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Witness: Kevin E. Bryant
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Sponsoring Party: Great Plains Energy Incorporated;
Kansas City Power & Light
Company; and KCP&L Greater
Missouri Operations Company
Case No.: EE-2017-_____
Date Testimony Prepared: October 12, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EE-2017-_____

DIRECT TESTIMONY

OF

KEVIN E. BRYANT

ON BEHALF OF

**GREAT PLAINS ENERGY INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri
October 2016**

DIRECT TESTIMONY

OF

KEVIN E. BRYANT

Case No. EE-2017-_____

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

2 A: My name is Kevin E. Bryant. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

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

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) and serve as Senior
6 Vice President – Finance and Strategy and Chief Financial Officer of Great Plains Energy
7 Incorporated (“Great Plains Energy” or “GPE”), KCP&L and KCP&L Greater Missouri
8 Operations Company (“GMO”).

9 **Q: What are your responsibilities?**

10 A: My responsibilities include finance, accounting, investor relations, corporate strategy and
11 risk management.

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

13 A: The purpose of my testimony is to support the application of Great Plains Energy,
14 KCP&L and GMO (collectively, the “Joint Applicants”) for a limited variance or waiver
15 from Commission Rule 4 CSR 240-20.015 on affiliate transactions (“Application for
16 Variance”), as discussed in more detail in the Direct Testimony of Darrin Ives, and to
17 provide additional background on the financial-related regulatory commitments being
18 made by the Joint Applicants in this matter. My testimony is divided into four parts.

1 First, I describe the structure of the various transactions that will culminate in Great
2 Plains Energy's acquisition of 100% of the stock of Westar Energy, Inc. (referred to
3 herein as "Westar") (the "Transaction"). Second, I explain the financing of the
4 Transaction and the reasonableness of the consideration to be paid by Great Plains
5 Energy. Third, I discuss the result of the Transaction on the credit ratings of Great Plains
6 Energy, KCP&L and GMO. Finally, I summarize the finance-related commitments the
7 Joint Applicants are making in this proceeding.

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

9 A: I received dual undergraduate degrees in finance and real estate from the University of
10 Missouri – Columbia where I graduated cum laude in May 1997. I received my Masters
11 in Business Administration degree with an emphasis in finance and marketing from the
12 Stanford University Graduate School of Business in June 2002.

13 I joined Great Plains Energy in 2003 as a Senior Financial Analyst and was
14 promoted to Manager - Corporate Finance in 2005 where I was responsible for
15 contributing to the development and maintenance of the sound financial health of both
16 GPE and KCP&L through the management of company financing activities. In August
17 2006, I was promoted to Vice President, Energy Solutions for KCP&L and served in that
18 capacity until March 2011, when I became Vice President, Strategy and Risk
19 Management. In August 2011, I became Vice President – Investor Relations and
20 Treasurer and, in 2013, I was appointed Vice President – Investor Relations and Strategic
21 Planning and Treasurer. In 2014, I was appointed Vice President – Strategic Planning
22 and I assumed my current position in 2015.

1 Prior to joining GPE, I worked for THQ Inc. from 2002 to 2003, a worldwide
2 developer and publisher of interactive entertainment software based in Calabasas,
3 California. I served as Manager - Strategic Planning where I was responsible for
4 establishing corporate goals and developing and assisting with the execution of the
5 company's strategic plan. From 1998 to 2000, I worked as a Corporate Finance Analyst
6 for what is now UBS in New York, New York. I worked on mergers and acquisitions for
7 medium and large-sized companies. I also worked at Hallmark Cards at their corporate
8 headquarters in Kansas City, Missouri as a Financial Analyst from 1997 to 1998.

9 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
10 **Commission or before any other utility regulatory agency?**

11 A: Yes. I have testified before the Missouri Public Service Commission ("MPSC" or
12 "Commission") and the Kansas Corporation Commission ("KCC").

13 **I. THE TRANSACTION**

14 **Q: Please summarize the Transaction.**

15 A: Great Plains Energy will acquire Westar in a combined cash and stock transaction and,
16 upon closing, Westar will become a wholly-owned subsidiary of Great Plains Energy.
17 Westar operates a regulated electric utility in Kansas and has just over 700,000 electric
18 utility customers, both at its parent utility, Westar Energy, Inc. and its subsidiary utility,
19 Kansas Gas and Electric Company. For simplicity, in this testimony, I will refer to the
20 entire entity as "Westar," except where more specificity might be required. Great Plains
21 Energy currently serves over 850,000 electric utility customers through its existing utility
22 subsidiaries, nearly 250,000 of which are served by KCP&L in Kansas. The Transaction
23 will greatly expand Great Plains Energy's electric utility presence in Kansas. Once the

Transaction is complete, Great Plains Energy will have more than 1.5 million customers, of which almost 950,000 will be in Kansas. Following the Transaction, Great Plains Energy's utility subsidiaries will have a generating capacity of just under 13,000 megawatts. In summary, the Transaction represents a unique and timely opportunity to significantly increase the operating scale and scope of both Westar and Great Plains Energy and better position the utility subsidiaries to realize both near- and long-term efficiencies for the benefit of customers and to secure the energy needs of the region in an increasingly uncertain operating environment.

KEY OPERATING METRICS

	Great Plains Energy	Westar	Combined
Rate Base (\$mm)	\$6,600	\$7,100	\$13,700
Electric Customers	850,800	702,000	1,552,800
Generation Capacity (MW)	6,446	6,267 ¹	12,713
Transmission Miles	3,600	6,300	9,900
Distribution Miles	22,500	28,800	51,300

The primary controlling document for the Transaction is the Agreement and Plan of Merger (the "Agreement") dated May 29, 2016, which was entered into between Westar, Great Plains Energy and Merger Sub (which has now been officially named "GP Star"). GP Star is a newly created legal entity created for the sole purpose of facilitating the acquisition of Westar in the most appropriate legal manner.

¹ Excludes 920MW purchased power.

1 From a transaction mechanics perspective, the Agreement provides that GP Star
2 will merge with and into Westar, with Westar as the surviving entity. Westar will then
3 become a direct, wholly-owned subsidiary of Great Plains Energy, the same structure
4 used for KCP&L and GMO today.² Westar shareholders will receive the consideration
5 of stock and cash called for under the Agreement. I describe the specifics of that
6 consideration as well as GPE's plans for financing the Transaction later in my testimony.

7 **Q: Has the Transaction been approved by the Boards of Directors of both Great Plains**
8 **Energy and Westar?**

9 A: Yes, the Boards of Directors of both companies unanimously approved the Transaction.

10 **Q: Please describe any closing conditions provided in the Agreement.**

11 A: Consummation of the Transaction is subject to a number of conditions, including
12 (i) certain approvals by Westar's shareholders and the shareholders of Great Plains
13 Energy; (ii) approval by the Federal Energy Regulatory Commission, the Nuclear
14 Regulatory Commission, and the KCC; (iii) the expiration or termination of the waiting
15 period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
16 and (iv) the absence of a material adverse effect on the Westar businesses occurring since
17 the date of the Agreement and continuing.

18 As to item (i) above, the approvals of Westar and GPE's shareholders necessary
19 to meet that closing condition were obtained on September 26, 2016.

² After the Transaction, Kansas Gas & Electric Company will continue to be owned by Westar as a subsidiary.

II. TRANSACTION-RELATED FINANCES

Q: What is the overall value of the Transaction to Great Plains Energy?

A: The Transaction has a total value at the time of announcement of approximately \$12.2 billion. This consists of \$8.6 billion in consideration GPE will pay for Westar's stock. Westar's existing debt will remain outstanding, meaning GPE will also assume Westar's net debt, which was approximately \$3.6 billion when the Transaction was announced.

Q: What consideration will Westar shareholders receive from GPE for their stock under the Agreement?

A: At the effective time of the Transaction, Westar shareholders will receive a combination of cash and Great Plains Energy stock in exchange for their Westar shares. Specifically, each share of Westar common stock will convert into the right to receive \$60.00 per share of total consideration, consisting of (i) a cash payment of \$51.00 and (ii) \$9.00 in GPE common stock, subject to a 7.5 percent collar based upon the GPE common stock price at the time of the closing of the transaction with the exchange ratio for the stock consideration ranging between 0.2709 to 0.3418 shares of GPE common stock for each Westar share of common stock. The consideration mix for the acquisition of Westar's common stock is 85 percent cash and 15 percent GPE common stock.

Q: After the Transaction and contemplated financing is complete, approximately what percentage of GPE stock will be held by former Westar shareholders?

A: While the exact percentage will depend on GPE's stock price at the time of closing as well as GPE's stock price for the public equity issuances in connection with our

1 permanent financing strategy, we expect that approximately 15% of GPE's stock will be
2 held by Westar shareholders.

3 **Q: Please explain why the consideration to be paid by GPE as described above is**
4 **reasonable.**

5 A: First, as explained in the Direct Testimony of Terry Bassham, the consideration to be
6 paid by GPE for Westar was determined through a competitive market auction process.

7 Second, the savings to be realized from the Transaction, which are described and
8 quantified in the Direct Testimony of William Kemp, justify the level of consideration
9 being paid by GPE in connection with the Transaction. As supported by Mr. Kemp, we
10 expect to deliver approximately \$65 million of net savings in 2018, the first full calendar
11 year following close of the Transaction, increasing to nearly \$200 million annual net
12 savings and benefits in the third full year after close, 2020. Because GPE has recent
13 experience in delivering similar transaction-related savings through its 2008 acquisition
14 of Aquila, I am confident that we will achieve or exceed the savings levels estimated in
15 connection with this Transaction. Mr. Kemp also discusses in his Direct Testimony his
16 conclusion that the level of expected Transaction-related savings are in line with recent
17 market experience for transactions of this nature. The results of our financial modeling,
18 as well as financial modeling performed by GPE's financial advisor for this Transaction,
19 Goldman, Sachs & Co. ("Goldman Sachs"), demonstrate that under the proposed process
20 for providing customers with the benefit of Transaction-related savings described in the
21 Direct Testimony of Darrin Ives, the Transaction will be significantly accretive, or an
22 incremental earnings per share increase, as compared to its forecasted stand-alone plan by
23 2020. The Transaction is expected to close in the second quarter of 2017.

1 Third, as I will describe more fully below, the consideration being paid is
2 comparable with recent market transactions of this nature.

3 Fourth, the reasonableness of the Transaction is also supported by the investment
4 grade credit quality of each utility after the Transaction along with an expected 41%
5 equity component and expected investment grade rating at the GPE holding company.
6 The credit analyses performed by my staff and our financial advisor both reached that
7 conclusion and that conclusion was also affirmed by the credit rating agencies which I
8 will discuss in more detail later in my testimony.

9 It is also significant that OCM Credit Portfolio LP (“OMERS”), an affiliated
10 entity of Ontario Municipal Employees Retirement System has committed to purchase
11 \$750 million of GPE’s Mandatory Convertible Preferred Stock at closing of the
12 Transaction and Westar agreed to accept \$1.3 billion of GPE common stock as partial
13 consideration for the acquisition of Westar’s common stock. As would be expected,
14 before taking these actions, both companies conducted substantial financial due diligence
15 on GPE. Their due diligence focused on GPE’s ability to complete this Transaction and
16 operate as a financially strong company after the Transaction closes. While OMERS and
17 Westar’s due diligence was not a factor in GPE’s decision to execute the Agreement,
18 both support the reasonableness of the Transaction.

19 **Q: Is the Transaction dependent upon any financing contingency?**

20 A: No, it is not. First, as is common in transactions of this nature, it was important to Westar
21 that GPE’s offer have no financing contingency. As such, in advance of executing the
22 Agreement, GPE secured approximately \$8.0 billion of committed debt financing,
23 commonly referred to as a bridge financing facility, from Goldman Sachs in connection

1 with the Transaction for the full cash portion of the Transaction consideration. As I
2 mentioned, GPE also secured the \$750 million commitment from OMERS in advance of
3 executing the Agreement. These commitments allowed GPE to commit to Westar that
4 there was no financing contingency to the offer to acquire Westar. While always subject
5 to capital market conditions, GPE does not expect to draw materially on the bridge
6 financing facility, if at all, because we expect to secure more permanent financing on
7 more favorable terms, but the facility provides important assurance for Westar. On
8 October 3, 2016, GPE completed the first step of securing permanent financings by
9 raising gross proceeds from the issuance of common and mandatory convertible preferred
10 stock of \$1.6 billion and \$863 million, respectively. After the issuance, the bridge
11 financing facility was reduced to approximately \$5.1 billion.

12 **Q: What is GPE's plan for permanent financing of the Transaction?**

13 A: Permanent financing by GPE of the \$8.6 billion in consideration paid for Westar's
14 common stock is expected to consist of approximately 50% equity and 50% debt, which
15 is composed of:

- 16 • \$1.3 billion of equity to Westar's shareholders;
- 17 • \$750 million of mandatory convertible preferred equity from OMERS;
- 18 • \$2.5 billion of equity comprised of GPE common and mandatory convertible
19 preferred stock to the public market; and
- 20 • \$4.4 billion of new GPE market issued debt.

21 100% of this Transaction-related financing will occur at the GPE level, and none will
22 occur at, or be guaranteed by or have recourse to, any utility subsidiary.

1 **Q: What transaction advisory costs does GPE anticipate incurring?**

2 A: GPE expects to incur approximately \$32 million in transaction advisory costs in
3 consummating the Transaction. Examples of such transaction costs are consistent with
4 transactions of this type and include legal, investment banker and consulting fees
5 associated with the evaluation, bid, negotiation and structure of the Transaction. These
6 costs were essential to the evaluation of the Transaction, the appropriate pricing of GPE's
7 offer, and to the negotiation of a complex transaction. While substantial in amount,
8 relative to the overall value of the combined companies, they are not unusual.

9 **Q: Are there any other transaction costs that GPE will incur associated with the**
10 **Transaction?**

11 A: Yes. We expect that the permanent financing plan will result in approximately \$126
12 million of traditional issuance fees associated with equity, convertible preferred equity
13 and long-term debt issuances where such fees generally offset the gross amount raised
14 through the related financing. In addition, we expect the bridge financing facility to cost
15 approximately \$70 million, depending upon the timing of the ultimate permanent
16 financing, where such financing facility pricing is consistent with those utilized for
17 comparable transactions. Lastly, we expect approximately \$16 million of change-in-
18 control costs associated with the Transaction. Again, while substantial in amount,
19 relative to the overall value of the combined companies, these fees are not unusual.

20 **Q: Will GPE's utility subsidiaries seek recovery of transaction costs through inclusion**
21 **in rates paid by customers for electric service?**

22 A: No. None of the transaction-related costs will be requested for inclusion in customer
23 rates unless a party to a KCP&L or GMO rate proceeding proposes to impute the cost or

1 proportion of debt GPE is using to finance the Transaction to either KCP&L or GMO for
2 purposes of determining a fair and reasonable rate of return for either utility. This is
3 discussed in more detail in the Direct Testimony of Darrin Ives.

4 **Q: This Transaction will result in a significant acquisition premium being paid by**
5 **GPE. How do you justify such a significant premium?**

6 A: We expect the final acquisition premium to be approximately \$2.3 billion or 36% based
7 on the undisturbed Westar stock price of \$44.08 on March 9, 2016 (the closing price
8 before the first news leak of a potential transaction). We comprehensively analyzed this
9 purchase price which we believe is attractive for GPE. The premium that we are paying
10 is in line with premiums paid in recent regulated utility transactions. In the eleven
11 corporate utility transactions announced in the past two years, premiums paid relative to
12 the target's stock price one day prior to announcement have ranged from 14% to 42%,
13 with the average being 24%. For a number of the transactions, the stock price of the
14 target was impacted by speculation in the months leading up to the announcement of the
15 transaction. When we look at those transactions based on the undisturbed Westar stock
16 price (closing price the day before the first news leak of the transaction), we see that
17 premiums paid have ranged from 15% to 50% for regulated utility transactions in the past
18 two years, with the average being 30%. Our purchase price is consistent with those
19 ranges.

20 More importantly, we believe that the unique fit of GPE and Westar will allow for
21 significant and compelling benefits for all stakeholders through the combination. In
22 addition to the operating and cost efficiencies based on the strong geographic fit and
23 shared ownership in power plants, this Transaction will allow us to grow earnings faster,

1 with more predictability, while keeping customer rates lower than they would have been
2 absent the Transaction. As a combined company, we will have increased scale, possess
3 greater resources and overall be better positioned to serve customers and pursue
4 investment opportunities that were not available to either company stand-alone. Our
5 purchase price reflects the tremendous value that the combination will create for all GPE
6 stakeholders.

7 **Q: The Transaction will require a significant market issuance of debt and equity**
8 **financing by GPE. What steps did you take to gain comfort that you could execute**
9 **this financing plan?**

10 A: Part of the process leading to the GPE Board's approval was conducting significant
11 diligence on GPE's ability to complete the level of financing contemplated. We
12 leveraged the market expertise of our financial advisor, Goldman Sachs, to understand
13 the depth and breadth of the debt and equity markets to which GPE has access and to
14 understand the anticipated cost and capacity for the financing. We also evaluated a range
15 of alternatives that could be utilized to minimize the market risk of the financing plan.
16 As a result of our diligence and evaluation, GPE is comfortable with its financing plan
17 and, as mentioned previously, the first step of securing permanent financing has been
18 completed by raising gross proceeds from the issuance of common and mandatory
19 convertible preferred stock of \$1.6 billion and \$863 million, respectively, on October
20 3, 2016.

21 **Q: What have you done to manage the financial risk associated with the Transaction?**

22 A: First, as I mentioned earlier, Westar accepted 15%, or \$1.3 billion, of the consideration
23 for Westar's common stock to be paid with GPE common stock. Second, we were able

1 to secure an up-front commitment from OMERS for \$750 million of Mandatory
2 Convertible Preferred Equity. Therefore, at signing of the Agreement, we had eliminated
3 just over \$2 billion of market risk from the required equity financing of the Transaction.

4 Since the signing of the Agreement, GPE has eliminated the remaining market
5 risk from the required equity financings of the Transaction by raising gross proceeds
6 from the issuance of common and mandatory convertible preferred stock of \$1.6 billion
7 and \$863 million, respectively, on October 3, 2016.

8 Regarding debt issuance, we anticipate offering the debt to the public nearer to the
9 close of the Transaction, likely in one market offering. That said, we anticipate offering
10 debt in multiple tenors of three- to ten-year maturities. This use of multiple tenor
11 offerings provides flexibility in pricing, a broader debt investor base, and flexibility for
12 future retirement of debt with free cash flow from operations as well as staggered re-
13 financing options should the need present itself. To manage interest rate risk of the debt
14 component of the financing plan, we have available to us certain tools to mitigate
15 exposure to future interest rate changes.

16 **Q: Has GPE employed such tools to lock-in rates on any of the \$4.4 billion in debt it**
17 **expects to incur in financing the Transaction?**

18 A: Yes. GPE executed four interest rate swap transactions on June 6, 2016. The swap
19 transactions are forward-starting, floating-to-fixed interest rate swaps intended to manage
20 interest rate risk associated with such debt. The swap transactions minimize GPE's
21 exposure to interest rate changes in the period before the debt is issued. The swap
22 transactions cover the entire notional amount of debt GPE expects to issue in conjunction
23 with the Transaction.

1 **Q: Please explain how a forward-starting, floating-to-fixed interest rate swap (swap**
2 **rate lock) protects GPE from interest rate risk.**

3 A: A swap rate lock is used to “lock in” interest rates in the context of current market
4 conditions. In these transactions, the Company enters into an agreement to pay a fixed
5 interest rate payment and receive a floating interest rate payment beginning at a future
6 start date aligned with the anticipated debt offering date and for a duration that matches
7 the tenor of the anticipated debt offering. When the debt is issued, the Company unwinds
8 the swap. If interest rates increase, the settlement from unwinding the swap results in the
9 Company receiving a payment equal to the present value of the change in the fixed swap
10 payments resulting from the change in interest rates. This payment offsets the increase in
11 the interest payments on the debt that will be issued at higher interest rates. However, if
12 interest rates decrease, the settlement from unwinding the swap results in the Company
13 making a payment equivalent to the present value of the change in the fixed swap
14 payments resulting from the change in interest rates. This payment offsets the decrease in
15 interest payments resulting from the debt being issued at lower interest rates. The
16 forward-starting floating-to-fixed interest rate swap results in the Company “locking in”
17 the Treasury interest rate component of a future debt offering by committing to those
18 fixed rate payment obligations in advance at current interest rates.

19 **Q: Even with the activities you describe, GPE will have a much more significant need**
20 **for cash to service debt and pay shareholder dividends as a result of the**
21 **Transaction. How will GPE fund these cash obligations?**

22 A: GPE’s primary source of funds are cash flows from its operating utility subsidiaries and
23 the tax benefits of net operating losses. The operating utility subsidiaries currently have

1 strong and improving cash flow profiles. even before the Transaction closes. As
2 previously mentioned and supported in the Direct Testimony of Mr. Kemp, we expect the
3 Transaction to unlock significant savings that are projected to increase to nearly \$200
4 million annually by the third full year after close. As described in the Direct Testimony
5 of Mr. Ives, the effect of the Transaction-related savings and benefits between general
6 rate cases will improve the already strong cash positions of the utilities. Utility
7 customers will benefit from these savings over time as the savings and efficiencies flow
8 back to customers.

9 **Q: What is the estimated amount of incremental interest costs and dividends as a result**
10 **of the Transaction?**

11 A: Based on our current financing plan, we expect total incremental annual interest on
12 Transaction-related debt to be approximately \$170 million on a pre-tax basis and
13 approximately \$100 million on an after-tax basis.

14 Annual dividends to common shareholders, as paid by GPE, will increase by
15 approximately \$110 million due to the increase in GPE shares outstanding immediately
16 following the closing of the Transaction. However, it is important to note that since
17 Westar will no longer be a publicly owned utility with its own shareholders, Westar will
18 cease to pay out approximately \$225 million of dividends to its common shareholders.
19 Therefore, on a combined basis, we will pay out approximately \$115 million less in
20 common dividends annually.

21 We have also financed the transaction with mandatory convertible preferred
22 stock, which will pay a preferred dividend and then convert into common equity after
23 three years. Immediately following the closing of the Transaction, based on our current

1 financing plan, the mandatory convertible preferred stock will pay out approximately
2 \$115 million annually in preferred dividends. Therefore, for the first three years after
3 closing the Transaction, will pay approximately the same amount of common and
4 preferred dividends as the two stand-alone companies would have paid separately in total.
5 After three years, when the mandatory convertible preferred stock converts into common
6 shares, we will pay more common dividends but will cease payment of the preferred
7 dividend. As a result, the combined company will pay approximately \$50 million less in
8 common and preferred dividends at that point than the two stand-alone companies would
9 have paid in total.

10 **Q: How will the cash needed to meet these annual obligations be obtained at the GPE**
11 **level?**

12 **A:** On a revenue requirement basis, we expect to deliver approximately \$65 million of net
13 savings in 2018, the first full calendar year following the close of the transaction,
14 increasing to nearly \$200 million annual net savings and benefits in the third year
15 following close, 2020. On a cash basis, we expect to deliver approximately \$145 million
16 of net savings in 2018, increasing to \$260 million in 2020, including \$160 million of net
17 savings from operating expenses and approximately \$100 million of net savings from
18 capital expenditures. While the Transaction savings will flow to customers upon each
19 future rate review, the retention of these savings between the rate reviews will allow us to
20 service and repay debt and fund the incremental dividends. This is true even though we
21 have not asked customers to pay for the acquisition premium or transaction costs related
22 to the Transaction by including those costs in revenue requirement and rates.

1 **Q: Does GPE have any significant source of funds other than its utility operating**
2 **subsidiaries?**

3 A: Yes. GPE has approximately \$400 million in non-regulated net operating loss carry-
4 forwards (“NOLs”) that provide a source of cash GPE plans to use to service debt and
5 pay dividends. As a result of these NOLs, GPE does not expect to pay cash income taxes
6 until approximately 2022.

7 **Q: Doesn’t GPE have restrictions on the level of retained earnings that must be**
8 **maintained at GPE?**

9 A: Yes. GPE agreed in its holding company stipulation and agreement approved by the
10 Commission in Case No. EM-2001-464 (“2001-464 S&A”), to maintain equity no lower
11 than 30% of total capitalization. As previously mentioned, the operating utilities have
12 improving cash flows and the benefits of the Transaction savings will provide increasing
13 cash flexibility. As a result, the Transaction will have little, if any, impact on the capital
14 structure of the operating companies.

15 **Q: What factors will GPE use in determining the level of dividends to be funded up to**
16 **GPE by its utility operating companies?**

17 A: GPE will factor into its dividend decisions the amount of equity capital that needs to be
18 retained at each of the utility operating companies in order to maintain a capital structure
19 that is approximately 50% equity and 50% debt; levels the Commission and its Staff are
20 accustomed to seeing for KCP&L and GMO. Consistent with current practices, equity
21 capital beyond that needed to support the balanced financing of capital investments at
22 each utility will be distributed to GPE through dividends to be used where needed, such
23 as for payment of GPE dividends, interest and refunding of GPE debt. GPE will also

1 factor in its commitment in the 2001-464 S&A to maintain a minimum 35% equity ratio
2 at the utility operating companies and the limitations imposed on dividend payments by
3 the amount of retained earnings at the utility operating companies. .

4 **Q: What effect will the Transaction have on the capital structure of Great Plains**
5 **Energy?**

6 A: Great Plains Energy's capital structure will become more leveraged. GPE's capital
7 structure today is approximately 50% equity. After completion of the permanent
8 financing, GPE expects its capital structure to be about 41% equity. While this capital
9 structure is more leveraged, it remains well above the floor of 30% equity that GPE
10 agreed to in the 2001-464 S&A approved by the Commission in 2001. As I previously
11 stated, GPE also intends to issue debt in support of the Transaction in multiple tenors of
12 three- to ten-year maturities to provide substantial flexibility for repayment or refinancing
13 after the Transaction is closed.

14 **Q: What effect will the Transaction have on the capital structure of the utility**
15 **operating companies, specifically KCP&L and GMO?**

16 A: The Transaction will have little, if any, effect on the utility operating companies'
17 respective capital structures. Following the Transaction, KCP&L and GMO will each
18 maintain a capital structure consistent with past experience, targeted to be in the range of
19 49%-54% equity dependent upon capital requirements, financing needs and timing.

1 **Q: What effect will the Transaction have on the ability of KCP&L and GMO to obtain**
2 **access on reasonable terms to the capital necessary to continue providing safe,**
3 **adequate and reliable service to their respective customers?**

4 A: This Transaction will preserve the ability of GPE's utility subsidiaries to obtain access to
5 capital on reasonable terms as GPE and its utility subsidiaries will maintain separate
6 capital structures to finance the activities and operations of each entity. Additionally,
7 each company (GPE and all of its utility subsidiaries) will maintain separate debt so that
8 each will be responsible for its own obligations and none will be responsible for the debts
9 of any other entity.

10 **Q: What effect will the Transaction have on Great Plains Energy's shareholders?**

11 A: Under the proposed process for providing customers with the benefit of Transaction-
12 related savings described in the Direct Testimony of Mr. Ives, I expect the Transaction
13 will be approximately ten percent accretive to GPE's forecasted earnings per share by
14 2020, as compared to GPE's forecasted stand-alone plan.

15 **Q: Are there additional expectations for shareholders from the Transaction that GPE**
16 **has articulated?**

17 A: Yes. We have affirmed to GPE shareholders we intend to maintain the same common
18 stock dividend plan we had previously provided in the GPE stand-alone plan. We expect
19 dividend growth at a compound annual growth rate over the same period to be 5% to 7%
20 on a payout ratio of 60% to 70% of earnings. Additionally, we have indicated to GPE
21 shareholders we expect higher long-term earnings per share ("EPS") growth versus what
22 was previously communicated as GPE's 2016 – 2020 EPS target range. Based on the
23 ability of the combined company to generate efficiencies, we expect the compound

1 annual growth rate over this period to be in the range of 6% to 8%, increased from the
2 GPE stand-alone expectation of 4% to 5%.

3 **Q: Does the Agreement contain termination provisions?**

4 A: Yes. The Agreement contains certain termination rights for both Westar and Great Plains
5 Energy, including the right by either company to terminate the agreement if: (i) the
6 Transaction has not closed by May 31, 2017 (subject to extension of six months); (ii)
7 shareholder approval of the Transaction is not obtained by Westar; or (iii) shareholder
8 approval of the Transaction is not obtained by GPE. Westar and Great Plains Energy also
9 each have the right to terminate the Agreement in order to enter into a superior
10 transaction or in case of breach of the Agreement by a counterparty. If the Agreement is
11 terminated, termination fees ranging from \$180 million – \$380 million must be paid
12 depending on which counter-party is terminating the Agreement and the basis for such
13 termination. As discussed earlier in this testimony, both Westar and GPE's shareholders
14 voted to grant the necessary approvals to permit closing, so items (ii) and (iii)
15 immediately above are no longer relevant.

16 **III. POST-TRANSACTION CREDIT RATINGS**

17 **Q: Will the Transaction have an effect on the credit ratings of the Joint Applicants?**

18 A: Great Plains Energy, KCP&L and GMO all have Standard and Poor's ("S&P") corporate
19 credit ratings of BBB+, which is an investment grade rating. Upon the public
20 announcement of the execution of the Agreement, S&P affirmed these ratings, which are
21 two notches above the investment grade threshold, and placed Great Plains Energy,
22 KCP&L and GMO on negative outlook. This is a common practice by S&P when a
23 transaction of this nature is announced. KCP&L and GMO have Moody's Investors

1 Service (“Moody’s”) issuer credit ratings of Baa1 and Baa2, respectively, which are one
2 or two notches above the investment grade threshold, and Great Plains Energy has a
3 Moody’s rating for Senior Unsecured Debt of Baa2; all of these are investment grade
4 ratings. Upon the public announcement of the execution of the Agreement, Moody’s
5 affirmed the ratings for KCP&L and GMO with their outlook remaining stable, but
6 placed Great Plains Energy on review for downgrade. Based on the level of holding
7 company debt, Moody’s is expected to increase the credit rating differential between the
8 holding company and the utilities by one additional notch by downgrading the holding
9 company Senior Unsecured Debt rating from Baa2 to Baa3, which remains an
10 investment-grade credit rating at the holding company level.

11 **Q: What analysis and support do you have for the maintenance of investment grade**
12 **credit rating following the Transaction?**

13 A: S&P and Moody’s are very transparent with regard to the principal means they assess
14 credit quality. The results of our financial modeling, and also analyses performed
15 independently by our financial advisors, produced projected credit metrics that will
16 support an investment grade credit rating based upon the rating agencies’ published
17 criteria. The GPE ratio of cash from operations to total debt is projected to be in the
18 range of 13-14% for the first year of combined operations and increases to 15.5-16.5% by
19 the third year of combined operations. The interest coverage ratio for GPE is projected to
20 be in the range of 4.0-4.5 times in the first year of combined operations and increases to
21 4.5-5.0 times by the third year of combined operations. The credit rating agencies have
22 indicated that an investment grade rating can be maintained with these projected credit
23 metrics.

1 **Q: Please summarize your testimony regarding the financing of the Transaction.**

2 A: This Transaction is sizeable for Great Plains Energy. It will require considerable
3 financing, but the operational execution on combined efficiencies will unlock the
4 significant benefits of the Transaction, value that is shared by both customers and
5 shareholders in the early years, and benefits customers in the longer term. We have a
6 solid, well-evaluated financing plan, will benefit from an improving credit profile with
7 the ability to reduce leverage moving forward a management team well experienced to
8 deliver the efficiencies contemplated through a strategic combination. For these reasons,
9 this combination presents a unique and timely opportunity to significantly increase the
10 operating scale and scope of both Westar and Great Plains Energy and better position the
11 utility subsidiaries to realize both near- and long-term efficiencies for the benefit of
12 customers and to secure the energy needs of the region.

13 **Q: Are the Joint Applicants making finance-related commitments in this matter?**

14 A: Yes. Among other commitments detailed in Schedule DRI-1 attached to the Direct
15 Testimony of Darrin Ives, GPE, KCP&L and GMO are making a number of finance-
16 related commitments in connection with this proceeding. The finance-related
17 commitments being made by GPE, KCP&L and GMO are found in section A of
18 Schedule DRI-1. Although Mr. Ives addresses all of the commitments being made by
19 GPE, KCP&L and GMO in this proceeding, I would like to address the finance-related
20 conditions briefly here.

21 The finance-related commitments in section A of Schedule DRI-1 are part of a
22 suite of commitments designed to ensure that the Transaction results in no detriment to

1 the public interest in Missouri. In general terms, the commitments serve the following
2 objectives:

- 3 • Paragraph A.1. – insulates the financing of the regulated utility operations of
4 KCP&L and GMO from the activities and financing of GPE, including the
5 financing of the Transaction, and GPE’s other affiliates.
- 6 • Paragraph A.2. – requires KCP&L or GMO to explain and support the use, for
7 ratemaking purposes, of the KCP&L- or GMO-specific per books capital
8 structure.
- 9 • Paragraphs A.3. through 6. – in the unlikely event of a credit rating down grade
10 for KCP&L or GMO (the “Impacted Utility”) below investment grade, requires
11 the Impacted Utility to inform the Commission and undertake a variety of
12 remedial actions.
- 13 • Paragraph A.7. – prohibits KCP&L or GMO from seeking an increase to the
14 cost of capital as a result of the Transaction.
- 15 • Paragraph A.8. – prescribes that the goodwill arising from the Transaction will
16 be recorded on GPE’s books and, as such, any impairment of goodwill arising
17 from the Transaction is not expected to affect KCP&L or GMO’s cost of
18 capital; but if such goodwill becomes impaired – for a reason or reasons other
19 than an order of this Commission – and such impairment does negatively affect
20 KCP&L or GMO’s cost of capital, then any such cost increases shall be
21 excluded from rates.

1 • Paragraph A.9. – requires GPE to provide its annual goodwill impairment
2 analysis to Staff and OPC for the first five years after closing of the
3 Transaction.

4 • Paragraph A.10. – permits Staff to retain a copy of GPE’s financial/valuation
5 model that was used in the Transaction.

6 **Q: What is the effect of these finance-related commitments?**

7 A: The finance-related commitments described above, in conjunction with the savings and
8 efficiencies expected from the Transaction as well as the other commitments GPE,
9 KCP&L and GMO are making in connection with this request for limited variance from
10 the Commission’s affiliate transactions rules, as described in more detail in the Direct
11 Testimony of Darrin Ives, will ensure that the public interest is not detrimentally
12 impacted by the Transaction.

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

14 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

**IN THE MATTER OF THE VERIFIED JOINT)
APPLICATION OF GREAT PLAINS ENERGY)
INCORPORATED, KANSAS CITY POWER & LIGHT) Docket No. EE-2017-_____
COMPANY AND KCP&L GREATER MISSOURI)
OPERATIONS COMPANY FOR A VARIANCE)
FROM THE COMMISSION'S AFFILIATE)
TRANSACTIONS RULE, 4 CSR 240-20.015)**

AFFIDAVIT OF KEVIN E. BRYANT

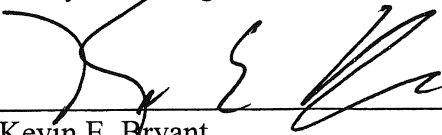
**STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)**

Kevin E. Bryant, being first duly sworn on his oath, states:

1. My name is Kevin E. Bryant. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Vice President – Finance and Strategy and Chief Financial Officer of Great Plains Energy, KCP&L and KCP&L Greater Missouri Operations.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Great Plains Energy Incorporated, Kansas City Power & Light Company, and KCP&L Greater Missouri Operations Company consisting of twenty-four (24) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

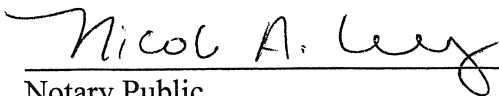
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Kevin E. Bryant

Subscribed and sworn before me this 12th day of October 2016.

My commission expires: Feb. 4, 2019



Notary Public

