

Exhibit No.:  
Witness: Maurice Brubaker  
Type of Exhibit: Rebuttal Testimony  
Issue: Regulatory Plan  
Sponsoring Parties: Ag Processing, Inc., Praxair, Inc. and  
the Sedalia Industrial Energy Users  
Association  
Case No.: EM-2007-0374

**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 Related Relief )  
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**Case No. EM-2007-0374**

Rebuttal Testimony and Schedules of

**Maurice Brubaker**

On Behalf of

**Ag Processing, Inc.,  
Praxair, Inc. and the  
Sedalia Industrial Energy Users Association**

October 12, 2007  
Project 8794



**PUBLIC  
VERSION**

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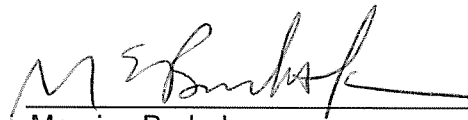
Case No. EM-2007-0374

STATE OF MISSOURI       )  
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COUNTY OF ST. LOUIS    )       SS

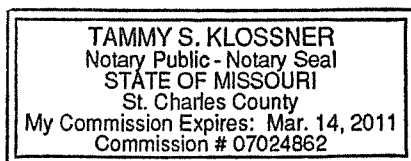
**Affidavit of Maurice Brubaker**

Maurice Brubaker, being first duly sworn, on his oath states:

1. My name is Maurice Brubaker. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been engaged on behalf of Ag Processing, Inc., Praxair, Inc. and the Sedalia Industrial Energy Users Association in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. EM-2007-0374.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.

  
\_\_\_\_\_  
Maurice Brubaker

Subscribed and sworn to before this 11<sup>th</sup> day of October, 2007.



  
\_\_\_\_\_  
Notary Public

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

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**In the Matter of the Joint Application of  
Great Plains Energy Incorporated,  
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**Case No. EM-2007-0374**

**Rebuttal Testimony of Maurice Brubaker**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,  
3           St. Louis, Missouri 63141-2000.

4    **Q     WHAT IS YOUR OCCUPATION?**

5    A     I am a consultant in the field of public utility regulation and president of Brubaker &  
6           Associates, Inc. (BAI), energy, economic and regulatory consultants.

7    **Q     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8    A     This information is included in Appendix A.

**INTRODUCTION AND SUMMARY**

10   **Q     ON WHOSE BEHALF ARE YOU PRESENTING THIS REBUTTAL TESTIMONY?**

11   A     This testimony is presented on behalf of Ag Processing, Inc., Praxair, Inc. and the  
12           Sedalia Industrial Energy Users Association.

**Maurice Brubaker  
Page 1**

1           Ag Processing, Inc. is a customer (both electric and steam) of St. Joseph Light  
2           & Power Company (Aquila-L&P), Praxair, Inc. is a customer of Kansas City Power &  
3           Light Company (KCPL), and SIEUA members are customers of Missouri Public  
4           Service Company (Aquila-MPS). The rates of all of these customers would be  
5           affected if a merger is consummated between Great Plains Energy Incorporated  
6           (GPE) and Aquila.

7   **Q     HAVE YOU REVIEWED THE DIRECT AND SUPPLEMENTAL TESTIMONY FILED**  
8   **IN THIS PROCEEDING AS WELL AS RESPONSES TO SELECTED DATA**  
9   **REQUESTS?**

10  A     Yes, I have. I have read both the direct and the supplemental testimony filed by the  
11           Applicants in this case. In addition, I have reviewed the responses to numerous data  
12           requests that address areas that I cover in my testimony. (The data request  
13           responses that I refer to in my testimony are included as Schedule 2.)

14  **Q     BASED ON THE REVIEW THAT YOU HAVE CONDUCTED, PLEASE SUMMARIZE**  
15   **YOUR FINDINGS AND RECOMMENDATIONS.**

16  A     Based on my extensive review of the testimony and materials supplied, I am  
17           compelled to the conclusion that the merger and proposed regulatory plan would be  
18           highly detrimental to customers. As shown on Schedule 1 attached to this testimony,  
19           the average detriment over the first five years, as admitted by Applicants, is \$19.1  
20           million per year before recognizing the amortization of debt retirement costs, and  
21           \*\*\*\*\* per year after recognizing the amortization of debt retirement costs. Given that  
22           Applicants' own numbers show that there would be a detriment to customers from  
23           their proposals, the only decision the Commission can make that is consistent with

**Maurice Brubaker**  
**Page 2**

1 the testimony and materials provided by the Applicants is to reject the proposed  
2 regulatory plan and merger.

3 My recommendation is supported by the following facts and circumstances:

- 4 1. Even assuming that 100% of Applicants' claimed synergy savings were realized,  
5 with the significant increase in interest cost that Applicants' testimony and  
6 submitted materials demonstrate will occur, the proposed merger and regulatory  
7 plan represents a detriment to customers.
- 8 2. Additionally, Applicants do not propose to track or monitor achievement of  
9 claimed savings. This places an unacceptably high degree of risk on customers;  
10 a risk that is heightened by the fact that Applicants' claims of savings are  
11 significantly higher than in most other mergers. In contrast, Applicants have  
12 structured the transaction to assure their recovery of transition costs and  
13 transaction costs because they are identifiable, hard dollar costs that will be  
14 capitalized and added to customer rates over the five-year amortization period.  
15 Further, Applicants are certain to benefit from merger savings because 50% of  
16 "estimated" savings will be added back to actual costs in setting customer rates.  
17 Customers, on the other hand, are not certain of receiving any benefits.
- 18 3. In their exhibits, Applicants have wholly failed to include the detrimental effect of  
19 charging customers for significant additional interest costs that are associated  
20 with Aquila's failed ventures in the unregulated market. As shown on Schedule 1,  
21 the additional interest cost alone is \$24 million per year, making for a detriment of  
22 \$19 million per year even if 100% of the claimed merger benefits are realized.
- 23 4. In addition to the interest cost, Applicants want to charge customers an additional  
24 \*\*\*\*\* per year over the first five years to amortize debt retirement costs, bringing  
25 the total anticipated net detriment to customers from the proposed merger and  
26 regulatory plan over five years to an average of \*\*\*\*\* per year, or over \*\*\*\*\* in  
27 total over a five-year period.
- 28 5. The merger proposal and regulatory plan would be a detriment to customers and  
29 create unacceptable risks.
- 30 6. The proposed merger and regulatory plan should be rejected.

1 **ANALYSIS**

2 **Q DOES YOUR TESTIMONY ADDRESS THE MAGNITUDE OF SYNERGY SAVINGS**  
3 **THAT THE APPLICANTS CONTEND WILL BE REALIZED IF A MERGER IS**  
4 **PERMITTED TO OCCUR?**

5 A No. My testimony does not address the specifics of the synergies that the Applicants  
6 contend will be achieved. My testimony utilizes the claimed synergies and in that  
7 context analyzes the proposed regulatory plan, its weaknesses, and the impact on  
8 customers. However, as I note later in this testimony in connection with my  
9 discussion of the savings claims, Applicants' own statistics show that the claimed  
10 savings from the merger are significantly above the average for other mergers. The  
11 fact that I have not commented specifically on these claims does not mean that I  
12 agree with them.

13 **Regulatory Plan**

14 **Q PLEASE DESCRIBE GENERALLY THE PROPOSED REGULATORY PLAN.**

15 A Applicants have claimed synergies in several categories. They have also identified  
16 certain costs associated with consummating the merger, which they call transaction  
17 costs; and certain other costs associated with internal realignments and restructuring  
18 necessary to achieve the claimed synergies, which they refer to as transition costs.

19 **Q ARE THESE THE ONLY RELEVANT COSTS?**

20 A No. Applicants have been selective and have not shown in their exhibits all the costs  
21 of the proposed transaction. While Applicants do not include these costs in their  
22 exhibits which set forth the synergies, transaction and transition costs, these  
23 additional costs are very much a part of the cost of the proposed merger and are

1 disclosed in supplemental testimony of Applicants' witnesses. For example,  
2 Applicants identified a change in the level of interest expense as well as amortization  
3 costs associated with retirement of debt. However, they chose not to include these  
4 costs in their schedules.

5 **Q HOW DO THE APPLICANTS PROPOSE TO TREAT THESE VARIOUS**  
6 **CATEGORIES OF COSTS AND SYNERGIES?**

7 A In general, Applicants propose that customers pay 100% of the transaction costs  
8 through an amortization that would take place over a period of five years. They  
9 propose to subtract the transition costs from the claimed synergies and "share" the  
10 net 50% to customers and 50% to stockholders. This sharing would occur over a  
11 period of five years according to the proposed plan.

12 **Q HOW DO APPLICANTS PROPOSE TO INCORPORATE THE 50%/50% SHARING**  
13 **OF SYNERGIES IN RATES?**

14 A Applicants do not propose to track these synergies, or to measure their achievement  
15 in any way. During the five-year period of the sharing, Applicants propose to increase  
16 the actual costs in future test periods by an amount equal to 50% of the synergies  
17 which they claim in this case.

18 **Q CAN YOU ILLUSTRATE HOW THIS WOULD OCCUR?**

19 A Yes. For purposes of illustration, assume that Applicants' testimony in this case  
20 claims synergy savings of \$50 million per year in a future year, say 2010. Fifty  
21 percent of these forecasted synergies would be \$25 million. In 2010, Applicants

1 propose to add \$25 million to the actual incurred costs. This, they argue, will allow  
2 stockholders to receive 50% of the claimed synergy savings.

3 Continuing the example, assume that the actual costs in 2010 are recorded as  
4 \$500 million. Adding back the \$25 million would cause customers to pay \$525  
5 million. If, in fact, the “but for the merger” costs would have been \$550 million, then  
6 customers would be paying \$25 million less and shareholders would receive a \$25  
7 million benefit. Because, however, the proposed plan does not include any tracking  
8 or attempted quantification of savings actually achieved by Applicants, it is easily  
9 possible that the “but for” cost would really have been \$525 million, rather than \$550  
10 million. Under such circumstances, customers would have paid the same, but  
11 stockholders would have received a \$25 million benefit. Under the proposed  
12 regulatory plan there is no way to know whether customers actually received any  
13 benefit, but it is clear that stockholders will have gotten theirs, since they get \$25  
14 million over and above the actual recorded costs, irrespective of the level of savings  
15 achieved, if any. This puts all of the risk on the customers.

16 **Q IS THIS A RELIABLE WAY TO REFLECT SYNERGY SAVINGS?**

17 A No. Under this proposal there is absolutely no accountability for Applicants to  
18 demonstrate that they have actually achieved the claimed synergy savings.  
19 Continuing the example, under this proposed regulatory plan, stockholders would get  
20 \$25 million of benefit, irrespective of whether they achieve the claimed synergies, and  
21 in fact irrespective of whether any synergies were achieved. This regulatory plan  
22 structure assumes that the costs actually incurred in 2010 are \$50 million lower than  
23 what they would have been but for the merger. If in fact they are not \$50 million



1 lower than what they would have been absent the merger, customers will not be  
2 getting 50% of the claimed synergy savings, but something less.

3 Under Applicants' proposed plan, customers are completely at risk for  
4 Applicants actually achieving the claimed merger savings. However, customers do  
5 not have any ability to implement the savings, while Applicants have no accountability  
6 or responsibility to demonstrate that they in fact have achieved the savings. This is  
7 the best of worlds for stockholders and the worst of worlds for customers.

8 **Q AT PAGES 5 AND 6 OF HER DIRECT TESTIMONY, APPLICANTS' WITNESS**  
9 **LORI WRIGHT COMMENTS ON HOW GPE WOULD PROPOSE TO TRACK**  
10 **SYNERGY SAVINGS IF THE COMMISSION WERE TO REQUIRE IT TO DO SO.**  
11 **DO YOU AGREE WITH HER PROPOSAL?**

12 **A** No, I do not. Her proposal simply is to start with a base year and escalate that base  
13 year for inflation. The inflation-adjusted costs would be compared to the actual costs  
14 in each future year, and the net difference in expenses would be considered synergy  
15 savings.

16 **Q WHY DO YOU DISAGREE WITH THIS APPROACH?**

17 **A** This approach assumes that, but for the merger, base year costs will escalate at the  
18 rate of inflation. This completely ignores any reductions in cost that may be achieved  
19 as a result of normal business operations, improvements in efficiency and reductions  
20 in head count as a result of productivity improvements through technology and other  
21 means, changes in practices and policies with respect to employee benefits, and any  
22 other actions that are normally taken as a matter of course in operating an electric  
23 utility.

1    **Q        HOW DO APPLICANTS PROPOSE TO SHARE THE TRANSITION COSTS?**

2    A        They would also be shared on a 50%/50% basis. However, these are additional  
3            costs that the utility can measure, capitalize and amortize over time. This means that  
4            the utility has little or no risk in recovering these costs because it simply adds them to  
5            the revenue requirement and increases rates by that amount.

6    **Q        HOW WOULD TRANSACTION COSTS BE RECOVERED?**

7    A        Applicants propose that 100% of transaction costs be charged to customers by  
8            means of capitalization and amortization into rates over five years. Since these costs  
9            can be measured, Applicants are not at risk for their recovery once they are included  
10          in rates.

11   **Q        WHERE IN APPLICANTS' FILING ARE THE SYNERGIES, TRANSITION COSTS**  
12           **AND TRANSACTION COSTS, AND THEIR PROPOSED ALLOCATION TO THE**  
13           **VARIOUS UTILITY ENTITIES, SET FORTH?**

14   A        They are set forth most clearly on the schedules attached to the supplemental  
15          testimony of Mr. Rush. In particular, Schedule TMR-3 shows the most detail.

16   **Q        HAVE YOU SUMMARIZED THOSE COSTS AND SYNERGIES INTO A**  
17           **SCHEDULE?**

18   A        Yes. Schedule 1 attached to this testimony presents, on lines 1 through 4, the  
19          five-year average values for synergies, transition costs and transaction costs that  
20          Applicants propose under the regulatory plan.

**Q WHAT DOES THIS SHOW?**

A It shows estimated impacts on KCPL's Missouri electric customers, on Aquila-MPS's retail electric customers in Missouri, on Aquila-L&P's electric and steam customers in Missouri and the total associated with entities regulated by the Missouri Public Service Commission (Commission).

As shown on line 4, under Applicants' plan, and assuming that everything unfolds exactly as Applicants represent that it will, KCPL's Missouri electric customers might see an average benefit of \$2 million per year over the five-year period, Aquila-MPS's retail electric customers might see \$2.4 million, Aquila-L&P's electric customers might see an average of \$500,000, and the benefits to Aquila-L&P steam customers, while indicated to be positive, get lost in the rounding. However, this analysis, which is taken from Applicants' exhibits, is incomplete and understates the cost by not taking into account higher interest costs and debt refinancing costs that also are disclosed by Applicants. When those are included, the transaction is revealed to be a significant detriment to customers. (Over \*\*\*\*\* per year, as I discuss later in this testimony).

**Q IS THIS LEVEL OF ANTICIPATED SAVINGS SUFFICIENT TO WARRANT THE RISKS THAT CUSTOMERS ASSUME IN TERMS OF THE ACTUAL ACHIEVEMENT OF THE SYNERGIES?**

A No. Even if the omitted substantial interest and debt retirement costs could be made to disappear, even the marginal net benefits would not be realized if Applicants are unsuccessful in achieving even just slightly less than 100% of the synergies that they have asserted in this case. This is an unacceptable level of risk for customers.

1     **Q     IS THERE ANY INFORMATION IN THIS CASE THAT THE COMMISSION CAN**  
2     **USE IN JUDGING THE AGGRESSIVENESS OF APPLICANTS' SAVINGS**  
3     **CLAIMS?**

4     **A     Yes.** In his supplemental testimony, Applicants' witness William Kemp provides a  
5     comparison of Applicants' claimed savings to both claimed and estimated achieved  
6     savings in other mergers. His testimony demonstrates that Applicants are quite  
7     aggressive in their claims.

8             In terms of comparing claimed savings to the claimed savings in other merger  
9     circumstances, Mr. Kemp notes as follows:

10            "KCPL's estimated synergies, as a percentage of either total O&M or  
11            non-fuel O&M, are above the average announced synergies for utility  
12            merger transactions in the U.S. in the past ten years."

13                               \* \* \*

14            "Compared to 26 other utility merger transactions across all energy  
15            utility types, KCPL's percentage savings are well into the upper half of  
16            the range. Only 3 of 26 transactions have higher synergies as a  
17            percentage of total O&M, and only 7 of 26 have higher synergies as a  
18            percentage of non-fuel O&M. See Schedule WJK-4." (Kemp  
19            Supplemental Direct, page 18)

20            In terms of comparing Applicants' claimed savings with the estimated realized  
21     savings in other transactions, Mr. Kemp notes as follows:

22            "Again, KCPL's estimated synergies are higher than the median level  
23            of realized synergies in other comparable transactions." (Kemp  
24            Supplemental Direct, page 19)

25                               \* \* \*

26            "KCPL's estimated synergy savings are greater than the median for  
27            Transmission, Distribution, Customer Service, and A&G, less than the  
28            median for Generation Non-Fuel O&M and the Sales function (which is  
29            a very small part of utility costs), and overall significantly higher than  
30            the median for total non-fuel O&M." (Kemp Supplemental Direct,  
31            page 20)

1                   Given the aggressive nature of Applicants' synergy claims, it would not be  
2                   wise to decide this case based on the assumption that these claimed savings are  
3                   certain to be realized.

#### 4    **Additional Costs**

5    **Q    YOU MENTIONED EARLIER THAT THERE WERE ADDITIONAL**  
6           **INTEREST-RELATED COSTS THAT THE APPLICANTS OMITTED FROM THEIR**  
7           **SCHEDULES. WHAT ARE THESE ADDITIONAL COSTS?**

8    A    Applicants propose to refinance some of Aquila's debt after the merger is  
9           consummated. Even after refinancing, however, the composite interest rate on the  
10          debt would be higher than the approximately 7% interest rate currently used to  
11          establish rates in Missouri. Unlike claims of synergy benefits, these costs are **certain**  
12          if the transaction goes forward as proposed.

13   **Q    WHY IS THERE SUCH A DIFFERENCE?**

14   A    There is a large difference (although it would be reduced by the merger – so  
15          Applicants claim) in that the unregulated operations of Aquila experienced some very  
16          unfavorable financial results and as a result have had to pay very high interest rates  
17          in order to borrow money. Because these are costs attributable to the unregulated  
18          operations, the Commission has not allowed these excessive interest costs to be  
19          charged to retail customers. Applicants want to change that. After the merger, they  
20          want to charge the “actual” interest cost to Missouri regulated customers.

1    **Q     HAVE THE APPLICANTS QUANTIFIED THE IMPACT?**

2    A     Yes. Mr. Cline at page 11 of his supplemental testimony, and in supporting data  
3           responses (OPC Data Request No. 5018), has quantified this amount at \$24 million  
4           per year. Simply recognizing this additional cost to customers clearly turns the  
5           transaction into a **detriment** of at least \$19.1 million per year.

6    **Q     ARE THERE ANY OTHER INTEREST-RELATED COSTS THAT WERE SIMILARLY**  
7           **OMITTED BY THE APPLICANTS FROM THEIR SCHEDULES?**

8    A     Yes. The Applicants also did not include in their exhibits the costs associated with  
9           retiring some of the debt. This is set forth on page 13 of Mr. Cline's supplemental  
10          testimony, as well as in the response to Praxair's Data Request No. 32. The average  
11          amount identified over the first five years is \*\*\*\*\*. These costs would also be added  
12          to customers' rates, increasing the identified detriment to \*\*\*\*\* over this five-year  
13          period. This is a total cumulative detriment of over \*\*\*\*\* during this five-year period  
14          of time.

15   **Q     DO APPLICANTS SET FORTH THESE ADDITIONAL COSTS ON THEIR**  
16          **SCHEDULES WHERE THEY SUMMARIZE THE IMPACTS OF THE MERGER?**

17   A     No, they do not. They only disclose it in testimony and have not taken the extra step  
18          of disclosing either of these costs when they summarize the impacts of the merger on  
19          customers. (See response to Praxair Data Request Nos. 33 and 34.)

1    **Q     IS IT CLEAR THAT APPLICANTS INTEND TO COLLECT THESE ADDITIONAL**  
2       **COSTS FROM MISSOURI CUSTOMERS?**

3    A     Yes it is. The responses to Praxair Data Request No. 32 and OPC Data Request No.  
4       5018 make it clear that the Applicants intend to charge these costs to Missouri  
5       regulated customers.

6    **Q     HAVE APPLICANTS INDICATED HOW THEY PROPOSE TO ALLOCATE THESE**  
7       **ADDITIONAL COSTS ACROSS THE VARIOUS REGULATED ENTITIES IN**  
8       **MISSOURI?**

9    A     No. In response to Praxair Data Request No. 35, they specifically indicate that they  
10      have not made that determination. This response has not been further updated as of  
11      the date of this testimony.

### **CONCLUSION AND RECOMMENDATION**

12   **Q     AS STRUCTURED, DO YOU BELIEVE THAT THE MERGER AND THE**  
13       **PROPOSED REGULATORY PLAN ARE IN THE BEST INTEREST OF THE**  
14       **MISSOURI CUSTOMERS OF APPLICANTS?**

15   A     No, I do not. Even taking all of Applicants' claims at face value, and without  
16      questioning any of their assumptions, the analysis shows that there would be  
17      significant detriments to customers.

18   **Q     THAT BEING THE CASE, WHAT IS YOUR RECOMMENDATION?**

19   A     Given the structure of the regulatory plan, the admitted detriment, and the risk that  
20      the detriment could be even greater, it is my recommendation that the merger not be  
21      approved.

1    **Q       DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

2    **A       Yes, it does.**



## **Qualifications of Maurice Brubaker**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,  
3           St. Louis, Missouri 63141.

4    **Q     PLEASE STATE YOUR OCCUPATION.**

5    A     I am a consultant in the field of public utility regulation and President of the firm of  
6           Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

7    **Q     PLEASE    SUMMARIZE    YOUR    EDUCATIONAL    BACKGROUND    AND**  
8           **EXPERIENCE.**

9    A     I was graduated from the University of Missouri in 1965, with a Bachelor's Degree in  
10          Electrical Engineering. Subsequent to graduation I was employed by the Utilities  
11          Section of the Engineering and Technology Division of Esso Research and  
12          Engineering Corporation of Morristown, New Jersey, a subsidiary of Standard Oil of  
13          New Jersey.

14                In the Fall of 1965, I enrolled in the Graduate School of Business at  
15          Washington University in St. Louis, Missouri. I was graduated in June of 1967 with  
16          the Degree of Master of Business Administration. My major field was finance.

17                From March of 1966 until March of 1970, I was employed by Emerson Electric  
18          Company in St. Louis. During this time I pursued the Degree of Master of Science in  
19          Engineering at Washington University, which I received in June, 1970.

20                In March of 1970, I joined the firm of Drazen Associates, Inc., of St. Louis,  
21          Missouri. Since that time I have been engaged in the preparation of numerous

1 studies relating to electric, gas, and water utilities. These studies have included  
2 analyses of the cost to serve various types of customers, the design of rates for utility  
3 services, cost forecasts, cogeneration rates and determinations of rate base and  
4 operating income. I have also addressed utility resource planning principles and  
5 plans, reviewed capacity additions to determine whether or not they were used and  
6 useful, addressed demand-side management issues independently and as part of  
7 least cost planning, and have reviewed utility determinations of the need for capacity  
8 additions and/or purchased power to determine the consistency of such plans with  
9 least cost planning principles. I have also testified about the prudence of the actions  
10 undertaken by utilities to meet the needs of their customers in the wholesale power  
11 markets and have recommended disallowances of costs where such actions were  
12 deemed imprudent.

13 I have testified before the Federal Energy Regulatory Commission (FERC),  
14 various courts and legislatures, and the state regulatory commissions of Alabama,  
15 Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia,  
16 Guam, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri,  
17 Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania,  
18 Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia,  
19 Wisconsin and Wyoming.

20 The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and  
21 assumed the utility rate and economic consulting activities of Drazen Associates, Inc.,  
22 founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed. It  
23 includes most of the former DBA principals and staff. Our staff includes consultants  
24 with backgrounds in accounting, engineering, economics, mathematics, computer  
25 science and business.

1           During the past ten years, Brubaker & Associates, Inc. and its predecessor  
2           firm has participated in over 700 major utility rate and other cases and statewide  
3           generic investigations before utility regulatory commissions in 40 states, involving  
4           electric, gas, water, and steam rates and other issues. Cases in which the firm has  
5           been involved have included more than 80 of the 100 largest electric utilities and over  
6           30 gas distribution companies and pipelines.

7           An increasing portion of the firm's activities is concentrated in the areas of  
8           competitive procurement. While the firm has always assisted its clients in negotiating  
9           contracts for utility services in the regulated environment, increasingly there are  
10          opportunities for certain customers to acquire power on a competitive basis from a  
11          supplier other than its traditional electric utility. The firm assists clients in identifying  
12          and evaluating purchased power options, conducts RFPs and negotiates with  
13          suppliers for the acquisition and delivery of supplies. We have prepared option  
14          studies and/or conducted RFPs for competitive acquisition of power supply for  
15          industrial and other end-use customers throughout the United States and in Canada,  
16          involving total needs in excess of 3,000 megawatts. The firm is also an associate  
17          member of the Electric Reliability Council of Texas and a licensed electricity  
18          aggregator in the State of Texas.

19          In addition to our main office in St. Louis, the firm has branch offices in  
20          Phoenix, Arizona and Corpus Christi, Texas.

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## GPE/AQUILA MERGER PROPOSAL

### Synergies and Costs Identified By Applicants: Five-Year Average (\$ Millions)

Note: A negative value is a benefit to customers, and a positive value is a detriment to customers.

Line	Description	KCPL Missouri (1)	MPS Retail (2)	L&P Electric (3)	L&P Steam (4)	Total Missouri PSC (5)
1	50% of Claimed Synergies <sup>(1)</sup>	(\$8.7)	(\$10.7)	(\$2.5)	(\$0.2)	(\$22.1)
2	50% of Transition Costs <sup>(1)</sup>	\$1.3	\$1.6	\$0.4	—	\$3.3
3	Transaction Costs <sup>(1)</sup>	\$5.4	\$6.7	\$1.6	\$0.2	\$13.9
4	Net Above	(\$2.0)	(\$2.4)	(\$0.5)	—	(\$4.9)
5	Proposed Additional Interest Expense Charged to Customers <sup>(2)</sup>					\$24.0
6	Subtotal Identified Detriment per Year					\$19.1
7	Proposed Amortization of Debt Retirement Costs to Customers <sup>(3)</sup>					*****
8	Total Identified Impact to Customers					*****

<sup>(1)</sup> From Schedule TMR-3

<sup>(2)</sup> Page 11 of the Supplemental Testimony of Michael Cline

<sup>(3)</sup> Page 13 of the Supplemental Testimony of Michael Cline, and response to Praxair Data Request No. 32

**Data Responses Referenced in Rebuttal Testimony of Maurice Brubaker**

<b><u>Data Response</u></b>	<b><u>Classification</u></b>
Applicants' Response to Praxair's Data Request No. 31	Public
Applicants' Response to Praxair's Data Request No. 32	HC
Applicants' Response to Praxair's Data Request No. 33	Public
Applicants' Response to Praxair's Data Request No. 34	Public
Applicants' Response to Praxair's Data Request No. 35	Public
Applicants' Response to OPC's Data Request No. 5018	HC

DATA REQUEST– Set Praxair\_20070828

Case: EM-2007-0374

Date of Response: 09/07/2007

Information Provided By: Mike Cline

Requested by: Stuart Conrad

Question No. : 31

Referring to the supplemental testimony of Michael Cline, at page 11, lines 21-23, and the additional \$24.4 million per year additional pre-tax interest costs, please provide:(a) The workpapers showing the derivation of this amount;(b) The amount applicable for each of the first ten years after consummation of the merger; and(c) The amount, by year, for ten years after the consummation of the merger, broken out between MPS, L&P electric and L&P steam.

Response:

- (a) The \$24.4 million is determined by taking the difference between (i) the expected actual coupon rate of 11.875% on the \$500 million Senior Notes (which, as indicated in my testimony, assumes a 300 basis point reduction from the current level of 14.875% as a result of the expected upgrade of Aquila to investment grade status at S&P and Moody's following the completion of the acquisition by GPE); and (ii) the 7.0% rate assumed to be allowed in rates for Aquila today. The calculation is therefore as follows:

$$\$500.0 \text{ million} * (11.875\% - 7.00\%) = \$24.4 \text{ million per year in additional pre-tax interest}$$

- (b) Assuming a closing date of 2/29/08, the additional amount for 2008 would be (\$24.4 million \* (10/12)), or \$20.3 million. For the full years 2009, 2010, and 2011, the amount would be \$24.4 million. The Senior Notes mature on July 1, 2012, so the amount for 2012 would be (\$24.4 million \* (6/12)), or \$12.2 million. There would be no additional interest amount attributable to the Senior Notes beyond July 1, 2012.
- (c) We do not have a basis for this allocation at this time.

DATA REQUEST– Set Praxair\_20070828

Case: EM-2007-0374

Date of Response: 09/10/2007

Information Provided By: Mike Cline

Requested by: Stuart Conrad

Question No. : 32

Concerning the debt retirement costs shown on line 2 of page 13 of Mr. Cline's supplemental direct testimony, please: (a) Provide the workpapers for the calculation of this amount;(b) Reconcile this amount with the amounts shown on page 4 of Exhibit MWC-9; and(c) Please provide the amount proposed to be charged to customers through rates in each of the first ten years following the consummation of the merger, broken out between MPS, L&P electric and L&P steam.

Response:

- (a) The amount referenced at page 13, line 2 of my testimony is derived by summing the estimated Repurchase Premium for each Aquila debt issue expected to be retired, as shown on Schedule MWC-10. That figure for each issue, in turn, is determined by subtracting the Projected Amount Outstanding from the Pre-Tax Cash Cost (to retire), both as shown on Schedule MWC-10. The Pre-Tax Cash Cost is the amount expected to be paid to fully retire each debt issue based upon a price per bond calculated by discounting the existing stream of cash flows at the then-in-effect U.S. Treasury rate for the term equivalent to the remaining life of the issue, plus a spread. For issues with a "make-whole" provision, this spread is specified in the documentation; for issues without a "make-whole," the spread was estimated by Credit Suisse as the level needed to induce holders to relinquish most or all of their bonds as part of a tender offer. The supporting details behind the calculation of the price to retire the individual bonds and the aggregation of the individual costs to the total level referenced in my testimony can be seen in the model supporting Schedule MWC-10, which is contained in the response to Question No. 38.
- (b) The amount referenced at page 13, line 2 of my testimony is the amount of cash expected to be paid at the time of retirement of the issues in question. For accounting purposes, the redemption cost would not be recognized in its entirety at the time the cash was paid, but rather would be amortized ratably (to interest expense) over the remaining lives of the respective issues retired. The amounts shown on the line "Amortization of Debt Tender Costs" in Schedule MWC-9 reflect this amortization for 2009-12 (keeping in mind that the amortization recognized for accounting purposes in a given year is not assumed to be recovered in rates until the following year, e.g., the 2008 amount is recovered in 2009, the 2009 amount in 2010, etc.). The **Highly Confidential** table below reflects the amounts amortized annually for accounting purposes for 2008-2012:

- (c) The **Highly Confidential** table below extends the five-year analysis above for an additional five years:

As indicated in the response to Question #31, we do not have a basis for allocation to the three entities at this time.



DATA REQUEST– Set Praxair\_20070828

Case: EM-2007-0374

Date of Response: 09/07/2007

Information Provided By: Tim Rush

Requested by: Stuart Conrad

Question No.: 33

Please state whether any of the additional cost of debt and the additional cost of debt retirement are included in the synergies and costs shown on Schedule TMR-1 attached to the supplemental direct testimony of Mr. Rush.

Response:

They are not included.

Response provided by: Tim Rush

DATA REQUEST– Set Praxair\_20070828

Case: EM-2007-0374

Date of Response: 05/27/2007

Information Provided By:

Requested by: Stuart Conrad

Question No.: 34

If the additional interest cost and debt retirement costs are not shown on Schedule TMR-1, please provide the amounts to be added to this exhibit as ratepayer costs in order to fully reflect the proposal with respect to the pass-through of additional debt costs, and the recovery of debt retirement costs from customers.

Response:

The quantification of the additional debt and amortization costs has not been identified at this time, and will be filed as part of the next rate case.

Response provided by: Tim Rush

DATA REQUEST– Set Praxair\_20070828

Case: EM-2007-0374

Date of Response: 09/07/2007

Information Provided By: Tim Rush

Requested by: Stuart Conrad

Question No.: 35

Referring to Schedule TMR-1 attached to the supplemental direct testimony of Mr. Rush, please provide a breakout showing the dollar amounts for each category, and for each column, by year. Please also provide the amounts pertaining to additional interest costs and debt retirement costs.

Response:

Schedule TMR-3 is an annual amount of the synergy and costs to achieve allocations. No interest cost or debt retirement costs are included.

Response provided by: Tim Rush

DATA REQUEST– Set OPC\_20070813

Case: EM-2007-0374

Date of Response: 08/23/2007

Information Provided By: Mike Cline

Requested by: Dittmer Jim

Question No.: 5018

Please provide the incremental interest costs that GPE/KCPL/Aquila anticipate collecting in rates from Missouri retail customers by reflecting actual interest costs for the year 2008 through 2012 above that which would be collected if the MPSC were to develop rates by reflecting interest cost of approximately 7% “for regulatory purposes” as stated at page 11 of Mr. Michael Cline’s supplemental direct testimony.

Response:

The response is attached in the file titled “Q5018\_Response to OPC Data Request 5018.xls”.

The following attachment is considered HIGHLY CONFIDENTIAL because it includes information that is not provided to the public:

- Q5018\_Response to OPC Data Request 5018.xls

Attachment:

- Q5018\_Response to OPC Data Request 5018.xls

**AQUILA RESPONSE:**

This is a post merger question that KCP&L should provide the response.

RESPONDED BY: Becky Sandring

**Q5018\_Response to OPC Data Request 5018.xls**

**is deemed “HIGHLY CONFIDENTIAL”**