Major Media Coverage to Date: Great Plains Energy Acquisition of Westar
(As of: June 10, 2016)

Topeka Capitol Journal

Great Plains Energy to buy Westar Energy for $12.2 billion including $3.6 billion in debt
Kansas service will remain based in Topeka
Posted: May 31, 2016 - 6:55am

Great Plains Energy, the parent company of Kansas City Power & Light, will purchase Westar Energy in a $12.2 billion deal, Westar announced Tuesday.

Westar Energy will be sold for $60 per share — $51 per share in cash and $9 per share in stock. The purchase price includes $3.6 billion in Westar debt Great Plains will assume.

Kansas City, Mo.-based Great Plains secured an $8 billion loan from Goldman Sachs for the cash portion of the transaction, according to a statement released Tuesday morning.

Topeka will remain the headquarters for Kansas services, according to a release from Westar. Great Plains CEO Terry Bassham will become chairman and CEO of the combined company. Mark Ruelle, president and chief executive officer of Westar, will remain with the company until the merger is complete.

One member of Westar' current board of directors will be chosen to sit on the Great Plains board of directors.

During a conference call Tuesday morning, Bassham described the deal as "common sense," citing the size of the companies, a strong geographic fit and current partnerships. Great Plains Energy and Westar jointly own and operate the Wolf Creek Nuclear Generating Station, as well as the La Cygne and Jeffrey power plants. The combined company will serve 900,000 Kansas and 600,000 Missouri customers.

"We always thought combining these two companies would make a much better company," he said.

The combined company will rely on diverse energy sources. More than half will come from coal, according to filings, while natural gas will make up 31 percent, nuclear 8 percent and oil and renewable sources 5 percent each.

U.S. Securities and Exchange Commission filings indicate the acquisition will be neutral to earnings-per-share in the first full calendar year, with growth expected at 6 to 8 percent after that.

The companies anticipate closing the deal next spring. They must make filings with the Kansas Corporation Commission in June or July. KCC has a 300-day timetable for approving mergers and sales. The transaction also is subject to approvals from the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission.

Topeka-based Westar Energy employs 2,400 people and serves nearly 700,000 customers in 55 counties in east and east-central Kansas, according to its website. The company operates 35,000 miles of power lines, and its energy centers generate more than 7,000 megawatts of electricity.

Westar Energy formed through a series of mergers, beginning when Kansas Gas and Electric Company and Kansas Power and Light Company combined in 1992. The company was called Western Resources until 2002, according to the website.

There are significant termination fees attached to agreement, according to SEC filings. If Great Plains Energy fails to consummate the merger, the company may be required to pay Westar a termination fee of $80 million to $380 million depending on circumstances. If Westar terminates the agreement, it may be required to pay Great Plains Energy a termination fee of $280 million.

Topeka Capitol Journal

Westar CEO: Great Plains only bidder that agreed to keep Westar's headquarters in downtown Topeka
Westar CEO: 'Great Plains has agreed to continue our community commitments, our charitable giving, our connections downtown'

Posted: May 31, 2016 - 9:16am
morgan.chilson@cjonline.com

Great Plains Energy was the only bidder for Westar Energy that agreed to keep Westar's headquarters in downtown Topeka — an arrangement that Westar CEO Mark Ruelle said was one of the primary deciding factors in choosing from among multiple suitors, along with the deal being "jobs friendly."
Although an investor-owned company must first consider shareholder value, Ruelle said Tuesday morning in an interview with The Topeka Capital-Journal, that in addition to $60 per share — a breakdown of $51 in cash and $9 in stock — Kansas City, Mo.-based Great Plains offered to stay true to Westar's commitment to employees and its philanthropic efforts in the Topeka community.
"It's turned out that after all the work, the best deal is with our next door neighbors," he said. "They've agreed to keep Westar headquarters in Topeka, and not only that, in downtown Topeka. Great Plains has agreed to continue our community commitments, our charitable giving, our connections downtown."

Great Plains CEO Terry Bassham said after the sale has gone through — a process that is expected to last until spring 2017 — Great Plains will look at the best way to combine the companies and create efficiencies. His company also underwent that process when it acquired Aquila Inc., another Midwestern utility company.

"We haven't made any decisions," Bassham said of potential impacts on Westar's workforce. "We'll look at how to best right-size the company. We've been through this before with Aquila. Our history has been to avoid layoffs, use attrition. In our business, there is a 4 to 5 percent attrition rate."
Should layoffs or employment changes become necessary, Bassham said, the company would use severance options. At this point in the planning process, no determinations could be made on how the company would blend departments or operations to become more efficient.

Creating efficiencies and operational savings is critical in the changing utility environment. But, Ruelle said, one of the positives in choosing Great Plains was that the company wouldn't do it "on the backs of the employees." Great Plains will honor all labor agreements, he added.

"This is the most job-friendly deal we could have imagined," Ruelle said.

"My job, when it's all said and done, is to bring two cultures together," Bassham said. "The good news is our cultures are a lot alike."

He added it is also his job to build trust. Unlike the acquisition of Aquila, Bassham said, which was a troubled company, this will be easier because it is a choice by two companies to combine their strengths.

The No. 1 asset that drew Great Plains to Westar was its people, but other benefits are that the two companies already have worked together — helping each other during storm outages, for example — and serve contiguous territories. They also own power plants together, Bassham said.

Independently, the two companies were about the same size, Ruelle said, "but together this is going to be one of the largest utility companies in the Midwest, with about 1.5 million customers."

Both companies have strong renewable energy portfolios. When Bassham started at the company 10 years ago, he said, the company didn't have plans to build its renewable energy. Today, they have under construction or contract 1,400 megawatts of renewable energy.

"We'll have one of the largest wind portfolios in the country," Bassham said of the combined wind energy of Westar and Great Plains.

Ruelle will remain at the helm of Westar until the deal closes. He said his Topeka roots are deep and he has no idea what the future will bring for him personally.

"We've chosen to live here twice," he said of his family's decision to return to Topeka. "My wife loves it here."

The companies expect to make required filings with the Kansas Corporations Commission in June or July. Approval would likely be given late next spring, following a 300-day period.

The commission would consider effects on labor displacement, rates, the environment and overall energy policy, but Bassham said in a conference call Tuesday that he doesn't expect any issues.
Westar Energy stock had climbed more than $4.25 early Tuesday after the purchase was announced. Great Plains stock was down $1.59.

Kansas City Star

KCP&L parent agrees to buy Topeka-based Westar Energy

By Mark Davis

The parent company of Kansas City Power & Light has agreed to buy Topeka-based Westar Energy to create a regional energy giant with 1.5 million customers.

The $8.6 billion bid by Kansas City-based Great Plains Energy for the largest power company in Kansas also offers hope for holding down electric bills of customers in both states by sharing costs across the border.

Utility companies across the nation are facing financial pressures from energy conservation, which is limiting demand for their power. Increased costs from environmental efforts to cut pollution also are cutting into profits.

Mergers have been a common answer.

“It puts more pressure on your ability to provide service at the same cost, which ultimately means you end up filing a rate case to increase rates,” Great Plains chief executive Terry Bassham said Tuesday. “We want to reduce our need to make those (rate increase) filings, and scale helps.”

In other words, bigger utilities may be able to control costs more easily.

How customers might benefit from a merger will be part of the review at the Kansas Corporation Commission, whose approval the companies require to merge.

David Nickel of the Citizens Utility Ratepayer Board said the board, which represents consumers at commission proceedings, would have a role in the merger hearings.

Missouri regulatory officials won’t rule on the deal but will keep an eye on potential benefits of sharing costs across a large customer base in the two states.

“The economies of scale are going to probably be more in favor of Missouri,” said James Owen, acting director of the Missouri Office of Public Counsel, which represents consumers before the Missouri Public Service Commission. “We always want to see Missouri ratepayers pay less. This is another opportunity for doing that.”

Terms of the deal, approved by each company’s board of directors, value Westar at $60 a share in a combination of cash and shares of Great Plains Energy. In the deal, Great Plains would take on $3.6 billion of debt that Westar owes, making the overall value of the deal $12.2 billion.

Westar shares closed Tuesday at $56.33, up $3.41, or 6.4 percent. Great Plains shares ended the day at $29.18, down $1.82, or 5.9 percent.

Analyst Sarah Akers called the price “rich” but rated the deal “a logical strategic fit” in a note to her investment clients at Wells Fargo Securities. She sees the potential for significant cost savings, given that the companies serve customers in contiguous territories and jointly own some power plants.

Those savings, Akers wrote, would help Great Plains improve its “chronic underearning position” and allow reasonable profits in both states’ markets “without the need for frequent rate cases.”
The companies expect the deal to be completed by spring 2017.

Great Plains’ Bassham, speaking to many of Westar’s 2,330 employees during a morning session in Topeka, summed up the idea this way: “Our companies are better together.”

Bassham held a similar afternoon session in Kansas City with Great Plains’ 2,900 employees at the headquarters and other sites through remote hookups.

The announcement comes after Westar sought potential buyers amid a wave of industry mergers. There were more than $52 billion worth of utility deals pending or completed across the U.S. last year, the most since 2011, data compiled by Bloomberg show.

In Missouri, for example, Joplin-based Empire District Electric agreed to a $2.4 billion buyout from Canada-based Algonquin Power & Utilities Corp.

"Once Westar determined that they wanted to do this, as Mark Ruelle, their CEO, calls it, you're either a seller or a buyer, and he made clear they were a seller," Bassham said of his counterpart at Westar. Bloomberg reported that Westar had drawn interest from St. Louis-based Ameren Corp., which is Missouri's largest utility, and an investor group that includes Borealis Infrastructure Management Inc. and the Canada Pension Plan Investment Board.

As with most mergers, the companies will look for jobs that overlap and can be consolidated into one position to save money.

Bassham said that he expects redundancies among "support" jobs to lead to an employee count reduction and that he hopes much of that would be taken care of through a normal attrition of employees that reaches 4 to 5 percent of the workforce each year. Layoffs, if necessary, would take place, but Great Plains has not ruled out offering buyouts or an early retirement option.
Union jobs are less likely to disappear. For example, Bassham said, the union head count "remained relatively the same" when Great Plains acquired Aquila.

"Those employees serve customers day to day, and so we wouldn't expect a lot of change there," Bassham said.

Each company has about 1,000 non-union employees. Their union employees are represented by various locals of the International Brotherhood of Electrical Workers.

The merger follows years of cooperation between the companies as co-owners of the Wolf Creek Nuclear Generating Station and their La Cygne and Jeffrey power plants, which are all in Kansas. Bassham said buying Westar "uncomplicates" the partnership relationship, putting the power plants under one company's control.

Great Plains said the merger also will help it deal with the impact of future carbon regulations on consumers.

In addition to seeking approval from the Kansas Corporation Commission, Great Plains said it will present the merger to the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission in June and July.

Shareholders of each company also will vote on the merger.

New York Times
Great Plains Energy Agrees to Buy Westar for $8.6 Billion
By CHAD BRAYMAY 31, 2016

Great Plains Energy, the parent company of Kansas City Power and Light Company, said on Tuesday that it had agreed to acquire Westar Energy for $8.6 billion in cash and stock.

The transaction would create an energy provider with more than 1.5 million customers in Kansas and Missouri.

Under the terms of the deal, Great Plains Energy would pay $60 a share in cash and stock for Westar, representing a 13 percent premium on Westar's closing price on Friday.

Including the assumption of debt, the transaction values Westar at $12.2 billion.

"The combination of our two companies is the best fit for meeting our region's energy needs," Terry Bassham, the Great Plains Energy chairman and chief executive, said in a news release. "By combining our two companies, we are keeping ownership local and management responsive to regulators, customers and regional needs, while enhancing our ability to build long-term value for shareholders."

The deal has been unanimously approved by the boards of both companies and is subject to approval by shareholders and regulators. The transaction is expected to close in spring 2017.

Under the terms of the deal, Westar investors would receive $51 in cash and the equivalent of about $9 in Great Plains Energy stock for each share of Westar.

Westar would become a subsidiary of Great Plains Energy if the deal is completed, and Mr. Bassham would be chairman and chief executive of the combined company.

"This is an important day for Westar, our customers, employees, shareholders, the communities we support and for the state of Kansas," Mark A. Ruelle, the Westar president and chief executive, said. The companies already jointly own and operate the Wolf Creek Generating Station, a nuclear power plant near Burlington, Kan., and the La Cygne and Jeffrey power plants in Kansas.

Goldman Sachs and the law firm Bracewell advised Great Plains Energy. Guggenheim Securities and the law firm Baker Botts advised Westar Energy.

Seeking Alpha
The Hippo Acquires The Elephant: Great Plains Energy Gobbles Up Westar Energy
Jun. 1.16
Michael Hooper

Westar Energy (NYSE:WR) has agreed to be acquired by Great Plains Energy (NYSE:GXP), a company that is valued at $3 billion less than Westar.

Great Plains Energy, the parent company of Kansas City Power & Light, has a market capitalization of $4.5 billion compared with Westar Energy's market cap of $7.5 billion.

In the late 1990s, Westar tried to buy Kansas City Power & Light in a hostile takeover, but was spurned. Now the roles are reversed, and KCP&L's parent company is acquiring Westar Energy in a deal approved by the boards of directors at both companies.

Great Plains Energy and Westar Energy on Tuesday announced a definitive agreement for Great Plains Energy to acquire Westar in a combined cash and stock transaction with an enterprise value of approximately $12.2 billion. Upon closing, Westar will become a wholly owned subsidiary of Great Plains Energy.

The two companies will need approval from shareholders of both companies as well as approval from The Kansas Corporation Commission, The Federal Energy Regulatory Commission and the Nuclear Regulatory Commission. Great Plains management said the acquisition does not need approval from the Missouri Public Service Commission.

Under the terms of the agreement, Westar shareholders will receive $60.00 per share of total consideration for each share of Westar common stock, consisting of $51.00 in cash and $9.00 in Great Plains Energy common stock, subject to a 7.5% collar based upon the Great Plains Energy common stock price at the time of the closing of the transaction, with the exchange ratio for the stock consideration ranging between 0.2709 to 0.3148 shares of Great Plains Energy common stock for each Westar share of common stock, representing a consideration mix of 85% cash and 15% stock.

USA Today

Plains Energy acquires Kansas utility

Nathan Bomey, USA TODAY May 31, 2016

A power pole is worked on by Westar Energy employees July 23, 2013, in Hutchinson, Kan.(Photo: Sandra J. Milburn, AP)

Kansas City, Mo.-based utility Great Plains Energy reached a deal to acquire the largest electric utility in the state of Kansas in deal valued at $8.6 billion.

The owner of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company will acquire Westar Energy, which services nearly 700,000 customers and employs about 2,400 people.

Following the combination, Great Plains Energy will service more than 1.5 million customers in Missouri and Kansas with some 13,000 megawatts of power generation and 10,000 miles of grid lines.

Great Plains Energy agreed to pay $60 per share in a cash-and-stock deal. As part of the deal, Great Lakes Energy will assume Westar's $3.6 billion in debt.

Westar shares (WR) jumped about 8% to $57.16 in morning trading. Great Plains Energy shares (GXP) fell 5% to $29.41.

Great Plains Energy said it had secured about $8 billion in financing from Goldman Sachs to help pay for the deal.

The companies said they expect to obtain regulatory approval and close the deal in spring 2017.

Great Lakes Energy CEO and chairman Terry Bassham will maintain those titles. Westar CEO Mark Ruelle is expected to depart following the close of the deal.

“Westar and KCP&L are trusted neighbors and have worked together for generations in Kansas. The combination of our two companies is the best fit for meeting our region’s energy needs,” Bassham said in a statement.

“This is an important transaction for Kansas and our entire region. By combining our two companies, we are keeping ownership local and management responsive to regulators, customers and regional needs, while enhancing our ability to build long-term value for shareholders."

Associated Press
Great Plains Energy to buy Westar for about $8.6 billion
May. 31, 2016 11:54 AM EDT

NEW YORK (AP) — Great Plains Energy is buying rival Westar for about $8.6 billion, creating one large power provider in Kansas and Missouri with more than 1.5 million customers in.

The two companies say the combination will lower their costs and help reduce rate increases for customers.

Great Plains Energy owns Kansas City Power & Light, which provides power in Kansas and Missouri. Westar's customers are in Kansas.

Kansas City, Missouri-based Great Plains Energy is offering $60 in cash and stock for each share of Westar. The companies value the deal at about $12.2 billion, when debt is included.

Shares of Great Plains Energy Inc. fell $1.62, or 5.2 percent, to $29.38 in morning trading Tuesday. Shares of Topeka, Kansas-based Westar Energy Inc. rose $4.24, or 8 percent, to $57.16.

North American Wind Power
Westar, Great Plains Energy Announce $12.2B Merger
by NAW Staff
June 01, 2016

Great Plains Energy Inc., the parent company of Kansas City Power & Light Co. (KCP&L), is acquiring Kansas electric utility Westar Energy Inc. in a combined cash and stock transaction with an enterprise value of approximately $12.2 billion, including total equity value of approximately $8.6 billion.

Upon closing, Westar will become a wholly owned subsidiary of Great Plains Energy. With the addition of Westar’s generation fleet, Great Plains Energy will have a more diverse and sustainable generation portfolio, the companies say, adding that this will provide increased flexibility to mitigate the potential customer impacts from future carbon regulations.

In addition, among investor-owned utilities in the U.S., the combined company will have one of the largest portfolios of wind generation in the country, the companies note. Most recently in Kansas, Westar signed a 200 MW wind power agreement with an affiliate of NextEra Energy Resources and a 280 MW agreement with Infinity Wind Power.

Upon completion of the transaction, Terry Bassham, chairman and CEO of Great Plains Energy and KCP&L, will be chairman and CEO of the combined company. Mark Ruelle, president and CEO of Westar, will remain in his current role with Westar until the close of the transaction. In addition, Great Plains Energy will add one director from the Westar board of directors to the Great Plains Energy board of directors.

The companies anticipate making the required regulatory filings with the Kansas Corporation Commission and other regulatory entities during June and July. In addition, Great Plains Energy and Westar will seek shareholder approvals later this year. The transaction is subject to approvals from the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission. The transaction also is subject to the notification, clearance and reporting requirements under the Hart-Scott-Rodino Act by the Federal Trade Commission and the U.S. Department of Justice. The companies anticipate closing the transaction in spring 2017. In the coming months, the companies will work together to develop an integration plan.

Goldman, Sachs & Co. served as the exclusive financial advisor, and Bracewell LLP served as legal advisor to Great Plains Energy. Guggenheim Securities LLC served as the sole financial advisor, and Baker Botts LLP served as legal advisor to Westar Energy.

<u>The Columbia Tribune</u>
Great Plains Energy to purchase Westar Energy

KANSAS CITY (AP) — Great Plains Energy on Tuesday announced plans to buy rival Westar for about $8.6 billion, creating one large power provider in Kansas and Missouri with more than 1.5 million customers. The two companies said the combination will lower their costs and help reduce rate increases for customers.

Kansas City-based Great Plains Energy owns Kansas City Power & Light, which provides power in Kansas and Missouri, while Westar's customers are in Kansas.

Westar shareholders will receive $51 per share in cash and $9 per share in Great Plains Energy stock, while Great Plains will assume $3.6 billion in Westar debt. The companies value the deal at about $12.2 billion, when debt is included.

The transaction, which still must get state and federal regulatory approval, is expected to be completed by next spring. Once the transaction is complete, Great Plains will have 900,000 customers in Kansas and 600,000 in Missouri. It also will have the capacity to generate nearly 13,000 megawatts of electricity.
For years the two utilities have jointly owned and operated the Wolf Creek nuclear plant near Burlington, Kan., and two coal-fired power plants in Kansas. The addition of Westar's generating capacity also will give the combined company one of the largest wind generation portfolios in the United States, the companies said.

Several law firms said Tuesday they are launching investigations into whether the acquisition would be fair to shareholders.

<u>Topeka Capitol Journal</u>
Missouri regulatory agency wants in on Westar, Great Plains deal
Posted: June 7, 2016

Missouri's utility regulatory agency wants a say in the proposed acquisition of Westar Energy Inc. by Great Plains Energy Inc., and a noon hearing Wednesday is expected to clarify whether the utility companies will be forced to seek approval from two states.

Westar and Great Plains leaders said they would seek approval of the Kansas Corporation Commission when they announced the sale, but a staff motion filed at the Missouri Public Service Commission, KCC's Missouri equivalent, indicates that agency should be in on the approval process as well.

Katie McDonald, KCP&L's senior director of communications, said Wednesday's hearing should shed light on whether the company will need both KCC and MPSC approval.

"There hasn't been a very specific request made at this point," she said of motions filed at MPSC. Our plan, at this point, is to continue our commitment to be transparent with Missouri and to work with them and make sure they're well aware of what we're doing. We're hopeful that we'll have a little more information after tomorrow."

McDonald said Great Plains went through a dual-state approval process when it acquired Aquila Inc., a Missouri-based utility.

The MPSC staff filing made last week pointed to that Aquila acquisition as one reason the Missouri regulatory agency should be involved, citing hearings in 2001 in which Great Plains agreed that it wouldn't acquire or merge with a public utility without MPSC's approval.

Staff asked for an investigation into whether "the proposed transaction is likely to be detrimental to the public interest and the interests of Missouri ratepayers."

Great Plains Energy filed a response within 24 hours, asking that the motion to have jurisdiction in the case be declined. The company said the agreement during the Aquila case extended only to M&As with Missouri-regulated public utilities. However, Missouri's Office of Public Counsel, which operates similarly to Kansas' Citizens Ratepayer Utility Board in standing up for individuals and utility customers before the MPSC, filed Tuesday to disagree with Great Plains' claim.

The OPC quoted from direct testimony in the 2001 case that said Great Plains didn't agree with the commission's request to be involved in future mergers and acquisitions, but that "as a negotiated item, in order to get a stipulation between the Staff, the Public Counsel and the Company, we have agreed to this provision."

Great Plains argued in its filing this week that getting involved in the Westar acquisition wouldn't be consistent with the commission's "longstanding" precedent of not exercising jurisdiction over Missouri public utilities when they sought to acquire non-Missouri public utility holding companies or public utilities.

In addition to claiming the right to be involved in the acquisition, the MPSC staff filing raised concerns about possible negative impacts the acquisition might have on Missouri ratepayers, specifically those customers of Kansas City Power & Light Co. and KCP&L's Great Missouri Operations Co., both subsidiaries of GPE. It again pointed to the Aquila acquisition.

“Staff is mindful of the negative results experienced by Aquila, Inc., which also embarked upon a course of heavily-leveraged expansion,” the staff filing said, referring to the $12.2 billion deal that involves $8.6 billion in stock and cash and assumption of $3.6 billion of Westar’s debt.

The staff filing said most of the savings touted by GPE in the Aquila deal were “realized chiefly through the termination of almost all of the employees of Aquila, Inc., the electric utility acquired by GPE and now operating as GMO.”

“GPE uses the employees of KCPL to operate GMO and serve GMO’s ratepayers; GMO itself has no employees. If GPE plans to extend this business model to Westar, as the statements set out in Paragraph 8, above, suggest, the result could be increased inefficiency and diminished safety for all three operating utilities,” the filing said. “Staff will also investigate this issue in this docket.”

“There are absolutely no facts to support that irresponsible and inflammatory allegation,” Great Plains said in response to the idea that savings in the Aquila deal were accomplished by firing Aquila employees.

The company said less than 5 percent of Aquila employees received severance packages. Of 2,200 Aquila employees, it said, 1,091 went to work with Black Hills Corp. and 920 became KCP&L employees.
As MPSC and GPE staff prepare to battle on whether MPSC has standing in the Westar-Great Plains acquisition, the financial world is taking a close look at the debt Great Plains will take on in the $12.2 billion deal.

Moody’s Investors Service announced it would review the long-term rating of GPE, prompted by GPE’s announcement it would take on almost $4 billion in Westar debt. The company is on review for downgrade. Moody’s affirmed the long-term and short-term ratings of KCP&L, KCP&L-Greater Missouri Operations Co. and Westar Energy as stable outlooks.

Great Plains is paying a premium of at least 23 times Westar’s expected earnings next year, making their merger one of the richest utility deals in recent history, SunTrust Robinson Humphrey Inc. and Evercore ISI told Bloomberg News. The company, which had a market value of about $4.5 billion on Tuesday, will almost double its electricity customers by purchasing Westar, with a value of almost $8 billion.

“It is a rich deal, and it’s a fairly large acquisition given their size,” Ali Agha, a managing director for equity research at SunTrust Robinson Humphrey, told Bloomberg after the companies announced the planned merger.

“The challenge obviously is that Westar is a bigger company than Great Plains, so they are biting off a mouthful,” Tim Winter, utility analyst with Gabelli & Co. in St. Louis, told Bloomberg. Financing will be a “manageable challenge,” he said.

KCC spokesman Samir Arif said his agency is unwilling to comment on the possibility of the MPSC being involved in the case until a filing has been made by Westar or GPE.

Kansas City Star

Missouri regulatory staff claims jurisdiction over KCP&L parent's bid for Westar Energy

By Mark Davis

Missouri wants in on the regulatory approval process in the planned $8.6 billion purchase by the parent of Kansas City Power & Light Co.of Topeka-based Westar Energy Inc.

Great Plains Energy Inc. announced last week it was buying Kansas' largest electric utility and that it would seek approval from the Kansas Corporation Commission and some federal agencies, but not the Missouri Public Service Commission.

The staff of the Missouri regulatory body, however, said in a six-page motion that Great Plains agreed 15 years ago to seek the agency's approval if it acquired a public utility or an affiliate of one. The agreement was part of the state's 2001 approval to allow Great Plains to acquire Aquila, which now operates alongside KCP&L.

Missouri sought the deal because Great Plains is a holding company and not a regulated public utility directly, as is KCP&L.

Great Plains attorneys countered quickly, saying the 2001 deal applies only to buying Missouri-regulated utilities, and that Westar operates only within Kansas.

"Staff's interpretation would expand the commission's jurisdiction to non-Missouri regulated public utilities, and grant the commission extraterritorial powers never contemplated by Missouri law," Great Plains' filing said.

Besides, the company's filing said, the Missouri Public Service Commission saw no reason to get involved when the St. Louis area firm Laclede Group bought an Alabama natural gas company from its parent firm in 2014. It said Laclede had granted the Missouri body the same sort of approval that Great Plains had in 2001, and it cited other similar precedents.

A Great Plains spokeswoman and the attorney representing the Missouri Public Service Commission staff each declined to comment on the filings.

The Missouri commission's staff acts as the agency's technical experts but interacts with the regulatory body through the process of public proceedings, chief staff counsel Kevin A. Thompson said. He submitted a motion to the Missouri Public Service Commission asking it to open an investigation into the proposed purchase's impact on Missouri ratepayers.

The staff motion also said the commission needs to weigh in on Great Plains' Westar deal because of similar issues surrounding Aquila and its purchase by Great Plains. One issue was debt, with Great Plains agreeing to take on $3.6 billion of Westar debt in the current proposal.

"Staff is mindful of the negative results experienced by Aquila Inc.,which also embarked upon a course of heavily-leveraged expansion," the staff filing said.

Great Plains' filing said Aquila took on debt mostly to get into unregulated energy markets and was hobbled by the collapse of Enron. Westar, Great Plains' filing said, "is on solid financial footing and engages primarily in regulated operations."

The staff filing also cited one other similarity between the Westar deal and the Aquila deal, namely claims that the merger would create savings. In the Aquila deal, it said, the savings came "chiefly through the termination of almost all of the employees of Aquila" and that this could reduce efficiency and safety if duplicated in a Westar deal.

"There are absolutely no facts to support that irresponsible and inflammatory allegation," Great Plains' answer said.

Aquila's 2,200 employees were divided between Great Plains and another company involved in the sale of Aquila's assets called Black Hills Corp., the filing said. It said 920 became KCP&L employees and 1,091 received jobs with Black Hills, with fewer than 5 percent receiving severance at the time the sale closed.

Wichita Eagle
Now Consider This: Some reassurance in news of Westar purchase

Like most mergers and acquisitions, the unexpected news that Great Plains Energy will purchase Westar Energy creates uncertainty and therefore concern about possible employment and rate changes. But the pending transaction, worth an estimated $12.2 billion, also offers some reassurance. Great Plains' status as the parent company of Kansas City Power & Light means it's no stranger to the region or the Kansas Corporation Commission, which must approve the deal. Great Plains, based in Kansas City, Mo., already shares power plants with Westar, Kansas' largest utility. And Great Plains plans to keep Westar's headquarters in Topeka, under the expanded umbrella of a Midwestern company serving more than 1.5 million businesses and homes. **– Rhonda Holman**

Editorial: Great Plains' acquisition of Westar makes sense
While there are some risks, there are many benefits
Posted: June 8, 2016
By The Capital-Journal Editorial Board

When it was announced that Westar Energy would be purchased by Great Plains Energy last month, Westar CEO Mark A. Ruelle said, "It's turned out that after all the work, the best deal is with our next door neighbors." Ruelle touted the fact that Westar's headquarters will remain in downtown Topeka and its local "community commitments," "charitable giving" and "connections" would all remain intact.

However, the acquisition may not be good news for everyone in Topeka. Terry Bassham, chairman and CEO of Great Plains, issued a statement in which he noted the "operational efficiencies" that the combination of the companies will produce. While this will probably lead to savings for customers and a more sustainable business for Westar's shareholders, it may also mean that some jobs will become redundant. This could lead to layoffs, although Bassham says "we haven't made any decisions."

According to Bassham, "Our history has been to avoid layoffs, use attrition. In our business, there is a 4 to 5 percent attrition rate." He also discussed helpful similarities between Westar and Great Plains: "My job, when it's all said and done, is to bring two cultures together. The good news is our cultures are a lot alike." Ruelle called the acquisition "the most job-friendly deal we could have imagined."

These are encouraging assurances, and we hope the two companies will honor them. With its 2,400 employees, almost 700,000 customers and 7,000 megawatts of electricity production, Westar is one of the most significant employers and service providers in Topeka. It has also been active in the community with the Westar Energy Green Team, Westar Energy Foundation and Westar Energy Community Partners. Moreover, its Electric Distribution Grid Resiliency program is providing $50 million in improvements to Topeka's energy infrastructure.

After acquiring Westar for $12.2 billion (along with its $3.6 billion in debts), Great Plains will be one of the largest utilities in the Midwest, serving 1.5 million people with an electricity generation capacity of 13,000 megawatts.

Many utilities are consolidating for the same reasons as Westar and Great Plains — consumer demand has been decreasing, environmental regulations are becoming more restrictive and smaller companies don't have the resources to address these challenges. Not only will the new Great Plains have more opportunities to develop "operational efficiencies," it will also have more human capital, equipment and leverage with suppliers. All of this will lower Great Plains' overhead — savings that can then be passed on to consumers.

Beyond their pledge to make the transition as painless as possible for employees, Ruelle and Bassham have promised to reduce rates and deliver "operational benefits" to their customers. If the negative consequences of the acquisition can be mitigated, these will be welcome benefits. The industry is forcing utilities to consolidate, and Westar — as well as Topeka and the rest of our state — could have done far worse than Great Plains.

Conrad's Utility Investor

M&A Analysis: Great Plains Energy And Westar Energy

Jun. 9.16 Roger S. Conrad

The history of the US utility sector is one of consolidation, fueled by the importance of scale to operational efficiency and access to capital.

In general, the most successful unions have involved companies operating in the same region, though regulators usually make these transactions the most difficult to close.

For a recent example, look no further than **Exelon Corp.**'s (NYSE:EXC) recently closed acquisition of Pepco Holdings, which took almost two years to consummate because of regulatory delays.
In the previous decade, Exelon walked away from a pending deal with **Public Service Enterprise Group** (NYSE:PEG) because New Jersey regulators required several pounds of flesh for the deal to gain approval.

Or consider the proposed tie-up between the former San Diego Gas & Electric Company and Southern California Edison.

Patricia Eckert, then president of the California Public Utilities Commission (CPUC), deemed the union "anti-competitive" because of the potential "effects on the costs of wholesale power transmission and bulk power." The CPUC also asserted that the utilities had "failed to show the merger would provide any long-term benefits to ratepayers past the year 2000."

Of course, by the time 2001 rolled around, California found itself in an electricity crisis that contributed to the recall of Gov. Gray Davis. Enron and other speculators that the CPUC nurtured in the 1990s helped to manufacture the spike in electricity prices; combining Southern California Edison and San Diego Gas & Electric would have provided a powerful counterweight to these forces.
Nevertheless, the arguments used to scotch the proposed union of these California-based utilities form the kernel of most opposition to mergers in the sector.

Rest assured, these familiar arguments will be trotted out once again to fight the most recent tie-up in the sector: **Great Plains Energy**'s (NYSE:GXP) pending acquisition of **Westar Energy** (NYSE:WR).

A Very Long Courtship
Great Plains Energy and Westar Energy have gone through an extended courtship. In 1992, Kansas Power & Light merged with Kansas Gas & Electric Company to form Western Resources (now Westar Energy), fending off a rival bid from Kansas City Power & Light (now part of Great Plains Energy).
In April 1996, Western Resources launched a hostile takeover bid for Kansas City Power & Light that prompted the target to abandon a previously announced merger with Utilicorp. By mid-1998, the two parties had reached terms for a friendly deal.

But by late 1999, the proposed combination found itself on the rocks because of onerous concessions required by regulators, including a four-year rate freeze in Kansas and a five-year moratorium on rate increases in Missouri. Regulators also dictated that the takeover couldn't involve a premium, effectively barring shareholders from capturing any value from the merger for at least four years after the close.
To the surprise of no one, Western Resources and Kansas City Power & Light walked away from the deal.
The most recent proposal reverses the companies' roles, with Great Plains Energy offering $51 per share in cash and a target value of $9 per share in stock to acquire its former suitor, now known as Westar Energy.

Great Plains Energy's bid follows Westar Energy's initiation of a strategic review in early March and the passing of a May 23 deadline without a solid offer from **Ameren Corp.** (NYSE:AEE), another utility rumored to be in on the action.

We see three takeaways from Great Plains Energy's takeover offer for Westar Energy:

- The combination of these two utilities should unlock significant value for shareholders and benefit ratepayers over the long term;
- Winning regulatory approval for the deal should be easier than in previous decades, though the potential for the transaction to fall through remains a big risk for Westar Energy's shareholders; and
- The minimal premium associated with the bid serves as a reminder that many utility stocks trade at frothy valuations, especially names regarded as potential takeover targets.
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Takeaway No. 1: A Combination That Makes Sense
In the capital-intensive world of electric utilities, bigger companies have better leverage with regulators, vendors, employees and capital markets.

If Great Plains Energy's proposed acquisition of Westar Energy closes, the combined companies' operating units will serve 1.5 million in customers in Kansas and Missouri via 51,000 miles of distribution wires and 13,000 gigawatts of generating capacity.

These assets include one of the largest portfolios of wind power capacity in the US, and the combined utility will have ample opportunity to expand this asset base.

Great Plains Energy and Westar Energy should also be able to squeeze out cost savings at their jointly owned Wolf Creek nuclear power plant and the La Cygne and Jeffrey coal-fired facilities.

Management expects the acquisition to be accretive to earnings in the second year after the transaction closes. Over the long term, Great Plains Energy has called for annual earnings growth of 6-8% and dividend increases of 5-7%, fueled by cost savings and expansions to its rate base. The firm's guidance also targets a payout ratio of 60-70%.

Takeaway No. 2: Missouri Poses Most Regulatory Risk
Given the dearth of competing offers and the favorable reception to Great Plains Energy's takeover bid from major shareholders, we don't foresee any activist investors or other interlopers jeopardizing the transaction.

Great Plains Energy and Westar Energy expect to file for approval from the Kansas Corporation Commission (KCC), the Federal Energy Regulatory Commission (FERC) and the Nuclear Regulatory Commission by the end of July.

The deal will also need to secure antitrust clearance from the US Dept of Justice and the Federal Trade Commission - likely a formality based on recent acquisitions in the utility sector.

But investors can expect FERC and the KCC to scrutinize the proposed combination closely, with federal regulators likely to focus on high-voltage transmission. Kansas regulators will set their sights on the potential implications for ratepayers and the debt involved in the deal.

Fitch Ratings expressed concern about Great Plains Energy's leverage after the deal; the utility's debt-to-operating cash flow is expected to exceed 6.5-to-1. BBB-rated utilities average a leverage ratio of 5-to-1. On the plus side, the rating agency noted that the acquisition involves little integration risk and should generate significant synergies.

Kansas regulators have 300 days from the initial filing to determine whether the deal is in the public interest, based on an established list of criteria. Given Great Plains Energy's familiarity with KCC personnel and procedures, the utility should be able to work out a satisfactory arrangement with the regulator.

Under the Obama administration, FERC has yet to reject a utility combination.

However, the staff of the Missouri Public Service Commission (MPSC) has filed a motion claiming that the state has jurisdiction over the deal, citing a condition imposed when the regulator approved Great Plains Energy's acquisition of Aquila.

Great Plains Energy countered these claims, noting that MPSC didn't review **Laclede Group**'s (LG) 2014 purchase of Alabama Gas Corp. - another deal that involved an acquisition by a holding company. As for the MPSC's assertion that the synergies associated with the Aquila transaction came from terminating almost all of the target company's employees, Great Plains Energy fired back that 1,091 of these 2,2000 workers went to **Black Hills Corp.** (NYSE:BKH) as part of an asset sale, and 920 stayed at the acquirer.

With Great Plains Energy's bonds maturing in August 2043 yielding 4.44 percent, the credit market hasn't given much credence to concerns that the deal with materially weaken the utility's finances. But these arguments probably won't deter the MPSC's efforts to get involved with the approval process, potentially delaying or even derailing the transaction's closing.

Takeaway No. 3: Utility Valuations Look Stretched
With potential regulatory challenges to Great Plains Energy's takeover offer and Westar Energy's stock trading at a lofty 26 times earnings, the stock could easily sink into the low $40s if confidence in the deal wavers.

As with most of the pending deals involving names in our coverage universe, investors who own the targets should take the money and run - especially when you consider how long the approval process can take.

Most of our top five utility takeover plays from last year trade at elevated valuations and exceed our buy targets by a significant margin, which is great news for subscribers who followed our lead on these stocks.

Great Plains Energy's takeover offer for Westar Energy amounts to a 15.3 percent premium at the time of the deal's announcement - a far cry from the almost 50 percent that **Duke Energy Corp.** (NYSE:DUK) offered for **Piedmont Natural Gas** (NYSE:PNY) last fall.

Not only does this smaller premium underscore how stretched valuations have become in the utility sector, but this divergence also highlights the importance of selecting the right targets.

SeeRenewables.com
Great Plains to beef up green portfolio with Westar buy
Jun 3, 2016 13:06 CEST by Plamena Tisheva
June 3 (SeeNews) - Great Plains Energy Inc (NYSE:GXP) has agreed to acquire Westar Energy Inc (NYSE:WR), Kansas' biggest electric utility, in a USD-12.2-billion (EUR 10.9bn) deal that it said will make its generation portfolio more diverse and sustainable.

The combined company will have one of the largest wind portfolios among investor-owned utilities in the US, the two said last week.

Kansas City, Missouri-based Great Plains is the parent of utility KCP&L. Following completion of the deal, expected in the spring of 2017, it will have more than 1.5 million customers in Kansas and Missouri and almost 13 GW of capacity. The combined utility will also be able to meet more than 45% of its retail customer demand with emission-free energy.

A more sustainable portfolio will give Great Plains greater flexibility to mitigate potential customer impacts from future carbon regulation, it says.

Westar has been active adding wind to its portfolio. It has a total of 7.2 GW of generation capacity fueled by wind, coal, uranium, natural gas and landfill gas.

"The utility industry is facing rising customer expectations, increasing environmental standards and emerging cyber security threats," Terry Bassham, chairman and chief executive officer of Great Plains and KCP&L said, adding that these factors along with slower demand growth were pushing up costs. The acquisition of Westar would create operational efficiencies and cost savings that would help reduce future rate increase requests, he said.

The price tag includes a USD-8.6-billion cash-and-stock payment to Westar's shareholders and the assumption of USD 3.6 billion in debt.

The Motley Fool

Why Consolidation is the Name of the Game in the Utility Space

Another big merger is taking place in the electric utility space, furthering consolidation.

Travis Hoium
Jun 4, 2016 at 8:04AM

Another utility merger is coming in the U.S. electricity sector, continuing a long-running trend in the industry. This time, **Great Plains Energy** (NYSE:GXP) is buying **Westar Energy** (NYSE:WR) for $8.6 billion in a deal that will consolidate utilities in Missouri and Kansas.

Electric utilities across the country are coming under fire from slowing consumer demand growth, greater regulatory costs, and more competitive options for power. That's resulted in a need to cut costs, and at a time when scale can be a big advantage, that's often meant industry consolidation.

Why two more utilities are combining

In talking about the acquisition of Great Plains Energy and Westar Energy, CEO Terry Bassham pointed to "rising customer expectations, increasing environmental standards, and emerging cybersecurity" as big drivers of the decision to buy Westar Energy. Let's unpack those elements and see why it may make sense for a bigger company to serve customers.

Rising customer expectations really comes down to customers' demand to have things like an easy-to-use online interface, updated data about usage, and the ability to buy energy from a more diverse set of energy sources, including self-production from solar energy. With home energy upgrades such as using Nest thermostats, installing solar panels on roofs (1 million U.S. homes have them), or switching to LED light bulbs, consumers are getting smarter about energy consumption. And that means utilities have to interact with customers in a smarter way. Everything -- from the online experience to incentive programs -- matters. So, if you service 1.5 million customers, as the combined company will, you can get scale out of these programs and save money.

Environmental standards have been a cause of frustration in the electric industry for a long time, but it's getting worse today. Regulations on everything from mercury to CO2 have meant the shutdown of hundreds of coal plants across the country and a boom in renewable-energy generation, even in

Missouri and Kansas. Again, building a bigger organization to more efficiently adapt to these regulations and have more buying power when creating new generation plans is expected to be a positive for utilities.

Cybersecurity is another area where scale can be helpful. A small utility won't have the resources to protect itself from a cyberattack, something that's become a big concern for the industry, so creating scale is important.
All of these considerations are meant to lower costs, but having a bigger utility also gives leverage when it comes to financing and negotiating with suppliers. Those may be factors pushing for a deal as well.

Utilities are looking to get bigger
One commonality among utilities across the country is that they can see the status quo won't work forever. There are too many threats and other energy options available to customers, and companies cannot simply stand still with their monopoly business. But they're taking different strategies into the future.

Duke Energy (NYSE:DUK) spent $4.9 billion to buy **Piedmont Natural Gas**, diversifying its business into natural gas delivery. It's also using its unregulated arm to buy renewable energy projects across the country with long-term energy delivery contracts. At a time when regulated returns are waning, renewable energy at least provides predictable earnings.

Southern Company (NYSE:SO) is taking a similar strategy, buying wind and solar plants across the country. It recently acquired AGL Resources to add to its natural gas portfolio. Like Duke Energy, Southern Company was seeing growth wane in electricity, and with sufficient scale already built in the electric side, it made sense to add natural gas and renewable energy to its portfolio.
These are examples of recent acquisitions that show how utilities are having to adapt to new market conditions to grow, or at least maintain, their profits. Great Plains Energy and Westar Energy are seeing the dynamic from a different scale, but also see acquisitions as a way to adapt to the changing market. The factors that are threatening utility profits aren't going away. Expect to see more mergers in coming years, whether they're for scale, diversification, or adding cleaner energy to the portfolio. Both regulatory and customer-driven changes are pushing the industry to change as the threats to utilities grow.