Exhibit No.:	
Issues:	Synergy and Costs to Achieve allocations; Post-Merger allocations
Witness:	Tim M. Rush
Type of Exhibit:	Supplemental Direct Testimony
Sponsoring Party:	Great Plains Energy Incorporated and Kansas City Power & Light Company
Case No.:	EM-2007-0374
Date Testimony Prepared:	August 8, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

SUPPLEMENTAL DIRECT TESTIMONY PURSUANT TO THE SCHEDULING ORDER

OF

TIM M. RUSH

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
August 2007

SUPPLEMENTAL DIRECT TESTIMONY

PURSUANT TO THE SCHEDULING ORDER

OF

TIM M. RUSH

Case No. EM-2007-0374

Q: Please state your name and business address.

A: My name is Tim M. Rush. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCPL") as Director, Regulatory Affairs, a position I have held since 2001. KCPL is a wholly-owned subsidiary of Great Plains Energy Incorporated ("Great Plains Energy"). KCPL and Great Plains Energy are referred to collectively as the "Company" in this testimony.

Q: What are your responsibilities?

A: My general responsibilities include overseeing the preparation of KCPL's rate cases, class cost of service and rate design. I am also responsible for overseeing the regulatory reporting and general activities specific to the state of Missouri and the Missouri Public Service Commission ("MPSC").

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

A: In addition to public schools, I received a Master's Degree in Business Administration from Northwest Missouri State University in Maryville, Missouri. I did my undergraduate study at both the University of Kansas in Lawrence and the University of Missouri in Columbia. I received a Bachelor of Science Degree in Business

Administration with a concentration in Accounting from the University of Missouri in Columbia.

I was hired by KCPL in 2001. Prior to my employment with KCPL, I was employed by St. Joseph Light & Power Company ("Light & Power") for over 24 years. At Light & Power, I was Manager of Customer Operations from 1996 to 2001, where I had responsibility for the regulatory area, as well as customer services, which included the call center, collections and marketing areas. Prior to that, I held various positions in the Rates and Market Research Department from 1977 until 1996. I was the manager of that department for fifteen years.

Q: Have you previously testified in a proceeding at the MPSC or before any other utility regulatory agency?

A: Yes, I have testified in numerous proceedings before the MPSC.

Q: What is the purpose of your testimony?

A: I will discuss the approach Great Plains Energy has taken to allocate synergies, transition-related costs and transaction costs from the proposed acquisition of Aquila, Inc. ("Aquila") by Great Plains Energy ("the Merger"). I will present how the Company envisions recovery of these costs in the next rate proceedings before the MPSC. I will address from a rate setting point of view, how the overall Merger synergies, transaction and transition-related costs will affect each regulated jurisdiction and the benefits for customers derived from the Merger. I will also discuss the allocation process Great Plains Energy, KCPL and Aquila will utilize post-Merger.

Allocation of Synergy Savings, Transition-Related Costs and Transaction Costs

Q: Did you determine the value of the synergies, transition-related costs and transaction costs?

A: No, these values were determined by various integration teams, with the results discussed in the supplemental direct testimony of Company witness Robert Zabors and other Company witnesses. My responsibility was to develop an appropriate method to allocate the synergies, transition-related and transaction costs to the various KCPL and Aquila regulatory jurisdictions and to Aquila's non-regulated operations (referred to in this testimony as "Merchant"). The KCPL regulatory jurisdictions include KCPL-Missouri, KCPL-Kansas and KCPL-wholesale. The Aquila regulatory jurisdictions include Aquila MPS-retail, Aquila MPS-wholesale, Aquila L&P-electric, and Aquila L&P-industrial steam.

Q: What approach did you take to determine the appropriate allocation factors?

A: An allocation team with representatives from Great Plains Energy, KCPL and Aquila determined an allocation factor for each synergy savings based on the most representative cost driver. The allocation team's approach was to keep the allocation factors relatively simple and easily auditable. For example, most of the factors utilize Form 1 statistics.

Q: What do you mean by the term "cost driver"?

A: A cost driver is an activity that causes a cost to be incurred. For example, meter reading costs are driven by the number of meters in the field. Billing costs are driven by the number of bills processed. Other cost drivers may result in the costs being directly assigned to a specific jurisdiction or combination of jurisdictions. For purposes of this testimony the terms "cost driver" and "allocation factor" are used interchangeably.

Q: What cost drivers did the allocation team determine to be most appropriate?

A: The cost drivers/allocation factors shown on Schedule TMR-2 are the most appropriate for the various synergy categories.

Q: Why was a "general allocator" selected for Shared Services non-fuel operating & maintenance expense ("NFOM") synergies?

A: Shared Services activities encompass general corporate overhead, including Accounting, Legal, Executive, etc. Because no single cost driver is appropriate for these activities, a multi-part "general" allocation factor was used. Great Plains Energy and Aquila use a similar general allocator for their overhead allocations, as documented in their respective Cost Allocation Manuals ("CAM"). The allocation team decided on a three-part general allocation factor, including net plant, retail revenue and payroll costs.

Q: Was a general allocator used for other categories of synergies?

A: No, the general allocator was not used for any of the other synergy categories, except for the synergy attributable to the sale of Aquila's current corporate headquarters at 20 West 9th Street, as the other categories have identifiable cost drivers. For example, delivery and customer service costs are directly influenced by the number of customers or meters. Supply costs, on the other hand, are directly influenced by output levels, such as mega-watt hours generated and/or purchased.

Q: Why are Supply Chain synergies allocated based on expenditures, *i.e.* spend?

A: As more fully discussed in the supplemental direct testimony of Company witnesses Robert Zabors, Wallace Buran and others, the integration of the two companies will lead to procurement savings from economies of scale and improved logistics.

Q: Once the appropriate cost drivers/allocation factors were identified, how were the synergies allocated among the various regulatory jurisdictions and the Merchant operation?

A: We used a two-step approach. For the first step, each synergy item was allocated among KCPL, Aquila-MPS, Aquila-L&P and Aquila-Merchant, based on the applicable allocation factor and the associated statistical data. In many cases, only certain of these entities were affected, as shown on Schedule TMR-2 (the "Allocated to" column). The second step involved further allocation of the synergies identified in step one to KCPL's three regulatory jurisdictions, Aquila- MPS's two regulatory jurisdictions, and Aquila-L&P's two regulatory jurisdictions, as applicable. The result of this two-step allocation process is presented on Schedule TMR-1.

Q: How were KCPL's synergies allocated among its Missouri, Kansas and wholesale regulatory jurisdictions?

A: The KCPL synergies identified in step one were allocated to its jurisdictions based on allocation percentages established in KCPL's recent rate case, for cost drivers that were the same as or similar to the cost drivers used in step one. For example, KCPL's Shared Services synergies were allocated to KCPL's three regulatory jurisdictions based on a general allocator identical to the three factors utilized to allocate total Shared Services synergies in step one.

Q: How were Aquila-MPS's synergies allocated between its retail and wholesale jurisdictions?

A: The Aquila-MPS synergies identified in step one were allocated based on a 99.46% retail/0.54% wholesale allocation, consistent with Aquila's recent rate case.

Q: How were Aquila-L&P's synergies allocated between its electric and industrial steam regulatory jurisdictions?

A: Aquila-L&P's synergy savings identified in step one were allocated based on various allocators established in the 2007 Aquila rate case, including the Administrative & General allocator, the Operations & Maintenance ("O&M") allocator, and the coal burn allocator.

Q: How were transition-related and transaction costs allocated?

A: As shown on Schedule TMR-1, both transition and transaction-related costs to achieve were allocated in direct proportion to the synergies allocation discussed above.

Q: Why was this approach taken?

A: As discussed earlier in my testimony, the primary purpose of incurring these costs is to ensure the Merger is completed, synergies are achieved and the Merger process is effective. Therefore, it is appropriate to allocate these costs in a manner similar to the synergies.

Q. How are the synergies, transaction costs and transition-related costs proposed to be allocated to the jurisdictions?

A. We are requesting authority from this Commission to establish a regulatory asset account on the books of KCPL and Aquila for both the transition-related and transaction costs and to allow those costs to be amortized over a five-year period beginning at the time of the completion of the Merger. This is more fully described in the testimony of Terry Bassham.

We are proposing for the purposes of setting rates, that the Commission allow the merged companies to retain fifty percent (50%) of the net synergies (synergies and transition-related costs) and recover 100% of the transaction costs over the same five-year period. As has been presented in the testimony of Robert Zabors, William Kemp, and other witnesses, it is anticipated that additional synergies will be accomplished and customers will be able to retain 100% of those benefits. Additionally, customers will receive 100% of the benefits from the Merger after the fifth year, *i.e.*, after 2012.

Q: Your allocation procedure addresses all jurisdictions served by both KCPL and Aquila. Do the results of the overall allocation result in a detriment to any jurisdiction?

A: No. As will be discussed later in this testimony, each jurisdiction enjoys a reduced cost from the Merger as a result of the overall allocations of synergies, transition-related costs and transaction costs. The overall benefits from the Merger, once the transition-related and transaction costs are recovered will result in even more benefits for customers in all of the jurisdictions served by the merged organization.

Q: Should this be the only measure of detriment or benefit to customers in the various jurisdictions that will be served after the Merger?

A: No. Many other elements constitute a review of whether the Merger is a benefit or detriment to customers. A long-term view of the overall Merger is necessary to fully understand the future benefits of the combined organization.

Q: Please summarize the results of the synergy allocation.

A: Schedule TMR-1 shows the overall allocation of synergies to each jurisdiction, including Aquila Merchant and both KCPL and Aquila MPS wholesale. The allocation demonstrates that each jurisdiction will receive a benefit from the merged organization because the synergy benefits filter to those jurisdictions as a result of the allocation process.

<u>Post-Merger Allocation Process</u>

Q: Has KCPL determined the allocation process it will utilize for services provided by KCPL to Aquila and its business units after the Merger is complete ?

A: KCPL has not specifically determined the process that will be utilized. However, KCPL anticipates the process will be similar to the current allocation processes employed by KCPL/Great Plains Energy and Aquila, respectively.

Q: When will KCPL finalize the post-Merger allocation process?

A; KCPL will finalize this process prior to consummation of the Merger.

Q: Has KCPL/Great Plains Energy and Aquila each fully documented their existing allocation processes and communicated accordingly with the MPSC?

A: Yes, each company has annually updated its respective CAM and filed the updates with the MPSC in accordance with 4 CSR § 240-20.015.

Q: Has the MPSC or the Staff of the MPSC communicated any issues or concerns with KCPL or Aquila regarding their CAMs?

A: No, not to the best of my knowledge.

Q: Has KCPL/Great Plains Energy and Aquila estimated the effect of the post-Merger allocation process ?

A: Yes, the estimated effect of the post-Merger allocation process on the various regulatory jurisdictions is shown on Schedule TMR-3. This is a high-level estimate that may vary from actual results once the specific post-Merger allocation process is formalized.

Q: Does this analysis take into consideration all cost of service components?

A: No, the analysis focuses on two of the more significant components, NFOM and plant-in-service.

Q: Does this estimate take into consideration the synergy and costs to achieve effects discussed earlier in this testimony?

A: Yes, the synergies and costs to achieve included on Schedule TMR-1 are included on Schedule TMR-3, by dividing the 5-year totals on Schedule TMR-1 by five to derive an annual effect.

Q: Please discuss the results of the estimate.

A: As shown on Schedule TMR-3, each of the jurisdictions receives a net benefit from the proposed regulatory plan during the first five (5) years after the Merger transaction. Additionally, beyond the first 5 years, saving will continue to accrue to customers from these synergies, as well as other benefits that will occur from the overall organization.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF TIM M. RUSH

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

Tim M. Rush, being first duly sworn on his oath, states:

1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of nine (9) 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.

Tim M. Rush
Tim M. Rush

Subscribed and sworn before me this 8th day of August 2007.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4. 2011

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

Synergy and Costs to Achieve Allocations
($ in millions)

Synergy Category	Synergies	KCPL- MO	KCPL-KS	KCPL-Wholesale	MPS- Retail	MPS-Wholesale	L&P-Electric	L&P-Industrial Steam	Merchant
Non-Fuel O&M (NFOM)									
Shared Services	42.8	15.7	13.1	0.2	10.1	0.1	2.9	0.2	0.6
Supply	20.0	7.4	5.5	0.1	5.5	0.0	1.2	0.3	-
Delivery	21.9	7.3	6.3	0.0	6.4	0.0	1.7	0.1	-
Total NFOM	84.7	30.3	24.9	0.3	22.0	0.1	5.8	0.6	0.6
Supply Chain									
Shared Services	55.0	18.7	15.0	0.5	13.0	0.1	4.3	0.7	2.8
Supply	19.7	6.1	6.0	0.1	4.7	0.0	1.5	0.2	1.0
Delivery	56.3	19.7	15.2	0.1	13.3	0.1	4.4	0.7	2.9
	131.0	44.4	36.1	0.6	31.0	0.2	10.3	1.6	6.7
NFOM Projects									
Facilities Consolidation	7.0	3.3			2.9		0.8		
AMR	5.0				3.9		1.1		-
20 W. 9th	22.0				16.1	0.1	4.6	0.3	1.0
	34.0	3.3	-	-	22.9	0.1	6.5	0.3	1.0
Revenue Projects									
Billing Enhancements	12.8	6.8	6.0						
Energy Efficiency	13.0				10.2		2.8		-
Heat Rate	0.1				0.1	0.0	0.0	0.0	
CT Optimization	3.0	1.7	1.3	0.0					
Sibley 1 and 2 Optimization	2.0				1.6	0.4			
Sibley 3 Optimization	19.0				15.3	3.7			
Boiler Tube Improvement	5.0				4.0	1.0			
	54.9	8.6	7.2	0.0	31.1	5.1	2.8	0.0	-
Synergy allocation	304.6	86.6	68.3	1.0	107.1	5.5	25.4	2.4	8.3
Percentage	100%	28.4%	22.4%	0.3%	35.2%	1.8%	8.3%	0.8%	2.7%
Transition cost allocation	45.3	12.9	10.2	0.1	15.9	0.8	3.8	0.4	1.2
Net synergy allocation	259.3	73.7	58.2	0.8	91.2	4.7	21.6	2.1	7.0
Transaction cost allocation	95.2	27.1	21.4	0.3	33.5	1.7	7.9	0.8	2.6

Cost Drivers

Synergy Category	**Cost Driver**	**Allocated to**
Non-Fuel O&M (NFOM)		
Shared Services	General Allocator (1)	all units
Supply	MwH total (generation and purchased)	all units
Delivery	Customers	all units
Supply Chain		
Shared Services	Corporate Spend- Corporate O&M expenses (excl. payroll)	all units
Supply	Generation Spend- Supply O&M expenses (excl. fuel and payroll)	all units
Delivery	Delivery Spend- Delivery O&M expenses (excl. payroll)	all units
NFOM Projects		
Facilities Consolidation	Customers	KCPL- all units; MPS- both units; L&P- electric
AMR	Meters	MPS- retail; L&P- electric
20 W. 9th	General Allocator (1)	all units
Revenue Projects		
Billing Enhancements	Customers	KCPL- retail units
Energy Efficiency	Customers	MPS-retail; L&P-electric
Heat Rate	Mwh generated	all Aquila units except Merchant
CT Optimization	Mwh generated	KCPL- all units
Sibley 1 and 2 Optimization	Mwh generated	MPS- both units
Sibley 3 Optimization	Mwh generated	MPS- both units
Boiler Tube Improvement	Mwh generated	MPS- both units
(1) General Allocator- equal weighting of net plant, retail revenue and payroll costs		

Post-Merger Allocations
($ in millions)

	KCPL- MO	KCPL-KS	Total KCPL	MPS- Retail	L&P- Electric	L&P- Industrial Steam	Total Aquila	Combined Company
Non-Fuel O&M (NFOM)								
NFOM prior to Merger	$ 221.8	$ 184.7	$ 406.5	$ 119.3	$ 43.6	$ 2.8	$ 165.7	$ 572.2
% of existing company	55%	45%	100%	72%	26%	2%	98%	
Merger-related transactions (annual effects):								
Synergies realized	$ (17.3)	$ (13.7)		$ (21.4)	$ (5.1)	$ (0.5)		$ (58.0)
Adjustments to cost of service-								
50% of synergies	$ 8.7	$ 6.8		$ 10.7	$ 2.5	$ 0.2		$ 29.0
50% of transition costs	$ 1.3	$ 1.0		$ 1.6	$ 0.4	$ 0.0		4.3
Transaction costs	$ 5.4	$ 4.3		$ 6.7	$ 1.6	$ 0.2		18.1
Net Merger-related effects	$ (2.0)	$ (1.5)		$ (2.4)	$ (0.6)	$ (0.1)		$ (6.6)
NFOM after Merger effects	$ 219.8	$ 183.2		$ 116.9	$ 43.0	$ 2.7		565.6
% of combined company	39%	32%		21%	8%	0%		100%
Plant in Service								
Plant in Service	$ 2,865.5	$ 2,414.6	$ 5,280.1	$ 1,649.9	$ 402.3	$ 12.9	$ 2,065.1	
Reserve	$ 1,320.4	$ 1,058.3	$ 2,378.8	$ 619.8	$ 210.8	$ 6.8	$ 837.4	
Net Plant in Service	$ 1,545.1	$ 1,356.3	$ 2,901.4	$ 1,030.0	$ 191.6	$ 6.1	$ 1,227.7	$ 4,129.1
Current Percentage	53%	47%	100%	84%	16%	0%	100%	
Combined Company	37%	33%		25%	5%	0%		100%