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Witness:	Wallace P. Buran
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

SUPPLEMENTAL DIRECT TESTIMONY PURSUANT TO THE SCHEDULING ORDER

OF

WALLACE P. BURAN

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

WALLACE P. BURAN

CASE NO. EM-2007-0374

Q: Please state your name and business address.

A: My name is Wallace P. Buran. My business address is 540 Gramercy Drive, Marietta, Georgia 30068.

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

A: I am a consultant, contracting to Bridge Strategy Group LLC, who is under contract to Kansas City Power & Light Company ("KCPL") to support the integration planning process.

Q: What are your responsibilities?

A: My responsibilities encompass facilitating the discussion and analysis of the supply chain processes and activities, materials acquisition, materials recovery and salvage and fleet acquisition and maintenance areas of the two companies to support the integration planning teams.

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

A: I received both a Bachelors in Industrial and Systems Engineering and a Masters in Industrial Engineering from the Georgia Institute of Technology. I have worked for General Motors as a Production Foreman, Avon Products as a Distribution Supervisor, Theodore Barry and Associates as a Partner in the Utility Practice, Advanced Management Concepts as President, Deloitte Consulting as a Partner and National

Director, WorldCrest Group as Chief Executive Officer, IBM as the Global and Americas Leader of Operations Strategy Consulting, Monitor Group as a Practice Leader of the Activities, Processes and Systems Group, and Supply Chain Frontiers Institute as the Managing Director. During my career, I have served over 20 Electric Utilities in the Generation, Customer Service, Distribution and Transmission, Fuels and Power Supply areas. Companies I have consulted to and/or served as a supplier include: Southern Company, Arkansas Power & Light, Jacksonville Electric, Florida Power and Light, Carolina Power and Light, Consolidated Edison, South Carolina Gas and Electric, Southern California Edison, Oklahoma Gas and Electric and Dayton Power and Light.

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

A: No, I have not.

Q: What is the purpose of your testimony?

A: To provide insight into and an independent assessment of the proposed synergy savings estimates, cost to achieve these synergies and supply chain business processes for the Supply Chain Areas of the proposed merged company.

Q: What does the Supply Chain of the new KCPL company include?

A: The Supply Chain includes all Purchasing, Inbound Logistics, Inventory Management, Fleet Management, Materials Recovery/Reclamation in Generation, and Transmission and Distribution.

Q: What areas are addressed by your testimony?

A: My testimony addresses the savings potential from establishing an Integrated Supply Chain Organization for the merged company, which includes Purchasing, Contract

Utilization and Compliance, Fleet Management, Inventory Management, and Materials Recovery/Reclamation. In addition, I will be providing information on the cost to achieve these savings for both O&M and capital expenditures.

Q: What are the costs, resources and assets included in the Integrated Supply Chain analysis?

A: As shown in Schedule WPB-1, the combined company supply chain costs within our scope in 2006 was $596.1 million, consisting of $233.4 million in total O&M costs, $349.0 million in total capital costs, and $13.6 million in labor-related costs. In addition, the supply chain of the new KCPL has $102.1 million in inventory, and 1,640 vehicle assets (trucks, trailers, construction equipment, etc.). The projected baseline costs over the five (5) years immediately after the merger is estimated to be $3,337.8 million consisting of $1,364.1 million in O&M-related costs and $1,973.7 million in capital-related costs, as shown in Schedule WPB-2.

Q: What are the merger driven synergy savings across the Supply Chain from the proposed merger of KCPL and Aquila?

A: The total synergy savings estimate from the proposed merger over the first five (5) years is $130.9 million. This consists of $97.7 million dollars in O&M savings and $33.3 million in avoided cost of capital savings, which is generated from $95.5 million in avoided capital expenditures. These supply chain merger synergy savings are summarized by year in Schedule WPB-3. These synergy savings will result from eliminating duplicate expenditures, adopting the best prices currently available between KCPL and Aquila, applying best demonstrated management practices from each prior company, leveraging greater scale and scope of spending and operations, increasing the

overall talent pool available within the supply chain by retaining the best performing managers, reducing unneeded reserve equipment and materials, increasing focus on key procurement leverage areas from a larger purchasing organization, and reducing managerial overhead as a percent of total spend under management. The total synergy savings projections shown in Schedule WPB-3 include an annual 3.1% inflation increase in each spend category, but does not include any growth in system revenues to achieve these projected savings.

Q: What are the major contributors to O&M synergy savings within the Supply Chain areas?

A: As shown in Schedule WPB-3, the projected O&M merger synergy savings of $97.7 million occurs in three major areas:

1. Implementing "best practice" spend management will contribute $78.0 million from eliminating duplicate expenditures, increased strategic sourcing effectiveness, better contract utilization, improved supplier contract compliance, higher volume leverage and application of best sourcing knowledge from both organizations.
2. Improved Fleet Management is estimated to contribute $13.3 million from utilizing the best maintenance practices of the existing organizations, increasing fleet utilization, better deploying fleet assets across the broader service territory, and standardizing the fleet across the companies.
3. Reducing Supply Chain Inventory will contribute $6.3 million as a result of service center consolidations (planned by Transmission and Distribution and addressed in William P. Herdegen, III's testimony), centralized management of inventory, reduced stocking locations, consolidation of safety stock inventory locations, supplier base

consolidations, increased vendor managed inventories and increased rationalization of standards across inventory items (less safety stock required).

Each of these specific areas is discussed in detail in separate sections later in my testimony.

Q: What are the major contributors to synergy savings from avoided capital spending within the Supply Chain?

A: The primary synergy savings from avoided capital spending of $95.5 million will be achieved through "best practices" spend management, and generate $33.3 million in avoided cost of capital synergy savings. These savings result from an $89.6 million reduction in capital from Best Practices Spend Management, $1.2 million in capital reductions associated with reduced inventory levels, and $4.6 million from deploying best practices from the existing companies to increase the scope and scale of reclaim and asset recovery activities. As with O&M synergy savings from "best practices" spend management, KCPL will use increased strategic sourcing effectiveness, better contract utilization, improved supplier contract compliance, higher volume leverage across common capital and O&M materials and application of best sourcing knowledge from both organizations. As design standardization and vendor consolidation efforts progress in Generation, Transmission and Distribution areas, capital spending reductions are also expected from increased supplier leverage and inventory reductions on capitalized materials.

Q: What are the details of the synergy savings associated with implementing Best Practices Spend Management?

A: The estimated synergy savings from implementing Best Practices Spend Management are $78.0 million in O&M costs, plus $89.6 million in avoided capital expenditures, both of which will be realized over the first five years following merger closing. The savings from this reduction in capital spending generates over $31.4 million in merger synergy savings. Schedule WPB-4 shows how these estimated savings accrue by year.

Q: How will Best Practices Spend Management synergy savings be achieved from the merger?

A: As stated earlier, the new KCPL will be able to staff and deploy a supply chain and purchasing organization better equipped to drive both internal and external synergy savings. As this organization develops and existing best practices from each organization are applied across the combined spend of the new KCPL, synergy savings will result from eliminating duplicate purchases, rationalizing overlapping expenditures, improving pricing, and combining the independent supplier bases into a single, "best value" supply base. This enhanced supplier base will utilize the best contract available to either of the pre-merger companies. The savings will come initially from selecting optimal contracts (where differences in price, terms and/or conditions exist), and by renegotiating contracts to achieve improved pricing, terms and/or conditions. Synergy savings will also result quickly from sharing internal best practices and specific past initiatives to improve purchasing contract management and utilization across all organizational areas. The new organization will also leverage the combined experience and skill sets of each existing organization along with an increased application of resources for contract utilization and compliance monitoring.

At a later point, KCPL can also adopt new approaches to purchasing where the increased expenditures of the combined company create new opportunities. For example, in some instances the increased size of the combined company's expenditures may justify building and insourcing a specific capability previously procured externally, while in other cases the increased size of the company's expenditures may justify outsourcing a particular category of expenditure.

Q: From what procurement categories will Best Practices Spend Management synergy savings be realized?

A: These savings synergies will be realized across most if not all categories of expenditures of the combined company. We estimate almost half of the initial synergy savings will be realized from Corporate expenditures, including Financial Services, Professional Services (Legal, Consulting, etc.), Facilities, Dues and Subscriptions, Information Services, Temporary Labor, Office Supplies, and Office Equipment. We estimate over 40% of the synergy-savings will come from Transmission and Distribution categories such as Line Clearance, Line Construction and Maintenance, Fleet, Line Locating, Transformers, and Poles. The remaining savings are estimated to come from Generation categories, including Plant Maintenance Services, Turbine-related, Chemicals, Valves, Engineering Services, Conveyors, and Bearings. As the strategic sourcing efforts progress however, more and more savings will be possible from Generation, Transmission and Distribution expenditures as design standardization and common component concepts are developed, and as vendor consolidation opportunities are pursued.

Q: How were these Best Practices Spend Management synergy savings estimated?

A: To develop and validate the synergy savings, Bridge Strategy Group and KCPL and Aquila managers began a detailed analysis of both companies' FY 2006 third-party spending across all categories. For Aquila, only those expenditures being merged with KCPL were collected – that is, spend associated with the electrical utility component of the business for Generation, Transmission, and Distribution, and which were allocated to the Missouri electric business. We began by analyzing the $2 billion of third-party spend in 2006 supplied by the existing companies. As shown in Schedule WPB-5, we excluded about $1.5 billion of spend such as fuel, purchased power, taxes, government payments, employee pension plans and expenses related to the Comprehensive Energy Plan (CEP). The team then created a combined expenditure database and organized the expenditures into major categories. KCPL managers categorized and allocated all remaining spending into Capital or O&M to arrive at a sourceable spend base of $538.5, consisting of $194.9 in purchasing O&M expenditures and $343.6 million in purchasing capital expenditures. The projected baseline cost over five (5) years immediately after the merger is estimated to be $3,045.1 million, consisting of $1,102.1 million in O&M-related costs and $1,943.0 million in capital-related costs, as shown in Schedule WPB-6.

The resulting O&M and capital bases of sourceable expenditures was analyzed and reviewed extensively with field and corporate managers from both companies responsible for these expenditures. These reviews included validation of the accuracy of the expenditure amounts, discussions on other areas of potential savings, the processes used in purchasing for different categories, current and past efforts to manage and reduce expenditures, and a discussion of future opportunities enabled by the merger. From these discussions, a set of high confidence opportunities, directly-enabled by the merger, were

identified as possible initial targets for implementation. These opportunities were quantified using several methods including past experience of both companies, the sourcing experience of Bridge Strategy Group, and the experiences of similar mergers and acquisitions. These savings estimates were then again validated with field and corporate personnel directly involved in the purchasing of these categories from both companies.

After reviewing possible approaches and timing options, and defining required costs to achieve these savings, the team estimated the level of merger related synergy savings for each of the next five years. These estimates were again reviewed and accepted by the KCPL and Aquila managers responsible for each category today.

Q: How realistic are the forecasted Best Practices Spend Management synergy savings?

A: The forecasted synergy savings appear conservative relative to my past experience in both the utility industry and with companies outside the utility industry. They also appear in-line with the documented realized savings from contiguous mergers within the utilities industries. (Refer to William Kemp's testimony analyzing the merger synergies achieved from contiguous utility mergers.) Our analysis narrowed the expenditures to a highly sourceable base of spend that we believe has significant opportunity, and additional areas not yet quantified were identified by the various line executives of each area. Furthermore, the actions required to achieve the synergies align well with the collective expertise of the combined companies and can be implemented with a high degree of confidence. As described above, they were estimated using multiple methods involving a large number of personnel from both companies. The forecasted savings are both realistic and achievable.

Q: Is the savings level within Capital the same as within O&M?

A: No. Capital expenditures tend to include more unique and complex products, involving a greater amount of custom design and engineering. As a result, it is generally more difficult to achieve savings in capital expenditures through vendor negotiations, price comparisons and increased spend leverage. It is, however, possible to achieve some level of savings from greater scale of overall purchases, aggressive utilization and compliance with contract terms and conditions, defining and developing tightly specified bid packages and other firm-to-firm purchasing approaches. It is also possible to increase standardization, especially industry standard offerings, to improve spend leverage, though there are limits to the use of these concepts. Thus, the savings percentages achieved historically and the relative proportion of spend that can be addressed are lower for capital expenditures than those for O&M, and the avoided capital spend estimate of $89.6 million, again shown in Schedule WPB-3, reflects both a lower level of saving and a lower level of addressable spend.

Q: Could these synergies be achieved without merging the companies?

A: No. Each type of synergy described is a direct result of the companies being combined, and leveraging increased scale and different expertise and best practices developed by the existing companies.

There appears to be significant overlap in the goods and services and the supply bases of the two companies. The merger will allow the new KCPL to generate immediate synergies by selecting best prices, optimizing terms and conditions of contracts for similar expenditures, and consolidating purchases into the superior resulting contract. Experience indicates that this synergy alone commonly generates several percentage

points of savings across the aggregated spend. Additionally, combining the companies creates a larger base of spend and thus greater leverage with suppliers for negotiating better arrangements than either of the prior independent companies could achieve. Due to the similar, overlapping nature of the two company's purchases, the combined spend represents a meaningful increase over that of the prior independent companies in electric utility purchases. Lastly, the increased scale of the merged company creates new opportunities – such as insourcing or outsourcing, as mentioned previously - that would not otherwise exist. Another example of this last form of synergy saving is participation in ready-made third party solutions, such as consortium buying, that as smaller independent companies might not be available.

The combined spend of the new KCPL also appears to contain numerous cases of partially overlapping or fully redundant expenditures that can be quickly reduced or eliminated. Most of these opportunities will reside in expenditures performed at a corporate level (e.g., stock exchange listing fees, memberships, professional services, etc.). As well established by industry and functional benchmarks, larger companies with associated larger levels of expenditures, can also apply greater involvement of purchasing professionals throughout the purchasing process without raising overhead costs significantly. That is, with greater expenditures, it is possible to ensure a greater percentage of contracts are aggressively managed and overseen by trained purchasing professionals. This generally translates to a greater percentage of spend under contract (vs. "unsupported" expenditures), improved pricing, and improved contract utilization/compliance (realizing the benefits associated with those targeted within the

contract). Smaller companies have neither the relative scale nor the level of expertise within the supply chain to capture these synergies.

Q. Will the Best Practices Spend Management savings levels be the same for each of the five years forecasted?

A. No. The merger synergy savings will vary from year-to-year, with lower levels of savings in earlier years and increasing levels with each successive year. Synergies related to eliminating or reducing redundant expenditures can be realized essentially at their full annualized run rate shortly after the merger. Similarly, synergies stemming from the sharing of vendor contracts (for similar goods from similar suppliers) can also be achieved at their full effect from the outset of the merger.

Other synergies, such as those resulting from renegotiated vendor contracts will require evaluation of supply markets, defining supplier options, and conducting effective supplier negotiation and selection. The expenditures addressed through these activities will be divided into several "waves" which will be addressed as soon as possible after the merger and continuing throughout the five year period. Each wave will take an average three to four months to complete. As a result, these synergy savings will build over time. Similarly, the synergies associated with the increased impact and involvement of the combined companies' supply and purchasing organization will allow improved contract utilization and compliance, and these savings will increase with time as more and more of the spend is strategically sourced and the merged companies' best practices are adopted.

One final note: out-year savings will tend to be greater given the opportunity to achieve synergies from a growing business. However, we have not assumed any impact of customer base growth and energy usage growth in developing these estimated savings,

though this impact if included, would deliver significant additional savings over and above these estimates.

Q: Is there a cost-to-achieve associated with these savings synergies?

A: Yes. The costs to achieve the identified synergy savings result from additional personnel needed to integrate best practices, conduct the strategic sourcing activities, and manage the aggressive implementation and use of new contracts. It is anticipated that two additional six sigma black belt purchasing professionals and contracted resources for initial implementation period will be required. The fully loaded cost to achieve these savings will be $2.3 million. This cost to achieve is projected to decline over the first four years of the analysis period to zero. Additionally, spend management software will be required to achieve the targeted contract management and utilization synergies. These costs are expected to be $3 million during the first two years. These costs to achieve are shown in Schedule WPB-4.

Q: What risks are associated with achieving these synergies?

A: Achieving the synergies will require the establishment and deployment of a best practice strategic sourcing organization and process, supported by the combined purchasing organization and leveraging the prior experiences of each organization. Most important, however, will be focusing the merged company leadership on achieving these savings goals. These risks have been minimized by leveraging the best practices within each company's supply chain, the process used to target and develop the synergy savings goals, the agreed commitments of the leadership group of KCPL, and effectively leveraging the planned costs to achieve that were established during this process.

Additional risks exist in supply market conditions uncertainty, which vary with time and can affect the overall position of KCPL to realize savings from Best Practices Spend Management, particularly in strategic sourcing. This risk can be managed to some degree by altering sourcing priorities to first address uncertain markets and those that have the potential to change negatively, while delaying the sourcing of other markets that have less risk and are more stable. This may also emphasize the use of long-term contracts and additional renewal provisions. Should market conditions erode, however, the new KCPL will be much better positioned to minimize the negative impacts of difficult market conditions and exploit opportunities than either of the existing companies alone.

In total, the risks associated with the forecasted synergies while real, appear manageable and should not significantly alter estimated synergy savings goals.

Q: What are the merger-driven synergy savings estimates associated with Fleet Management?

A: We anticipate $13.3 million of fleet-related savings to be realized over the five years immediately following completion of the merger. These estimated savings are shown in Schedule WPB-7.

Q: What is the total anticipated fleet related spending during the next five years?

A: In 2006, total fleet spending was $19.2 million. Extending the 2006 baseline of total fleet costs for the combined company at a 3.1% annual inflation results in a five (5) year fleet spend projection of $108.1 million. In 2006, T&D fleet spending totaled $16.3 million. Extending the 2006 baseline of T&D fleet costs for the combined company at a 3.1% annual inflation rate results in a five (5) year fleet spend projection of $92.2 million. Please refer to Schedule WPB-8 for detailed baseline fleet costs by year.

Q: How is fleet spending split between Aquila and KCPL?

A: Aquila spends almost $7.6 million per year (including finance costs) on its Transmission and Distribution fleet, while KCPL spends $8.7 million (excluding finance costs associated with its owned fleet).

Q: How large is the combined Aquila and KCPL fleet?

A: The combined fleets total 1,640 vehicle units as shown in WPB-1. Note that Generation and Corporate fleet is excluded from our cost baseline, shown in Schedule WPB-8, since it does not appear to offer significant merger related synergy savings.

Q: Are all of these vehicles cars, vans, and trucks?

A: No. For KCPL, 683 (64%) of the 1065 total units are cars, trucks, vans, digger derricks, etc. The other units include trailers (177), backhoes (37), forklifts (46), ATVs (46), and other vehicles. For Aquila, 357 of the 575 total units are cars, trucks, vans, digger derricks and mini digger derricks (62% of the fleet). Other units include trailers (116), forklifts (28), backhoes (20), etc.

Q: What comprises the Fleet related cost reduction opportunity you identified?

A: For Transmission and Distribution, we identified an opportunity to reduce the size of the combined fleet, reduce the maintenance cost on the remaining fleet, and reduce the administration and other related costs of managing the combined fleet. We anticipate eliminating 136 vehicles, representing 8.2% of the total fleet, and 10% of the Transmission and Distribution fleet. We anticipate most if not all fleet reductions will be Aquila assets to promote fleet standardization across the new KCPL. The fleet-related synergy cost savings and associated savings logic are shown in Schedule WPB-9.

Q: Why do you believe that there are opportunities to reduce the combined Transmission and Distribution fleet count by this amount?

A: We believe merger related synergies will permit a reduction in the Transmission and Distribution fleet for several reasons:

a. The current KCPL internal maintenance practice of heavy use of second shift internal maintenance is very cost effective, and also results in very high vehicle availability (99.9%). Utilizing KCPL's maintenance practice across the combined company will improve the availability of vehicles and thus lower the required spare vehicles and reduce both the total fleet vehicle count and associated costs.

b. The geographic territories covered are adjacent or close together and should provide both crew and vehicle efficiencies.

c. Certain specific equipment, such as digger derricks, are positioned in each geographic service area to allow quick response to emergencies. To the extent that this need can be eliminated/reduced because of the adjacent territories and/or reserve equipment can be shared, overall vehicle count can be reduced.

d. A reduced number of service centers will also allow fleet reductions by reducing the reserve equipment positioned at each service center.

e. Some spare vehicles are built into both systems. Consolidation of the two systems should allow elimination of some portion of these spares.

Q: Are there similar reductions anticipated in the Generation fleet?

A: No. We considered both the Transmission and Distribution and Generation fleets and concluded that the operational efficiencies in the combined Transmission and Distribution fleet were not applicable to Generation. The Generation fleet consists of

more specialty equipment, the risk of plant operations efficiency losses far outweigh any potential vehicle savings, and Generation plants are more geographically isolated.

Q: How did you estimate savings from reducing Fleet count?

A: We calculated vehicle savings associated with overall fleet vehicle reductions using the cost of Aquila vehicles. Since standardization of the fleet vehicles is of primary importance for efficient fleet operation and maintenance, and since the KCPL fleet is currently standardized around a specific set of vendors, the Aquila vehicles will be reduced. Thus, the merger synergy savings reflect Aquila's vehicle costs.

Q: Why do you believe that the maintenance cost of the combined fleet can be reduced?

A: KCPL has standardized the vehicles it owns in much the same way as Southwest Airlines has standardized the airplanes they fly, allowing its maintenance staff to become proficient at maintaining a limited set of equipment and the support staff to deal with obtaining and maintaining a limited set of parts. This is a best practice because it greatly increases maintenance efficiency while reducing training demands, and reduces the cost of acquiring and maintaining spare parts and tools. Utilizing this maintenance approach across the new KCPL and using KCPL's current maintenance cost per unit, a $2.2 million savings over the five year period following the close of the merger can be achieved.

Q: How did you determine the maintenance cost per unit?

A: Aquila fleet maintenance costs were obtained from the General Ledger, and divided by the number of vehicles to achieve a cost per unit. For KCPL, maintenance expenses were obtained from their maintenance management system, to which was added the labor related benefit cost before dividing by the total number of vehicles.

Q: Why were there no finance costs included for KCPL in the maintenance cost analysis?

A: KCPL does not lease vehicles. Including a proxy for finance costs would not have affected this analysis.

Q: What is included in "Other"?

A: All Fleet related expenses other than those separately identified in WPB-8 are counted as "Other". "Other" does not include fuel, depreciation, financing, or maintenance cost. It does include fleet management personnel, their benefits, such expenses as office equipment repair, and other relatively small dollar overhead items.

Q: Why do you believe there is an opportunity to reduce these "Other" costs?

A: Some managerial and administrative functions of the two companies appear to be redundant (e.g., obtaining vendor quotes, purchasing parts) and can be eliminated or greatly reduced. Further, given that the maintenance will be largely insourced, efforts dealing with selecting and managing outside third parties also can be reduced.

Q: Are there costs or investments required to achieve the fleet synergy savings you have outlined?

A: Yes. We expect additional maintenance garage bays to be required, totaling $1.5 million. These costs to achieve have been planned within the Distribution area and the costs have been included in the overall cost to achieve budget rather than included with supply chain costs.

Q: What steps must be taken to achieve these savings?

A: Vehicles need to be useable without regard to the historic geographic boundaries. This implies vehicle mobility will not be restricted by union rules or other limitations.

Standardization of vehicles also needs to occur as rapidly as possible, and the transition period, when not all vehicles are the same, needs to be closely managed to ensure minimal loss of maintenance efficiencies. Redeployment of spare vehicles is dependent on restructuring the number of service centers and optimizing service territory and crew allocations.

Q: What are the merger driven synergy savings from Improved Inventory Management?

A: Total five-year savings expected from inventory are: $6.3 million for O&M and Overhead and $1.2 million in avoided capital spending. The merger synergy saving from avoided capital spending is less than $0.1 million per year and $0.4 million over the five (5) year analysis period. Please refer to Schedule WPB-10.

Q: What types of inventory are included in your examination and what are the major components of that inventory?

A: Capital and non-capital inventory stored at warehouses in Generation, Transmission and Distribution were included in our examination. The major components of Generation inventory are vanes, valves, motors, rotors, and bearings. The major components of Transmission and Distribution inventory are poles, conductors, cables, wires, and insulators. Along with this, our examination also included overhead costs for carrying, managing, and transporting the inventory.

Q: What is the dollar value of that inventory and how was that calculated?

A: The total value of Generation inventory across all locations is $60.8 million. The total value of Transmission and Distribution inventory across all locations is $41.3 million. Thus, total inventory is approximately $102.1 million. The inventory was calculated by

multiplying units available in inventory at a given point in time based on the average value of the underlying item. The point in time for KCPL Generation inventory was 07/20/07, KCPL Transmission and Distribution inventory was 07/23/07, Aquila Generation and Distribution inventory assessment date was 06/27/07, and Aquila Transmission inventory assessment date was 04/17/07.

The total carrying cost of Generation inventory across all locations is $13.4 million at an inventory carrying cost of 22%. Thus total carrying cost of Transmission and Distribution inventory across all locations is $9.1 million. Schedule WPB-11 shows this inventory data in more detail.

Q: What merger synergy savings opportunities exist for inventory?

A: As shown in Schedule WPB-12, there are three main areas for inventory savings:

1. Consolidate and centralize warehouse management: KCPL is reviewing Aquila's 7800 Transmission and Distribution part numbers and anticipates a 10-15% overlap in common parts. KCPL also is reviewing the warehouse and storeroom network of the combined entity to determine areas of overlapping service geographies. Where overlaps exist, KCPL intends to reduce the total number of warehouses and storerooms. This will allow reduced system wide inventory levels and their associated carrying cost. (It also represents a potential strategic sourcing opportunity as referenced earlier.)
2. Move to a standard set of suppliers: KCPL will follow its current model of central warehouse management and use of fewer suppliers to gain efficiencies in inventory delivery, on-hand inventory, vendor managed inventory, and reduced carrying costs. Current Supplier Alliance Partner relationships will be expanded to capitalize on

KCPL's increased buying power and expand vendor-managed inventory programs and supplier-consigned inventory items. These supplier relationships have aided KCPL well in recent times of commodity shortages and storm restoration, and have resulted in minimal in material flow during emergencies. They represent long term commitments by both parties to jointly reduce total costs for acquiring, holding and disposing of goods. These alliances have delivered consistent, lower costs for KCPL and are a strategic enabler of the company's supply chain that will be leveraged going forward. We also anticipate evaluating material specifications and suppliers, and moving toward common specifications, where possible.

3. Size warehouse overhead according to inventory levels: Overhead is defined as additional costs associated with managing warehouses such as lease/space costs, facilities costs, and management costs. As warehouse/storerooms are consolidated, the overall level of warehouse overhead and external costs can be reduced.

Q: How does the merger enable inventory reduction opportunities?

A: The merger allows the new KCPL to consolidate service centers and centralize the overall management of inventory across all locations. Local ordering and inventory level setting will be eliminated or minimized, and the best inventory practices of the existing companies will be implemented. With fewer service centers, and hence fewer inventory locations, inventory levels can be reduced and a centralized warehouse can rapidly re-supply remote crew locations also reducing inventory levels. While some remote inventory will be necessary, these levels can be reduced. Safety stock levels at a single centralized warehouse also can be reduced by sharing peak requirements across the total system.

In addition, specifications and standards will be harmonized, significantly reducing inventory items and associated safety stock. All these drivers of lower inventory levels and reduced cost of carrying inventory are enabled by the merger.

Q: What specific actions must be taken to identify inventory consolidation and centralization of warehouse management opportunities?

A: KCPL will physically evaluate each inventory item across Generation, Transmission and Distribution to identify duplicate items. This entails reviewing thousands of SKU's, manufacturers, etc. across all inventory locations.

Q: How did you arrive at the cost of carrying inventory?

A: We used the KCPL estimate of inventory carrying cost of 22%, a major portion of which includes insurance costs, transportation costs, obsolescence costs, and the cost of capital.

Q: What are the costs to achieve inventory synergy savings in both O&M and capital related costs?

A: All costs to achieve the merger-related inventory savings are included in Generation, Transmission, and Distribution budgets.

Q: What are the risks associated with achieving inventory reduction savings?

A: The major risks to achieving these merger synergy savings are the ability to consolidate inventory locations through service center consolidations and the pace at which item, vendor, and design standards can be adopted. While we do not anticipate significant problems in these areas, it is a concern that must be managed. It also will be important to set required inventory levels and safety stock levels carefully to reflect the overriding need to protect service reliability. This is a best practice analytical process for inventory management.

Q: What are the merger driven synergy savings estimates from Asset Recovery and Reclamation?

A: There is an estimated $4.6 million in avoided capital spending associated with sharing best practices and leveraging increased commodity volume in asset recovery and reclamation efforts. The merger synergy savings associated with this avoided capital spending exceeds $1.5 million.

Q: What are the major components of Asset Recovery and Reclamation?

A: There are three major components of Asset Recovery and Reclamation

1. Repaired equipment: Refers to all goods, equipment, material, etc. (herein referred to as equipment) that is recovered by repairing and restocking in inventory for reuse. For example, a transformer that is not significantly damaged can be re-wound for later use.
2. Reclaimed equipment: Refers to all equipment reclaimed from the field that can be reused.
3. Recycled equipment: Refers to all equipment recycled as scrap. For example, copper and aluminum parts can be recycled through metals brokers.

Schedule WPB-13 further defines these three components.

Q: How will these synergies be achieved?

A: There are two main areas for merger synergy savings in asset recovery and reclamation.

1. Share best practices for repaired and reclaimed material: Synergies will be achieved by applying current internal best practices throughout the combined company including centralized management of this area. Best practice processes involve gathering and evaluating available data on the underlying equipment to determine

when equipment can be replaced, and if refurbishment is preferred over salvage. KCPL and Aquila each have processes in place today, but they are different. After the merger, the combined company can utilize best practices to develop a single best practice process. For example, KCPL uses a quantitative computer modeling program which calculates the net present value of recycling vs. repairing equipment. Historically, Aquila has had less focus on this area. Aquila recycles over 1,400 transformers today without the benefit of a model like KCPL's. In addition, any upgrading and replacing of some areas of Aquila's system will create additional opportunities for increased repair and salvage.

2. Leverage recycling scale: Synergy savings in asset recovery and reclamation also will be achieved by leveraging the increased scale of the combined entity to negotiate better terms and conditions with vendors for improved pricing on salvage value of recycled material. For example, both companies can consolidate their estimated 40,000 lbs of copper recycling through a single vendor for improved pricing and an option to leverage market price conditions.

Q: How were the synergy savings from repaired and reclaimed equipment estimated?

A: The merger synergy savings from repaired and reclaimed equipment are primarily driven by the value received for the salvage material and from the avoided costs of purchasing new material. Schedule WPB-14 explains how these savings apply to the three major components of asset recovery and reclamation. The primary savings from recycled material is from negotiating more favorable pricing based on higher volume leverage. KCPL currently receives $4.9 million from their recovery and reclamation efforts while Aquila receives $0.3 million. We believe that by sharing best practices across both

companies and achieving higher volume leverage, asset recovery and reclamation can generate over $4.6 million in avoided capital spending savings over the first five (5) years, which results in over $1.5 million in merger synergy savings from avoided capital spending. Schedule WPB-15 shows the savings estimates by year.

Q: Could these synergies be achieved without merging the companies?

A: No. Combining the companies will provide the knowledge, tools, and practices to enhance asset recovery and reclamation efforts, thus driving synergy savings. The tools and intellectual capital developed over several years can also be quickly applied to achieve savings without a costly learning curve and delay in achieving savings.

Q: Is there a cost-to-achieve associated with these savings synergies?

A: No. These synergies can be achieved with the current organization through applying internal best practices and current support tools.

Q: What risks are associated with achieving these synergies?

A: There are no major risks in implementing the current practices throughout the combined company.

Q: Taken as a whole, how realistic are the projected Supply Chain merger synergy savings?

A: As shown in Schedule WPB-16, Bridge Strategy Group and the Integration Planning Team's analysis of potential supply chain merger synergy savings shows that the total savings possible over the initial five (5) years after closing are $130.9 million, consisting of $97.7 million dollars in O&M savings and $33.3 million in additional merger synergy saving from avoided capital expenditures. This represents 3.9% of the total projected five (5) years O&M and capital expenditures of $3,337.8 million. (For reference, the

O&M and Capital total expenditures are shown in Schedule WPB-2, and the savings and costs to achieve are shown in Schedule WPB-16.) This represents a modest improvement in spending and a merger synergy savings rate that is well within that achieved by both utilities and industrial companies over the last several years.

Q: What return do these merger savings synergies yield on the costs to achieve investments required?

A: While some of the supply chain costs to achieve are included in Generation, Transmission and Distribution costs, the return on the supply chain costs to achieve are over 18 times their associated costs and generate a net present value of $95.2 million. The returns appear to be well worth the costs to achieve.

Q: What were the major constraints on this analysis that limited its precision?

A: The analysis performed had full access to KCPL data but only summary access to Aquila information. While Aquila management were very cooperative and worked hard to support our work, there were a number of restrictions on the sharing of data during the effort. In particular, pricing, specific vendor agreements, contract terms and conditions and contract expirations dates could not be shared prior to the receipt of an approved HSR. Thus specific price comparisons, contract terms, compliance audit data and specific strategic sourcing results were not available for examination. All comparisons and estimates have been based on KCPL information, Aquila historic cost at an aggregated level, and estimates based on experiences of other companies.

Q: What are the major risks to achieving the estimated merger savings?

A: The most significant risk to achieving these savings would be a change in global or national market conditions which could increase prices and/or demand thus minimizing

the potential gains from applying “best practices” in strategic sourcing and contract terms and conditions management. For example, all major OEM suppliers of turbines, generators, and other specialized equipment are facing an increased demand for new construction units which places strains on their existing workforce. This could reduce the willingness of some OEM suppliers to negotiate on prices or terms and conditions. Currently, there has been little effect on industry service parts pricing or availability. Nevertheless, it is an area that needs to be carefully managed. Fleet, inventory and refurbishment savings synergies appear to be much less likely to be affected.

Q: Are there any additional benefits from this proposed merger in the supply chain area.

A: Yes. Typically, when markets or commodity areas encounter difficult sourcing or availability conditions, smaller utilities are more severely affected. As a larger electric only utility, KCPL is much more desirable to suppliers and better able to mitigate any negative impacts of changing purchasing conditions.

During the next phase of the due diligence after the approved HSR is received, we will more precisely define potential merger synergy savings and update the level of savings and any costs to achieve.

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 WALLACE P. BURAN

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

Wallace P. Buran, being first duly sworn on his oath, states:

1. My name is Wallace P. Buran. I work in Marietta, GA, and I am a subcontractor of Bridge Strategy Group LLC focusing on the Supply Chain Integration Planning aspects of the proposed merger between Great Plains Energy and Aquila.

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 Twenty-Seven (27) 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.

Wallace P. Buran

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

Supply Chain Testimony Exhibits

August 8, 2007

WPB-1

Supply Chain Baseline: 2006 Total Costs

$, millions (FTEs, Carrying Cost of Inventory, and Vehicle Count in italics)

			Generation		T&D		Corporate		Total		Combined
			KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	Total
1	**Best Practices Spend Management**										
	Purchasing FTEs		*8*	*0*	*5*	*0*	*6*	*23*	***19***	***23***	***42***
		SIB	0.6	0.0	0.4	0.0	0.4	1.7	**1.4**	**1.7**	**3.0**
	Contract Admin. FTEs	Number	*22*	*0*	*12*	*0*	*0*	*0*	***34***	***0***	***34***
		SIB	1.6	0.0	1.2	0.0	0.0	0.0	**2.8**	**0.0**	**2.8**
	O&M		41.3	6.5	34.3	13.4	72.5	26.7	**148.2**	**46.7**	**194.9**
	Capital		60.9	19.9	102.0	63.5	46.5	50.8	**209.4**	**134.2**	**343.6**
2	**Fleet**										
	Number of vehicles		*198*	*82*	*867*	*493*			***1,065***	***575***	***1,640***
	Maintenance Spending				3.7	2.7			**3.7**	**2.7**	**6.4**
	Finance/Depreciation Costs				1.3	3.2			**1.3**	**3.2**	**4.5**
	Fuel Costs				2.3	1.1			**2.3**	**1.1**	**3.4**
	Other Costs				1.4	0.6			**1.4**	**0.6**	**2.0**
3	**Inventory**										
	Number of Warehouses		*6*	*7*	*8*	*23*	*0*	*0*	***14***	***30***	***44***
	Inventory FTEs	Number	*29*	*15*	*44*	*16*	*0*	*0*	***73***	***31***	***104***
		SIB	2.3	1.2	3.2	1.1	0.0	0.0	**5.5**	**2.3**	**7.8**
	Value of Inventory O&M		*36.0*	*11.9*	*20.8*	*8.7*	*0.0*	*0.0*	***56.8***	***20.6***	***77.4***
	Carrying Cost of O&M Inventory		7.9	2.6	4.6	1.9	0.0	0.0	**12.5**	**4.5**	**17.0**
	Value of Inventory Capital		*9.6*	*3.3*	*6.3*	*5.5*	*0.0*	*0.0*	***15.9***	***8.8***	***24.7***
	Carrying Cost of Capital Inventory		2.1	0.7	1.4	1.2	0.0	0.0	**3.5**	**1.9**	**5.4**
4	**Asset Recovery/Reclamation**										
	Value of Repaired Materials		0.0	0.0	2.3	0.0	0.0	0.0	**2.3**	**0.0**	**2.3**
	Value of Reclaimed Materials		0.0	0.0	2.3	0.0	0.0	0.0	**2.3**	**0.0**	**2.3**
	Value of Recycled Materials		0.0	0.3	0.3	0.0	0.0	0.0	**0.3**	**0.3**	**0.6**
	Total Baseline (Annual Run Rate)										**596.1**
	O&M										233.4
	Capital										349.0
	FTE SIB										13.6

Source: Integration Planning Team Analysis, 2006 Accounts Payable Data for Aquila and KCPL, KCPL FERC Filing, Aquila FleetMax System, KCPL Shop and Lab Service Income Statement, Aquila and KCPL One-time Snapshot of Inventory Data (Aquila Generation and Distribution Inventory value as of 6/27/2007. Aquila Transmission and Substations Inventory value as of 4/17/2007. KCPL Generation Inventory value as of 7/20/2007. KCPL T&D and Substations Inventory value as of 7/23/2007.).

Notes: Baseline includes Carrying Cost of Inventory. SIB represents employee salaries, incentives, and benefits. Total KCPL Supply Fleet O&M 2.5, and Aquila Supply Fleet O&M 0.5, excluded from Analysis.

WPB-2

Supply Chain Baseline: Five-year Cost Estimate

$, millions

		2008		2009		2010		2011		2012		Total		Combined
		KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	Total
(1)	**Best Practices Spend Management**													
	O&M	157.5	49.6	162.4	51.2	167.4	52.8	172.6	54.4	178.0	56.1	838.0	264.1	**1,102.1**
	Capital	222.6	142.6	229.5	147.1	236.6	151.6	243.9	156.3	251.5	161.2	1,184.1	758.9	**1,943.0**
(2)	**Fleet**													
	O&M	9.2	8.1	9.5	8.3	9.8	8.6	10.1	8.9	10.4	9.1	49.2	43.0	**92.2**
(3)	**Inventory**													
	O&M	19.1	7.3	19.7	7.5	20.3	7.7	21.0	8.0	21.6	8.2	101.8	38.6	**140.4**
	Capital	3.7	2.1	3.8	2.1	4.0	2.2	4.1	2.3	4.2	2.3	19.8	10.9	**30.7**
(4)	**Asset Recovery/Reclamation**													
	Capital	5.2	0.3	5.4	0.3	5.5	0.3	5.7	0.3	5.9	0.4	27.7	1.7	**29.4**
	Total	412.2	209.7	425.0	216.2	438.2	222.9	451.7	229.8	465.8	236.9	2,220.6	1,117.2	
	Total Baseline													**3,337.8**
	O&M													1,364.1
	Capital													1,973.7

Source: Integration Planning Team Analysis, KCPL and Aquila Accounts Payable Data for 2006, KCPL Shop and Lab Service Income Statement, Aquila and KCPL One-time Snapshot of Inventory Data (Aquila Generation and Distribution Inventory value as of 6/27/2007. Aquila Transmission and Substations Inventory value as of 4/17/2007. KCPL Generation Inventory value as of 7/20/2007. KCPL T&D and Substations Inventory value as of 7/23/2007.).
Notes: Inventory baseline includes carrying cost. Assume 3.1% annual escalation from 2006. Inventory and Fleet O&M includes overhead.

WPB-3

Supply Chain Baseline: Five-year O&M and Avoided Capital Savings

$, millions

		2008	2009	2010	2011	2012	Total
(1)	**Best Practices Spend Management**						
	O&M	12.3	14.8	16.2	16.9	17.7	78.0
	Avoided Capital	4.2	15.7	21.3	23.3	25.1	89.6
(2)	**Fleet**						
	O&M	1.3	2.7	2.9	3.1	3.2	13.3
(3)	**Inventory**						
	O&M	0.3	1.4	1.5	1.5	1.6	6.3
	Avoided Capital	0.0	0.3	0.3	0.3	0.3	1.2
(4)	**Asset Recovery/Reclamation**						
	Avoided Capital	0.2	0.2	1.4	1.4	1.4	4.6
	Total O&M						**97.7**
	Total Avoided Capital	4.4	16.2	23.0	25.0	26.9	95.5
	Avoided Cost of Capital Savings	**0.6**	**3.0**	**6.2**	**9.8**	**13.7**	**33.3**
	Total Merger Synergy Savings						**130.9**

Source: Integration Planning Team Analysis
Notes: Assume 3.1% annual escalation from 2006. Inventory O&M includes Overhead. Avoided Capital is the basis for the Avoided Cost of Capital Savings and thus is not be added to Total Merger Synergy Savings.

WPB-4

(1) Best Practices Spend Management: Five-year Savings and Costs to Achieve

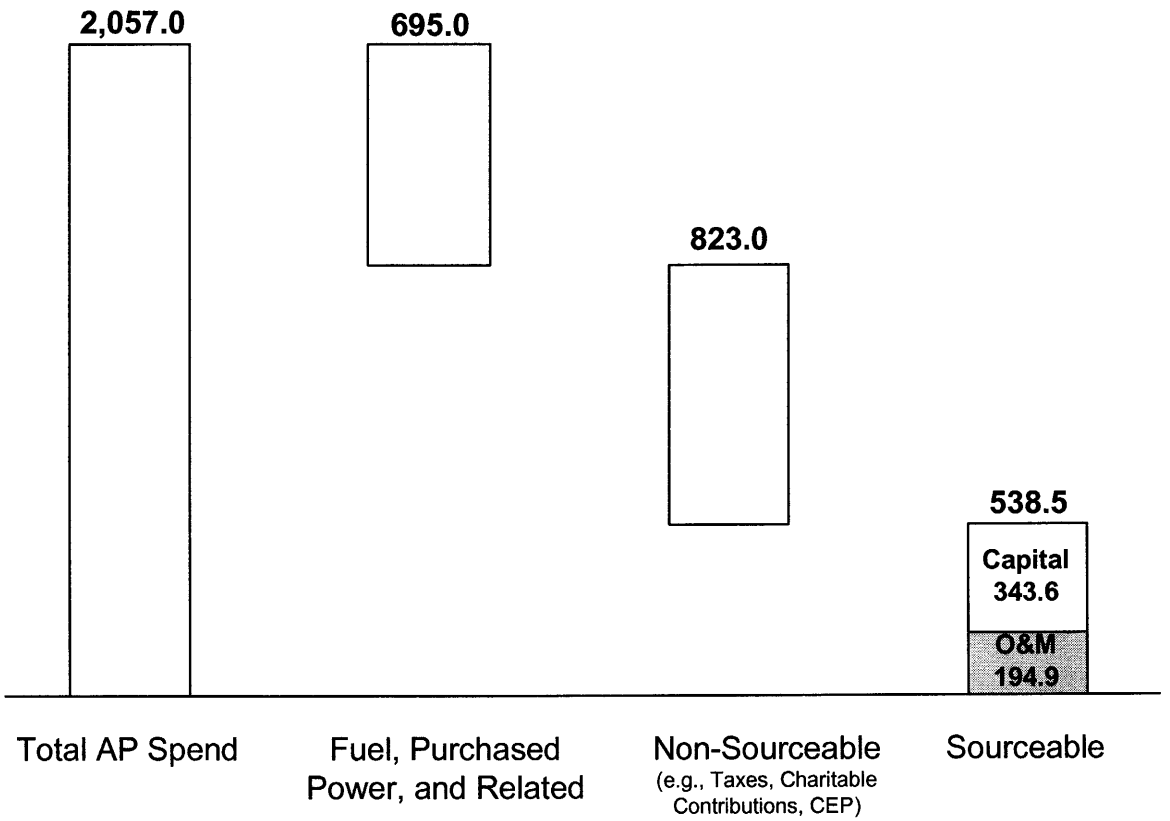
$, millions

	2008	2009	2010	2011	2012	Total
Spend						
O&M	207.2	213.6	220.2	227.0	234.1	1,102.1
Capital	365.2	376.6	388.2	400.3	412.7	1,943.0
Total	572.4	590.1	608.4	627.3	646.8	3,045.1

Source: Integration Planning Team Analysis, KCPL and Aquila Accounts Payable Data for 2006
Notes: Assume 3.1% annual escalation from 2006

① Best Practices Spend Management: Combined KCPL-Aquila 2006 AP Spending for Products and Services

$, millions



Source: KCPL and Aquila AP Activity; Integration Planning Team Analysis
Note: 538.5 is the total Best Practices Spend Management baseline.

WPB-6

① Best Practices Spend Management: Five-year Spend

$, millions

	2008	2009	2010	2011	2012	Total
O&M Savings	**12.3**	**14.8**	**16.2**	**16.9**	**17.7**	**78.0**
Avoided Capital	4.2	15.7	21.3	23.3	25.1	89.6
Avoided Cost of Capital Savings	**0.6**	**2.8**	**5.9**	**9.2**	**12.8**	**31.4**
Total Merger Synergy Savings	**12.9**	**17.6**	**22.1**	**26.2**	**30.5**	**109.4**
Costs to Achieve						
IT System	**1.5**	**1.5**	**0.0**	**0.0**	**0.0**	**3.0**
FTEs						
O&M	0.3	0.3	0.2	0.1	0.0	0.9
Capital	0.5	0.5	0.3	0.1	0.0	1.4
Total Costs to Achieve	**2.3**	**2.3**	**0.5**	**0.2**	**0.0**	**5.3**

Source: Integration Planning Team Analysis, KCPL and Aquila 2006 AP Activity, Inventory Data
Notes: Assume 3.1% annual escalation from 2006. Avoided Capital is the basis for the Avoided Cost of Capital Savings and thus is not be added to Total Merger Synergy Savings.

WPB-7

② Fleet: Five-year T&D Savings Estimate

$, millions

		2008	2009	2010	2011	2012	Total
Bring combined fleet count in line with business requirements	**Savings Rampup**	50%	100%	100%	100%	100%	
	Savings	1.1	2.2	2.4	2.4	2.5	**10.6**
Standardize fleet and mainten vehicles in-house	**Savings Rampup**	50%	100%	100%	100%	100%	
	Savings	0.2	0.5	0.5	0.5	0.5	**2.2**
Combine fleet management and overhead	**Savings Rampup**	33%	66%	100%	100%	100%	
	Savings	<0.1	<0.1	0.1	0.2	0.2	**0.5**
	Total Savings	**1.3**	**2.7**	**2.9**	**3.1**	**3.2**	**13.3**

Note: Assume 3.1% annual escalation from 2006
Source: Integration Planning Team analysis

WPB-8

② Fleet: Five-year T&D Cost Estimate

$, millions

	2008		2009		2010		2011		2012		Total	
	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila
Maintenance	3.9	2.9	4.1	3.0	4.2	3.1	4.3	3.1	4.4	3.2	20.9	15.3
Finance/Depreciation	1.4	3.4	1.4	3.5	1.5	3.6	1.5	3.7	1.6	3.8	7.4	18.1
Fuel (Gas)	2.4	1.2	2.5	1.2	2.6	1.2	2.7	1.3	2.8	1.3	13.0	6.2
Other	1.5	0.6	1.5	0.7	1.6	0.7	1.6	0.7	1.7	0.7	7.9	3.4
Total	9.2	8.1	9.5	8.3	9.8	8.6	10.1	8.9	10.4	9.1	49.2	43.0
											Total	92.2

Notes: Integration Planning Team Analysis. Assume 3.1% annual escalation from 2006
Source: KCPL FERC Filing, Aquila FleetMax System, KCPL Shop and Lab Service Income Statement

② Fleet Baseline: Logic of Savings

$, millions

Logic	Calculations	Annual Savings
Bring combined fleet count in line with business requirements. An 8.2% reduction in overall fleet, composed of a 10% reduction in T&D fleet and a 0% reduction of Generation fleet.	A 10% reduction in T&D fleet count, will reduce the number of T&D vehicles by 10% of the current 1360. These 136 vehicles will be removed from the Aquila fleet where they are costing an average of over $15,000 each per year.	2.1
Standardize fleet and maintain vehicles in-house. Savings per vehicle should accrue when the newly combined entity insources Aquila's maintenance.	Aquila's maintenance cost per vehicle exceed those for KCPL by nearly $1,200 per vehicle. Once the Aquila fleet is reduced as described above, it will still add 357 vehicles to KCPL maintenance procedures.	0.4
Combine fleet management and overhead	50% reduction in overhead	0.1
	Total	**2.6**

Source: Integration Planning Team Analysis

WPB-10

③ Warehouse/Inventory: Five-year savings

$, millions

	2008	2009	2010	2011	2012	Total
O&M Savings	**0.0**	**1.1**	**1.2**	**1.2**	**1.3**	**4.8**
Avoided Capital	0.0	0.3	0.3	0.3	0.3	1.2
Avoided Cost of Capital Savings	**<0.1**	**<0.1**	**0.1**	**0.1**	**0.2**	**0.4**
Overhead Savings	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**1.5**
Total Savings	0.3	1.4	1.6	1.6	1.8	**6.7**

Source: Integration Plannning Team Analysis
Note: Assume 3.1% annual escalation from 2006. Avoided Capital is the basis for the Avoided Cost of Capital Savings and thus are not be added to Total Merger Synergy Savings.

WPB-11

③ Warehouse/Inventory Baseline: Value in Inventory

$, millions

	Generation		T&D		Corporate		Total		Combined Total
	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	KCPL	Aquila	
Value - O&M	36.0	11.9	20.8	8.7	0.0	0.0	**56.8**	**20.6**	**77.4**
Value - Capital	9.6	3.3	6.3	5.5	0.0	0.0	**15.9**	**8.8**	**24.7**
Total Value of Inventory	**45.6**	**15.2**	**27.1**	**14.2**	**0.0**	**0.0**	72.7	29.4	**102.1**
Carrying Cost - O&M	7.9	2.6	4.6	1.9	0.0	0.0	**12.5**	**4.5**	**17.0**
Carrying Cost - Capital	2.1	0.7	1.4	1.2	0.0	0.0	**3.5**	**1.9**	**5.4**
Total Carrying Cost	**10.0**	**3.3**	**6.0**	**3.1**	**0.0**	**0.0**	16.0	6.5	**22.5**
Overhead Costs	2.3	1.2	3.2	1.1	0.0	0.0	**5.5**	**2.3**	**7.8**

Source: Integration Planning Team Analysis. Aquila and KCPL One-time Snapshot of Inventory Data
Note: Aquila Generation and Distribution Inventory value as of 6/27/2007. Aquila Transmission and Substations Inventory value as of 4/17/2007. KCPL Generation Inventory value as of 7/20/2007. KCPL T&D and Substations Inventory value as of 7/23/2007

③ Warehouse/Inventory: Logic of Savings

$, millions

Savings Logic

- Consolidate and share inventory across locations
  - Consolidate/optimize warehouses and storerooms
  - Reduce carrying costs for inventory
- Move to standard set of suppliers
- Size warehouse staff according to inventory levels

Annual Savings

	Generation	T&D	Total
O&M Savings	**0.6**	**0.4**	**1.0**
Avoided Capital	0.1	0.1	0.3
Avoided Cost of Capital Savings	**<0.1**	**<0.1**	**<0.1**
Overhead Savings		**0.3**	**0.3**
Total Savings	**0.6**	**0.7**	**1.3**

Source: Integration Planning Team Analysis
Note: Avoided Capital is the basis for the Avoided Cost of Capital Savings and thus is not added to Total Merger Synergy Savings.

WPB-13

④ Asset Recovery and Reclamation Baseline: Annual Value of Material

	Description	KCPL	Aquila	Total
Repaired materials	Material repaired and sent to inventory for reuse	2.3	0.0	2.3
Reclaimed materials	Unused material from field that was reclaimed in inventory	2.3	0.0	2.3
Recycled materials	Material recycled and sold as scrap	0.3	0.3	0.6
			Total	**5.2**

Source: Integration Planning Team Analysis

WPB-14

④ Asset Recovery and Reclamation: Savings Logic

Repaired materials

- Utilize best practice processes to increase and identify additional material that can be repaired
- Avoid cost of purchasing new material

Reclaimed materials

- Insert processes and tracking mechanisms to improve reclamation of "unused" material used in the field
- Avoid cost of purchasing new material

Recycled materials

- Consolidate vendors for recycling and negotiate contracts that track metals and commodity prices in the market
- Improve income stream from salvage and recycling of materials

Source: Integration Planning Team Analysis

④ Asset Recovery and Reclamation: Five-year Growth and Savings

$, millions

	2008	2009	2010	2011	2012	Total
Growth in Baseline	**5.5**	**5.7**	**5.9**	**6.1**	**6.2**	**29.4**
Avoided Capital	0.2	0.2	1.4	1.4	1.4	4.6
Avoided Cost of Capital Savings	**0.0**	**0.1**	**0.3**	**0.5**	**0.7**	**1.5**

Source: Integration Planning Team Analysis
Notes: Assume 3.1% annual escalation from 2006. Avoided Capital is the basis for the Avoided Cost of Capital Savings and thus is not be added to Total Merger Synergy Savings.

WPB-16

Summary of Savings and Costs to Achieve

$, millions

		2008	2009	2010	2011	2012	Total
(1)	**Best Practices Spend Management**						
	O&M	12.3	14.8	16.2	16.9	17.7	**78.0**
	Avoided Capital	4.2	15.7	21.3	23.3	25.1	89.6
(2)	**Fleet**						
	O&M	1.3	2.7	2.9	3.1	3.2	**13.3**
(3)	**Inventory**						
	O&M	0.3	1.4	1.5	1.5	1.6	**6.3**
	Avoided Capital	0.0	0.3	0.3	0.3	0.3	1.2
(4)	**Asset Recovery/Reclamation**						
	Avoided Capital	0.2	0.2	1.4	1.4	1.4	**4.6**
	Total O&M Savings	**13.9**	**19.0**	**20.6**	**21.6**	**22.5**	**97.7**
	Total Avoided Capital	4.4	16.2	23.0	25.0	26.9	95.5
	Avoided Cost of Capital Savings	**0.6**	**3.0**	**6.2**	**9.8**	**13.7**	**33.3**
	Total Merger Synergy Savings	**14.5**	**21.9**	**26.9**	**31.4**	**36.2**	**130.9**

Costs to Achieve						
IT System	1.5	1.5	0.0	0.0	0.0	3.0
FTEs - O&M	0.3	0.3	0.2	0.1	0.0	0.9
FTEs - Capital	0.5	0.5	0.3	0.1	0.0	1.4
Total Costs to Achieve	**2.3**	**2.3**	**0.5**	**0.2**	**0.0**	**5.3**

Source: Integration Planning Team Analysis

Notes: Assume 3.1% annual escalation from 2006. Inventory O&M includes Overhead. Avoided Capital is the basis for the Avoided Cost of Capital Savings and thus is not be added to Total Merger Synergy Savings.