

Exhibit No.:
Issues: Synergy Savings; Synergy Savings
Tracking Mechanism and Process;
Transition Costs
Witness: Darrin R. Ives
Type of Exhibit: Direct Testimony
Sponsoring Party: Aquila, Inc. dba KCP&L Greater
Missouri Operations Company
Case No.: HR-2009-____
Date Testimony Prepared: September 5, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: HR-2009-____

DIRECT TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

**AQUILA, INC. dba
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri
September 2008**

DIRECT TESTIMONY

OF

DARRIN R. IVES

Case No. HR-2009-_____

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

2 A. My name is Darrin R. Ives. My business address is 1201 Walnut, Kansas City, Missouri
3 64106.

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

5 A. I am employed by Great Plains Energy Services Incorporated as Assistant Controller of
6 Great Plains Energy Incorporated (“Great Plains Energy”), the parent company of Kansas
7 City Power & Light Company (“KCP&L”). I am also Assistant Controller of KCP&L
8 and of Aquila, Inc. dba KCP&L Greater Missouri Operations Company (“GMO” or the
9 “Company”).

10 **Q. What are your responsibilities?**

11 A. I have primary responsibility for regulatory accounting and reporting activities
12 undertaken by Accounting Services for the benefit of KCP&L and GMO in support of
13 KCP&L’s Regulatory Affairs group. I am also responsible for the management of Great
14 Plains Energy’s and KCP&L’s external financial reporting to shareholders and various
15 regulatory agencies.

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

17 A. I graduated from Kansas State University in 1992 with a Bachelor of Science in Business
18 Administration with majors in Accounting and Marketing. I received my Master of
19 Business Administration degree from the University of Missouri-Kansas City in 2001. I

1 am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the
2 public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in
3 1996 and have held positions of progressive responsibility in Accounting Services and
4 was named Assistant Controller in 2007.

5 **Q. Have you previously testified in a proceeding at the Missouri Public Service**
6 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**
7 **agency?**

8 A. No, I have not.

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to discuss synergies as they relate to the integration of
11 the utility operations of Aquila, Inc. (“Aquila”) and KCP&L after the acquisition of
12 Aquila by Great Plains Energy through the merger of Aquila with Gregory Acquisition
13 Corp., a wholly-owned subsidiary of Great Plains Energy, as a result of which the entity
14 formerly known as Aquila, now GMO, has become a wholly-owned subsidiary of Great
15 Plains Energy. As presented by KCP&L in testimony in Case No. EM-2007-0374 (the
16 “Merger case”), the utility operations of KCP&L and GMO are being operationally
17 integrated, with KCP&L employees operating and managing the properties of both
18 KCP&L and GMO. As part of this operational integration, approximately 900 former
19 Aquila employees became employees of KCP&L. KCP&L management has identified
20 synergy savings, which I will discuss later in my testimony. I also describe KCP&L’s
21 synergy savings tracking mechanism and process as ordered by the Commission in its
22 Report and Order in the Merger case. Finally, I describe transition costs, and what costs
23 have been or will be incurred to achieve the operational integration. My testimony will

1 support adjustment number CS-78, which is included in Schedule RAK-4 attached to the
2 Direct Testimony of Company witness Ronald A. Klote. This adjustment represents the
3 synergy savings allocated to GMO L&P steam operations (“GMO - Steam”) and the
4 transition costs amortization allocated to GMO -Steam, respectively, as requested by
5 GMO in this proceeding.

6 SYNERGY SAVINGS CALCULATION

7 **Q. Please describe adjustment number CS-78 as it relates to synergy savings.**

8 A. The adjustment to A/C 921 included in Schedule DRI-1, which summarizes adjustment
9 number CS-78, reflects an annualized, recurring level of synergy savings as determined
10 from Schedule DRI-2 allocated to GMO - Steam.

11 **Q. What is meant by the term “synergy savings”?**

12 A. This term refers to reductions in costs, and avoided costs, as a result of the operational
13 integration of the utility operations of KCP&L and GMO as compared to the combined
14 costs of the entities operating standing alone absent the operational integration.

15 **Q. What are some examples of synergy savings?**

16 A. Examples of synergy savings include consolidation of corporate back office functions
17 (*e.g.*, accounting, human resources, information technology, etc.), call center
18 consolidation and field support center consolidation. Further examples of synergy
19 savings include transfer of best company operations or maintenance practices (*e.g.*,
20 generation, transmission, distribution), migration to the better information technology
21 platforms, or achieving lower supply chain costs through increased leverage over
22 vendors. Attached as Schedule DRI-2 is a summary of major synergy savings categories
23 expected to be realized by March 31, 2009.

1 **Q. Please describe Schedule DRI-2.**

2 A. This schedule reflects synergy savings as determined by comparing the integrated
3 budgets of GMO and KCP&L for the period after merger close through March 31, 2009,
4 as prepared by the integration planning teams for each of the major operational areas, to
5 base year 2006 operating costs of GMO and KCP&L adjusted for known and measurable
6 changes. Expected synergy savings through March 31, 2009, have been annualized to
7 determine the total company synergy savings included on Schedule DRI-2. This
8 schedule is the initial basis for determining synergy savings allocated to GMO - Steam
9 operations as requested by GMO in this proceeding.

10 **Q. Why did GMO utilize 2006 as the base year in its synergy savings tracking?**

11 A. The most recent full year of stand-alone financial results available for the integration
12 teams to use when integration planning began and potential synergy savings began to be
13 identified was 2006. Additionally, 2006 was the last full year of stand-alone operations
14 for the utility businesses of KCP&L and Aquila prior to announcement of the Merger. As
15 a result, 2006 was selected as the base year.

16 **Q. Is use of 2006 as the base year consistent with KCP&L's filing in the Merger case
17 and the Commission's Report and Order in that case?**

18 A. Yes, it is.

19 **Q. Why is it necessary to make adjustments to the 2006 base year?**

20 A. Adjustments to the 2006 base year are needed to reflect the fact that the utility businesses
21 operate in a dynamic rather than a static environment. Adjustments for cost escalations
22 since 2006 and for other known costs not incurred in 2006 are necessary for synergy
23 tracking in order for the 2006 base line data and the costs currently incurred to be an

1 accurate comparison. The 2006 base year has been, and will continue to be, adjusted for
2 cost escalations and other known costs not represented in the 2006 base year costs, as the
3 costs become known or realized. Examples include new vegetation management
4 compliance rules, costs to operate generating resources placed in service after the 2006
5 base year and other costs increasing at a rate higher than inflation such as employee
6 medical benefits.

7 **Q. Please discuss the categories of synergy savings reflected in Schedule DRI-2.**

8 A. Schedule DRI-2 reflects the major synergy categories of:

9 ***1. Non-Fuel Operations & Maintenance (“NFOM”)***

10 NFOM synergy savings are comprised of labor and non-labor cost reductions identified
11 by each integration team and reviewed across all teams through the integration process.
12 Labor synergies are the annualized effect of reductions in payroll and benefits attributable
13 to position reductions. Non-labor synergies generally result from economies of scale and
14 the impacts of position reductions on related non-labor spend.

15 ***2. Specific NFOM Projects***

16 The NFOM projects represent a few key projects that will reduce NFOM on a going
17 forward basis. These projects were extracted from the NFOM identified in category one
18 above due to the size of savings identified and the impact of the projects across multiple
19 integration teams. NFOM projects identified by certain integration teams include the
20 effect of facilities consolidation, closure of the 20 West 9th Street headquarters, and
21 adoption of a consolidated insurance program.

22 ***3. Supply Chain***

1 As identified by the Supply Chain integration team and consistent with the testimony
2 provided by KCP&L witness Wallace P. Buran in the Merger case, Supply Chain synergy
3 savings can be broken down into four major categories: 1) Strategic Sourcing; 2)
4 Improved Fleet Management; 3) Reductions in Supply Chain Inventory; and 4) Enhanced
5 Reclamation and Asset Recovery.

6 **Q. Are there other categories of synergy savings identified in the Merger case that have**
7 **not been included in Schedule DRI-2?**

8 A. Yes, certain synergy savings identified in the Merger case were not included in Schedule
9 DRI-2 because the benefits will be flowed through to customers through the GMO fuel
10 cost adjustment mechanisms.

11 **Q. What is the process employed for allocating synergy savings to GMO - steam in this**
12 **filing?**

13 A. As indicated above, Schedule DRI-2 was used as the basis for determining total synergy
14 savings to include in GMO's filing in this proceeding. Allocation factors were then
15 applied to the synergy savings to allocate the savings to the various KCP&L and GMO
16 regulatory jurisdictions and to GMO's non-regulated operations. The KCP&L regulatory
17 jurisdictions include KCP&L-Missouri, KCP&L-Kansas and KCP&L-wholesale. The
18 GMO regulatory jurisdictions include GMO MPS-retail, GMO MPS-wholesale, GMO
19 L&P-electric and GMO L&P-industrial steam. This process is consistent with the
20 process outlined in the Supplemental Direct Testimony of KCP&L witness Tim Rush in
21 the Merger case.

22 **Q. What approach was taken to determine the appropriate allocation factors?**

1 A. During the integration planning process and in preparation for the filing in the Merger
2 case, an allocation team with representatives from Great Plains Energy, KCP&L and
3 Aquila determined an allocation factor for each synergy savings category based on the
4 most representative cost driver. The allocation team's approach was to keep the
5 allocation factors relatively simple and easily auditable. For example, most of the factors
6 utilize statistics based on information included in the Federal Energy Regulatory
7 Commission Form 1.

8 **Q. What is meant by the term "cost driver"?**

9 A. A cost driver is a factor that is determined to be the most cost causative. In other words,
10 as the volume changes the resulting cost changes. For example, meter reading costs vary
11 in relation to the number of meters being read. Customer billing costs are driven by the
12 number of bills produced. In some cases, costs may be directly assigned to a specific
13 jurisdiction. For purposes of this testimony the terms "cost driver" and "allocation
14 factor" are used interchangeably.

15 **Q. What cost drivers did the allocation team determine to be most appropriate?**

16 A. The cost drivers/allocation factors, shown on Schedule DRI-3, Page 2 of 2, are the most
17 appropriate for the various synergy savings categories.

18 **Q. Once the appropriate cost drivers/allocation factors were identified, how were the
19 synergy savings allocated among the various regulatory jurisdictions and the GMO
20 non-regulated, or merchant operations?**

21 A. A two-step approach was used. First, each synergy item was allocated among KCP&L,
22 GMO-MPS, GMO-L&P and GMO-non-regulated operations, based on the applicable
23 allocation factor. For many of the identified synergy savings, only certain of these

1 entities were affected, as shown on Schedule DRI-3, Page 1 of 2 (the “Allocated to”
2 column). The second step involved further allocation of the synergy savings identified in
3 step one to KCP&L’s three regulatory jurisdictions, GMO-MPS’s two regulatory
4 jurisdictions, and GMO-L&P’s two regulatory jurisdictions, as applicable. The result of
5 this two-step allocation process is presented on Schedule DRI-3, Page 1 of 2.

6 **Q. What methodology is the Company proposing for the return of synergy savings to**
7 **GMO – Steam’s customers in this rate proceeding?**

8 A. Synergy savings will be “flowed through” to ratepayers in this case and in future rate
9 proceedings as the savings are reflected in the Company’s accounting records. Due to the
10 timing of the Company’s direct filing in this case and the closing date of the acquisition,
11 the synergy savings included in this filing were based on budgeted combined company
12 expenditures compared to base year 2006 operating costs of Aquila and KCP&L adjusted
13 for known and measurable changes, as described earlier in my testimony. These total
14 combined company synergy savings were allocated to determine the GMO - Steam
15 jurisdictional amounts to include in this filing.

16 **Q. Do you intend to update the synergy savings in this case?**

17 A. Yes. We will reflect annualized, recurring synergy savings based on actual known and
18 measurable synergies realized up to the true-up date in this case.

19 **SYNERGY SAVINGS TRACKING MECHANISM AND PROCESS**

20 **Q. Please describe the synergy savings tracking mechanism and process put in place as**
21 **a result of the Commission’s Report and Order in the Merger case.**

22 A. The synergy savings tracking mechanism (“tracker”) is maintained by KCP&L’s
23 Accounting Services Regulatory Accounting team under my direction. It is an Excel-

1 based model that tracks synergy savings at a combined company level as identified and
2 realized. Discreet tracking numbers are assigned to approved synergy savings categories
3 (the starting point of which are the categories identified in Schedule DRI-2). Actual
4 results (inputs) will be reported by the synergy savings owners to the Regulatory
5 Accounting team to be included in the tracker. The tracker will compare these actual
6 results to the 2006 base year, adjusted for known and measurable changes. When the
7 tracker is updated with inputs for a given period, reporting will be generated from the
8 results of the tracker and variances in reported synergy savings from projected synergy
9 savings (based on the combined budget information used to determine synergy savings in
10 this filing) will be analyzed by the synergy savings owner responsible for the input.
11 Variance explanations will be provided back to the Regulatory Accounting team.

12 **Q. Please explain what is meant by synergy savings owner?**

13 A. Each approved synergy savings with an assigned tracking number will have an owner
14 with principal accountability for realizing the projected synergy savings. A listing of
15 owners for the synergy savings categories listed in Schedule DRI-2 is provided in
16 Schedule DRI-4. This direct line of sight for realization of an identified synergy savings
17 is a key step in the successful achievement of the projected synergy savings.

18 **Q. Are there other activities to ensure realization of the projected synergy savings?**

19 A. Yes. For the upcoming year, or as long as the team remains in place, the Integration
20 Planning Leadership Team (“IPLT”) led by John Marshall, Executive Vice President of
21 Utility Operations, consisting of eight primary team leads covering the major operational
22 areas of the company, will provide the governance over the synergy savings tracking
23 process. After the IPLT is disbanded, a specific synergy savings process oversight team

1 will be put in place comprised of five to seven members of the executive team to provide
2 oversight of the synergy savings process through the duration of synergy savings
3 tracking. Key responsibilities of the governance team will include:

4 1) Approval of recommendations for adjustment of 2006 base year costs
5 for known and measurable changes;

6 2) Approval of newly-identified synergy savings as appropriate to be
7 included in the tracker; and

8 3) Review of actual synergy savings as reported from the tracker and
9 variances to projected synergy savings.

10 **Q. Can you please summarize your testimony regarding synergy savings?**

11 A. To summarize, total company synergy savings based on comparison of combined
12 company budgets to an adjusted 2006 stand-alone base line have been allocated in order
13 to determine the synergy savings adjustment to be included in the Company's direct
14 filing in this case. We will reflect annualized, recurring synergy savings based on actual
15 known and measurable synergies realized up to the true-up date in this case.

16 **ALLOCATED TRANSITION COSTS**

17 **Q. Please describe adjustment number CS-78 as it relates to allocated transition costs.**

18 A. The adjustment to A/C 923 included in Schedule DRI-1, which summarizes adjustment
19 number CS-78, reflects an annualized level of transition costs, allocated to GMO - Steam
20 based on a five-year amortization period. This is consistent with the Commission's
21 Report and Order in the Merger case.

22 **Q. Have you included any transaction costs in this case?**

1 A. No, we have not. In the Merger case, the Company defined transaction costs as costs to
2 consummate the merger. Examples of transaction costs include investment bankers' fees,
3 consulting and legal fees associated with the evaluation, bid, negotiation and structure of
4 the deal. Consistent with the Commission's Report and Order in that case, no transaction
5 costs are included in this case.

6 **Q. How do you define "transition costs"?**

7 A. These are costs incurred to successfully complete transition and integrate the utility
8 operations of KCP&L and GMO. These costs are necessary to achieve the synergy
9 savings previously discussed in my testimony. These costs include non-executive
10 severance costs for employees severed as a result of the merger, facilities integration
11 costs and incremental third-party and other non-labor expenses incurred to support the
12 integration from legal, human resources, information technology, and including similar,
13 specific costs identified by the integration planning teams related specifically to the
14 operational integration of the companies. A listing of transition cost categories is
15 included as Schedule DRI-5 to my testimony.

16 **Q. Please elaborate on the major categories of transition costs listed on Schedule DRI-5
17 and why they were deemed necessary to integrate operations and achieve synergy
18 savings?**

19 A. Schedule DRI-5 reflects the transition cost categories of:

20 ***1. Great Plains Energy's share of non-executive severance costs***

21 This represents severance costs for Aquila employees severed as a result of the
22 acquisition. Severance payments due to Aquila employees were made pursuant to
23 Aquila's Severance Plan or individual employment or other agreements, as applicable, in

1 effect at the time of the acquisition. These costs were necessary to achieve the position
2 reductions included in the synergy savings.

3 ***2. Great Plains Energy's retention payments to key Aquila employees***

4 These costs represent amounts paid by Great Plains Energy to retain certain previous
5 employees of Aquila that were identified as key resources to the combined operations and
6 successful integration of the utility operations of KCP&L and GMO.

7 ***3. Legal, HR and Integration Support costs***

8 These costs represent third party costs to support the integration from legal, human
9 resources, information technology and process integration perspectives. These costs were
10 necessary to provide supplemental expertise and support in the identification of and
11 transition planning for capture of the synergy savings. Also included are non-labor
12 incremental costs incurred by the companies' joint integration teams throughout the
13 transition period. These teams had principal accountability for the identification of and
14 planning for capture of the synergy savings.

15 ***4. Team Identified Transition costs***

16 These costs were specifically identified by the integration teams as necessary in
17 achieving operational integration of the utility businesses of KCP&L and GMO. This
18 includes items such as information technology systems integration costs, specific third-
19 party contractor costs during the transition necessary for the successful integration of
20 utility operations and identification and planning for synergy savings.

21 ***5. Facilities Integration costs***

22 These costs are related to synergy savings for facilities consolidation, the closure of the
23 headquarters building at 20 West 9th Street and operational integration of the utility

1 businesses of KCP&L and GMO. Examples of these costs include moving costs
2 associated with facilities consolidation and people integration.

3 ***6. Internal and External Integration Communication costs***

4 These costs represent the incremental costs required to effectively communicate with
5 employees and external stakeholders during the transition period through the operational
6 integration of the utility businesses of KCP&L and GMO. Frequent communications
7 through multiple sources were critical to maintaining understanding and credibility with
8 all stakeholders. This was essential to consistency in integration planning and
9 effectiveness of the operational integration, a critical factor to success in achieving the
10 synergy savings.

11 **Q. How did you determine amortization of transition costs to GMO - Steam in this
12 filing?**

13 A. Schedule DRI-5 was used as the basis for determining total transition costs to include in
14 GMO's filing in this case. Consistent with the Report and Order in the Merger case, we
15 amortized these costs over a period of five years.

16 **Q. Do you intend to update the amortization of transition costs in this case?**

17 A. Yes. We will reflect GMO - Steam operations allocated share of incurred transition costs
18 up to the true-up date in this case. Any transition costs incurred after the true-up date will
19 continue to be deferred for inclusion in GMO's next rate case.

20 **Q: How did you allocate the amortized transition costs to GMO – Steam's customers?**

21 A: We allocated the amortized costs to each jurisdiction based on the resulting synergy
22 savings allocation factors discussed earlier in my testimony. Because the transition effort

1 and resulting costs are necessary in order to achieve the synergy savings, a consistent
2 allocation process was deemed appropriate.

3 **Q. Will the allocation percentages be updated in the future?**

4 A. Yes, the allocation percentages will be updated for the true up in this proceeding and in
5 future rate proceedings for allocation of transition costs incurred after the true-up date.

6 **Q. What process does the company have in place to identify and track transition costs?**

7 A. Identification of transition costs has been the responsibility of integration planning teams
8 with governance and accountability for the transition costs maintained by the IPLT under
9 the leadership of John Marshall. At the beginning of the integration planning process,
10 accounting distribution was established specifically for the tracking of transition costs
11 and the accounting distribution was communicated to the IPLT and all integration
12 planning teams. Throughout the integration process, the teams have identified the
13 transition costs and coded with the appropriate accounting distribution. Accounting
14 Services has been analyzing, tracking and reporting these transition costs over the course
15 of the integration process. After close of the transaction, this initial accounting
16 distribution was inactivated for use; however, operational areas continuing to incur
17 transition costs have been provided new accounting distribution in order to be able to
18 specifically track future transition costs.

19 **Q. Will the Company request transition cost recovery if synergy savings realized are
20 insufficient to cover the annualized amortization of the transition costs?**

21 A. No. Consistent with the Additional Supplemental Direct Testimony of KCP&L witness
22 Terry Bassham in the Merger case and described in the Commission's Report and Order
23 in that case, to the extent that the synergy savings do not cover the transition cost

1 amortization, the uncovered costs would continue to be deferred until such time that the
2 demonstrated savings from the acquisition exceed the related cost.

3 **Q. Does that conclude your direct testimony?**

4 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc. dba)
KCP&L Greater Missouri Operations Company to) Case No. HR-2009-____
Modify Its Steam Tariffs to Effectuate a Rate Increase)

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

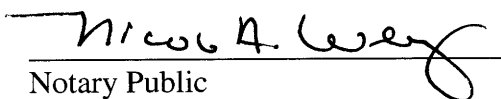
Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Great Plains Energy Services, Incorporated as Darrin R. Ives.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Aquila, Inc. dba KCP&L Greater Missouri Operations Company consisting of fifteen (15) 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.



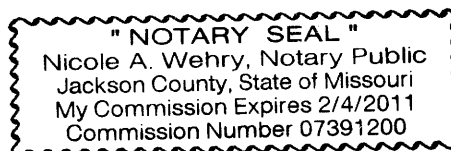
Darrin R. Ives

Subscribed and sworn before me this 5th day of September ~~August~~ 2008.



Notary Public

My commission expires: Feb. 4, 2011



Net Annualized Synergy Savings
Case No. HR-2009-_____
Schedule DRI-1

Line No.	Reference	Total	KCPL- MO	MPS Retail	SJLP- Elec	SJLP - Ind. Steam
	(A)	(B)	(C)	(D)	(E)	(F)
1	Allocation percentages per DRI-3	Note (1)	31.50%	31.30%	8.90%	0.90%
2						
3	Annualized synergy savings per DRI-2	\$ (43,500,000)	\$ (13,702,500)	\$ (13,615,500)	\$ (3,871,500)	\$ (391,500)
4						
5	Annual transition cost allocation	\$ 11,780,000	\$ 3,710,700	\$ 3,687,140	\$ 1,048,420	\$ 106,020
6						
7	Net Synergy Savings	<u>\$ (31,720,000)</u>	<u>\$ (9,991,800)</u>	<u>\$ (9,928,360)</u>	<u>\$ (2,823,080)</u>	<u>\$ (285,480)</u>
8						
9						
10	(1) percentages do not add to 100% because of amounts for other jurisdictions and non-regulated activities					

Annualized Synergy Savings
Case No. HR-2009-_____
Schedule DRI-2

Line No.	Synergy Group	Description	Total Amount (\$ Millions)
	(A)	(B)	(C)
1	Non-Fuel O&M (NFOM)	Eliminated Positions and Benefits	\$ 8.840
2		Other NFOM Savings	0.124
3			<u>\$ 8.964</u>
4			
5	NFOM Projects	Headquarters Consolidation	1.260
6		Service Center Consolidations	1.052
7		AMR	-
8		Insurance	\$ 3.680
9		20 W. 9th Rate Base	4.040
10			<u>\$ 10.032</u>
11			
12	Supply Chain	Sourcing and Best Practices Spend	\$ 14.832
13		Inventory	1.424
14		Fleet	2.740
15		Avoided Cost of Capital	2.944
16			<u>\$ 21.940</u>
17			
18	Revenue Projects	Billing Enhancements	<u>\$ 2.564</u>
19			
	Utility Total		<u><u>\$ 43.500</u></u>

Schedule of Allocation Percentages

Case No. HR-2009-_____

Schedule DRI-3

Page 1 of 2

Line No.	Synergy Category	Synergies- 5 Yr	KCPL- MO	KCPL-KS	KCPL- Wholesale	MPS- Retail	MPS- Wholesale	L&P- Electric	L&P- Industrial Steam	Merchant
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Non-Fuel O&M (NFOM)									
2	Shared Services	17.478	6.395	5.369	0.066	4.124	0.022	1.183	0.070	0.249
3	Supply	15.809	5.821	4.311	0.093	4.359	0.024	0.964	0.237	-
4	Delivery	24.503	8.172	7.101	0.000	7.196	0.039	1.883	0.111	-
5	Total NFOM	57.790	20.388	16.782	0.159	15.680	0.085	4.030	0.418	0.249
6										
7	Supply Chain									
8	Shared Services	59.997	20.36	16.33	0.51	14.21	0.08	4.72	0.72	3.06
9	Supply	31.906	11.77	11.52	0.19	5.88	0.03	2.18	0.33	
10	Delivery	56.258	17.21	13.30	0.07	19.79	0.11	5.02	0.77	
11	Total Supply Chain	148.161	49.34	41.15	0.77	39.88	0.22	11.92	1.82	3.06
12										
13	NFOM Projects									
14	Facilities Consolidation	8.647	4.070			3.584		0.993		
15	AMR	6.567				5.157		1.410		-
16	Insurance	21.603	7.904	6.636	0.081	5.098	0.028	1.462	0.087	0.249
17	20 W. 9th	25.694				18.761	0.102	5.380	0.319	1.132
18	Total NFOM Projects	62.511	11.974	6.636	0.081	32.600	0.130	9.246	0.405	1.380
19										
20	Revenue Projects									
21	Billing Enhancements	13.158	7.040	6.117						
22	Total Revenue Projects	13.158	7.040	6.117	-	-	-	-	-	-
23										
24	Synergy allocation	281.620	88.744	70.686	1.015	88.159	0.431	25.194	2.642	4.692
25										
26	Percentage	100.0%	31.5%	25.1%	0.4%	31.3%	0.2%	8.9%	0.9%	1.7%

Synergy Allocation Cost Drivers
Case No. HR-2009-_____
Schedule DRI-3
Page 2 of 2

Line No.	Synergy Category (A)	Cost Driver (B)	Allocated to (C)
1	<u>Non-Fuel O&M (NFOM)</u>		
2	Shared Services	General Allocator (1)	all units
3	Supply	MwH total (generation and purchased)	all units except Merchant
4	Delivery	Customers	all units except Merchant
5			
6	<u>Supply Chain</u>		
	Shared Services	Corporate Spend- Corporate O&M expenses (excl. payroll)	all units
7	Supply	Generation Spend- Supply O&M expenses (excl. fuel and payroll)	all units except Merchant
8	Delivery	Delivery Spend- Delivery O&M expenses (excl. payroll)	all units except Merchant
9			
10			
11	<u>NFOM Projects</u>		
12	Facilities Consolidation	Customers	All retail units
13	AMR	Meters	MPS- retail; L&P- electric
14	Insurance	General Allocator (1)	all units
15	20 W. 9th	General Allocator (1)	MPS, L&P, Merchant
16			
17	<u>Revenue Projects</u>		
18	Billing Enhancements	Customers	KCPL- retail units
19			
20			
21	(1) General Allocator- equal weighting of net plant, retail revenue and payroll costs		

Principal Accountability for Projected Synergy Savings
Case No. HR-2009-_____
Schedule DRI-4

Line No.	Owner (A)	Functional Area (B)
1	Jim Alberts	AMR
2		Billing Enhancements
3	Kevin Bryant	Energy Efficiency
4	Chuck Caisley	Advt & Public Relations
5		Dues, Donations and Subscriptions
6	Lora Cheatum	Procurement/Supply Chain
7	Michael Cline	Finance/Insurance
8	Dana Crawford	Generation, including inventory
9		Revenue Projects
10	Barbara Curry	HR and Temp Labor
11	Stephen Easley	Engineering
12	Chris Giles	Regulatory
13	Scott Heidtbrink	General Management
14		Facilities, including 20 West 9th
15		Security
16	William Herdegen	Central Services & Safety
17		Transmission & Delivery, including inventory
18		Service Center Consolidation
19		Fleet
20	William Riggins	Environmental & Legal
21	Charles Tickles	Information Technology
22	Lori Wright	Accounting Services

Projected Transition Costs Thru 2009

Case No. HR-2009-_____

Schedule DRI-5

Line No.	Category (A)	Total Amount (\$ Millions) (B)	Description (C)
1	People:		
2	Non-Executive Severance	\$ 13.6	GPE share of severance paid to non-executive Aquila employees
3	Retention	3.0	Retention payments necessary to enable transition to combined company
4	Legal, HR & Integration Support	24.1	Legal, HR, and other additional outside resources to enable transition to combined company
5	Team Transition Projects	9.3	Specifically identified third party costs
6	Other:		
7	Facilities Integration	7.4	Miscellaneous facilities and security needs associated with new staffing levels
8	Internal & External Communication	1.5	Customer, employee and other external media communications
9			
10	Total	\$ 58.9	