

Exhibit No.: 031  
Issues: Synergy Update  
Witness: Robert T. Zabors  
Type of Exhibit: Supplemental Direct Testimony  
Sponsoring Party: Great Plains Energy Incorporated and  
Kansas City Power & Light Company  
Case No.: EM-2007-0374  
Date Testimony Prepared: August 8, 2007

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: EM-2007-0374**

**SUPPLEMENTAL DIRECT TESTIMONY  
PURSUANT TO THE SCHEDULING ORDER**

**OF**

**ROBERT T. ZABORS**

**ON BEHALF OF**

**GREAT PLAINS ENERGY INCORPORATED**

**AND**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
August 2007**

KCP&L Exhibit No. 31  
Case No(s) EM-2007-0374  
Date 4-22-08 Rptr KF

**SUPPLEMENTAL DIRECT TESTIMONY  
PURSUANT TO THE SCHEDULING ORDER**

**OF**

**ROBERT T. ZABORS**

**Case No. EM-2007-0374**

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

2    **A:    My name is Robert T. Zabors. I am a Partner with Bridge Strategy Group LLC, a**  
3           **management consulting firm. My business address is 1 North Franklin, Chicago Illinois,**  
4           **60606.**

5    **Q:    Are you the same Robert T. Zabors who submitted direct testimony in this**  
6           **proceeding?**

7    **A:    Yes, I am.**

8    **Q:    What is the purpose of your testimony?**

9    **A:    I will discuss the approach Great Plains Energy has used to determine synergies and costs**  
10           **to achieve for the proposed acquisition of Aquila, Inc. ("Aquila") by Great Plains Energy**  
11           **("the Merger"). I will also introduce the results from the process related to synergy**  
12           **estimates. As they are the output of a collective effort, other witnesses will also refer to**  
13           **these exhibits.**

14   **Q:    Have you included any exhibits to your testimony?**

15   **A:    Yes, I have included Schedules RTZ-3 through RTZ-12.**

16                    **GOALS OF THE INTEGRATION PLANNING PROCESS**

17   **Q:    What were the goals of the integration planning process?**

1 A: Four goals were articulated by KCPL management beginning on the morning of the  
2 announcement, February 7<sup>th</sup>, 2007.

- 3 - Capture the value of the deal
- 4 - Position for sustainable Tier 1 performance
- 5 - Prepare for Day 1 and transition to steady state
- 6 - Continue to successfully manage operating businesses

7 These are listed, as presented to employees, in Schedule RTZ-3.

8 These points were intended to provide direction to those involved with integration  
9 planning, and also to reinforce the importance of maintaining operating performance  
10 through a long transition.

11 **Q: In these goals, what does KCPL mean by 'Tier 1 performance'?**

12 A: "Tier 1" is a performance standard that KCPL has used for years to indicate operating  
13 performance in the top quartile of a relevant peer group. The broader connotation is a  
14 process of understanding benchmarks and best practices and incorporating them as  
15 appropriate to continuously improve business performance. In the past five years, KCPL  
16 has moved to Tier 1 on many dimensions of the business.

17 **Q: What does KCPL mean by "Day 1"?**

18 A: The first day of operation of the combined entity. This is projected to occur in the first  
19 quarter of 2008.

20 **Q: Were there any other implicit goals in the process?**

21 A: Yes, from the perspective of building a successful culture for the combined company. As  
22 in the due diligence process, there was also the desire to ensure that activities and  
23 decisions were consistent with KCPL's cultural standards and aspirations. For purposes

1 of the teams, that implies attributes such as collaboration, engagement, respect,  
2 leadership and integrity. As Winning Culture has been highlighted as an advantage and  
3 differentiator in the industry for KCPL, and this was the first direct exposure to most  
4 Aquila employees to the culture, it was important for the teams to clarify and exemplify  
5 these behaviors.

6 **Q: What timeframe and milestones has KCPL established for the process?**

7 A: There are six steps in the integration planning process, which covers the timeframe from  
8 merger announcement (February 7, 2007) until Day 1 operations. The steps are:

- 9 - Launch Teams
- 10 - Develop Common Understanding
- 11 - Design the Path to Tier 1
- 12 - Launch Key "Enabler" Activities
- 13 - Develop Integration Plans and Materials
- 14 - Prepare Day 1 Plans.

15 As of the filing date of this testimony, teams were on schedule, and completing the third  
16 step "Design the Path to Tier 1". This is illustrated in Schedule RTZ-4

17 **Q: How is this process related to the synergy estimates developed in the due diligence**  
18 **process?**

19 A: This process is similar to the due diligence process in that the underlying approach was to  
20 build the operating model and cost basis for the combined company from a bottom-up  
21 perspective by managers that would likely run the combined operation, balanced by  
22 frequent cross-functional and executive reviews. Many of the teams were led by

1 individuals involved in the due diligence process. Senior resources were committed by  
2 KCPL and Aquila to ensure an appropriate level of understanding and buy-in.

3 **Q: Are there any major differences from the diligence process?**

4 A: The major differences consisted in the number and level of involvement of people across  
5 the organizations and the ability to share and discuss information across the larger team  
6 and with members of Aquila. It is important to note that information was shared within  
7 guidelines established by the legal departments. In several areas, such as Generation and  
8 Power Marketing, the teams did not have access to all data due to restrictions at this stage  
9 of the approval process, which would have helped refine the analysis.

10 **Q: Who was involved in the process?**

11 A: Consistent with the goals previously stated for the process, there has been extensive  
12 involvement from both Aquila and KCPL management and employees in integration  
13 planning. More than 100 people were involved on integration planning teams and sub-  
14 teams. The project structure is depicted in Schedule RTZ-5. At the leadership level, there  
15 were ten employees named as team leaders from KCPL, and 14 on subteams. A similar  
16 number of employees from Aquila were named to the teams. Building on our  
17 involvement in the due diligence process, Bridge Strategy Group has helped to structure  
18 the process, facilitate group discussions, coordinate project management activities, and,  
19 as needed, support analyses of the teams.

20 **Q: What is the extent of your involvement with the synergy components?**

21 A: Our focus is supporting the development of synergy savings as they relate to the  
22 integration of operations and support services of the two companies, the transition with

1 Black Hills Corporation, and activities for the merger approval process, such as this  
2 testimony. We did not address financial or legal aspects of the combination.

3 **Q: How was the process organized?**

4 **A:** Templates were developed to assist teams and project management with consistency and  
5 completeness. These were customized for each step of the process and made available on  
6 a common site - Sharepoint. For example, financial templates were developed to  
7 aggregate budget information and evaluate synergy projects. Operational templates were  
8 developed to structure discussions on organization, processes, and IT.  
9 Specifically, key templates that were used for the three steps of the process so far are:

- 10 - Step 1: Launch teams – Team Charters, issues log and scope
- 11 - Step 2: Develop a Common Understanding – project workplan, Day 1 and ‘S’ (steady  
12 state) requirements
- 13 - Step 3: Design for Tier 1 – Conceptual and logical models, incremental budget and  
14 position inputs

15 Across the teams, templates were developed for status reporting. KCPL’s current  
16 Economic Value Added (EVA) project assessment model was used across teams to assess  
17 benefits of synergy projects.

18 **Q: How did management ensure teams were making progress and surfacing relevant**  
19 **issues?**

20 **A:** There was a weekly leadership team meeting of all KCPL team leaders (as noted on  
21 Schedule RTZ-5). A project steering team, which included Aquila leadership met every  
22 other week. Most teams created progress reports in Sharepoint.

23 **Q: Was issue identification limited to the teams?**

1 A: No. Several forums were created to gather input from across the companies. Early in the  
2 process, KCPL executives visited every Aquila and KCPL location to discuss the merger  
3 with employees. The company intranet contained coverage and includes the ability to  
4 post questions on the site. A monthly Integration Insights newsletter has been published  
5 to communicate to employees of both companies, and also shared with Black Hills  
6 Corporation. And, importantly, team leaders and other KCPL executives made frequent  
7 visits to Aquila to promote interaction and understanding.

## 8 SYNERGIES

9 Q: How are synergies created as a result of the merger?

10  
11 A: Two primary types of synergies result from mergers. The first type of synergies occurs as  
12 a direct result of combining the entities. That is, "but for" the merger, these synergies  
13 would not exist. These are commonly called "created" savings. These include  
14 overlapping positions and functions as well as savings that result from economies of  
15 scale. The second type of synergy is "enabled" by a merger. The merger enables the  
16 company to apply improved practices, processes and skills from either party. Synergy  
17 estimates in this analysis include both types of synergies.

18 Q: What process was used to calculate the synergies?

19 A: As I discussed previously, functional teams comprised of GPE and Aquila employees  
20 worked together to determine the incremental resources (expenses, capital, and positions)  
21 required in their functional area post-close. The incremental resources were compared to  
22 the baseline Aquila resources to determine the estimated amount of synergies. The  
23 synergies from each team were then combined to determine the total estimated synergies  
24 resulting from the transaction

1 **Q: What time period was used to calculate synergies?**

2 A: The teams determined synergies over a five year period, with a pro forma start date of  
3 January 1, 2008, although the teams assume the actual close date will be some time in the  
4 first quarter of 2008. The majority of synergies continue over time. As such, those  
5 synergies were escalated by 3.1%, which is the 3 year average of the CPI-U, the  
6 consumer price index. This is a conservative assumption relative to more recent CPI  
7 figures.

8 **Q: What baseline did you use?**

9 A: The baseline non-fuel O&M expense level, based on 2006 actual spending, and to our  
10 knowledge consistent with Aquila's most recent rate order, is \$151 million.  
11 The initial baseline was developed using Aquila's 2006 actual costs as applied to the  
12 Missouri Electric jurisdictions. Aquila represented these as consistent with information  
13 provided during the regulatory process. This detailed information was provided to KCPL  
14 by Aquila and allocated to each of the integration planning teams. Subsequent to the  
15 announcement of the merger, in May, 2007, Aquila received final rate orders in both of  
16 its Missouri electric jurisdictions. The Missouri costs that were the foundation for the  
17 Orders in those cases were compared to 2006 actual information that was allocated to the  
18 Missouri jurisdictional operations. In collaborative reviews with Aquila, the two sets of  
19 data were seen as consistent.

20 **Q: Why was that baseline chosen?**

21 A: KCPL and Aquila wanted to ensure the synergies proposed to be shared with customers  
22 are consistent with the costs currently included in Missouri rates.

23 **Q: What happened after the Baseline was set?**



1 A: When the 2006 actual budgets were received, early in the integration planning process, an  
2 initial allocation of the costs was made to each Integration Planning team based on their  
3 defined scope, as mapped to the current KCPL organization. This initial allocation was  
4 then reviewed by each team to ensure that they were addressing the proper cost base and  
5 had properly defined scope. In areas where issues arose, the affected parties met to assign  
6 accountability to the most natural owner.

7 **Q: What's the total estimate of synergies to be shared with customers?**

8 A: Operational synergies are \$305 million over the five years. A summary of synergies is  
9 attached as Schedule RTZ-6.

10 **Q: Are these synergies expected to continue beyond the five year period?**

11 A: Yes, teams expect synergies to extend beyond the 5-year period. In addition, KCPL is  
12 investing in multiple areas in which the value of the synergy will provide increasing  
13 levels of value after the 5-year period.

14 **Q: Can you quantify the value of synergies beyond the five year period?**

15 A: If one takes the synergies in year five and continues to escalate them at the inflation rate  
16 through year ten, the total synergies created would total \$755 million. Of that, net of  
17 sharing half of savings with KCPL in the first five years, the customer benefit would be  
18 \$603 million of the \$755 million (80%) with an NPV for customers of \$341 million.  
19 These are detailed in Schedule RTZ-12.

20 **Q: Do these synergies include the costs to achieve them?**

21 A: Operating expenses related to the savings are included in these figures. And the projects  
22 (NFOM and purchased power) included a fixed charge for capital. A very limited set of

1 costs are included in the transition and transaction costs to achieve. These are detailed in  
2 Schedules RTZ-10 and RTZ-11.

3 **Q: How do these compare to the synergy estimates developed in due diligence?**

4 **A:** Synergies have increased. In total, operating synergies identified in diligence pointed to  
5 \$264 million over five years. The current analysis determined \$305 million in savings.  
6 Our operational synergy estimates have exceeded our estimates from due diligence by  
7 \$41 million.

8 Schedule RTZ-8 enables comparison to due diligence, which was categorized as  
9 operations (including customer service) and services. A direct comparison between the  
10 two should recognize that projects relating to NFOM or revenue/ purchased power were  
11 not reported separately in due diligence.

12 **Q: What are the major components of reported synergies?**

13 **A:** There are four synergy components as reported in Schedule RTZ-7. The first two relate to  
14 non-fuel O&M reductions in operating and support functions 'created' and 'enabled' by  
15 the combination of the two organizations. These are presented as the reductions in  
16 operating forecasts of departments (\$87 million), and as a set of major projects that  
17 reduce NFOM (\$33 million). The latter are initiatives such as facilities consolidations  
18 that provide significant impact and tend to have an affect across multiple areas and will  
19 be managed as a project rather than a function. The third component of synergies is the  
20 benefit of a larger, more efficient supply chain. These total \$131 million and have several  
21 components. Finally, there are specific integration projects that effectively reduce  
22 purchased power expense or increase revenue. Teams calculated this benefit as \$54  
23 million over five years.

1 **Q: What is included in the \$87 million of NFOM synergies relating to individual**  
2 **departments?**

3 **A:** NFOM synergies are comprised of labor and nonlabor cost reductions. Labor synergies  
4 are the result of actual reductions in payroll that are attributable to position reductions.  
5 Non-labor synergies result from economies of scale and the impacts of position  
6 reductions on related non-labor spend. See Schedules RTZ-7, RTZ-8, RTZ-9 for detail.  
7 The \$87 million in synergies are equally split between operations and support services.  
8 The majority of the savings from support services are position related. For operations,  
9 union headcount was not affected, so these represent management and non-union staff.  
10 The non-labor reductions were frequently reviewed with the Supply Chain team to ensure  
11 that double counting did not occur.

12 **Q: What, specifically, are the integration projects that create \$33 million in savings?**

13 **A:** The projects are facilities consolidation, the closure of Aquila's 20 West 9<sup>th</sup> Street  
14 headquarters and the implementation of automated meter reading infrastructure for  
15 Aquila customers – a capability current KCPL customers already have.

16 **Q: As a synergy project, what are the assumptions regarding savings related to the**  
17 **disposition of Aquila's headquarters?**

18 **A:** Disposing of Aquila's headquarters results in two synergies. The efficiencies gained from  
19 consolidating into one headquarters building will create \$5.8 million in value. This comes  
20 from reduced operating costs at 20W9th and increased efficiencies at 1201 Walnut. In  
21 addition, approximately \$25 million will be removed from rate base upon sale. Consistent  
22 with the assumption of selling 20W9th at year end 2008, this synergy will not start until  
23 2009. Its value is \$16.2 million for the remaining 4 years.

1 **Q: What other projects exist that will improve NFOM?**

2 **A:** Leveraging the scale of the combined company will provide an opportunity to create a  
3 more efficient T&D operation. KCPL will close overlapping service centers and  
4 consolidate operations in a new facility along the I-470 Corridor and an existing KCPL  
5 facility in the Northland area. The net benefit of this opportunity will be \$6.8 million. In  
6 addition, KCPL will leverage its experience with AMR and upgrade the Aquila customer  
7 base to this level of service that will return \$4.7 million in value over five years. The  
8 improved capabilities will increase customer satisfaction, the combined company's  
9 service capability, and put in place the ability to introduce advance offers that enable  
10 more efficient use of electricity.

11 **Q: How was capital addressed in these projects?**

12 **A:** To ensure that capital was adequately addressed in analyses, teams utilized the KCPL  
13 EVA methodology. This was used to 1) determine the viability of the project and 2)  
14 estimate the synergy value. For the synergy calculation, the cost of the capital is offset  
15 against the value created through a fixed charge. In addition, there are also synergy gains  
16 from avoided capital. In these instances, both for the headquarters decision and the  
17 avoided supply chain capital, teams applied a fixed charge against the rate base reduction  
18 to determine the synergy.

19 **Q: What projects were identified to increase Revenue or reduce Purchased Power**  
20 **costs?**

21 **A:** At the beginning of the process, a focused effort was launched to identify areas in which  
22 KCPL could leverage the knowledge and skills it has developed in plant operations  
23 (combustion, outage) and customer programs (energy efficiency) to optimize output of

1 current Aquila assets (supply side) and minimize the customer requirements (demand  
2 side). Teams, consisting of Aquila and KCPL employees identified several projects. First,  
3 teams will focus on optimizing the operation of Sibley #3 by utilizing KCPL combustion  
4 expertise and outage management. The efforts will deliver up to 30 MW of capacity that  
5 will reduce the purchased power burden by \$17 million over five years. Second, teams  
6 will utilize the economies of scale in the gas fleet and Aquila expertise to improve CT  
7 operations by \$3.1 million. Third, teams will use KCPL experience, processes, and tools  
8 to develop a holistic program for improving plant heat rate by \$0.6 million. Fourth,  
9 KCPL will use its experience with boiler tube failure improvement to deliver improved  
10 performance resulting in \$5.6 million in value. Fifth, teams will leverage KCPL  
11 combustion and outage experience to improve operations and Sibley #1 and #2 - reducing  
12 outage requirements and saving \$1.6 million. Sixth, KCPL's experience and  
13 infrastructure in energy efficiency will add incremental value in the Aquila customer base  
14 returning \$13 million over 5 years. Finally, teams identified significant opportunities to  
15 leverage Aquila skills, intellectual property, and processes to enhance our billing by  
16 \$12.8 million.

17 The net impact of these projects is to reduce purchased power or increase revenue by  
18 approximately \$54 million over the five year period.

19 **Q: Why are these defined as synergies?**

20 **A:** They meet the "created" synergies standard due to scale and also have an "enabled"  
21 component due to application of practices and skills. They provide direct benefits to  
22 customers through increased revenue and reduced purchased power expenses - and would  
23 also serve to mitigate the volatility of those purchases.

**Q: How were Supply Chain savings developed?**

**A:** Supply chain savings were developed by first developing a common understanding of the supply chain scope; and subsequently analyzing the synergy opportunities within that scope. The team identified four main areas within the supply chain scope: strategic sourcing/procurement, warehouse/inventory management, fleet management/maintenance, and asset recovery/reclamation. To identify synergies within each area, the team reviewed the baseline and then reviewed opportunities to leverage increased purchasing scale, best practices, and increased scope, i.e. sharing of material, equipment, and labor where appropriate. The total savings from the supply chain work is \$98 million, with sourcing accounting for over half of this amount. In addition, teams identified a synergy of \$33 million that is the result of \$90.9 million in reduced capital spending on sourced materials. Thus, the net synergy for supply chain is \$131 million. This savings was valued as a reduction in rate base similar to the rate base savings calculated for the selling of 20W9th. Avoided capital will be achieved through improved strategic sourcing in supply, delivery, and corporate as the capital process is made more efficient.

**Q: How did the teams avoid double counting these savings?**

**A:** The first step to ensure that there was no double counting was to assign responsibility for every cost and position to a specific team. Accomplishing this required multiple planning sessions with members of teams working together to agree on responsibilities. For supply chain, we structured and facilitated multiple meetings and numerous ad hoc interactions to ensure that the opportunities identified did not overlap with those of the teams. Across all areas, the weekly Integration Planning Leadership Team was an important control

1 point for potential conflict and overlap. Frequent and lengthy review meetings were also  
2 held in key areas such as IT with business users to ensure alignment and consistency of  
3 assumptions.

4 **Q: What are the implications of these reductions on the positions?**

5 **A:** The team identified savings of 355 positions at Day 1. The combined company will  
6 increase in size by 899 full-time employees at the end of year 1 and 843 by the end of  
7 2012. This is detailed by function in schedule RTZ-9.

8 In terms of severance, teams believe the actual number of people losing jobs will be less  
9 than the number of positions eliminated, as Black Hills will potentially hire people  
10 identified as severed and there is likely to be some attrition prior to close. Since this cost  
11 is easily tracked, KCPL/GPE will adjust severance costs included as merger transition  
12 costs once actual costs are known.

13 **Q: How do you define costs to achieve?**

14 **A:** Costs to achieve represent costs that are required to either a) close the transaction or b)  
15 integrate the two companies to achieve the synergy savings. Transaction expenses are  
16 those costs that are in place to enable Aquila and Great Plains to close this transaction.  
17 Examples include banker fees for deal valuation and equity placement and legal fees for  
18 agreement review/execution. Costs to integrate the two companies include those costs  
19 such as severance that are required to capture the position reductions and associated  
20 payroll synergies.

21 **Q: What transaction costs are required to achieve this merger?**

22 **A:** Transaction costs are \$95 million. These are detailed in Schedule RTZ-10. The primary  
23 costs are the deal transaction costs that are \$42 million. KCPL's share of "People" costs

1 such as severance and change in control and related items is \$30 million. Black Hills will  
2 contribute 40% of the total costs for severance. Other costs noted on the schedule include  
3 D&O insurance and third party support of the regulatory process related to merger  
4 approval.

5 **Q: What transition costs are required to complete the merger?**

6 A: Transition costs are estimated to be \$45 million. They are detailed in Schedule RTZ-11.  
7 These costs represent third party costs to support the integration from legal, HR, IT and  
8 process integration perspectives. And there are similar, specific costs identified by  
9 integration planning teams related specifically to the combination of the two companies..

10 **Q: How are costs to achieve handled for projects?**

11 A: Each project provided a net synergy calculation. This calculation nets the synergy benefit  
12 against all costs including capital costs and costs to achieve. Details on projects are  
13 included in the testimony of several KCPL witnesses, including John Marshall, William  
14 Herdegen, Dana Crawford and Kevin Bryant.

15 **Q: Does that conclude your testimony?**

16 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 ) Case No. EM-2007-0374  
Merger of Aquila, Inc. with a Subsidiary of Great )  
Plains Energy Incorporated and for Other Requester )  
Relief**

**AFFIDAVIT OF ROBERT T. ZABORS**

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

Robert T. Zabors, being first duly sworn on his oath, states:

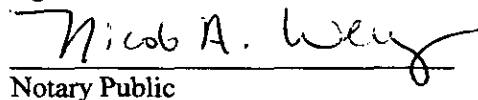
1. My name is Robert Zabors. I am a Partner with Bridge Strategy Group LLC, a management consulting firm in Chicago, Illinois.

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 Eighteen (18) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

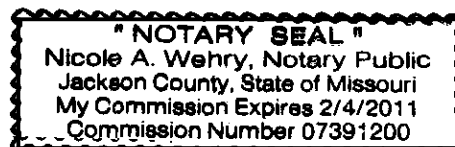
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Subscribed and sworn before me this 8<sup>th</sup> day of August 2007.

  
Notary Public

My commission expires: Feb 4 2011



## **SCHEDULES – RTZ SUPPLEMENTAL TESTIMONY**

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- RTZ-3: Goals of the process
- RTZ-4: Project approach
- RTZ-5: Project team organization and leaders
- RTZ-6: Summary of Synergies – stacked bar chart
- RTZ-7: Pie Chart of synergy components
- RTZ-8: Detailed Synergies by Function
- RTZ-9: Incremental Positions by Function by Year
- RTZ-10: Transaction Costs
- RTZ-11: Transition Costs
- RTZ-12: Ten Year Synergy Total

## **Schedule RTZ-3: Goals of the Process**

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### **Capture deal value**

- Use this time to work towards a quick and seamless integration
- Achieve or improve upon targeted NFOM in all areas
- Carefully manage costs to achieve

### **Position for sustainable Tier 1 performance**

- Understand current performance, Tier 1 benchmarks and targets
- Look for opportunities to make significant improvements
- Design and implement post-merger strategy and organization
- Gain approval and implement capex strategy
- Implement processes and capabilities to enable achievement of Tier 1 performance and enhance Winning Culture

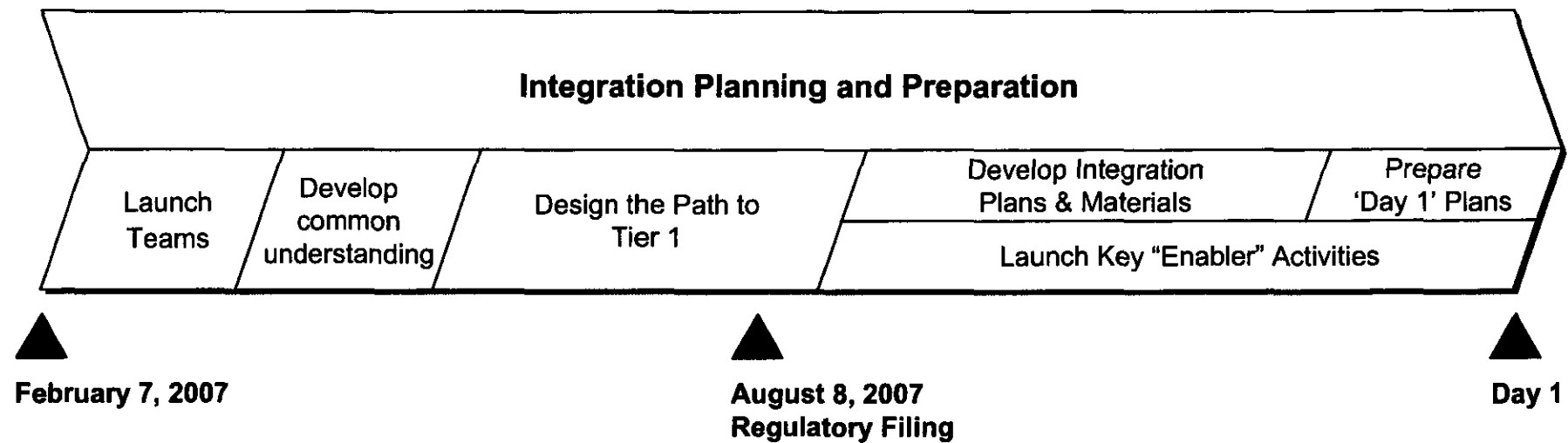
### **Prepare for Day 1 and transition to steady state**

- Coordinate provisioning of shared services and key enablers
- Provide all operating requirements at Day 1
- Achieve Steady State structure, cost base, and headcount on a timely basis

### **Continue to successfully manage operating businesses**

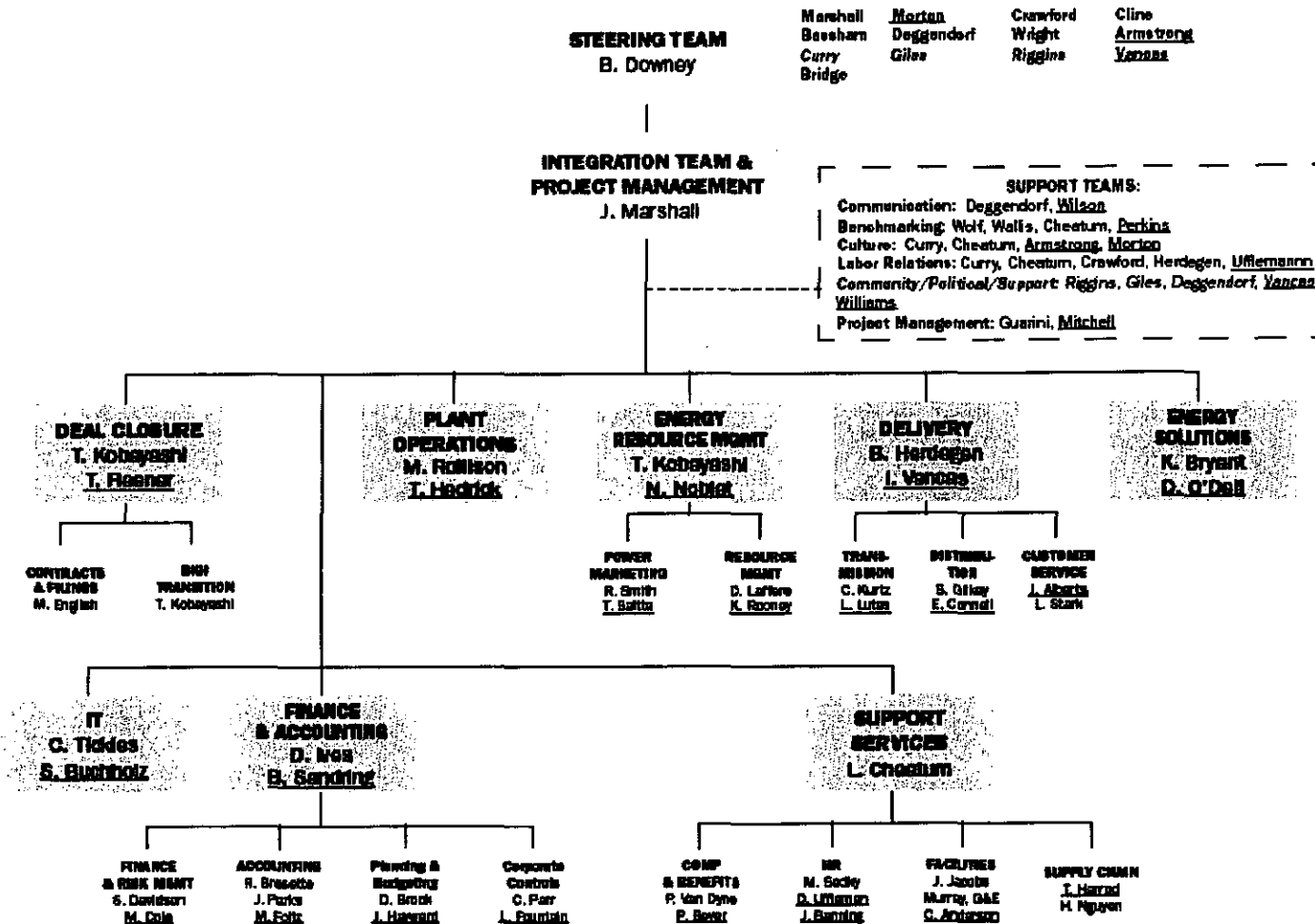
- Continue to execute against current operating and regulatory plans
- Meet or exceed our 2007 performance targets

## Schedule RTZ-4: Project Approach



# Schedule RTZ-5: Project Team Organization and Leaders

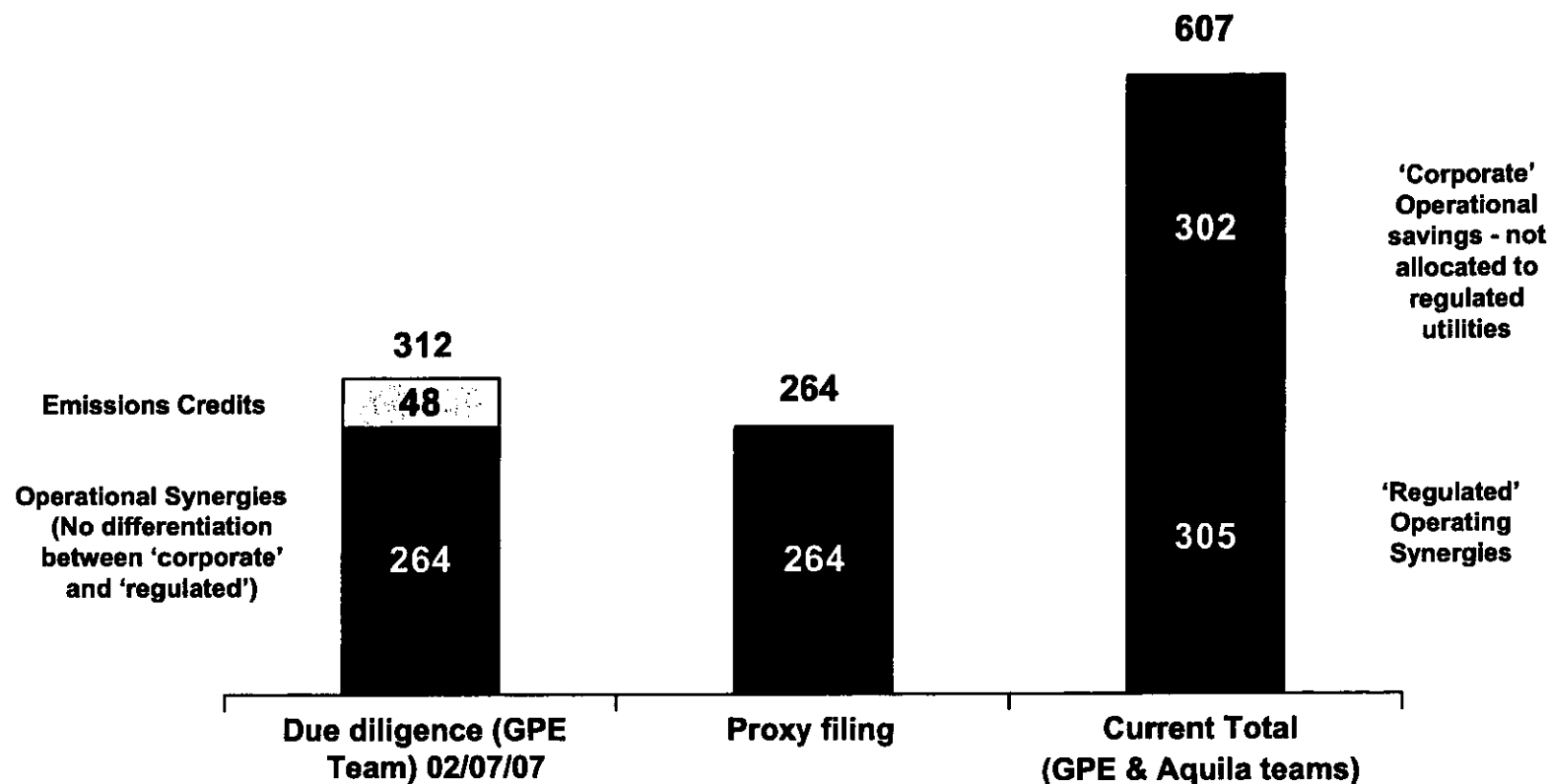
## Integration Planning Team



Note: Underlined names represent Aquila employees

## Schedule RTZ-6: Summary of Synergies

### Five Year Cumulative Synergies (\$mm)

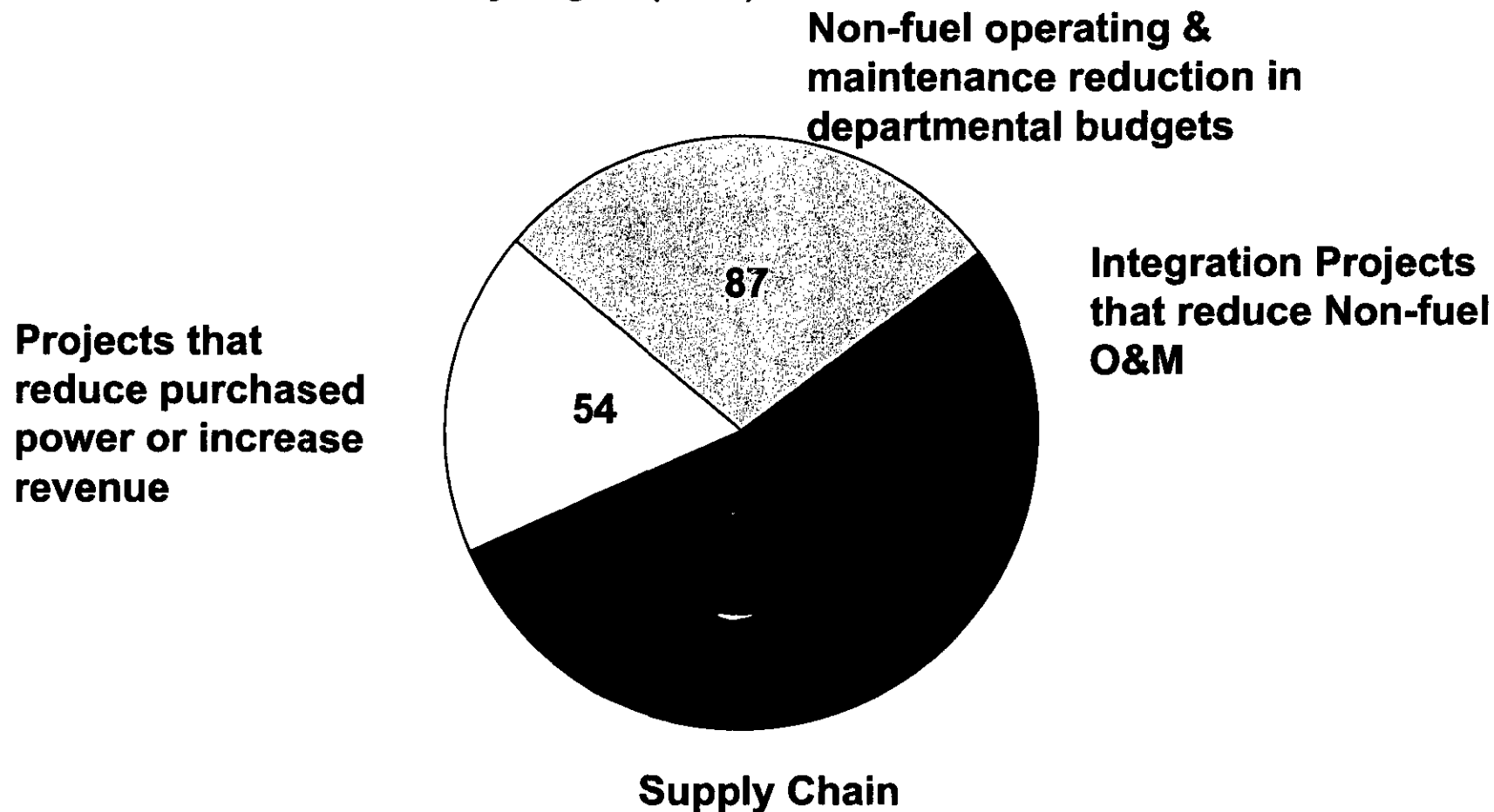


**Note:**

- Emissions are not in current synergy total as Aquila is taking steps to capture emissions credit savings prior to deal close
- Synergy numbers are based on Aquila's actual 2006 costs
- Aquila states that corporate costs have now been reduced to a level that would imply \$221 million in corporate savings rather than \$302 million if 2007 was used as a basis instead of 2006

## **Schedule RTZ-7: Four contributors to operating synergies of \$305mm**

**Five-Year Cumulative Synergies (\$mm)**



## Schedule RTZ-8: Five year Synergy detail

		2008	2009	2010	2011	2012	Cumulative
Non-Fuel O&M (NFOM)	Operations	6	8	10	10	11	44
	Shared Services	2	8	10	11	12	42
		8	16	19	21	22	87
NFOM Projects	Facilities Consolidation	1	1	1	2	2	7
	AMR	0	0	(1)	2	4	5
	20 W. 9th						
	Consolidation	1	1	1	1	1	6
	Rate Base Change	0	4	4	4	4	16
		1	6	6	9	11	33
Supply Chain	Sourcing and Best Practices Spend Management	12	15	16	17	18	78
	Inventory	0	1	1	2	2	6
	Fleet	1	3	3	3	3	13
	Avoided Cost of Capital	1	3	6	10	14	33
		15	22	27	31	36	131
Revenue Projects	Billing Enhancements	2	3	3	3	3	13
	Energy Efficiency	1	2	2	4	5	13
	Heat Rate	(0)	(0)	0	0	0	1
	CT Optimization	0	1	1	1	1	3
	Sibley 1 and 2 Optimization	0	0	0	0	0	2
	Sibley 3 Optimization	1	5	3	4	3	17
	Boiler Tube Improvement	1	2	1	1	1	6
		6	12	10	13	13	54
Utility Total	Total	30	56	62	75	82	305



## **Schedule RTZ-9: Incremental Positions by Function (2008-2012)**

	<b>Incremental Positions</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Supply</b>	<b>245</b>	<b>242</b>	<b>236</b>	<b>236</b>	<b>236</b>
<b>Delivery</b>	<b>551</b>	<b>532</b>	<b>524</b>	<b>522</b>	<b>522</b>
<b>Support</b>	<b>103</b>	<b>96</b>	<b>92</b>	<b>88</b>	<b>85</b>
<b>Total</b>	<b>899</b>	<b>870</b>	<b>852</b>	<b>846</b>	<b>843</b>

## Schedule RTZ-10: Transaction Costs to Achieve

Costs to Achieve	2007	2008	2009	2010	2011	2012	Total
<b>GPE</b>							
<b>People</b>							
GPE Share of Severance		11.1	2.5				13.6
GPE Share of Executive CIC		8.9					8.9
Rabbi trust		7.3					7.3
CIC tax gross-up		0.5					0.5
<b>Legal, HR and Deal Close Support</b>	11.7	0.8					12.5
<b>Transaction Costs - GPE</b>	9.0	7.0					16.0
<b>Transaction Costs - Aquila</b>	11.2	15.2					26.4
<b>Other</b>							
Directors and Officers Liability Tail Coverage		7.0					7.0
Regulatory Process Costs	2.0	1.0					3.0
<b>Costs to Achieve - GPE</b>	<b>33.9</b>	<b>58.8</b>	<b>2.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>95.2</b>
<b>Cumulative Costs to Achieve - GPE</b>	<b>33.9</b>	<b>92.7</b>	<b>95.2</b>	<b>95.2</b>	<b>95.2</b>	<b>95.2</b>	

Notes: Transaction costs enable Aquila and Great Plains to close the transaction; "People" costs represent GPE's share of total. Black Hills pays 40%.

## Schedule RTZ-11: Transition Costs to Achieve

Costs to Achieve	2007	2008	2009	2010	2011	2012	Total
<b>GPE</b>							
<b>People</b>							
Retention		3.0					3.0
<b>Legal, HR and Integration Support</b>	5.0	11.8	3.8				20.6
<b>Integration Team (non-labor)</b>	2.5	1.0					3.5
<b>Team Transition Projects</b>	0.5	4.8	3.3	0.5	0.2		9.3
<b>Other</b>							
Facilities Integration		6.7	0.7				7.4
Internal and External Communications		1.5					1.5
<b>Costs to Achieve - GPE</b>	<b>8.0</b>	<b>28.8</b>	<b>7.8</b>	<b>0.5</b>	<b>0.2</b>	<b>0.0</b>	<b>45.3</b>
<b>Cumulative Costs to Achieve - GPE</b>	<b>8.0</b>	<b>36.8</b>	<b>44.6</b>	<b>45.1</b>	<b>45.3</b>	<b>45.3</b>	

Costs such that are required to capture deal synergies

## Schedule RTZ-12: Ten Year Synergy Total

### NPV of Ten Year Synergies (\$mm)

	Actual Synergies - 10 Year			
	<u>Total Synergy</u>	<u>% of Total</u>	<u>Total NPV</u>	<u>% of Total</u>
GPE	152	20%	114	25%
Customers	603	80%	341	75%
<b>Total</b>	<b>755</b>	<b>100%</b>	<b>455</b>	<b>100%</b>

#### Notes:

- Actual synergies based on actual synergy schedule for \$305 million utility synergies from 2008-2012. Years 6-10 calculated at constant rate of final year total: \$82 million per year plus annual inflation adjustment of 3.1%.