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CASE NO.: EM-2007-0374

**SUPPLEMENTAL DIRECT TESTIMONY
PURSUANT TO THE SCHEDULING ORDER**

OF

JOHN MARSHALL

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
August 2007**

**Certain Schedules Attached to this Testimony Designated "HC"
Have Been Removed
Pursuant to 4 CSR 240-2.135**

**SUPPLEMENTAL DIRECT TESTIMONY
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OF

JOHN MARSHALL

Case No. EM-2007-0374

1 **Q: Are you the same John Marshall who submitted direct testimony in this proceeding?**

2 A: Yes, I am.

3 **Q: What is the purpose of your testimony?**

4 A: The purpose of my testimony is to describe the inherent value in this merger – the amount
5 quantified in the synergy estimates and the long term potential and societal benefits of the
6 combination.

7 I will cover the impact on non-fuel operating expenses, staffing and savings in Aquila’s
8 corporate costs not allocated to Missouri. The operating synergies themselves are
9 presented in Schedules RTZ 6-11 of witness Robert Zabors. Witness William Kemp’s
10 testimony offers an independent assessment of these synergies and the process used to
11 determine them. Witness Terry Bassham will cover the financial aspects of the merger
12 consistent with these operational savings.

13 **Q: What is your role in the merger integration planning process?**

14 A: I am the leader of the integration planning process, as noted in the project structure
15 depicted in schedule RTZ-5 of witness Robert Zabors. My primary participation is
16 through Integration Planning Leadership and Steering Teams and direct interaction with
17 team leaders and the executives of Great Plains Energy Incorporated (“Great Plains

1 Energy”), Kansas City Power & Light Company (“KCPL”), Aquila, Inc. (“Aquila”) and
2 Black Hills Corporation (“Black Hills”).

3 **Q: How will you organize this discussion?**

4 A: First, I will describe how this merger will create lasting value for customers through
5 operational benefits and opportunities for synergies in non-fuel O&M expenses and
6 reduction in rate base and purchased power costs.

7 Next, I will summarize the results of the integration planning teams working on the
8 proposed acquisition of Aquila by Great Plains Energy (the “Merger”), relating to
9 staffing and the high level organizational model. I will also describe the management
10 approach that we will use to ensure we realize these savings. In addition, I will discuss
11 how other benefits not included in the five-year synergy calculation extend for many
12 years, having a long-lasting positive impact on customers, communities and the
13 environment.

14 Finally, as the leader of the merger integration planning team, I will describe the benefits
15 identified in the synergy analysis in operational and support areas. Other witnesses will
16 provide more detailed support of these areas. As KCPL’s Senior Vice President of
17 Delivery I will describe the synergies identified in the Delivery functions – Transmission,
18 Distribution, Customer Service, Energy Solutions and Information Technology.

19 **Q: Will your testimony refer to the testimony of other witnesses?**

20 A: Yes, I will refer to the testimony of witnesses Terry Bassham, Kevin Bryant, Wallace
21 Buran, Dana Crawford, William Herdegen, William Kemp, Chuck Tickle and Robert
22 Zabors.

1 **OPERATIONAL BENEFITS**

2 **Q: What do you see as the key operational benefits of the Merger?**

3 A: The merger makes sense on many levels. Fundamentally, the combination will result in a
4 utility better prepared to meet the near and longer-term energy needs and challenges of
5 the Kansas City metropolitan area and the region. It is a merger that will provide long-
6 term benefits to our customers, communities and the environment.

7 From a T&D perspective, understanding the logic of this deal is as simple as looking at
8 the map of the service territories of the two companies. As you can see in the map in
9 Schedule JMM-1, the two service territories fit together very well. Consolidating
10 adjacent operations will enable the two companies to more efficiently cover the same
11 area. The newly merged company will serve a combined metropolitan customer base of
12 over 625,000 – an increase of almost 40% for KCPL today - and over 170,000 rural
13 customers. Applying KCPL’s expertise in managing urban areas and Aquila’s experience
14 in managing rural areas will contribute to improved long-term performance.

15 Transmission assets are also adjacent, with some substation assets jointly owned. An
16 integrated customer service function will build upon the performance improvements that
17 have been demonstrated by both companies. From an energy supply perspective, the
18 merger will provide greater scale and enable both companies to benefit from the
19 processes and skills of each other. Increasing efficiency and availability of generation
20 assets delivers significant financial and environmental benefits and reduces customers’
21 exposure to the volatility of the regional power market. The companies are currently joint
22 owners of Iatan 1 and 2, so the combination will simplify this structure.

1 Scale advantages and process improvements will also apply to support functions, where
2 the combination will enable reduction of many overlapping positions. But from a
3 workforce perspective, it is important to note than no union employees will lose their job.
4 While positions will be reduced in management, we hope that many talented Aquila
5 employees will find opportunities with Black Hills or with KCPL in positions created due
6 to attrition.

7 In particular, the logic of this merger is compelling from the perspective of facilities and
8 supply chain. Facility consolidation and rationalization across the service area reduces
9 costs for customers and supports integrated response. The reduction of duplicate facilities
10 – including headquarters and data center operations that neither party could do alone –
11 reduces operating expenses and rate base. Facility consolidation is also a component of
12 supply chain management synergies, which are significant. These include sourcing,
13 materials management, fleet and contract management. Finally, from a community and
14 communication perspective, since the majority of customers live in the same metropolitan
15 area, the merger enables more effective interaction with them, and a more coordinated
16 role in supporting the needs of our community. Improving the total living environment of
17 our communities is an essential part of GPE’s intent, and the addition of Aquila provides
18 a substantially stronger platform to deliver results.

19 As a utility, our success is inextricably linked to the success of our communities.

20 Competitive energy prices for our consumers, a valuable tool in attracting new economic
21 development, is but one key benefit of the new company. KCPL is committed to the
22 collaborative community process that we’ve demonstrated to collectively address the
23 issues of energy price stability, environmental impact, sustainability, reliability, and

1 energy efficiency. In addition, KCPL as a larger, stronger utility, headquartered in
2 Kansas City, strongly encourages volunteerism into the communities we serve. We
3 would expect the 20% employee volunteerism that we currently enjoy would grow and
4 expand into the Aquila territories with our new employee base. KCPL believes that this
5 not only creates a more engaged employee, but one that is committed to the communities
6 and customers that we serve. Shareholder investment in contributions and philanthropic
7 efforts, as a percentage of net revenue, is expected to continue with the new entity.

8 **Q: Why do you describe this as ‘long-term value’?**

9 A: The first five years – the timeframe quantified in the synergy analysis – is just the start.
10 The operational improvements I’ve just described will have a lasting impact. In most
11 areas, savings identified go well beyond the first five years of the combined entity. In
12 particular, the major projects the team identified: energy efficiency, generation
13 performance improvement, billing enhancements, facilities consolidation and supply
14 chain management - only begin to realize savings during this period. If a ten year forecast
15 was used, a simple estimate of synergies would be an additional \$450 million for
16 customers over the second five year period. Schedule RTZ-12 quantifies the total 10 year
17 benefit at \$755 million. In addition, our management approach to this combination, a
18 pursuit of Tier 1 performance, is a continual process. It has demonstrated results for
19 KCPL over the past five years, and will continue to do so in the merged company.

20 **Q: Are there other sources of value not included in the synergies already described?**

21 A: Yes. I’ve just described major sources of synergy that go well beyond the five-year
22 window of analysis. Other critical benefits are not quantified at all. By adding talent,
23 scale and financial stability, the combined organization will be better able to understand

1 and address the needs of the communities we serve. We have been conservative and
2 detailed in our approach to operational synergies and have not included a wide range of
3 opportunities that are likely to occur that will create additional value. At present, we have
4 not attempted to quantify the impact of joint dispatch. If we are able to align operations in
5 a single control area, there are likely to be numerous benefits in areas such as load
6 following, outage planning, and spinning reserves. Finally, we have not attempted to
7 quantify all of the customer and societal benefits.

8 **Q: What societal and customer benefits have not been quantified?**

9 A: The further deployment of energy efficiency programs throughout Aquila's Missouri
10 service area will help customers become more active participants in their use of energy.
11 Customers will have the opportunity for measurable change, and the community at large
12 will benefit from the environmental benefits of such programs.

13 The impact of the Merger on Aquila's future generation needs has also been excluded
14 from this analysis. Joint planning of both demand and supply resources, as defined in
15 integration planning will help to offset that need, and reduce price volatility for
16 customers. No benefit is ascribed to that improvement.

17 Environmental benefits from generation efficiency and customer-focused energy
18 efficiency will provide benefits to the entire region, but have not been quantified in this
19 analysis. KCPL has been a leader in improving regional air quality and expects to
20 continue and expand that leadership role with the merger.

21 **Q: Have you evaluated the effect of the merger and integration activities on Aquila's**
22 **corporate costs not specifically allocated to Missouri in the most recent rate case?**

1 A: We have identified over \$302 million in corporate costs over five years, which were
2 formerly allocated to non-Missouri jurisdictions by Aquila, using 2006 spending levels as
3 a baseline. These costs will be eliminated upon the consummation of the Merger. The
4 benefits, \$302 million over five years, are presented in Schedule RTZ-6 of Witness
5 Robert Zabors. Aquila had not forecast a significant reduction of these costs in future
6 years if it were to remain an independent entity, but those reductions are not a part of our
7 regulatory request.

8 **Q: Please describe the nature of these costs.**

9 A: These costs relate primarily to employees who work in Missouri in shared service
10 activities but who are not scheduled as part of the asset sale agreement to transfer to
11 Black Hills. Elimination of these positions are true reductions to Aquila's cost structure,
12 and in many cases represent portions of employees and assets not allocated completely to
13 Missouri, such as call center positions and fractions of corporate costs. Most of the
14 positions reduced through the combination are of this nature - *i.e.*, not counted as
15 synergies directly impacting the Missouri regulatory jurisdiction. Nevertheless, they are
16 tangible operational improvements and benefits of the merger.

17 **Q: Why does the asset sale to Black Hills cause a need to address these costs?**

18 A: Many centralized Aquila functions supported the combined five state operations. The
19 way we structured our transaction with Black Hills positioned us to identify and eliminate
20 these redundant or unnecessary costs. Going forward, both GXP and Blackhills will be
21 able to focus on businesses complementary to their strategy and existing businesses. The
22 completed Transition Services Agreement (“TSA”) with Blackhills, will enable the swift
23 and efficient separation of operations and therefore reduction in overhead costs. Black

1 Hills will adopt many of Aquila's systems and also provide opportunities for Aquila
2 employees.

3 **ORGANIZATION AND MANAGEMENT APPROACH**

4 **Q: How did you organize the teams?**

5 A: We organized ourselves for success, and a swift and seamless integration, and at the same
6 time worked to ensure current operations maintained their high standards. The goals of
7 the process are described in Schedule RTZ-3 in the testimony of Robert Zabors. That
8 page was used in the initial presentation to employees on February 7th and many times
9 thereafter, as we worked to achieve understanding and buy in at multiple levels. As the
10 teams reached conclusions about the future operating models and synergies, we expanded
11 the process to include all KCPL officers and several from Aquila to test our thinking and
12 ensure transparency of decision making. An independent assessment of the process can
13 be found in the testimony of William Kemp.

14 **Q: How will the organization work together to achieve these improvements?**

15 A: It starts with culture. An emphasis on building a common culture is already underway
16 through a joint Aquila/KCPL team. It is part of the overall integration planning
17 organization as noted in Schedule RTZ-5. This team is working to understand and
18 address some of the most challenging aspects of merging and managing the new
19 organization. This focus on culture goes back to the development of KCPL's
20 Comprehensive Energy Plan, where a team focused on culture was integrated with other
21 strategy development teams.
22 KCPL has defined the characteristics of a winning culture to be engaged employees,
23 inspired leaders and disciplined performance management. The compelling benefits and

1 opportunities in this merger will drive engagement and inspiration. From a performance
2 management perspective, we will continue to manage the business around Safety,
3 Reliability, Customer Satisfaction and Cost. We have extensive and effective
4 performance management systems in place that includes using the balanced scorecard to
5 align goals throughout the organization. That will continue in the new organization.
6 We approach continuous improvement with a focus on Tier 1 performance. Our most
7 recent customer satisfaction score from JD Power and Associates [see Schedule JMM-3]
8 confirms our Tier 1 performance. Our achievement of this level was the result of
9 extensive operational benchmarking and a sustained focus on operational performance
10 enabled by a winning culture. We will use a similar focus to move towards Tier 1 in the
11 merged organization. Use of benchmarking and a clear focus on Tier 1 performance as
12 the means to achieve best practices, has served KCPL well. This is a continual
13 performance improvement effort that will not stop at the end of the five-year period used
14 for the synergy analysis.

15 **Q: What are the staffing implications?**

16 A: The net change in staffing is presented in Schedule RTZ-9. Almost 900 Aquila positions
17 will be included in the combined company. Over the first five years the number will drop
18 to 843 positions, as transitional roles are not needed and integration projects yield results.
19 As noted earlier, these are positions, not employees. As in any organization, there is a
20 steady stream of new opportunities due to the normal pace of retirements, attrition and
21 changes in workload.

22 **Q: How will the organizational structure change from today?**

1 A: Although many new employees will be added to KCPL's organizational structure, there
2 will be little change to the structure itself. Schedule JMM-4 [HC] depicts the growth of
3 the organization due to the addition of incremental Aquila employees. There are no
4 incremental and total positions. There is no incremental change in GPE, and the
5 employees represented as GPE are the CEO, Corporate Secretary and General Counsel,
6 and related administrative support. All others are captured in the functional utility
7 organization chart in the schedule. It depicts the staffing level for each group – current,
8 incremental and total. The difference between Aquila employees allocated to the
9 Missouri operations as of December 31st 2006 and the incremental number represent
10 synergy savings. Total and incremental position requirements result from the needs
11 identified by each team, validated through extensive discussion with integration planning
12 team leadership. The chart reflects the total complement of people that will be supporting
13 the utility.

14 We are continuing to refine this structure and will file a more detailed chart on October 1,
15 2007. As previously explained, Bill Downey will continue to lead KCPL as the President
16 and CEO, and Mike Chesser will continue as the CEO of Great Plains Energy.

17 **Q: Please explain the labor strategy for moving forward with the organization**

18 A: In order to achieve the Company's objective of being a strong regional electric utility –
19 providing solid customer service, good reliability and infrastructure maintenance, strong
20 community relationships and response, and general efficiencies – it is important that we
21 engage our employees and ensure their commitment to operating as one company. The
22 Company feels strongly that from a winning culture perspective, on Day One of the
23 transaction Aquila employees should feel valued as KCPL employees whose

1 contributions are appreciated. Consequently, KCPL intends to pursue negotiations that
2 will result in the integration of the Aquila employees currently represented by IBEW 695
3 and 814 into KCPL's three existing bargaining units pursuant to a negotiated agreement.
4 As announced from the outset, KCPL recognizes and is committed to working with the
5 IBEW as the representing organization for the currently covered Aquila employees, and
6 looks forward to working collaboratively with them, as well as with the existing KCPL
7 bargaining units, towards a positive negotiated outcome.

8 The Company believes that by combining as described, it will have more flexibility in
9 aligning employees with customers' needs, and will provide better service. Union
10 employees will also have expanded opportunities and options in their work locations and
11 assignments. From alignment of safety programs to other work practices, it will result in
12 a stronger, unified company from Day One.

13 In the event KCPL is not successful in negotiating an appropriate integration result, it
14 will consider alternative strategies which include integration of certain Aquila functions
15 and employees, and continuing to operate under the existing Aquila contracts for the
16 remaining employees.

17 **REVIEW SYNERGIES IDENTIFIED IN THE OPERATING FUNCTIONS**

18 **Q: Where do synergies occur in the Delivery business?**

19 A: Delivery consists of Distribution, Transmission, Energy Solutions, Customer Service and
20 IT. Every function within Delivery realizes some form of savings. And most areas
21 generate benefits from specific integration planning projects.

22 **Q: What synergies have been identified in the Distribution function?**

23 A: Synergy comes from 2 areas.

- 1 • First, there are synergies in Distribution operating expenses generated from the
2 economies of scale of combining two similar operations in adjacent service territories. As
3 no union employees will be affected, these synergies are primarily non-labor spending.
- 4 • The second opportunity is driven by the Distribution Facilities Consolidation synergy
5 project. This project consolidates five existing service centers into two. In addition to
6 synergies identified in the project, the service center consolidation will deliver labor-
7 based scale economies.

8 **Q: Can you provide details about this project?**

9 A: The greater Kansas City metropolitan area of the post-merged organization will be
10 managed as a single district. To more efficiently serve the metropolitan area we will
11 undertake two service center consolidation efforts. In addition to improved efficiencies,
12 these consolidations also will help foster a unified culture by including staff from both
13 companies in common facilities.

14 The first consolidation will merge operations of existing Liberty and Platte City service
15 centers into KCPL's Northland facility. This consolidation effort should be completed
16 within the first six months post deal close. The second consolidation will combine
17 existing service center operations in Lee's Summit, Blue Springs, and Dodson into a new
18 facility to be built in/or near Lee's Summit along the I-470 corridor.

19 Capital investments necessary for the consolidation efforts are expected to be \$22.4
20 million. Offsetting these capital investments are the elimination and sale of replaced
21 facilities as well as future capital improvements avoided by the consolidation effort. In
22 total, estimated capital offsets are \$22 million.

1 The consolidation effort will deliver labor efficiencies from economies of scale. These
2 benefits are not included in the synergy summary for facilities consolidation since these
3 are internal administrative and support synergies and accounted for in the distribution
4 synergies.

5 The effort, over the 2008 – 2012 timeframe will deliver operating synergy of \$6.8
6 million. Of this savings, approximately 45% is generated from lower facility O&M costs,
7 since we will maintain two facilities instead of the current five. The remaining 55% is
8 expected to accrue from a reduction in contractors, since the contractor needs on facilities
9 being eliminated are much greater than the anticipated needs of the two target facilities.
10 We believe that these changes will continue to improve customer satisfaction, reliability,
11 safety and cost related to the Distribution function.

12 **Q: Please describe the synergies in Transmission**

13 A: Operating synergies result from managing a larger system, two control areas and
14 rationalized facilities.

15 **Q: Can you provide more detail?**

16 A: Transmission Synergy comes from two areas:

- 17
- 18
- 19 • The first area is economies of scale from combining similar operations in adjacent service
20 areas. Similarly, scale economies will allow the post-merged organization to reduce one
21 five-man contract service crew.
- 22 • The second synergy area is from a potential combined Regional Transmission
23 Organization (“RTO”) membership. Post merger, there is a potential, subject to
24 regulatory approvals, of KCPL and Aquila being in the same RTO.

1 **Q: Please provide an update for the Aquila and combined organization RTO**
2 **membership.**

3 A: Aquila already has committed to join an RTO through its merger agreement in Docket
4 No. EM-2000-292 (the St. Joseph Light and Power Company merger). Aquila has
5 recently completed a study to determine the costs and benefits of Aquila's RTO
6 participation, and it plans to file an application with the MPSC requesting approval to
7 join an RTO in the near future. Any steps Aquila may take toward changing its RTO
8 status would require FERC and Commission approval.

9 **Q: Please describe the synergies in Energy Solutions**

10 A: Energy solutions offers the potential for cost reduction, but more importantly will be the
11 function leading key integration projects that expand KCPL's capabilities and practices in
12 energy efficiency, eServices and other areas to Aquila customers. These programs will
13 improve customer interaction with the company and provide customers with ways to
14 better manage and monitor their energy use.

15 **Q: Please be more specific about how the synergies will be realized**

16 A: There are savings generated due to the consolidation of overlapping positions. For
17 example, in solutions development, KCPL has the existing scale required to provide a
18 required level of customer programs by adding 5 incremental resources.
19 KCPL will use the experience gained in its Energy Efficiency efforts to accelerate the
20 benefits within the Aquila and KCPL service territories. KCPL will offer 21 of its
21 existing 29 programs to Aquila's customer base and utilize its regulatory compact and
22 financial leverage to provide the necessary funding.

1 To capture further benefits, KCPL will leverage its existing Automated Meter Reading
2 (“AMR”) experience to develop an AMR infrastructure within the Aquila service
3 territory. Use of this technology will enable enhanced program opportunities.

4 KCPL will use its existing eServices infrastructure to accelerate Aquila’s move to a more
5 accurate, more responsive customer experience. More detail can be found in the
6 testimony of Witness Kevin Bryant.

7 **Q: Please describe synergies in Customer Service**

8 A: Customer Service is a critical function – particularly in the context of a merger. Teams
9 have focused on realizing operational savings in the context of maintaining or improving
10 current levels of service, as consistent with the goals of the integration planning project
11 as presented in Schedule RTZ-3. Both companies have experienced improvements in
12 customer service in the past few years, and we are focused on continuing to improve.

13 **Q: What specific areas in customer service will recognize synergies?**

14 A: Synergy comes from three areas:

- 15 • First, in the call center, Aquila has more automation than is currently in place at KCPL
16 today. Incremental automation includes computer-telephony integration (CTI), an
17 electronic interface with energy assistance agencies, and automated information retrieval
18 and processing of customer information from external information providers for
19 verification purposes.

20 The merged organization will leverage legacy Aquila’s technology and associated
21 technical and process expertise to increase call center automation and deliver associated
22 productivity efficiencies. We expect labor productivity efficiencies consistent with levels
23 achieved by legacy Aquila (we have excluded for synergy purposes efficiencies

1 associated with the current Aquila customer base since these capabilities exist at Aquila
2 today).

3 In addition to productivity efficiencies, the electronic interface with energy assistance
4 agencies will deliver additional benefits. Consistent with historical Aquila experience,
5 we anticipate assistance funding to increase for customers most in need across the post-
6 merged organization customer base. This increased funding is a service level benefit to
7 our customers most in need and provides the additional benefit of decreasing account
8 write-offs. The decreased write-offs attributable to increased enrollment of eligible
9 KCPL customers are expected to generate synergies consistent with Aquila's historical
10 experience across its Missouri electric customer base.

11 The automation will deliver significant customer service benefits. CTI will pre-populate
12 CIS information and present this information to agents as a customer call is received.
13 This will shorten the time customers need to spend on the phone by eliminating the need
14 for the agent to query CIS for initial customer information after a call is received.

- 15 • The second source of Customer Service Synergy is from the Energy Solutions eServices
16 initiative. This initiative leverages existing KCPL technology and process expertise, to
17 generate Non-Fuel Operation & Maintenance ("NFOM") expense savings in the
18 Customer Service area by decreasing call volumes and associated labor needs as Aquila
19 customers migrate to more convenient electronic self-service alternatives via the Internet.
- 20 • The third source of synergy is from labor efficiencies generated from economies of scale
21 achieved by merging similar operations of the two companies.

22 It should be noted that while we expect significant labor efficiency-related NFOM
23 reductions from the merger, much of this is offset by wage increases needed to bring

1 some parallel Aquila positions in line with higher wage levels that currently exist at
2 KCPL.

3 More information on customer service is in the testimony of William Herdegen.

4 **Q: How will synergies be realized in IT?**

5 A: To enable realization of synergy value and provide a seamless transition for the
6 customers and employees of both companies, KCPL's IT team is working closely with
7 the business areas and with their counterparts at Aquila to consolidate and integrate key
8 infrastructure and business applications. Consolidation of customer service and billing,
9 finance and accounting, and human resources applications are planned at or near Day 1.
10 In addition to support and maintenance savings gained, the consolidation and integration
11 will provide a consistent customer experience and sustained or improved levels of
12 service. As the transition continues, IT will consolidate field and plant systems providing
13 additional efficiencies and process improvements.

14 **Q: What are the specific sources of operating savings in IT?**

15 A: Detailed descriptions of savings can be found in the testimony of Witness Chuck Tickles.
16 These direct savings are in five areas: (1) Application portfolio rationalization;
17 (2) Consolidation of the telecom and data networks and moving to KCPL's privately
18 owned network model; (3) Consolidation of the production and disaster recovery Data
19 Center facilities of the combined companies, including server, disk storage and core
20 networking infrastructure; (4) Combining the Aquila and KCPL Energy Management
21 Systems ("EMS") into the new KCPL EMS that will be implemented in 2008; and (5) the
22 combination of the Aquila and KCPL IT organizations - resulting in a manpower

1 reduction based on the separate organizations. More detail on IT synergies can be found
2 in the testimony of Chuck Tickles.

3 **Q: What synergies have been identified in Supply?**

- 4 • A: The Supply function has two major functions in scope – plant operations and
5 energy resource management. Plant operations synergies are in multiple areas. . First,
6 teams will focus on optimizing the operation of Sibley #3 by utilizing KCPL combustion
7 expertise and outage management. Second, teams will utilize the economies of scale in
8 the gas fleet and Aquila expertise to improve combined CT operations. Third, teams will
9 use KCPL experience, processes, and tools to develop a holistic program for improving
10 plant heat rate. Fourth, we will use KCPL experience with boiler tube failures to deliver
11 improved performance. Fifth, teams will leverage KCPL combustion and outage
12 experience to improve operations and Sibley Unit 1 and Unit 2 - reducing outage
13 requirements. Finally, teams identified opportunities to reduce NFOM.

14 Energy Resource Management includes savings in two areas. The primary benefits will come
15 from the reduction of trading staff and the accompanying systems/support required to support
16 Power Sales & Services. These benefits will not be realized until the combined companies
17 are able to operate from a single control area. This is currently assumed for 2010. There will
18 be limited benefits from headcount reductions and accompanying systems/support in
19 Resource Management and Fuels.

20 More detail on Supply savings is available in the testimony of Dana Crawford.

21 **SYNERGIES IDENTIFIED IN SUPPORT FUNCTIONS**

22 **Q: What is your overall approach to facilities in the combined organization?**

1 A: Integration of facilities will improve effectiveness of the operations, reduce costs and
2 promote a common, winning culture. We will have a single headquarters building at
3 1201 Walnut. Raytown will be the customer service campus, with call center, billing,
4 and related functions. F&M will be the location for T&D engineering. And we will more
5 effectively use facilities for IT backup, power marketing, contingency management and
6 other functions.

7 **Q: Please describe Great Plains Energy's decision to use its current headquarters at**
8 **1201 Walnut as the consolidated headquarters following the merger? the synergies**
9 **from the consolidation of headquarters, and the sale of Aquila's property at 20 West**
10 **9th Street.**

11 A: There are two primary reasons for consolidating headquarters at 1201 Walnut. First,
12 financially, keeping two office locations in the same area will be more costly than
13 combining the two. The cost of keeping the Aquila headquarters open is \$1.5 million per
14 year, which can be avoided by consolidating into the current KCPL building at 1201
15 Walnut. In addition, KCPL Headquarters at 1201 Walnut is currently leased and would
16 cost approximately \$7 million to break the lease on the anticipated transaction close day.
17 Second, operationally, there is significant benefit in having a single location
18 accommodate corporate and support personnel including increased and more efficient
19 communications among and between functions which leads to making more informed
20 and faster decisions. Aquila's property at 20 West 9th Street is too small to accommodate
21 the combined organization's headquarters employees.

22 **Facilities Function**

23 Synergy Summary

- 1 • The Facilities function includes maintenance of non-power plant facilities, physical and
2 information security, document print and mail services, and records management.
- 3 • Synergies in these functions will come primarily from consolidation of select facilities
4 and eliminating redundancies and duplicate functions / facilities processes. Several
5 facilities are anticipated to be consolidated. These include consolidating Aquila and
6 KCPL headquarters; consolidating engineering functions into KCPL's Front
7 & Manchester facility; consolidating Customer Services into Aquila's current Raytown
8 facility; consolidating Dispatch functions into KCPL's 801 Charlotte facility; closing
9 service centers in Liberty, Platte City, Dodson (KCPL), Lee's Summit, Blue Springs,
10 Lee's Summit Garage and adding a newly constructed service center near Lee's Summit,
11 as previously described in my testimony.
- 12 • Second, processes and systems will be standardized with best practices and technologies
13 adopted. Redundancies in third party spend will also be eliminated (e.g., exterior
14 maintenance contracts – such as lawn mowing and weed control, security guard services,
15 and copier lease / maintenance contracts). In addition, overall efficiency is expected to
16 increase given implementation of best practices and technology systems as well as
17 leveraging economies of scale from the larger organization.

18 **Finance and Accounting**

- 19 • Synergies will come primarily from eliminating redundancies and duplicate functions and
20 processes. Post close, processes and systems will be standardized with best practices and
21 technologies adopted. Redundancies in third party spend will also be eliminated (i.e.,
22 external audit fees). In addition, overall efficiencies are expected to increase given

1 implementation of best practices and technology systems as well as leveraging economies
2 of scale from the larger organization.

- 3 • It is anticipated that of the 113 Accounting and Finance positions currently at Aquila, 55
4 positions will be needed in the combined organization in 2009. Through implementation
5 of best practices and tier 1 performance, accounting will continue to improve
6 performance and reduce costs through 2012.

7 **Human Resources (“HR”) Function**

- 8 • Synergies will come primarily from eliminating redundancies and duplicate functions and
9 processes. Post close, processes and systems will be standardized with best practices and
10 technologies adopted. Redundancies in third party spend will also be eliminated (e.g.,
11 actuarial and legal services, Hewitt consulting and outsourcing services). In addition,
12 overall efficiencies are expected to increase given implementation of best practices and
13 technology systems as well as leveraging economies of scale from the larger
14 organization.
- 15 • It is anticipated that of the 32 HR positions currently at Aquila, 10 positions will be a part
16 of the combined organization in 2009. In 2008, HR will run under the current KCPL
17 operating model and organization structure. Much of the decrease in personnel is driven
18 by taking advantage of economies of scale and eliminating redundancies and duplicate
19 efforts. By 2012, however, it is anticipated that only 2 incremental people will be part of
20 the HR organization. The decrease of 8 people is driven by migrating to a different
21 operating model enabled by technology. Key changes include utilizing Aquila HR
22 systems to increase employee and manager self-service, establishing an HR help desk and

1 centralizing transactional HR tasks (e.g., compensation and benefits administration) and
2 outsourcing non-critical functions where it makes operational and economic sense.

3 **Q: What synergies have you identified in Supply Chain?**

4 A: These synergies are discussed in detail in the testimony of Wallace Buran.

5 **Q: Does that conclude your testimony?**

6 A: Yes, it does.

Schedule JMM-1

Map of combined territories

Electric Service Territories

- Aquila
- Great Plains Energy



Source: SNL Financial, Bridge Strategy Group

Schedule JMM-2: Combined Company Profile

Kansas City Power & Light

Service Territory:

- 4,600 square miles
- 14,400 miles distribution
- 1,766 miles transmission
- 155 substations
- 13 counties in Missouri
- 11 counties in Kansas

Total Customers: 499,000

- Metro District: 456,100
- South District: 30,100
- East District: 12,800

Combined Company Profile

Combined Service Territory:

- 17,934 square miles
- 24,466 miles distribution
- 3,309 miles transmission
- 322 substations
- 36 counties in Missouri
- 11 counties in Kansas

Total Customers: 805,100

- Metro District: 627,000
- North District (St. Joseph, Maryville, Trenton): 68,500
- South District (Paola, Ottawa): 30,100
- East District (Marshall, Sedalia, Henrietta): 39,300
- Southeast District (Warrensburg, Clinton, Nevada): 40,200

Shared Infrastructure:

- Five substations
- Eight tie lines
- Iatan 1 and 2

Aquila

Service Territory:

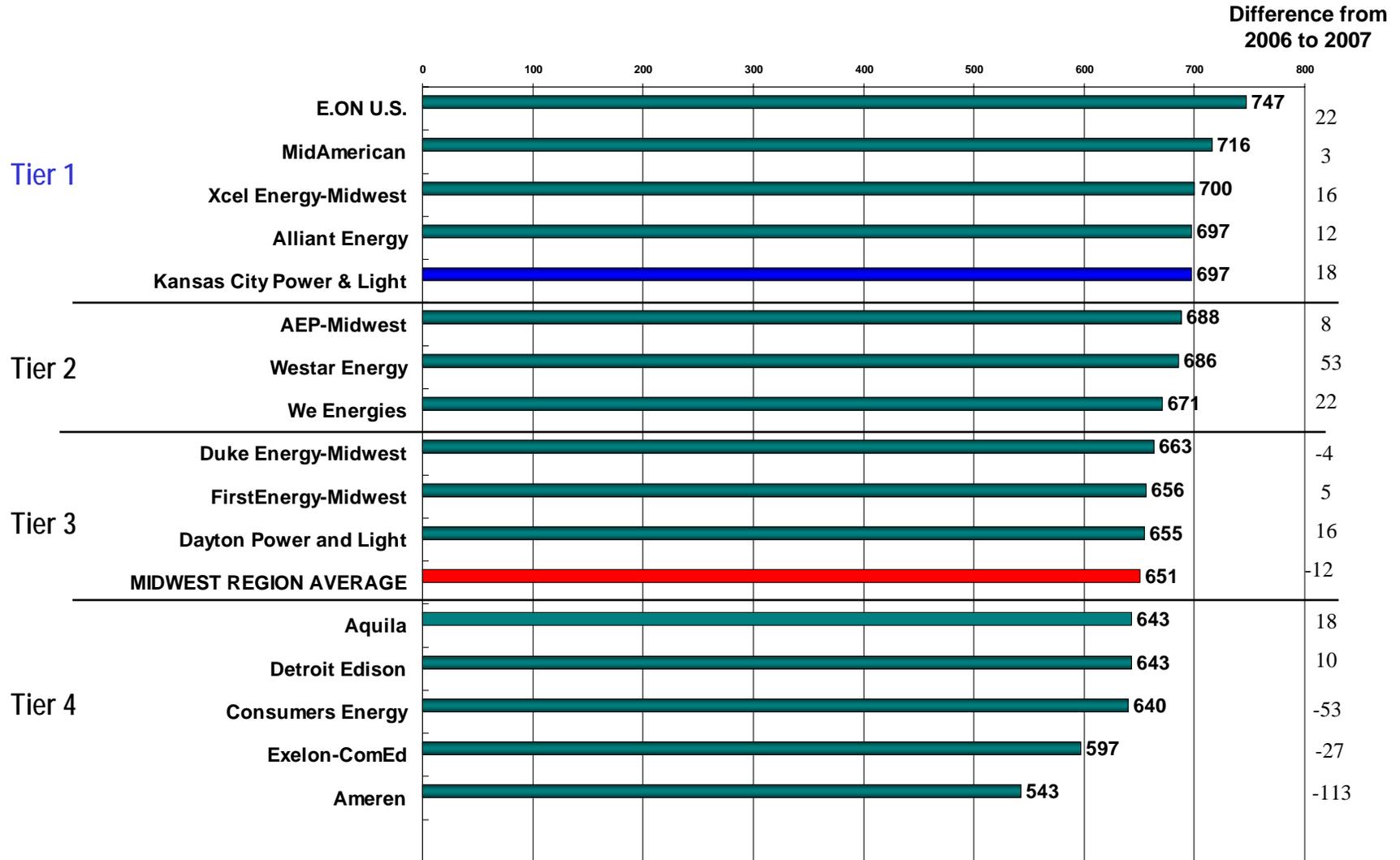
- 13,334 square miles
- 10,066 miles distribution
- 1,543 miles transmission
- 167 substations
- 23 counties in Missouri

Total Customers: 306,100

- North Region (St. Joseph, Maryville, Trenton): 68,500
- South Region (Warrensburg, Sedalia, Clinton, Nevada): 56,700
- East Region (Blue Springs, Liberty, Platte City, Henrietta): 88,100
- West Region (Lee's Summit, Belton): 92,800



Schedule JMM – 3: JD Power Midwest Benchmark Comparison - 2007



SCHEDULE JMM-4

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