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Witness:	William J. Kemp
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

SUPPLEMENTAL DIRECT TESTIMONY PURSUANT TO THE SCHEDULING ORDER

OF

WILLIAM J. KEMP

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
August 2007

SUPPLEMENTAL DIRECT TESTIMONY

PURSUANT TO THE SCHEDULING ORDER

OF

WILLIAM J. KEMP

Case No. EM-2007-0374

Q: Please state your name and business address.

A: My name is William J. Kemp. My business address is 7589 Seth Raynor Place, Sarasota, Florida 34240.

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

A: I am employed as a Managing Director in the Enterprise Management Solutions division of Black & Veatch Corporation.

Q: What are your responsibilities?

A: I lead our management consulting practice in Business Strategy and Planning. This includes consulting services in the areas of strategic planning, business planning, M&A transaction support, financial due diligence, merger integration, financial analysis, financing strategies, load forecasting, demand-side management, resource planning, and litigation support.

Q: What are the relevant qualifications of Black & Veatch Corporation?

A: Black & Veatch, an employee-owned company, is a leading global consulting, engineering, and construction company, focusing on the power and water industries. Founded in 1915 and headquartered in Overland Park, Kansas, Black & Veatch maintains

more than 90 offices worldwide. Black & Veatch was ranked in 2006 by the Engineering News Record as the number 1 company worldwide in generation engineering and EPC[1], and as the number 2 company in North America in engineering and EPC for electricity transmission and distribution. Our consulting practice is very active in the areas of regulations and mergers/acquisitions. Collectively, Black & Veatch's team of industry experts has submitted testimony in well over 1,000 proceedings before the Federal Energy Regulatory Commission, state regulatory commissions and other regulatory bodies, licensing and siting boards, U.S. state and local legislative bodies and investigative panels, and civil and bankruptcy courts. Black & Veatch's Business Strategy and Planning practice has advised on technical and economic issues at least 500 M&A transactions and greenfield projects in the electricity industry. In my role as Managing Director for numerous consulting projects at Black & Veatch, I routinely draw upon the company's very large base of technical expertise to address the client issues at hand.

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 joining Black & Veatch in 2003, 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. I was responsible for

[1] EPC = Engineering/Procurement/Construction

Economists.com's strategic direction, sales and marketing leadership, alliance development, client relationship management, and direct services to clients.

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. Deloitte Consulting was involved in synergy estimation and transaction support for most of the utility mergers consummated in the U.S. in the 1990 to 2004 period.

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, and Singapore Power-GPU PowerNet. I have also reviewed synergy data on numerous other transactions, and have advised on many energy

M&A transactions for specific 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 Missouri Public Service Commission or before any other utility regulatory agency?

A: I have not testified previously before the Missouri Public Service Commission. 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.

Purpose and Methodology

Q: What is the purpose of your testimony?

A: I will provide an independent review of the merger synergies estimates developed by KCPL, as presented in the direct and supplemental testimony in this proceeding of Messrs. Zabors, Marshall, and Buran. The soundness of KCPL's synergy estimation methodology and the reasonableness of the resulting synergy estimates will be assessed in the context of U.S. utility industry experience. I will not address interest savings, which are covered by KCPL witnesses Cline and Bassham, as these savings are highly

specific to this transaction. I also will comment on KCPL's proposed rate treatment of the estimated synergies, again in the context of industry practice.

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

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

1. Is KCPL's method for estimating synergies reasonable, and generally consistent with accepted industry practice?
2. Are KCPL's estimates of synergies reasonable, and generally consistent with the range of industry experience in similar transactions?
3. Is KCPL's proposed rate treatment for the merger synergies generally consistent with established regulatory policy in the U.S.?

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

A: My approach to developing my testimony in this proceeding followed typical procedures for an outside expert. I drew from my base of experience in performing synergy 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. More specifically, I reviewed the following types of documentation:

- Selected Missouri and Kansas regulatory precedents on utility mergers
- KCPL's synergy estimates and supporting workpapers, both as originally filed and as updated
- Data gathered through interviews with KCPL team leaders in the synergy estimation process
- Base year (2006) costs for KCPL and Aquila
- Announced and realized synergies in similar utility merger transactions since 1995

- Testimony on merger synergies in other approved utility mergers

Using my experience base and the information gathered and reviewed, I tested the soundness of KCPL's synergy estimation process, and compared both the process and the resulting estimates to U.S. industry practice. I did not develop a separate set of synergy estimates.

Synergy Types

Q: Why is it important to distinguish between different types of economic benefits that are derived from utility mergers?

A: Regulatory commissions that govern public utilities must typically apply a "public interest" test to proposed merger transactions. To do this, they must be able to identify the costs and benefits that are specifically associated with the proposed transaction, as opposed to costs and benefits that could be experienced in the normal course of utility business by the separate companies.

Q: How are merger synergies typically classified in the utility industry?

A: Utilities in the U.S. have been fairly consistent in using a common typology for classifying merger synergies. The same categories have been used by many utilities and commissions. The categories, in descending order of ability to attribute to a merger, are created, enabled, and developed synergies.

- Created synergies are those cost savings or revenue enhancements that are directly attributable to the transaction. They would not occur but for the transaction. The drivers are achievement of scale economies and consolidation of redundant functions. Prime examples of this type of synergy are consolidation of corporate back office functions (finance, human resources, information technology, etc.), call center

consolidation, field support center consolidation, and integration of generation dispatch.

- Enabled synergies are those cost savings or revenue enhancements that are facilitated or unlocked by merger. The transaction makes them much more accessible and achievable, but the tie to the merger is not definitive . This type of synergy often involves transferring skills between companies or applying one company's superior practice across both companies, i.e., adoption of better practice. It could also entail leveraging the combined companies' larger scale into a level of benefit greater than the sum of what either company could achieve separately. Examples here include transfer of better operations or maintenance practices (generation, transmission, distribution), migration to the better information technology platforms, or achieving lower supply chain costs through increased leverage over vendors.
- Developed benefits are not synergies. They are rather cost savings or revenue enhancements that occur during the merger timeframe, but are not directly related to merger. They could have been achieved without the transaction. Because the merger environment does not confer any advantage on them, initiatives related to developed benefits typically carry greater execution risk than created or enabled synergies. Examples of developed benefits would include financial restructuring, business process re-engineering, or organizational redesign.

Synergy benefits will not be achieved without effort or cost. Significant costs to achieve may include transaction fees paid to investment bankers and other advisors, employee separation or retention costs, relocation costs, information technology and

facilities integration costs and related training/education costs. The costs to achieve need to be considered in evaluating net transaction benefits.

Q: Why is it important to consider more than just operational synergies?

A: An important measure of the public interest test is the long term impact on rates to customers. Do the ratepayers 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 synergy estimates. This would include O&M and capital costs from all functions (Generation, Transmission, Distribution, Customer Service, Administrative & General, etc.).

Post-Transaction Operational Model

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

A: The operational model for the new entity after the closing of the merger can affect the range of synergies that can be accessed. If the utilities' service territories are geographically separated by significant distance (e.g., AEP-C&SW or MidAmerican-PacifiCorp), many types of synergies 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, headquarters facilities, etc.), some elements of back office synergies may not be accessible.

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

A: Yes. One of the major drivers of synergy benefits for this transaction is the geographic proximity of the two companies' utility operations. Their service territories mesh very well. They form a compact, contiguous area. There is no geographic barrier to accessing the full range of synergies.

KCPL witness John Marshall describes the intended organizational structure and operational plan. My understanding is that separate legal utility entities will be retained for only for Kansas City Power & Light and Aquila.[2] Both utility entities will be combined into an integrated management structure, culture, and operation. The only exceptions are certain relatively small elements of generation and transmission dispatch that must continue to operate separately because KCPL and Aquila are affiliated with different regional ISOs (SPP and MISO, respectively).

Compared to many recent utility merger transactions that involved geographically separated entities and two or more headquarters locations, the combined KCPL-Aquila entity should have some significant natural advantages. It will be able to harvest synergy savings from an unusually broad range of utility operations.

Review of Synergy Estimation Methodology

Q: How did KCPL estimate the synergy savings that could be achieved through its merger with Aquila's Missouri electric operations?

A: KCPL's other witnesses in this update filing provide detailed explanations of the synergy estimation methodologies used by the various functional teams. Mr. Zabors provides an overview of the process.

[2] For ratemaking purposes, separate rate bases will be maintained for KCPL, Aquila/MPS, Aquila/SJLP electric, and Aquila/SJLP steam.

To summarize, KCPL and Aquila formed joint teams of internal experts around each of their major operational functions. These teams followed the same general steps in developing their synergy estimates:

1. Define the scope of their functional area, resolve any boundary issues with other teams, and establish sub-teams to address sub-functions in more detail.
2. Establish the base 2006 costs related to their area, and document the existing business processes.
3. Review the combined level of expected business activity in their assigned functions, and the combined resource level (labor and non-labor).
4. Define the operating model for the combined function, and estimate savings from its implementation. In most cases KCPL's operating model was extended conceptually to cover the additional Aquila operations, but in some instances this was reversed.
5. Screen all the other improvement opportunities suggested by the sub-teams, and decide what was large and tangible enough to include in the synergy estimates.
6. Estimate the reductions to resource levels and associated costs over the 2008 to 2012 period.
7. Estimate any costs to achieve the resource savings.
8. Obtain sign-off from the Great Plains Energy/KCPL executive who will be responsible for meeting the synergies targets.

Q: Is this the same method used by other utilities?

A: In general terms, yes. Transactions have their particular circumstances. They may have different starting points, different objectives, different opportunities, and

different management. These factors can lead to differences in approach. But KCPL's process has been similar to the process I have seen used in many other utility merger transactions. 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: What criteria did you use to evaluate KCPL's synergy estimation methodology?

A: I developed and applied the following set of set of evaluation criteria.

- 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 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 merger excluded from the estimates?
- Quality Assured. Were the synergy 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 KCPL's methodology.

Q: Was KCPL's merger synergy estimation methodology "comprehensive"?

A: Yes. All functions were assigned to one or more teams. The teams addressed as a first order of business any boundaries 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 non-fuel O&M costs across their areas was equal to the companies' total non-fuel O&M costs. The teams appropriately identified and quantified costs to achieve the estimated gross synergies.

Q: Were KCPL's merger synergy estimates "current"?

A: Yes. The base cost data were from the most recent available year, i.e., 2006. KCPL's base data were its recorded actual costs. Aquila's base cost data were from a management report provided by Aquila in June 2007, which matched the aggregate approved revenue requirement for its Missouri jurisdiction. Its resource data (filled positions, customers, etc.) were from a management report prepared for KCPL in July 2007. These were reliable and current sources for the data. Hart-Scott-Rodino restrictions on sharing competitively sensitive information restricted KCPL's access to detailed information in the generation area, but the available public data were adequate.

Q: Was KCPL's merger synergy estimation methodology "detailed"?

A: Yes, unusually so. The functional teams drilled down to a level of detail that is typically not achieved until the completion of detailed integration planning just prior to transaction close. Estimated synergies in each area were built up from detailed 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.

Q: Were KCPL's merger synergy estimates "attributable"?

A: Yes. Only created or enabled synergies were counted. In several cases, significant benefits were identified but excluded from the synergies estimates, because they were benefits not directly related to the merger. For example, KCPL witness Buran explains that the estimates of supply chain synergies did not include additional savings related to growth in system sales and spending, because this system growth is driven by the merger..

Q: Were KCPL's merger synergy 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, which included KCPL and Aquila personnel, assessed the quality and reasonableness of the estimates as they rolled up to the enterprise level. Finally, KCPL 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 KCPL's merger synergy estimation methodology "conservative"?

A: Yes. The functional teams screened out hard-to-quantify benefits, even if potentially significant. They deliberately chose estimates in the low to middle end of the potential savings ranges, when such ranges were available for consideration. Overly aggressive benefit estimates were screened out. As noted above, the involvement of sponsoring executives ensured that implementation plans were realistic. KCPL's

methodology was more detailed and conservative than most similar efforts I have observed.

Review of Synergy Estimates

Q: What are KCPL's estimates of the synergies that could be achieved through its merger with Aquila's Missouri electric operations?

A: KCPL witness Zabors presents the estimated synergies. The nominal value of the estimated synergies for the regulated utility operations amounts to $305 million over the 2008 to 2012 period, as shown in Schedule RTZ-7.

Q: What steps did you take to prepare KCPL's estimated synergies for comparison to other utility merger transactions?

A: To make KCPL's synergy estimates more comparable to the synergies in other utility mergers, I have classified both the base 2006 costs and the estimated synergies into six major functional areas: Generation, Transmission, Distribution, Customer Service, Sales, and Administrative & General (A&G). These groupings correspond to the functional groups of accounts in FERC's Uniform System of Accounts. Since KCPL's synergy estimates are grouped in categories that are not explicitly aligned with FERC's definition of functions, I assigned each line item in KCPL's estimates to the appropriate FERC function, based on KCPL team leaders' descriptions of the type of costs in the line item.

The synergy estimates in the supply chain process area were allocated by KCPL to the Supply (Generation), Corporate (A&G), and Delivery teams. The Delivery team includes the Transmission, Distribution, and Customer Service functions. For my

comparative purposes, I allocated the supply chain synergies in Delivery to its constituent functions according to each function's share of the base non-fuel O&M expense.

I also focused on the savings for the third calendar year of the synergies estimation period (i.e. 2010), again to make the data more comparable to my analyses of other transactions. 2010 appears to be fairly representative of the average annual synergies for KCPL over the 2008-2012 period. By that time all of the major synergy-related initiatives should be gaining full traction.

The 2010 KCPL synergies were deflated to 2006 dollars using the same CPI assumptions as the other KCPL witnesses, to put the synergies on the same real basis as the base year costs. Finally, I excluded fuel and purchased power costs from my comparisons of realized synergies, 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.[3]

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 synergies. Rather, quantified synergy levels across different transactions are typically compared on the basis of percentage of base costs.

Q: What proportion of KCPL-Aquila's base 2006 costs are estimated to be saved through the proposed merger?

A. The 2010 total non-fuel synergies of $55 million ($51 million in 2006 dollars) amounts to 10 percent of the combined 2006 non-fuel O&M costs of KCPL and Aquila's

[3] KCPL witness Crawford addesses this area. Fuel and purchased power synergies are still relevant for commissions to consider, since they comprise a very large cost pool. But they are hard to compare across transactions.

Missouri electric operations. The estimated synergies by function, as a percentage of base costs, are as follows:

Function	Total Synergies	% of Baseline (1)
	(2006 $million)	
Generation Non-Fuel O&M	$ (7.7)	-3.6%
Transmission O&M	$ (3.2)	-14.1%
Distribution O&M	$ (8.6)	-8.6%
Customer Service	$ (6.1)	-24.2%
Sales	$ 0.0	0.0%
Administrative & General	$ (25.1)	-18.5%
Total Non-Fuel O&M	$ (50.7)	-10.1%

(1) 2010 synergies as percentage of 2006 base NFOM costs; calculated in 2006 $

Schedule WJK-3 provides supporting detail for the functionalization of the synergy estimates presented by Mr. Zabors, and the comparison to base 2006 costs.

Q: Do these estimated synergy levels strike you as reasonable?

A. Yes, based both on my knowledge of the specific circumstances of this transaction, and on comparison of total synergies with other transactions. A total non-fuel savings level of 10 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 synergies.

Q: What factors can influence the level of synergies that can be expected from a utility merger?

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

- Relative size. Similarly sized companies have greater synergy opportunities. Acquisitions of smaller companies by much larger companies do not affect combined costs as much on a percentage basis.

- Relative operating performance. Greater synergies 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 synergies 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 KCPL-Aquila merger, it appears that all of these factors line up to increase the synergies that could be achieved through this transaction.

Q: What types of synergy data from other utility transactions can be compared with KCPL's estimates?

A. Essentially two types of synergy data are available from other utility transactions.

- Announced synergies data can be obtained from press releases and SEC filings at the time an intended transaction is publicly disclosed. Typically these data are aggregate and not escalated, e.g., "$1 billion in savings over the first 10 years." In describing the strategic rationale for the transaction, the major areas of expected benefit may be mentioned (e.g., back office consolidation, economies of scale in generation

operations), but the total synergy number is almost never broken down into its component pieces. Not infrequently, no specific synergy number is disclosed, and the benefits are described only qualitatively.

- Realized synergies are the actual reductions in real costs (or merger-related increases in revenue) that are achieved by the merged company. Data on realized synergies are most reliably and consistently obtained from utilities' annual filings to 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.

Q: How do KCPL's estimated synergies compare with announced synergies from other utility merger transactions?

A. KCPL's estimated synergies, as a percentage of either total O&M or non-fuel O&M, are above the average announced synergies for utility merger transactions in the U.S. in the past ten years. Since the announced synergies from other transactions typically do not distinguish between fuel and non-fuel synergies, I used KCPL's total estimated 2010 synergies - including fuel savings - of $62 million ($55 million in 2006 dollars) for this comparison. Compared to 26 other utility merger transactions across all energy utility types[4], KCPL's percentage savings are well into the upper half of the range. Only 3 of 26 transactions have higher synergies as a percentage of total O&M, and only 7 of 26 have higher synergies as a percentage of non-fuel O&M. See Schedule WJK-4.

The transactions with higher announced synergy percentages generally were expected to benefit from large fuel or purchased energy savings, as generation fleets or

gas contract portfolios were integrated. This area of costs is a future upside for KCPL-Aquila, as the estimated synergies do not include any benefits from joint generation and transmission dispatch.

Q: How do KCPL's estimated synergies compare with realized synergies from other utility merger transactions?

A. Again, KCPL's estimated synergies are higher than the median level of realized synergies in other comparable transactions.

Since the FERC data set on post-transaction costs has functional detail, it enables comparisons of synergies at the functional level. I compared inflation-adjusted cost changes for the categories of Generation Non-Fuel O&M, Transmission O&M, Distribution O&M, Customer Service, Sales, and Adminstrative and General.

Comparisons by function are much less valid across differing utility types, due to the differing functional mix of costs in gas vs. electric utilities. For this set of comparisons, therefore, I limited the data set on comparable transactions to mergers between predominantly electric utilities. This yielded 15 comparable transactions, which are shown below.

Acquiror (or Larger Entity)	Acquiree	Closing Date
Ameren Corporation	CILCORP, Inc.	02/05/03
Ameren Corporation	Illinois Power Company	10/02/04
American Electric Power Company, Inc.	Central and South West Corporation	06/15/00
Carolina Power and Light Company	Florida Progress Corporation	11/30/00
Unicom (Commonwealth Edison)	PECO Energy	10/23/00
Consolidated Edison Company of New York	Orange and Rockland Utilities, Inc.	07/01/99
Delmarva Power & Light Company	Atlantic Energy Inc.	03/01/99

[4] Electric, gas, and electric/gas

Acquiror (or Larger Entity)	Acquiree	Closing Date
Energy East Corporation	Central Maine Power Company	09/01/00
FirstEnergy Corporation	GPU, Inc.	11/07/01
LG&E Energy LLC	Kentucky Utilities Company	05/04/98
Nevada Power Company	Sierra Pacific Power Company	07/28/99
Northern States Power Company	New Century Energies, Inc.	08/17/00
Ohio Edison Company	Centerior Energy	11/07/97
Potomac Electric Power Company	Conectiv Energy, Inc.	08/01/02
Union Electric Company	CIPSCO Inc.	12/31/97

A number of the utilities in these comparable transactions went through structural changes in the three years after their merger, most notably the divestiture of all or most of their generation assets.[5] Such changes caused large shifts in their mix of purchased energy vs. generation non-fuel O&M expense, not related to their merger. To avoid distortion, their data were excluded from the comparison for Generation Non-Fuel O&M. The Total Non-Fuel O&M percentage changes for these companies also excluded Generation Non-Fuel O&M.

Schedule WJK-5 shows the range and median of realized cost reductions by major function for 15 predominantly electric-electric utility mergers and KCPL-Aquila.[6] KCPL's estimated synergy savings are greater than the median for Transmission, Distribution, Customer Service, and A&G, less than the median for Generation Non-Fuel O&M and the Sales function (which is a very small part of utility costs), and overall significantly higher than the median for total non-fuel O&M.

[5] Unicom-PECO, ConEd-O&R, Delmarva-Atlantic, Energy East-CMP, FirstEnergy-GPU, Nevada Power-Sierra Pacific, and PEPCO-Conectiv.

[6] 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: Do you have any other industry information that corroborates these comparisons?

A. Yes. In my experience advising on potential utility merger transactions, we commonly cite the range of 7-10% as a reasonable general expectation for total non-fuel synergy savings. This advice is based on synergies estimates and realized synergies across a large number of proposed combinations. Expectations for the KCPL-Aquila transaction, at 10%, are at the upper end of this typical range.

Q: Why are KCPL's estimated synergies higher than the industry average in the Transmission, Distribution, Customer Service, and A&G functions?

A. KCPL's witnesses on the detailed synergy estimates can better address the specific sources of savings in these areas. But in general, the KCPL-Aquila 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 (e.g., KCPL in generation and T&D, Aquila in customer service operations) that enable transfer of better practices and creation of substantial savings. They have adjoining service territories, which increases potential operating and corporate synergies. They have differing and complementary capacity positions through the medium term.[7]

The industry data for other transactions, on the other hand, include many mergers that did not have the advantages of proximity. About 40 percent of our comparable transactions between predominantly electric utilities involved geographically separated service territories. KCPL-Aquila's geographic fit gives the new company natural advantages for achieving synergies in T&D operations.

[7] KCPL's ability to gauge the significance of the potential capacity benefits has been constrained by Hart-Scott-Rodino limitations on sharing of competitively sensitive information.

Q: Why can you conclude that KCPL's synergy estimates are reasonable and conservative?

A. I have reviewed KCPL's synergy 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. Its synergy estimation methodology is sound. The synergy teams have drilled down to a unusually deep level of detail, and have identified and vetted reasonable levels of synergies. The sources of savings that they cited are credible.
2. KCPL's estimated total synergies (including fuel) are modestly higher than the median announced synergies for 26 other energy utility transactions (5% vs. 3% of total O&M, 11% vs. 9% of non-fuel O&M).
3. KCPL's estimated synergies for non-fuel O&M expense are significantly higher than the median realized synergies for 15 other electric utility transactions (10% vs. 2%).
4. KCPL's estimated synergies are at the upper end of the range that we have advised utility clients, based on our experience, is reasonable to expect in merger transactions (10% vs. 7-10%).

KCPL's estimates tend to exceed the industry averages because KCPL and Aquila are neighboring utilities who can access an unusually broad range of synergies.

Industry Context for Proposed Rate Treatment of Synergies

Q: What policy objectives do regulatory commissions typically have in mind when deciding on rate treatment of merger synergies?

A: State regulatory commissions generally have similar objectives in mind when reviewing merger or acquisition applications: benefits to consumers, lack of harm to

competition, improvement in service quality, etc. (Enabling legislation or established precedents may provide more specific direction to commission decisions, of course.) Commissions commonly require a showing that the proposed rate treatment will provide an immediate and equitable share of the benefits to consumers. They also have been willing to recognize that utility shareholders should be fairly compensated for the risks they take on in implementing a merger that will benefit customers.

Q: What risks are borne by shareholders in a utility merger transaction?

A: Mergers are complex transactions that entail many risks. There are strategic risks around the choice of business models and transaction partner. There are transaction risks around quality of due diligence, pricing of the transaction, etc. Last but certainly not least, there are execution risks around the successful integration of the two organizations. If the merger does not product the intended net benefits due to any of these risks, the shareholders will pay a price through lower rates of return or decreased equity value.

Shareholders shoulder much of this risk. They bear the costs of the pre-transaction efforts, which could yield no benefits if the transaction does not go forward. They also support up-front financing of transaction costs and costs to achieve. It may be true that the customers of regulated utilities may later end up sharing some of these risks, but commissions will typically find a way to make shareholders pay if expectations are not met.

Much has been written in the business press on the high risks of mergers, and their frequent failure to produce the expected benefits. The utility industry, however, has a generally positive track record on mergers. As shown by the data on realized synergies in the preceding section, significant cost savings are normally achieved.

Q: Why must commissions provide explicitly for benefits to be allocated to shareholders?

A: In the absence of any rate mechanism for ensuring that shareholders receive benefits, the workings of the cost-of-service approach to ratemaking would capture all the transaction benefits for customers. Any cost or revenue impacts would become part of the cost basis for regulated rates. A specific mechanism or carve-out from the full cost-of-service must be used to direct a portion of utility revenues to compensate shareholders. KCPL's proposed adder to the regulated cost-of-service (or revenue requirement) is an example of such a mechanism.

Q: Is KCPL's proposal for sharing hard synergy benefits roughly equally between ratepayers and shareholders consistent with industry practice?

A: Yes. A 50/50 split of quantifiable benefits attributable to the merger is almost standard. It has been a core element of the rate treatment for many utility mergers. Commissions in many jurisdictions have regarded a roughly equal split of near-term benefits as fair, reasonable, and sufficient to induce shareholders to approve the transaction in question. The staff of the Missouri Public Service Commission has also regarded a 50/50 split as equitable, in its past testimony on the Utilicorp-SJPL transaction.

Q: Why do rate treatments for proposed mergers differ from transaction to transaction and year to year?

A: Despite their broadly similar policy objectives, commissions must deal with the differing circumstances of the merger participants, and the differences in the industry context.

The availability of hard synergy benefits certainly affects rate treatment. Some merger combinations may promise benefits that are more difficult to quantify (e.g., the benefits of Berkshire Hathaway's balance sheet for the MidAmerican-PacifiCorp merger), in which case hard benefits in rates would be more difficult for commissions to order.

The relative health of the two firms is also a consideration. In the proposed KCPL-Aquila merger, for example, KCPL would be providing financial and technical strength to Aquila, to help it regain its footing after years of financial austerity due to losses in the unregulated side of the business. Recognition of KCPL's help in addressing Aquila's challenges may be a relevant consideration for the Missouri commission.

Changes in the economic context of the industry also affects merger rate treatment. One of the prime examples is the falling unit cost environment of the late 1990s, vs. the rising unit cost environment of today. When load growth more than paid for itself in the 1998-2003 timeframe (i.e., marginal costs were below rates based on average costs), utilities could afford to commit to immediate rate decreases and medium-term rate freezes in return for merger approval. Ratepayers and shareholders could split the synergy savings from a transaction and end up with both lower rates and improved profitability. Such rate treatments were common in that period.

Now, however, we are in a rising unit cost environment. Fuel, capital equipment, environmental, and other types of costs are going up - not because of utility mismanagement, but because of external factors such as much higher fuel costs, booming commodity prices, higher equipment costs, more stringent environmental regulations, etc.

The rate treatment of a merger that is in the public interest must take into account this context.

It could be argued that the public interest rationale for cost-reducing mergers is even stronger in a rising unit cost environment. They will help hold down rate increases that would otherwise be required.

Q: How will customers of KCPL and Aquila benefit from KCPL's proposal to recover shareholders' share of merger synergies through an adder to base rates?

A: In the first five years, once the level of annual synergy benefits exceeds half of KCPL's conservative estimates (plus certain elements of costs to achieve), essentially all benefits of the transaction will flow through to customers. All synergies achieved after 2012 will also flow to customers. This is true because KCPL plans to file base rate cases every one or two years for the foreseeable future, so any cost reductions that are achieved would be reflected in the actual costs that are used to establish base rates. KCPL witness Zabors addresses this flow of benefits in more detail.

It is my considered opinion that the level of synergy benefits that will ultimately be achieved through the KCPL-Aquila merger will be substantially greater than KCPL's current synergy estimates. Joint dispatch of generation and transmission assets could add large benefits, once ISO issues are resolved. Also, due to the ability of competent utility management to find additional cost reductions or revenue enhancements as they dig deeper into the detail of integration planning, synergies tend to expand rather than contract. In my experience, the level of hard, attributable benefits actually realized through merger transactions is typically in the range of 125 to 175 percent of the announced synergies.

Thus, customers have a limited downside and a potentially quite large upside from the rate treatment proposed by KCPL.

Summary and Conclusions

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

A: My conclusions are as follows:

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

   Yes. KCPL's general approach to estimating synergies 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 KCPL's estimates of synergies reasonable, and generally consistent with the range of industry experience in similar transactions?*

   Yes. The estimated synergies are modestly above the industry average. 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 KCPL and Aquila. At least four lines of evidence support this conclusion.

3. *Is KCPL's proposed rate treatment for the merger synergies generally consistent with established regulatory policy in the U.S.?*

   Yes. KCPL proposes to share the medium-term synergies roughly equally between customers and shareholders. Most commissions, including the MPSC, regard this split as equitable and appropriate. Its mechanism for flowing through these benefits in rates is well-designed for the current rising unit cost environment, and leaves

customers with a substantial upside for additional benefits, particularly given the companies' conservative approach to estimating the synergies

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 WILLIAM J. KEMP

STATE OF MISSOURI)
)
COUNTY OF JACKSON)

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

1. My name is William J. Kemp. My office is in Sarasota, Florida, and I am employed by Black & Veatch Corporation as a Managing Director.

2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of twenty-eight (28) 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 8th day of August 2007.

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

Resume of

WILLIAM J. KEMP

Managing Director

Litigation Support
Project Economics
Strategic Planning
Mergers and Acquisitions
Asset Valuation
Industry Restructuring
Competitive Markets Analysis
Pricing and Regulatory Policy Analysis
Re-engineering/Process Redesign

Education

University of California – Berkeley; Master of Public Policy, 1981

Harvard University; Bachelor of Arts magna cum laude, 1977

National Merit Scholar, Presidential Science Scholar, National English Achievement Award

Years Experience
25

Joined B&V
2003

Professional Associations

American Public Power Association
Association for Public Policy Analysis and Management
Congress of the Electricity Production Supply Industry [Asia]
Florida Municipal Electric Association
International Association for Energy Economics
Suncoast Technology Alliance
Western Energy Institute

For more than 20 years, Mr. Kemp has delivered solutions to energy and utility industry clients on critical strategic, financial, or operational business issues. He has directed over 150 management consulting projects in the areas of mergers and acquisitions, technology and market economics, market analysis, industry restructuring, energy pricing and regulation, competitive positioning, and re-engineering/cost management. Bill has advised on power industry restructuring efforts in the U.S. (Pacific Northwest, California), Australia, New Zealand, China, India, Singapore, the Philippines, Turkey, China, and other countries, as well as on numerous energy industry mergers, acquisitions, restructurings, greenfield investments, and technology initiatives in the U.S. and overseas.

His clients have included multinational corporations, large national enterprises, many governmental agencies, leading suppliers of technology, major investment firms and law firms, and a number of middle- and small-market companies. He has testified as an expert witness before numerous courts and agencies.

Prior to joining Black & Veatch in 2003, Mr. Kemp co-founded and served as a Managing Director of Economists.com, a financial and economic consultancy. From 1986 to 1999, he was a key contributor to the growth of Deloitte Consulting, ultimately rising to become one of three managing partners for their worldwide practice in the energy and utilities industry. Mr. Kemp served on the global steering committee for Deloitte Consulting's M&A and Customer/Product Profitability service lines, and co-authored their methodologies for merger integration and analysis of utility cost drivers and cost assignments/allocations.

Consulting Experience

Mr. Kemp's consulting expertise ranges broadly across strategy, finance, technology, and operations in the energy industries. The following projects are particularly relevant to M&A synergies issues:

- Analyzed accessible synergies for numerous utility M&A transactions. Conducted first pass analyses based on public data, quantified range of potential cost savings and revenue enhancements by function. Developed extended synergies with post-contact information from target. Recommended regulatory strategies. Also assessed financial/ operational risks, set benefit goals, facilitated integration teams, helped drive benefits realization. Transactions included:
  Pacific Power & Light / Utah Power & Light
  Puget Power / Washington Natural Gas
  Pacific Enterprises / Enova
  Washington Water Power / Sierra Pacific

Resume of

WILLIAM J. KEMP

Exelon / PSEG Enterprises
Australian Gas Light / Natural Gas Corp. of New Zealand
Transalta New Zealand / Capital Energy

- Managed merger integration planning and implementation for **Puget Sound Power & Light** and **Washington Natural Gas**. Quantified merger synergies, assisted in obtaining board and regulatory approvals, developed strategic framework for merged organization, facilitated rapid technology-enabled reengineering of all 18 defined business processes, conducted detailed planning for merged operations, assisted in successful process and technology implementation. Achieved merger synergies substantially greater than targeted. Methodology developed for engagement was adopted as best practice by Deloitte Consulting and deployed across entire M&A practice.
- Analyzed potential merger synergies and transaction economics for various combinations of target firms and possible acquirers, for **top tier U.S. investment bank**. Used public and proprietary data to quantify accessible synergies and estimate likely achieved synergies. Identified issues around regulatory barriers or business model compatibility.
- Advised numerous U.S. utilities (e.g., **Duke Energy, PacifiCorp, Public Service Electric & Gas**) in efforts to acquire foreign electric/gas industry assets and enterprises. Screened potential acquisition targets, defined and managed acquisition team roles and responsibilities, independently reviewed public offering information on revenues and costs, analyzed market and regulatory impacts on revenues and risks, assessed achievable cost reductions, developed economic valuation models, coordinated with accounting and tax experts on financial structure, and supported bid negotiations.
- Assisted large **North American investment fund** in pursuing buy-side opportunities in power and water industries. Profiled current trends in power industry, identified areas with depressed asset values, advised on investment strategy for industry, evaluated specific targets, quantified potential revenue and cost improvements, developed high-level post-transaction operating plans.
- Advised **major private acquirer** on strategic and operational issues involved in bid to purchase T&D assets of top ten U.S. utility. Provided technical support for proposed novel financing structure, identified and quantified significant risks in management, operations, and information technology. Prepared due diligence and transition plans. Assisted in regulatory strategy.
- Assessed utility industry experience with merger synergies for **top ten U.S. utility**. Determined actual synergies savings through detailed analysis of pre- and post-transaction costs by functional area. Compared announced vs. realized savings, based on public and proprietary data. Also analyzed stock price performance for acquiring companies over the synergies realization cycle of 3-5 years. Developed recommendations on strategic screening criteria, regulatory strategies, and investor communications.

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

Resume of

WILLIAM J. KEMP

Strategy and Finance

Mr. Kemp has deep M&A experience on both enterprise and asset transactions, and has advised a variety of clients on growth strategies, investment opportunities, and financial risk management.

- Advised numerous energy industry clients in U.S. and Asia-Pacific on mergers and acquisitions, and post-transaction integration. Developed strategic framework, screened targets, evaluated strategic fit of customer/resource portfolios, quantified synergies, assessed regulatory/financial/operational risks, developed enterprise valuations. Set benefit goals, facilitated integration teams, 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, independently reviewed public information on revenues and costs, analyzed market and regulatory impacts on revenues and risks, assessed achievable cost reductions, developed economic valuation models, coordinated with accounting and tax experts on financial structure.
- 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 growth strategies and tactics.
- Determined appropriate valuations for production and distribution assets in various electricity or gas markets. Assessed competitive context, regulatory environment, operating strategy, forward prices.
- 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.
- Developed international strategies and business plans for U.S.-based energy companies. Assessed corporate financial objectives and risk tolerance, determined core competencies, screened global markets for locations meeting risk/return criteria, recommended partnership structures.
- Advised industrial suppliers to energy industries on growth opportunities and risks. Clients included equipment manufacturers, IT hardware suppliers, and software vendors.
- 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 required capabilities.

Representative Clients:

Areva (formerly Alstom)	American Electric Power	Idacorp
Verizon	Deloitte & Touche	Australian Gas Light
Intel	Bonneville Power Administration	Avista
Exelon	Duke Energy	State Power Corp. of China
TXU	PG&E	Electricity Corp. of New Zealand
Puget Energy	Eskom	Kohlberg Kravitz & Roberts
FirstEnergy	Entergy	[plus other confidential clients]

Resume of

WILLIAM J. KEMP

Market Analysis, Marketing and Pricing

Mr. Kemp has broad international experience in market design, analysis of competitive markets, asset valuation, regulated and competitive pricing, commodity marketing, and regulatory policy.

- 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.
- Assisted in creation of start-up retailers of gas and electricity. Assessed market opportunities, defined business model, developed business processes, acquired human and IT resources, analyzed resource and customer portfolio risks, purchased customer bases, 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.
- Advised large retail chains on energy facility management and energy procurement. Assessed current supply arrangements, recommended revised portfolio strategies and operations practices.
- Implemented marketing information systems for commodity retailers. Assessed marketing program requirements for IT support, adapted existing solution, built interfaces, supported applications.
- Assisted in enhancing revenues through service differentiation and unbundling, for suppliers of energy services. Segmented local markets, redefined service bundles, developed pricing.
- Assisted major U.S. energy firms in retaining large industrial customers. Analyzed economics of customers' alternative supplies, developed competitive pricing offers, assisted in negotiations with customers and regulators.
- 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:

Nordstroms
Areva
RTO West
Electricity Corp. of New Zealand
U.K. Dept. of Energy
Napocor (Philippines)
Washington Natural Gas
PG&E
Bonneville Power Administration
President's Council on Environmental Quality
State Electricity Commission of Victoria (Australia)
Edison International
East China Power Group
State Power Corp. of China
Statoil
Transalta
Hydro-Electric Commission of Tasmania

Resume of

WILLIAM J. KEMP

Energy Operations and Technology

Mr. Kemp has led a large number of engagements to improve operations, implement new technologies, redesign business processes, and reduce costs.

- Developed information technology 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.
- Conducted benchmarking and comparative practices studies for utility operations. Developed consistent engineering and accounting information, analyzed key practices and metrics.
- 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.
- Directed merger integration planning and implementation for energy companies in U.S. and Australia/New Zealand. Achieved merger synergies substantially greater than targeted. Led development of M&A integration methodology later adopted as best practice by Deloitte Consulting.
- 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.
- Provided program management for regional enterprises responsible for developing and operating commodity markets and related financial markets. Defined business and functional requirements for technology, assisted in organization design, designed business processes, selected technology vendors, identified and addressed major programmatic risks, recommended staging plans.
- Advised on organizational restructurings, carve-outs, and spin-offs for major industrial corporations and public agencies. Clarified change mandate, defined roles and functions for new units, identified human and financial assets to be allocated from parent, recommended corporate structure and governance mechanisms, analyzed organization development issues, drafted initial business plans.
- Conducted operations reviews and improvement projects for financial and operational processes in large energy companies. Identified deficiencies; recommended improvements in processes, operations technology, information systems, and organization structure.
- Assisted commodity producers in analyzing the operational economics of their 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	New York Independent System Operator	Sacramento Municipal Utility District
Mossgas		

Litigation Support

Mr. Kemp has led teams providing the full range of litigation support services, and has served as an expert witness on energy markets, valuation of energy enterprises and assets, and economic damages in a number of contexts.

- Served as expert witness in legal disputes regarding enforceability of commodity supply contracts in unusual 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. Considered issues related to client bankruptcy filings. Coordinated with outside and 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.
- Developed loss profits claims related to business interruptions. Quantified "but for" baseline profits, calculated actual post-event profits, estimated lost profits associated with reduced investment funds.
- 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 studies of energy industry practices in construction accounting, cost accounting, cost allocations to products and customers, and financial reporting.

Representative Clients:

Norsk Hydro	U.S. Dept. of Justice	Lyon Productions
Bethlehem Steel	Snohomish PUD	North Pacific Seafoods
Kaiser Aluminum & Chemical	Bonneville Power Administration	Kuaui Electric
Daishowa America	Washington Natural Gas	Williams Group

Resume of

WILLIAM J. KEMP

PROFESSIONAL EMPLOYMENT

2003 – Present	**Black & Veatch Corporation**	
	Managing Director, Business Strategy/Planning Practice Lead	
2001 – 2003	**Economists.com**	
	Managing Director	
1999 – 2001	**Precise Power Corporation**	
	President / Chief Operating Officer	
1986 – 1999	**Deloitte Consulting**	
	Managing Partner, Asia-Pacific-Africa Energy Practice	1997-99
	Lead Partner, U.S. West Energy Practice	1995-97
	Partner, U.S. Northwest Practice	1993-95
1981 – 1986	**Pacific Gas and Electric Company**	
	Supervising Wholesale Rate Engineer	1984-86
	Senior Regulatory Analyst	1983-84
	Fuel Economist	1981-82
1982 – 1983	**Southern California Edison Company**	
	Regulatory Cost Analyst	
1980 – 1981	**U.S. Department Of Energy**	
	Research Specialist, Energy Demand Forecasting	
1980	**Office of the White House, President's Council on Environmental Quality**	
	Regulatory Economist	

Resume of

WILLIAM J. KEMP

EDUCATION

University of California – Berkeley; Master of Public Policy, 1981
focus on Energy and Environmental Policy

Harvard University; Bachelor of Arts, magna cum laude in Anthropology; 1977
secondary focus in Physics

National Merit Scholar, Presidential Science Scholar, National English Achievement Award

PROFESSIONAL MEMBERSHIPS (and offices held)

American Public Power Association

Association for Public Policy Analysis and Management

Congress of the Electricity Production Supply Industry [Asia]

Edison Electric Institute

Florida Municipal Electric Association

International Association for Energy Economics
Northwest U.S. Chapter President
Chairman, 1993 North American Conference, Seattle
Co-Chairman, 2000 Global Conference, Sydney (resigned after move from Sydney)

Suncoast Technology Alliance

Western Energy Institute
Accounting and Finance Committee
Non-Utility Generation Committee

CIVIC/CHARITABLE ORGANIZATIONS (selected; and offices held)

Precise Power Foundation (President)

University of South Florida President's Council

Oregon Environmental Council (Board member)

First Presbyterian Church, Bradenton, FL (Elder; Mission Committee Chairman)

Agape Flights

SUMMARY OF TESTIMONY EXPERIENCE
WILLIAM J. KEMP

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
Direct Expert Witness Testimony					
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
Guam Public Utilities Commission	94-010	Guam Power Authority	Guam Power Authority	1995	Load study design and analysis, cost of service analysis
Guam Public Utilities Commission	89-002	Guam Power Authority	Guam Power Authority	1994	Transmission-level and retail cost of service analyses, interruptible rates, rate design, labor costs, performance standards, power/water synergies

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
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
Testimony Prepared on Behalf of Clients					
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

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
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
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

JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	YEAR	SUBJECT MATTER
U.S. District Court, Alaska		North Pacific Seafoods	North Pacific Seafoods	1990	[Exxom 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 KCPL-Aquila Synergies by Function

2006 NFOM Baseline

Function	KCP&L	Aquila	Total
	(2006 $million)	(2006 $million)	(2006 $million)
Generation Non-Fuel O&M	$ 177.3	$ 39.3	$ 216.6
Transmission O&M	$ 14.2	$ 8.2	$ 22.4
Distribution O&M	$ 75.4	$ 25.1	$ 100.4
Customer Service	$ 13.3	$ 12.0	$ 25.2
Sales	$ 2.6	$ 0.9	$ 3.5
Administrative & General	$ 70.1	$ 65.6	$ 135.7
Total Non-Fuel O&M	**$ 352.8**	**$ 151.0**	**$ 503.8**

Sources: KCPL actual 2006 costs
Aquila 2006 management report on MO revenue requirement basis

Estimated 2010 Non-Fuel Synergies

Function	NFOM	Supply Chain	Projects	Total Synergies	Total Synergies	% of Baseline
	(2010 $million)	(2010 $million)	(2010 $million)	(2010 $million)	(2006 $million)	
Generation Non-Fuel O&M	$ (4.7)	$ (4.0)	$ -	$ (8.7)	$ (7.7)	-3.6%
Transmission O&M	$ (1.7)	$ (1.7)	$ (0.1)	$ (3.6)	$ (3.2)	-14.1%
Distribution O&M	$ (0.6)	$ (7.8)	$ (1.3)	$ (9.7)	$ (8.6)	-8.6%
Customer Service	$ (0.7)	$ (2.0)	$ (4.3)	$ (6.9)	$ (6.1)	-24.2%
Sales	$ 0.0	$ -	$ -	$ 0.0	$ 0.0	0.0%
Administrative & General	$ (11.8)	$ (11.3)	$ (5.3)	$ (28.4)	$ (25.1)	-18.5%
Total Non-Fuel O&M	$ (19.3)	$ (26.9)	$ (11.0)	$ (57.2)	$ (50.7)	-10.1%

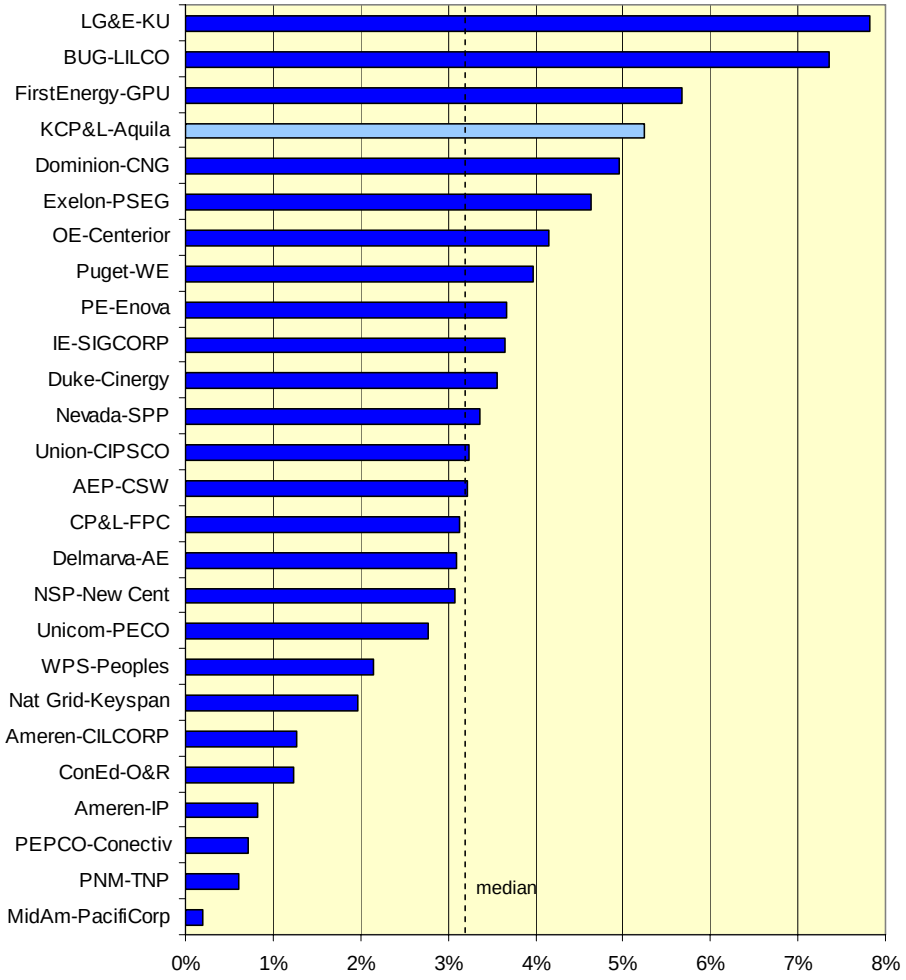
Source: KCPL synergies analyses

GREAT PLAINS ENERGY

Schedule WJK-4: Announced Synergies

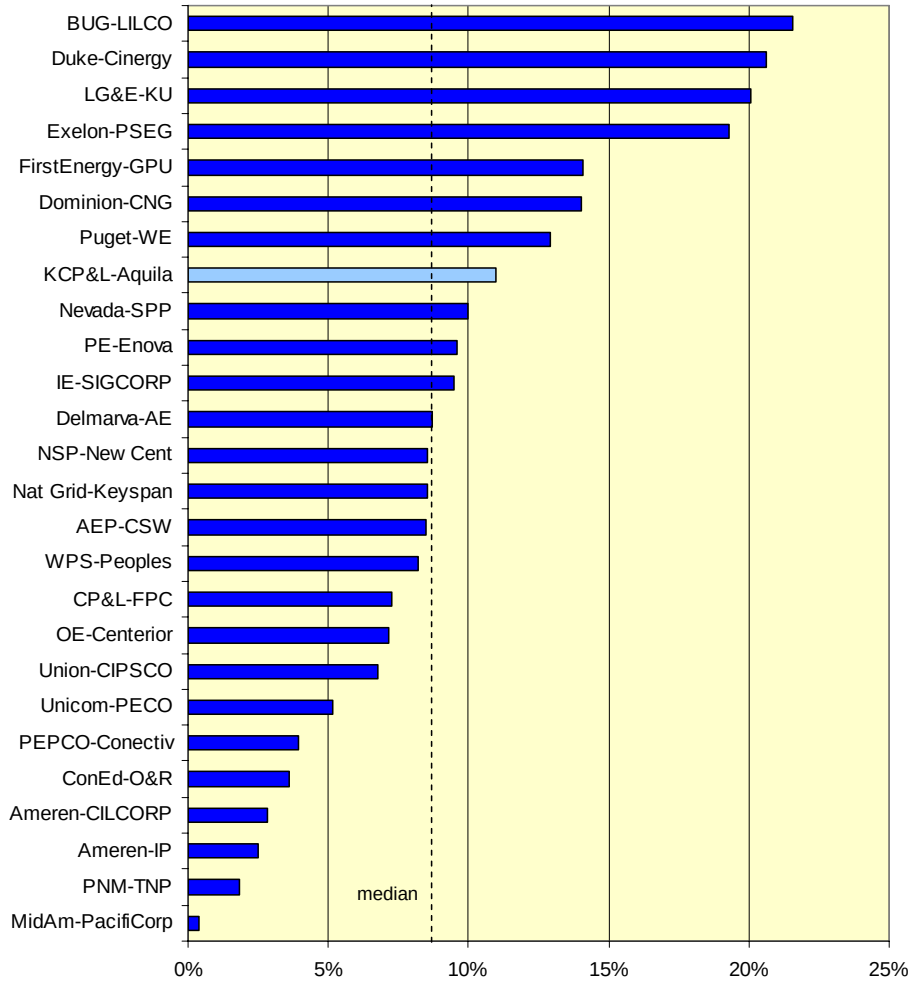
Announced Synergies as % of Utility Total O&M

(Announced Annual Synergies By Year 3 (1) vs. Combined Annual O&M Expenses Before Closing) (2)



Announced Synergies as % of Utility Non-Fuel O&M

(Announced Annual Synergies By Year 3 (1) vs. Combined Annual Non-Fuel O&M Expenses Before Closing) (2)



(1) Source: SEC filings and press releases. Includes fuel/purchased energy savings

(2) O&M from FERC Form 1 and 2 reported costs in calendar year prior to closing; includes all utility operating companies reported by shown parent firms

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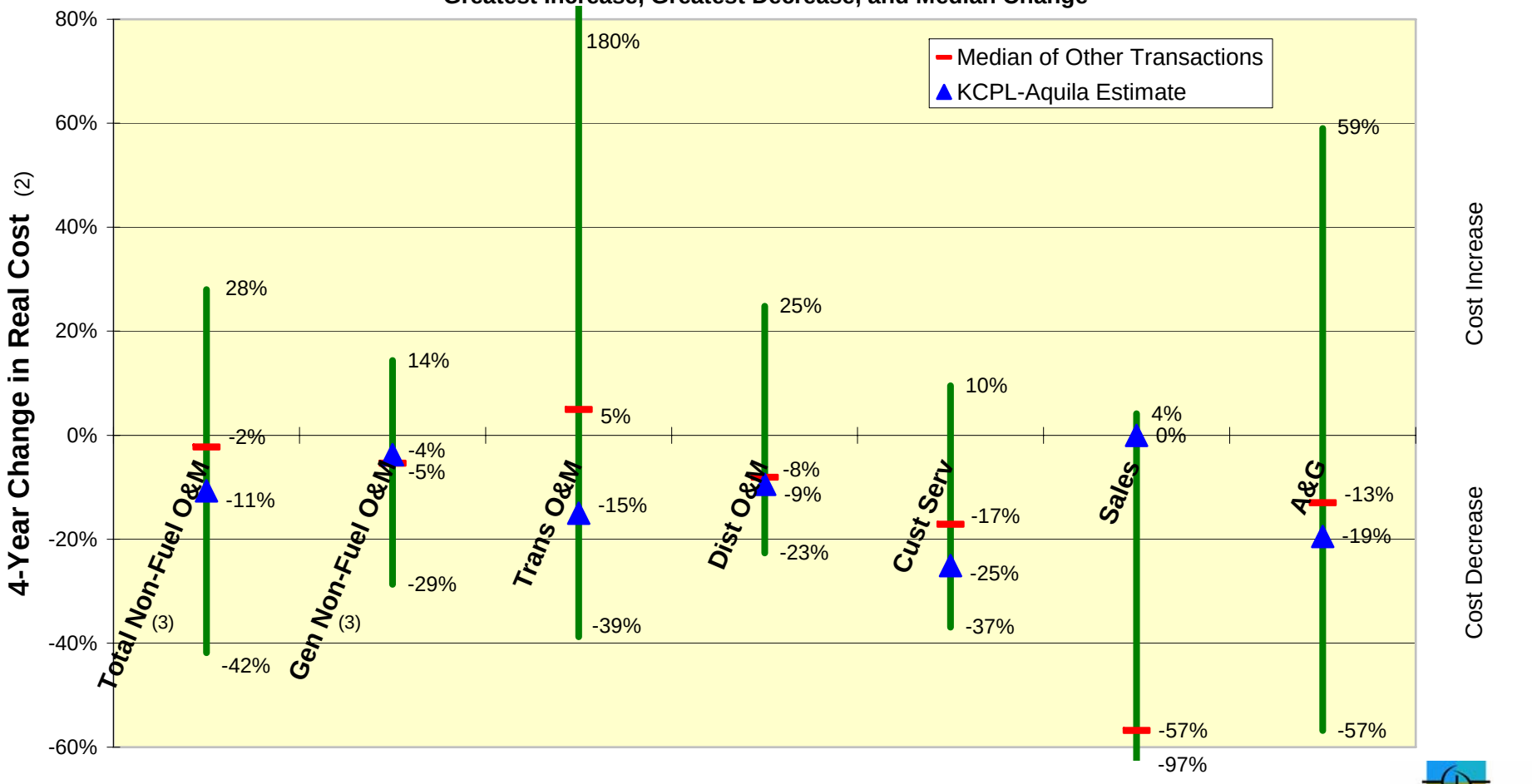
Schedule WJK-5: Realized Synergies by Function

Post-Transaction Changes in Electric Costs

15 U.S. Electric Utility Merger Transactions, 1997-2003

Sum of Separate Utility Costs in Year Prior to Closing vs. Combined Utility Costs 4 Years Later (1)

Greatest Increase, Greatest Decrease, and Median Change



(1) Source: FERC filings
(2) Adjusted for inflation at CPI
(3) Generation non-fuel O&M excluded for transactions firms that divested generation

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