCPL plants and will be essential if the company is expected to realize higher output. A similar combustion improvement project on LaCygne Unit 1 resulted in increased operating capacity. KCPL will apply tested and proven technical resources together with in house developed methodologies. Additionally, the optimization for Sibley 1 and 2 will eliminate or reduce the need for fall cleaning outages. None of the Aquila units have intelligent sootblowing, so all can benefit here.

6. Sibley 3 Optimization

Item Description: Install proposed ID booster fans to address increased SCR pressure drop and improve windbox to furnace differential. Also improve Sibley #3 combustion and sootblowing processes through investment and combustion engineering to reduce boiler slagging and allow unit to run at higher average output.

Rationale for inclusion: KCPL has the technical strength and needed capital resources to support the booster fan project at Aquila. In addition KCLP brings significant intellectual capital and combustion engineering experience to the project that will greatly benefit Aquila operations and would not otherwise be available to Aquila. KCPL has strong technical expertise in the application of coal combustion that reduces boiler fouling. KCPL will also use its in-house expertise in cyclone boiler combustion to improve boiler operation. A similar combustion improvement project on LaCygne Unit 1 resulted in an increase in operating capacity.

7. Boiler Tube Improvement

Item Description: Apply KCPL's Boiler Tube Failure Reduction Program to Sibley Unit 3. This program will also be applied to Sibley Units 1 and 2 and Lake Road Boilers 5 and 6 (Lake Road Unit 4). The benefits are calculated on Sibley 3 because it has the most potential and the largest impact. The program would benefit other baseload units by either improving or maintaining low forced outage rates due to boiler tube failures.

Rationale for inclusion: This program is a synergy because of KCPL's ability to implement this program at Aquila sites. KCPL will implement an aggressive Boiler Tube Failure Reduction/Cycle Chemistry Improvement (BTFR/CCI) program, developed in house, to reduce the amount of forced outage time on baseload coal units. This program is used at all of KCPL's baseload coal plants. Without the merger, Aquila would not have access to KCPL's established BTF program, trained boiler engineers and metallurgical resources.

8. Fleet Maintenance and Operations

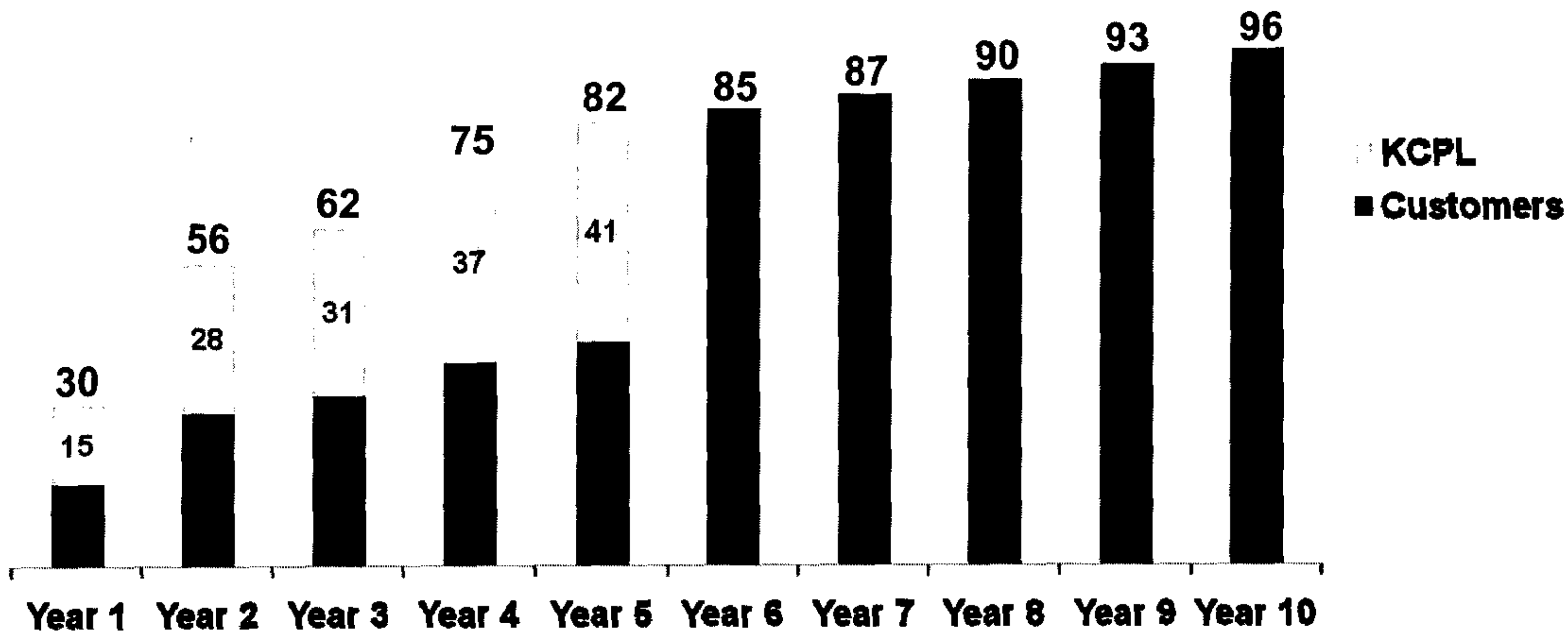
Item Description: Significant Merger synergy savings are associated with combining and integrating the maintenance and operations of KCP&L and Aquila's current T&D fleet. Extending KCPL's current maintenance program to the Aquila fleet creates synergies in the areas of maintenance, overall fleet size, and maintenance overhead.

Rationale for inclusion: The density and compact geography of KCPL's service area allowed the company to establish an efficient and effective internal maintenance program supported by a centralized service center. Without the merger, Aquila's diverse and expansive service area would not have justified the creation of a similar program. As a result of Aquila's much more diverse, geographically spread, and less dense service territory, the best option for Aquila was to maintain their vehicle fleet mostly through outside maintenance contractors, which typically do not offer second-shift service. Further, external maintenance costs are generally higher than internal maintenance costs for similar activities both because the specialized nature of the T&D fleet maintenance is somewhat unique and the fact that outside maintenance companies require a profit margin built into their pricing or they will not do the work.

While Aquila's external practices and contracting appear efficient and appropriate for a diverse geography without a high density centroid of operation, they are not as cost effective as KCP&L's internal maintenance operations. Further, the additional volume of similar maintenance activities should allow KCP&L to even further improve their cost performance in maintaining the combined fleet after the merger. Most importantly, however, the use of the second shift after normal daytime working hours to do both repair and preventive maintenance work during which time vehicles are not in use in supporting line crew work, provides much higher uptime for Aquila and KCP&L vehicles thus reducing the need for additional spare and reserve vehicles. This along with the ability to share crews and equipment across existing service boundaries will allow the combined companies to reduce their combined fleet significantly as described in Mr. Buran's Testimony.

By sharing vehicles, tools, assets, internal maintenance and resources across the two companies' service areas, the merger thus creates the opportunity to reduce the downtime of Aquila vehicles, reduce the number of spare vehicles required across the combined fleet, and increase maintenance productivity and crew productivity. In addition, a more compact and efficient internal maintenance operation creates overhead savings in maintenance-related costs, such as managing outside maintenance vendors and coordinating outside maintenance activity.

Synergies will be $755mm over 10 years with customers capturing 80% of the value



<u>Cumulative</u>											
KCPL	15	28	31	37	41						**152**
Customers	15	28	31	37	41	85	87	90	93	96	**603**
Total	30	56	62	75	82	85	87	90	93	96	**755**

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2007

PA Consulting Group recognizes North Americaâ€™s most reliable and customer-friendly utilities at the 2007 ReliabilityOneâ„¢ and ServiceOne Awards Ceremony - 16 October 2007

Last night, PA Consulting Group, the management, systems and technology consultancy, announced the winners of its annual ReliabilityOneâ„¢ and ServiceOne Awards at a reception in San Diego, CA. The ReliabilityOneâ„¢ awards are given annually to utilities that have excelled in delivering reliable electric service to their customers, while the ServiceOne awards are based on a set of criteria that covers nearly all the functional areas within customer service operations typical for a North American utility.

For the first time, **Kansas City Power & Light (KCP&L)**, was the recipient of the National Reliability Excellence Award. KCP&L, a subsidiary of Great Plains Energy, Inc. is a leading regulated provider of electricity and energy-related products and services in the Midwest, serving more then 505,000 customers in Missouri and Kansas. KCP&L was also the recipient of the ReliabilityOneâ„¢ Award for the Plains Region.

Regional award winners also included:

- **Public Service Electric & Gas**, a regulated utility delivering electric service to 2.1 million customers and gas service to 1.7 million customers throughout New

More about PA's energy benchmarking program

PA's global capabilities in the energy sector

Schedule JRM-9

Jersey, was the recipient of the ReliabilityOneâ„¢ award in the Mid-Atlantic Region.

- **We Energies**, which serves 2.4 million electric, natural gas, water, and steam customers in portions of Wisconsin and Michigan, was the recipient of the ReliabilityOneâ„¢ Award for the Midwest Region.
- **Orlando Utilities Commission**, a municipally owned public utility providing electric and water services to more than 196,000 customers in Orlando, St. Cloud and parts of unincorporated Orange and Osceola counties, was the recipient of the ReliabilityOneâ„¢ Award for the Southeast Region.
- **San Diego Gas & Electric**, a Sempra Energy utility serving 3.4 million consumers in San Diego and southern Orange counties, was the recipient of the ReliabilityOneâ„¢ Award in the West Region.
- **Roseville Electric**, based in Roseville, CA, a suburb of Sacramento, was the recipient of the Community Utility ReliabilityOneâ„¢ Award. This award is given to a utility that primarily serves a single community of fewer than 250,000 customers.

â€œWe have an outstanding group of recipients from across the country,â€ said Jeff Lewis, PAâ€™s ReliabilityOneâ„¢ Program Director. â€œEach utility distinguished itself for its commitment to delivering outstanding reliability to customers, and the overall 2006 performance is among the best Iâ€™ve seen since we began the program more than six years ago. The utility companies and regulators have really sharpened their focus on reliability and it has driven industry performance.â€

The ReliabilityOneâ„¢ award is given annually to utilities that have excelled in delivering reliable electric service to their customers. All utilities operating electric delivery networks in North America are eligible for consideration for the ReliabilityOneâ„¢ award. Selection of provisional recipients is based

Schedule JRM-9

primarily on system reliability statistics that measure the frequency and duration of customer outages. After provisional recipients are selected, each company undergoes an on-site certification process, which provides an independent review of the policies, processes and systems used to collect, analyze and report a company's reliability results.

PA also recognized those utilities that excel in the area of customer service and care with the presentation of the ServiceOne awards. The 2007 ServiceOne award recipients were:

- **San Diego Gas & Electric**
- **Florida Power & Light**, which serves 4.4 million customers throughout Florida
- **NorthWestern Energy**, an electricity and natural gas utility that serves customers in Montana, South Dakota and Nebraska

â€œAcross the electric utility industry, companies operate under a diverse set of circumstances that present obstacles in the form of economic conditions, customer demographics, and regulatory requirements,â€ said Mike Hormell, PAâ€™s ServiceOne Program Director. â€œThe organizations honored this evening recognize that the road to top performance requires the development of custom solutions that target the specific needs and preferences of their customer base.â€

The ServiceOne award is based on a set of criteria that covers nearly all the functional areas within customer service operations typical for a North American utility. These functional areas include the contact center, billing, payment, revenue protection, credit and collections, meter reading and safety. Utilities that participate in PA Consulting Groupâ€™s annual Polaris performance benchmarking program are considered for a ServiceOne award. While PA administers the program, an advisory committee consisting of members within the Polaris program provides advice regarding its content and criteria.

PA also recognized several

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members of the Polaris program who have demonstrated a pro-active approach to identifying opportunities for improvement, recommending solutions to difficult questions, and shaping program content to best represent the interests of the broader Polaris panel of companies. The honorees were:

- **Polaris Customer Service Program 2007 Outstanding Contributor**: Denise Diaab, Southern California Edison
- **Polaris Transmission & Distribution Program 2007 Outstanding Contributor â€" Transmission**: Mike Pakeltis, CenterPoint Energy
- **Polaris Transmission & Distribution Program 2007 Outstanding Contributor â€" Distribution**: Dave Carter, We Energies

-ends-

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Notes to editors

About PA Consulting Group

At PA Consulting Group, we transform the performance of organisations, providing clients with innovative solutions, a highly responsive approach, and delivery of hard results. We are an independent, employee-owned, global firm of 3,000 talented individuals, operating from offices across the world, in Europe, North America, Latin America, Asia and Oceania. We have deep expertise across key industries and government, and a unique breadth of skills from strategy to IT to HR to applied technology.

About PAâ€™s Polaris program

PA's Polaris program is a comprehensive discovery process

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into a utility's business operations. The program, consisting of a general review of organization practices, in addition to a focus on Transmission and Distribution and/or Customer Service, focuses on this discovery process by taking an inventory of the strengths and opportunities of a utility.

Our benchmarking program includes a review of asset management strategy, business process mapping, and cost analysis. In addition, a focus exists on customer satisfaction, expenses review, health and safety review and analysis of the regulatory environment. The concepts of shareholder value and training are also included.

Since 1989, PA has benchmarked operational trends across 250 utility-operating companies nation wide.

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EDISON ELECTRIC INSTITUTE

News

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Ed Legge, 202-657-2592

Great Plains Energy and AES Receive The Edison Award, Electric Industry's Most Prestigious Honor

Denver, CO (June 19, 2007) - In recognition of innovative leadership and operational excellence in the electricity industry, the Edison Electric Institute (EEI) has named Great Plains Energy and AES Latin America as winners of the Edison Award, the industry's highest honor.

Given annually by EEI, the award honors U.S. shareholder-owned utilities and international members for outstanding contributions to and advancement of the electric power industry. A committee of national industry trade publication editors and a panel of current and retired CEOs select the finalists and ultimate winners. This year's award, the 80th, was presented today in Denver at EEI's annual meetings.

"The Edison Award recognizes distinguished leadership, innovation and advancement of the industry in a manner that benefits all," said EEI President Thomas R. Kuhn. "These companies are unsurpassed in their dedication to meeting their customers' electricity needs and serving their communities. Their commitment to operational excellence and reliability and their innovation in generating and delivering electricity to wherever it's needed are equally exceptional.

"Their customers, communities and shareholders will reap the benefits of their excellent performance in these areas, as will the entire electricity industry," Kuhn said.
Following are descriptions of the award-winning efforts by Great Plains Energy and AES Latin America:

Great Plains Energy

Great Plains Energy subsidiary Kansas City Power & Light (KCP&L) established a Comprehensive Energy Plan to meet its region's growing demand for clean, affordable energy by developing new, clean energy sources, making proactive environmental and infrastructure improvements and creating innovative energy efficiency and demand-response programs. KCP&L has worked with a wide variety of stakeholders, establishing true partnerships within its communities to create political and regulatory environments that have allowed the company to deliver on its promises.

KCP&L has been an integral partner in planning for Kansas City's unprecedented growth that includes $4 billion in development already underway. Employing many internal planning teams that worked for several months, the company identified major strategic elements that would power the local renaissance, increase shareholder value and improve the total living environment to help secure the region's energy future.

At the same time, the company recognized the emerging concerns around carbon and other emissions. The resulting Strategic Intent introduced several innovative elements, including the "Distributed Utility of the Future" program, the "GPE Winning Culture" initiative and a slate of energy-efficiency efforts.

AES Latin America

AES Latin America developed a knowledge management process that enables the business to readily transfer proven operational techniques among its more than 45 generation plants and nine distribution companies to improve operational performance. This process helped the company set new records for plant availability and reliability and significantly improved AES's customer service and satisfaction throughout the region, including in some of its most remote and poor areas. This innovative program can be replicated across other regional groups at AES and promises to help improve the overall quality of life for thousands of people in Latin America and worldwide.

The region's exceptional operational results included an increase in the consolidated availability of its generation plants from 85 percent in 2005 to 89 percent in 2006, an increase in its net generation by 8 percent, a reduction in the duration and frequency of electrical outages by an average of 15 percent, a reduction in energy losses by 8 percent and improved overall customer satisfaction rates as measured by independent third parties.

AES Latin America's employees, at all levels of the business, were the driving force behind these improvements. They were empowered to find ways to improve the business by optimizing capital allocation, increasing work process efficiency, collecting and protecting revenues and mitigating high-impact operational risks. Once new ways to improve the business were identified, AES spread them throughout the region and company through a knowledge management process that allowed employees to continually build on their innovations and apply them throughout the region.

# # #

The Edison Electric Institute (EEI) is the association of U.S. shareholder-owned electric companies. Our members serve 95 percent of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70 percent of the U.S. electric power industry. We also have more than 65 International electric companies as Affiliate members, and more than 170 industry suppliers and related organizations as Associate members.

EDISON ELECTRIC INSTITUTE

National Accounts Outstanding Customer Service Awards

This award was established by the Customer Advisory Group (CAG), a group of 25 national chain customers that provide feedback, guidance, and support to EEI's National Accounts Program. Through this award, the CAG recognizes those representatives from EEI member companies that provide dedicated, superior customer service to multi-site customers.

The award recipients are chosen by commercial customers in a nationwide open ballot in two categories:

- The "National Accounts Executive Award for Outstanding Customer Service" recognizes the individual national accounts executives who provide multi-site organizations with customer service levels and information that go above and beyond expectations;
- The "National Accounts Program Award" is presented to the regulated utility companies that have developed and/or maintained exceptional national accounts programs in terms of providing customer service to multi-site customers.

Winners of the National Accounts Outstanding Customer Service Awards are recognized at the Spring National Accounts Workshop.

EEI Staff Representative

- **Steve Kiesner**, Director, National Accounts Program, skiesner@eei.org or 202-508-5414

2007 Spring Winners

Individuals

- Barry Mosser, AEP
- Greg Read, Progress Energy
- Judy Corrigan, Xcel Energy

Large Utilities

- AEP (Winner)
- Southern Company(Notable Recognition)
- Entergy(Notable Recognition)

Medium Utilities

- South Carolina Electric & Gas
- Kansas City Power & Light

Small Utilities

- PNM Resources

J.D. POWER AND ASSOCIATES

Press Release

J.D. Power and Associates Reports:
Satisfaction of Business Customers with Electric Utilities Reaches All-Time High

E.ON U.S., MidAmerican Energy; PPL Electric Utilities; Sacramento Municipal Utility District; and South Carolina Electric & Gas Lead Regional Business Customer Satisfaction Rankings

WESTLAKE VILLAGE, Calif.: 22 March 2007 — Improving for a third consecutive year, business customer satisfaction with electric utility provider has reached historically high levels, according to the J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study^{SM} released today. The study's nationwide customer satisfaction index has increased considerably—from 667 points on a 1,000-point scale in 2006 to 690 in 2007.

"Utilities are doing a great job in offering price and customer service options, both of which improve customer satisfaction," said Alan Destribats, vice president of the energy utility practice at J.D. Power and Associates. "In addition, utilities are now focused on talking directly to their business customers via proactive telephone contacts and on-site visits. Business customers have responded positively to this attention."

The study is based on interviews with representatives of more than 12,900 U.S. businesses that spend between $500 and $50,000 monthly on electricity. Overall customer satisfaction is measured through six factors: power quality and reliability, customer service, company image, billing and payment, price, and communications.

Businesses served by the largest 55 electric utilities in the United States rate their experiences better across all components in 2007, with price and communications attributes registering the largest increases.

East Region
PPL Electric Utilities is the highest-ranking electric utility in the East Region with an overall CSI of 728 points—up 37 points from the 2006 study. PPL has ranked highest in the region in six of the past eight years. Other strong performers are Allegheny Power, Energy East, First Energy and Northeast Utilities.

Midwest Region
E.ON U.S. and MidAmerican Energy rank highest in a tie in the Midwest Region, each with an overall CSI of 727 points. E.ON U.S. (formerly LG&E Energy) ranks highest in the study for a fourth year, having previously ranked highest in the region in the 2000-2003 studies. MidAmerican Energy ranks highest for a third year, following regional awards in 2004 and 2005. Other utilities in the Midwest Region with strong performances include Kansas City Power & Light and FirstEnergy.

South Region
South Carolina Electric & Gas improves 43 points in the South Region to rank highest at 729 points. Other utilities with strong performances include Duke Energy, Progress Energy and Southern Company.

West Region
Sacramento Municipal Utility District ranks highest in the West Region with an overall CSI of 762—the highest score in the 2007 study. Other utilities performing particularly well include Pacific Gas & Electric—which is the most-improved utility in the 2007 study—Arizona Public Service and Salt River Project.

About J.D. Power and Associates
Headquartered in Westlake Village, Calif., J.D. Power and Associates is an ISO 9001-registered global marketing information services firm operating in key business sectors including market research, forecasting, performance improvement, training and customer satisfaction. The firm's quality and satisfaction measurements are based on responses from millions of consumers annually. J.D. Power and Associates is a business unit of The McGraw-Hill Companies.

About The McGraw-Hill Companies
Founded in 1888, The McGraw-Hill Companies (NYSE: MHP) is a leading global information services provider meeting worldwide needs in the financial services, education and business information markets through leading brands such as Standard & Poor's, McGraw-Hill Education, BusinessWeek and J.D. Power and Associates. The Corporation has more than 280 offices in 40 countries. Sales in 2006 were $6.3 billion. Additional information is available at http://www.mcgraw-hill.com.

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# # #

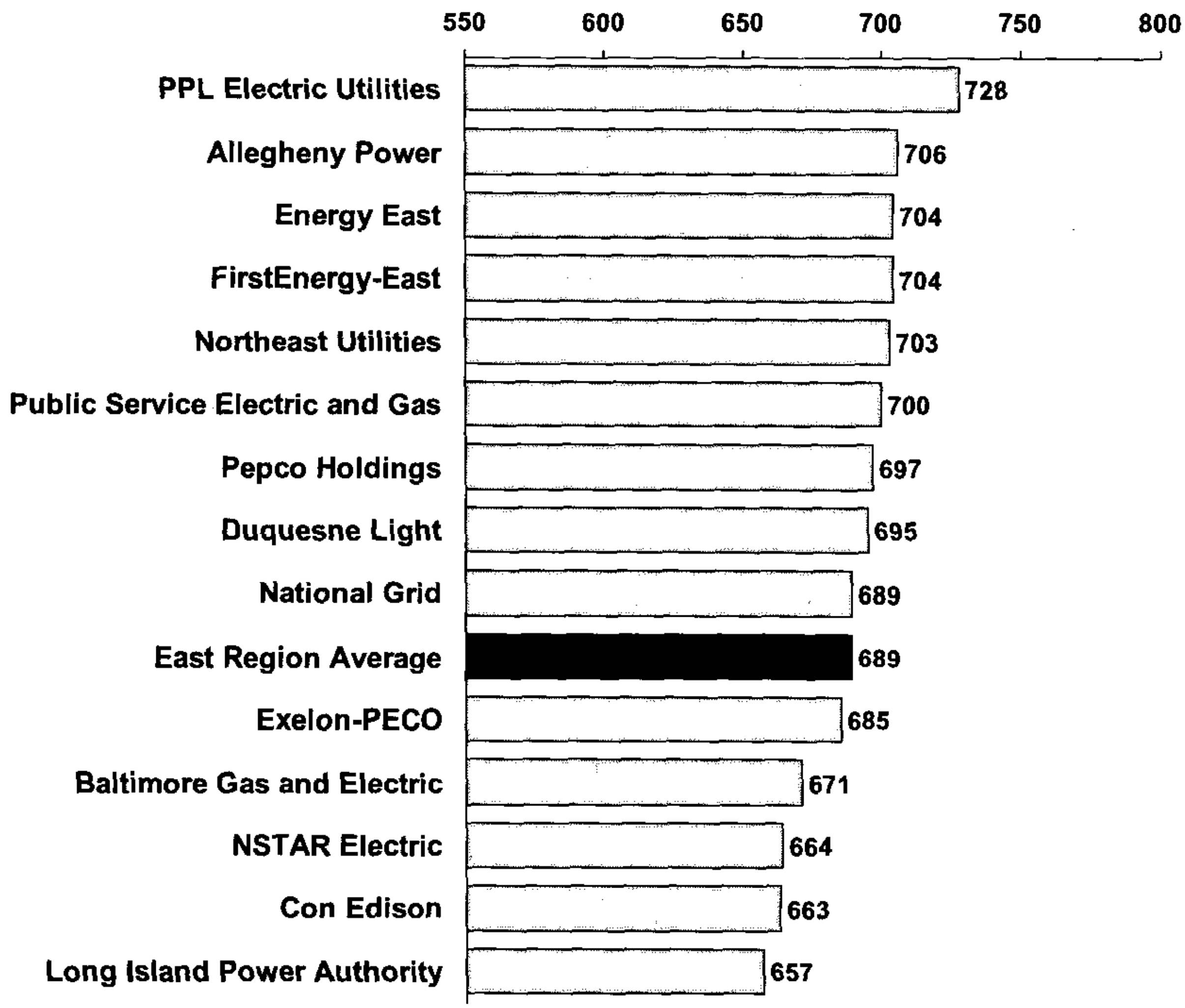
NOTE: Four charts follow.

J.D. Power and Associates
2007 Electric Utility Business Customer Satisfaction Study℠

Customer Satisfaction Index Scores

(Based on a 1,000-point scale)

East Region



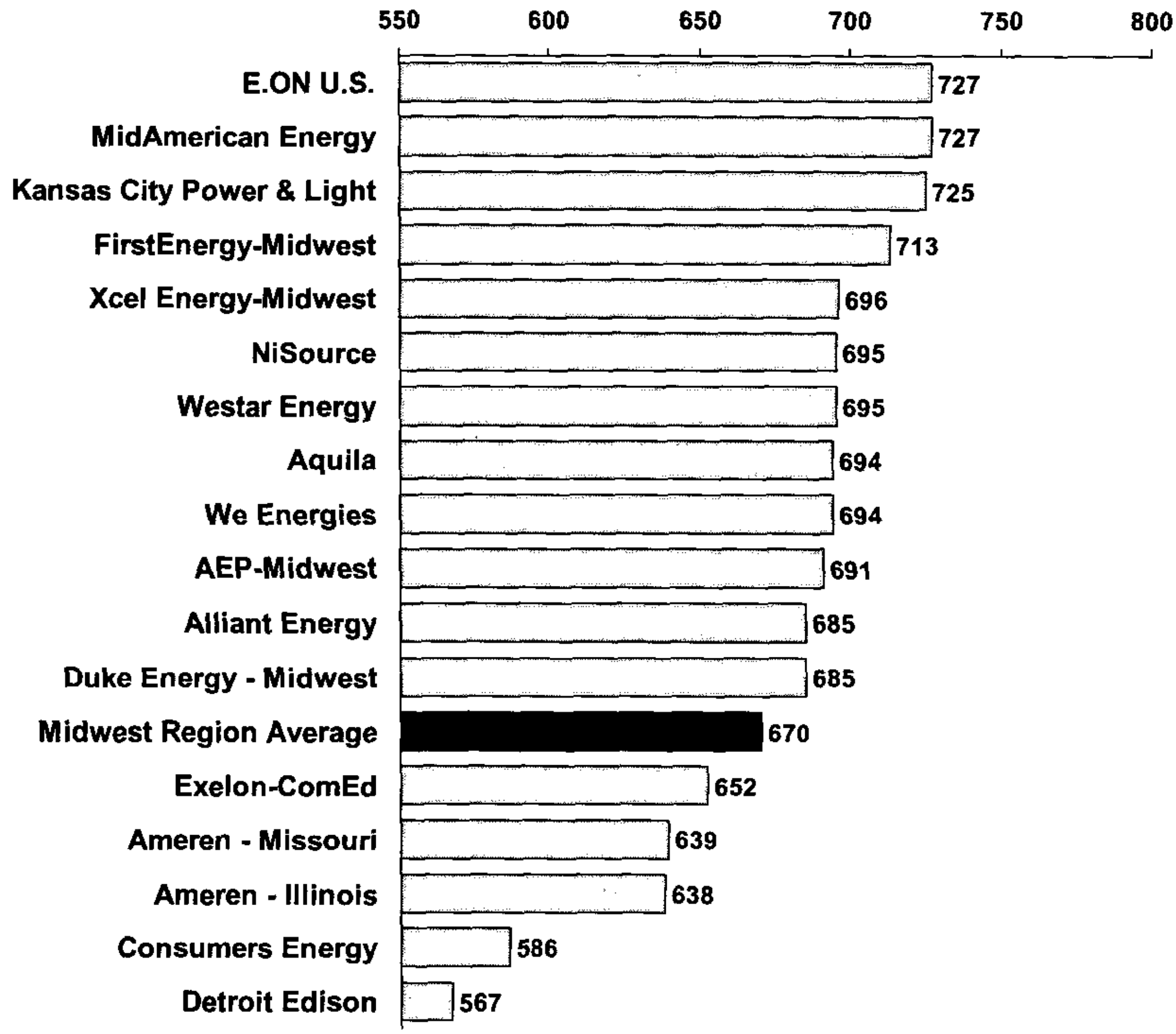
Source: J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study℠

J.D. Power and Associates
2007 Electric Utility Business
Customer Satisfaction Study℠

Customer Satisfaction Index Scores

(Based on a 1,000-point scale)

Midwest Region



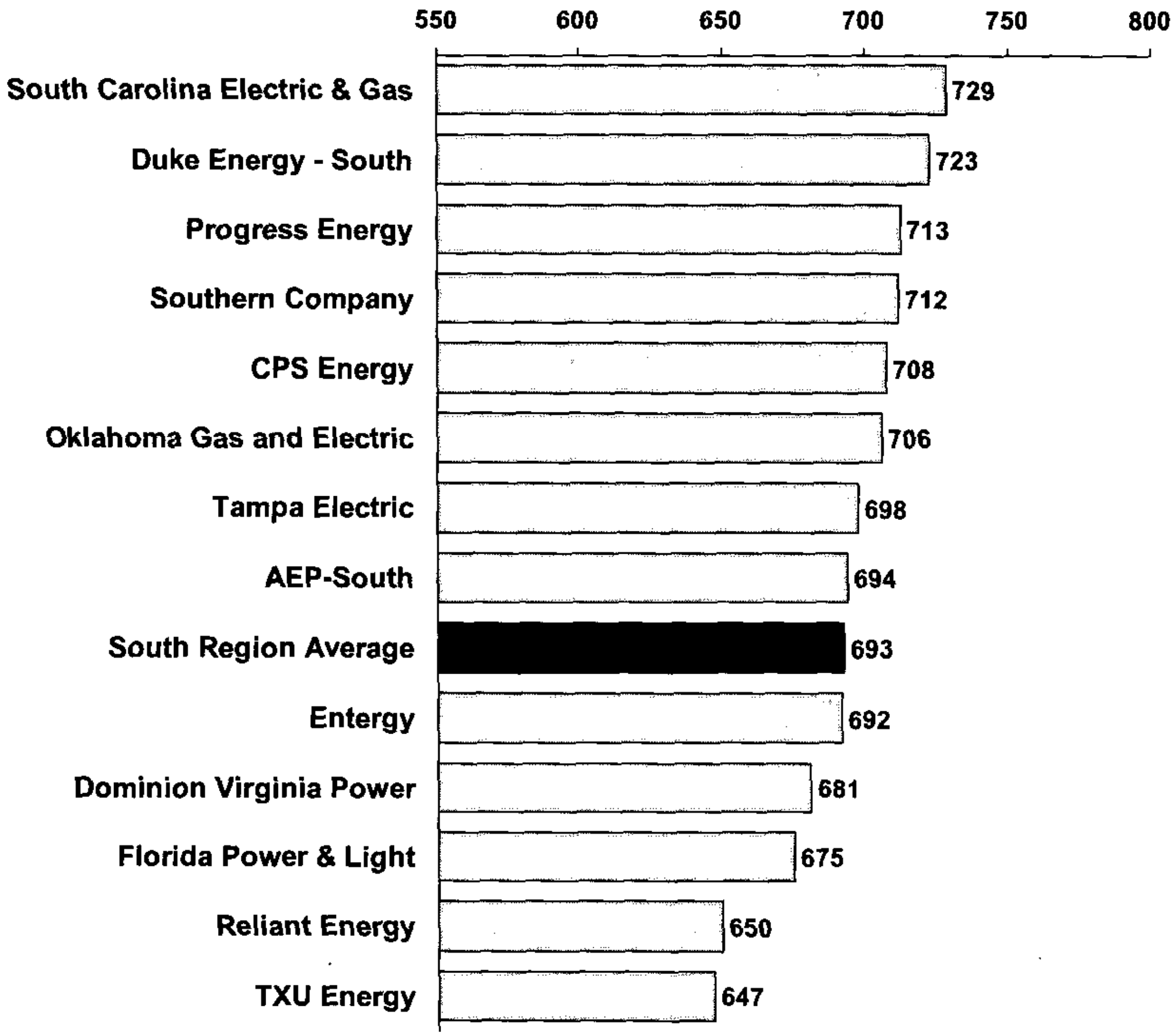
Source: J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study℠

J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study[SM]

Customer Satisfaction Index Scores

(Based on a 1,000-point scale)

South Region



Source: J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study[SM]

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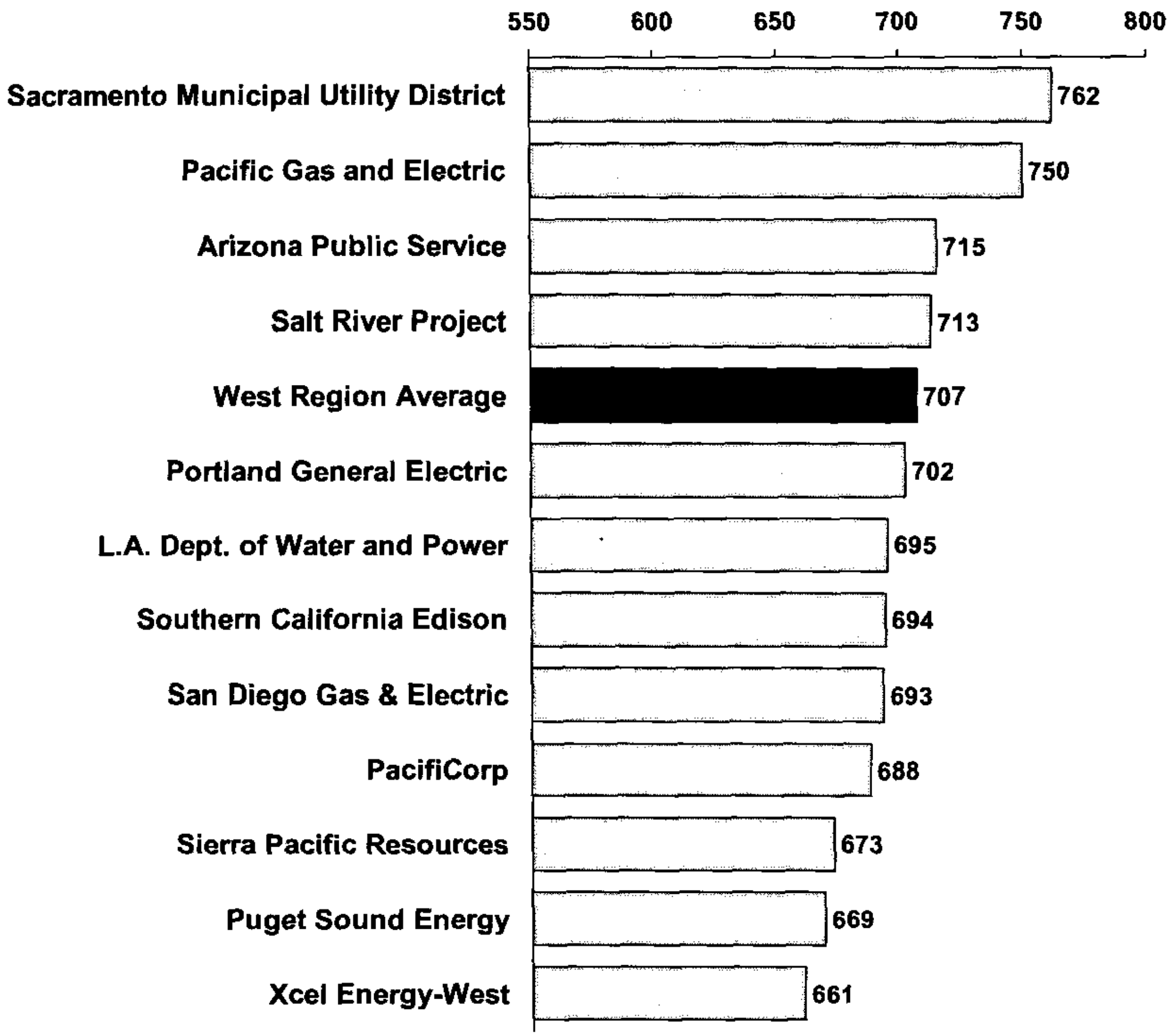
J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study℠

Customer Satisfaction Index Scores

(Based on a 1,000-point scale)

West Region



Source: J.D. Power and Associates 2007 Electric Utility Business Customer Satisfaction Study℠

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