

Exhibit No.: 001
Issue: Transaction and Finance Overview
Witness: Terry Bassham
Type of Exhibit: Direct Testimony
Sponsoring Party: Great Plains Energy Incorporated and
Kansas City Power & Light Company
Case No.: EM-2007-____
Date Testimony Prepared: April 2, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-____

DIRECT TESTIMONY

OF

TERRY BASSHAM

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
April 2007

Company Exhibit No. 001
Case No(s) EM-2007-0314
Date April 29, 2008 Rptr PF

DIRECT TESTIMONY

OF

TERRY BASSHAM

Case No. EM-2007-_____

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

2 A: My name is Terry Bassham. My business address is 1201 Walnut, Kansas City, Missouri
3 64106.

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

5 A: I am employed by Great Plains Energy Incorporated ("Great Plains Energy") as
6 Executive Vice President, Finance & Strategic Development, and Chief Financial
7 Officer. I am also employed by Kansas City Power & Light Company ("KCPL") as
8 Chief Financial Officer. KCPL is a direct, wholly-owned subsidiary of Great Plains
9 Energy.

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

11 A: My responsibilities include the oversight of Great Plains Energy's financial activities, as
12 well as the oversight of KCPL's finance and accounting departments.

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

14 A: I hold a Bachelor of Business Administration degree in Accounting from the University
15 of Texas at Arlington and a Juris Doctor degree from St. Mary's University School of
16 Law in San Antonio, Texas. I have held my current positions at Great Plains Energy and
17 KCPL since April of 2005. Prior to that time, I was employed by El Paso Electric for
18 nine years in various positions including General Counsel, Chief Administrative Officer

1 and Chief Financial Officer. The remainder of my work career I worked as an attorney in
2 the primary practice of regulatory law.

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

5 A: I provided pre-filed testimony in KCPL's 2006 rate cases before both the Missouri Public
6 Service Commission ("Commission") and the Kansas Corporation Commission ("KCC").
7 I have also testified before the Federal Energy Regulatory Commission, the Public Utility
8 Commission of Texas, the New Mexico Public Service Commission and various
9 legislative committees of the Texas and New Mexico legislatures.

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

11 A: My testimony is divided into four parts. First, I describe the structure of the various
12 transactions that will culminate in Great Plains Energy's acquisition of Aquila, Inc.
13 ("Aquila") (the "Merger"). Second, I explain the financing of the Merger. Third, I
14 discuss the anticipated impact of the Merger on the credit ratings of Great Plains Energy,
15 KCPL and Aquila ("Joint Applicants"), including a summary of the interest rate savings
16 Great Plains Energy expects Aquila to achieve as a result of the Merger. Finally, I
17 summarize the finance-related relief the Joint Applicants are requesting in this
18 proceeding.

19 **I. MERGER-RELATED TRANSACTIONS**

20 **Q: Please summarize the transactions related to the Merger.**

21 A: Aquila currently operates regulated gas utilities in Iowa, Nebraska, Kansas, and
22 Colorado, and regulated electric utilities in Missouri and Colorado. There are two
23 components to the Merger. First, Black Hills Corporation ("Black Hills") will acquire

1 Aquila's gas assets in Iowa, Nebraska, Kansas, and Colorado and its electric assets in
2 Colorado for approximately \$940 million ("Black Hills Purchase"). Black Hills is a
3 South Dakota corporation with several energy subsidiaries, including Black Hills Power,
4 Inc., a regulated electric utility serving parts of South Dakota, Wyoming and Montana,
5 and Cheyenne Light, Fuel & Power Co., a regulated electric and gas distribution utility
6 serving the Cheyenne, Wyoming area.

7 After the Black Hills Purchase is complete, Gregory Acquisition Corp., a
8 Delaware corporation and direct, wholly-owned subsidiary of Great Plains Energy
9 ("Merger Sub"), will be merged with and into Aquila, with Aquila as the surviving entity.
10 I describe the two components of the Merger in greater detail below.

11 **Q: Please summarize what Great Plains Energy will acquire when Merger Sub is**
12 **merged into Aquila.**

13 **A:** Following the consummation of the Merger, Great Plains Energy will own the Aquila
14 corporate entity. Following the completion of the Black Hills Purchase, the Aquila
15 corporate entity will consist of (i) Aquila's current Missouri electric operations, *i.e.*,
16 Aquila Networks-MPS and Aquila Networks-L&P; (ii) Aquila's St. Joseph Industrial
17 Steam operations; and (iii) Aquila's merchant services operations, which primarily
18 consist of the 340 MW Crossroads power generating facility in Mississippi and certain
19 residual natural gas contracts that have been hedged to address price risk. Following the
20 Merger, Aquila will be a direct, wholly-owned subsidiary of Great Plains Energy, as
21 KCPL is today.

22 The Merger will expand Great Plains Energy's electric utility service territory
23 around the Kansas City metropolitan area. The Merger will add about 300,000 electric

1 utility customers to the 500,000 customers Great Plains Energy currently serves through
2 KCPL. Following the Merger, Great Plains Energy's utility subsidiaries will have a
3 generating capacity of approximately 5,800 megawatts.

4 **Q: Please summarize any conditions upon which the Merger is contingent?**

5 A: I will describe the applicable conditions in greater detail below, but generally each
6 transaction is conditioned upon the closing of the other transaction, meaning that the
7 Merger will not close unless the Black Hills Purchase closes. The transactions are also
8 subject to shareholder approval, as well as various state and federal regulatory approvals.

9 **The Black Hills Purchase**

10 **Q: Please describe the Black Hills Purchase.**

11 A: The controlling documents for the Black Hills Purchase are (i) the Asset Purchase
12 Agreement ("APA") dated February 6, 2007, which was entered into by and among
13 Aquila, Black Hills, Great Plains Energy, and Merger Sub and (ii) the Partnership
14 Interests Purchase Agreement ("PIPA") also dated February 6, 2007, which was entered
15 into by and among Aquila, Aquila Colorado, LLC, Black Hills, Great Plains Energy, and
16 Merger Sub. Both agreements are attached to the Joint Application in this proceeding.

17 Aquila will transfer to Black Hills the assets associated with Aquila's natural gas
18 operations in Iowa, Kansas and Nebraska pursuant to the terms of the APA. Aquila will
19 transfer to Black Hills the assets associated with Aquila's natural gas and electric
20 operations in Colorado pursuant to the terms of the PIPA through the following series of
21 transactions: (i) Aquila will form two Delaware limited partnerships, which for these
22 purposes will be called "Electric Opco" and "Gas Opco". Aquila will be the general
23 partner of Electric Opco and Gas Opco. Aquila Colorado, LLC, a Delaware limited

1 liability company and wholly-owned subsidiary of Aquila ("Limited Partner"), will be the
2 limited partner of Electric Opco and Gas Opco. (ii) Immediately before closing, Aquila
3 will transfer its Colorado electric assets to Electric Opco and its Colorado natural gas
4 assets to Gas Opco. (iii) Aquila and Limited Partner will then sell their partnership
5 interests in Electric Opco and Gas Opco to Black Hills.

6 Following the closing of the APA and PIPA transactions, Black Hills will own
7 and operate the natural gas assets of Aquila in Nebraska, Kansas, Iowa, and Colorado.
8 Black Hills will also own Aquila's Colorado electric assets. Black Hills will assume the
9 liabilities directly associated with the assets it acquires through the Black Hills Purchase.
10 Black Hills will also acquire the intellectual property associated with doing business
11 under the "Aquila" name. Consequently, upon consummation of the Merger, Great
12 Plains Energy will rename Aquila, pending Commission approval.

13 None of the assets subject to the Black Hills Purchase are regulated Missouri
14 property or assets, except for certain "shared" corporate assets that are not necessary for
15 Great Plains Energy to operate KCPL and Aquila following the Merger.

16 **Q: Please describe any closing conditions provided in the APA.**

17 **A:** The transactions contemplated by the APA are subject to a number of conditions,
18 including (i) a waiver from, or the approval of, the KCC under the "standstill" obligations
19 imposed on Aquila; (ii) the approval of the KCC, Iowa Utilities Board and Nebraska
20 Public Service Commission; (iii) the expiration or termination of the waiting period under
21 the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (iv) the
22 readiness of Great Plains Energy and Aquila to complete the Merger; and (v) the absence
23 of a material adverse effect on the businesses being acquired by Black Hills, including

1 the businesses being acquired by Black Hills under the PIPA.

2 **Q: Please describe any closing conditions provided in the PIPA.**

3 A: The transactions contemplated by the PIPA are also subject to a number of conditions,
4 including (i) a waiver from, or the approval of, the KCC under the "standstill" obligations
5 imposed on Aquila; (ii) the approval of the Colorado Public Utilities Commission; (iii)
6 the approval of the Federal Energy Regulatory Commission; (iv) the expiration or
7 termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements
8 Act of 1976, as amended; (v) the readiness of Great Plains Energy and Aquila to
9 complete the Merger; and (vi) the absence of a material adverse effect on the businesses
10 being acquired by Black Hills, including the businesses being acquired by Black Hills
11 under the APA.

12 **The Merger**

13 **Q: Please describe the Merger.**

14 A: The primary controlling document for the Merger is the Agreement and Plan of Merger
15 dated February 6, 2007, which was entered into by and among Aquila, Great Plains
16 Energy, Black Hills, and Merger Sub. The Agreement and Plan of Merger is attached to
17 the Joint Application in this proceeding.

18 Immediately following the consummation of the Black Hills Purchase, Merger
19 Sub will merge with and into Aquila, with Aquila as the surviving entity. Aquila will
20 become a direct, wholly-owned subsidiary of Great Plains Energy. Aquila shareholders
21 will then receive the consideration of stock and cash called for under the Agreement and
22 Plan of Merger. I describe the specifics of that consideration later in my testimony.

1 **Q: What impact will the Merger have on Aquila's current employees?**

2 A: Although Great Plains Energy and KCPL expect to retain the majority of the employees
3 working in Aquila's Missouri operations, including all plant, transmission and
4 distribution operations personnel, Great Plains Energy and KCPL plan to (i) eliminate
5 duplicative, or overlapping, administrative positions and (ii) convert the retained Aquila
6 employees to either Great Plains Energy or KCPL employees. Consequently, the Joint
7 Applicants will need to "share" a significant number of employees, *e.g.*, the employees of
8 Great Plains Energy Services, Inc. ("GPES"), a wholly-owned subsidiary of Great Plains
9 Energy, and KCPL will provide human resources, legal and accounting services to
10 Aquila. Great Plains Energy estimates that it will save approximately \$143 million over
11 the next five years (2008-2012) as a result of sharing services in this manner. To help
12 facilitate the achievement of these savings, to the extent deemed necessary by the
13 Commission, the Joint Applicants request a waiver from the provisions of the affiliate
14 transactions rule, as it pertains to transactions between Aquila and KCPL. At the
15 conclusion of the Merger, Aquila and KCPL will be "affiliated entities."

16 **Q: Has the Merger been approved by the Boards of Directors of both Great Plains**
17 **Energy and Aquila?**

18 A: Yes, the Boards of Directors of both companies unanimously approved the Merger.

19 **Q: Please describe any closing conditions provided in the Agreement and Plan of**
20 **Merger.**

21 A: Consummation of the Merger is subject to a number of conditions, including (i) approval
22 by Aquila's shareholders and the shareholders of Great Plains Energy; (ii) approval by
23 the Federal Energy Regulatory Commission, the KCC and this Commission; (iii) the

1 expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust
2 Improvements Act of 1976, as amended; (iv) the receipt of all regulatory approvals and
3 completion of the Black Hills Purchase; and (v) the absence of a material adverse effect
4 on the Aquila businesses that remain after giving effect to the Black Hills Purchase.

5 II. MERGER-RELATED FINANCES

6 **Q: What is the overall value of the Merger to Great Plains Energy?**

7 **A:** The Merger has a total indicated value of approximately \$1.7 billion. Great Plains
8 Energy will also assume approximately \$1 billion of Aquila net debt and other liabilities.

9 **Q: What consideration will Aquila shareholders receive for their stock under the**
10 **Agreement and Plan of Merger?**

11 **A:** At the effective time of the Merger, Aquila shareholders will receive a combination of
12 Great Plains Energy stock and cash in exchange for their Aquila shares. Specifically,
13 each share of Aquila common stock will convert into the right to receive (i) 0.0856 of a
14 share of Great Plains Energy's common stock and (ii) a cash payment of \$1.80. The
15 exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the
16 completion of the Merger. Based on Great Plains Energy's closing NYSE stock price of
17 \$32.05 on February 6, 2007, Great Plains Energy's offer represents a total value of \$4.54
18 per share for Aquila shareholders.

19 **Q: Where will the cash segment of the consideration to Aquila's shareholders come**
20 **from?**

21 **A:** As I described above, Black Hills will pay Aquila approximately \$940 million in cash in
22 consideration for the Black Hills Purchase. A portion of those proceeds will be used,
23 with additional cash from Great Plains Energy, to fund the \$677 million cash element of

1 the consideration to be received by Aquila's shareholders under the terms of the
2 Agreement and Plan of Merger.

3 **Q: What "costs to achieve" are associated with the Merger?**

4 A: Great Plains Energy estimates the total costs to achieve the Merger to be approximately
5 \$181 million. That figure includes \$35 million in debt tender costs associated with
6 refinancing and retiring Aquila's existing debt obligations, which I discuss later in my
7 testimony. The other elements of the costs to achieve the Merger, as well as the synergy
8 savings that are anticipated to result from the Merger, are discussed in the direct
9 testimony of Robert Zabors, John Marshall, and other witnesses as those costs pertain to
10 their specific areas of responsibility. Although Great Plains Energy anticipates only
11 minor changes in projected costs to achieve and synergies as the transition work
12 progresses, we will provide the Commission an update in August of 2007.

13 **Q: What will the ownership structure of Great Plains Energy look like following the**
14 **Merger?**

15 A: Upon consummation of the Merger, the current shareholders of Aquila will own
16 approximately 27% of the combined company's outstanding common stock, with Great
17 Plains Energy's current shareholders owning the remaining 73%.

18 **Q: What impact do you anticipate the Merger to have on Great Plains Energy's**
19 **shareholders?**

20 A: Assuming the Joint Applicants' proposed synergy-sharing mechanism is in place, I
21 expect the Merger initially to have a modestly dilutive effect on Great Plains Energy's
22 earnings per share in 2008 and to be accretive to Great Plains Energy's earnings per share
23 beginning in 2009.

1 Q: What synergy-sharing mechanism are the Joint Applicants proposing?

2 A: The Joint Applications request that the Commission authorize KCPL and Aquila,
3 collectively, to retain for a five (5) year period fifty percent (50%) of the synergy savings
4 that result from the Merger, as quantified in the testimony of Robert Zabors. To work,
5 the Merger needs to address the interests of all three groups of stakeholders, *i.e.*, retail
6 customers, creditors and shareholders. A significant portion of the savings resulting from
7 the Merger will be used to reduce costs for Aquila's and KCPL's retail customers in
8 future rate cases. To reward shareholders for any additional risk they bear as a result of
9 the Merger and to ensure that the impact on Great Plains Energy's earnings per share is
10 accretive in the near future, Joint Applicants propose that the synergy savings be shared
11 equally between retail customers and shareholders. The proposed methodology for
12 accounting for Merger-related synergies and costs to achieve is addressed in the direct
13 testimony of Lori Wright.

14 Q: Is this proposal consistent with other proposals or recommendations for addressing
15 merger savings for utility mergers in Missouri?

16 A: Yes. In the merger between St. Joseph Light & Power Company and UtiliCorp United
17 Inc. ("UCU"), Case No. EM-2000-0292 the Commission Staff witness Mark
18 Oligschlaeger recommended a very similar sharing mechanism in his rebuttal testimony.
19 On page 33, beginning on line 1, Mr. Oligschlaeger states:

20 "In the past merger applications, the Staff has expressed the opinion that at least
21 50% of total merger benefits should be reflected in customer rates over the long
22 term if a specific 'regulatory plan' for a merger is to be adopted. The Staff also
23 has stated that if utilities propose to assign less than half of total merger savings to
24 customers through a regulatory plan, then the company should state compelling
25 reasons why the public interest would justify that result."

1 Mr. Oligschlaeger goes on to address the Staff's overall philosophy on synergy sharing,

2 beginning on page. 46, beginning on line 13:

3 Q. Before continuing with the discussion, what is the Staff's overall
4 philosophy concerning appropriate regulatory treatment of merger
5 savings?
6

7 A. The Staff believes it is good policy to allow shareholders some
8 opportunity to retain benefits from mergers and acquisitions, as well as
9 other actions undertaken that have the potential to increase efficiency and
10 productivity. Such retention of a portion of benefits is possible under
11 traditional regulation as well as with alternative regulation structures.

12 Great Plains Energy's proposal in this proceeding is consistent with Staff's policy on
13 synergy sharing, as described above.
14

15 **Q: Does the Agreement and Plan of Merger contain termination provisions?**

16 A: Yes, the Agreement and Plan of Merger contains certain termination rights for both
17 Aquila and Great Plains Energy, including the right to terminate the agreement if the
18 Merger has not closed within twelve months following the date of the agreement (subject
19 to extension to up to 18 months for receipt of regulatory approvals required to
20 consummate the Merger and the Black Hills Purchase). Aquila and Great Plains Energy
21 also each have the right to terminate the Agreement and Plan of Merger in order to enter
22 into a superior transaction after giving the other party six-business-day's notice and an
23 opportunity to revise the terms of the agreement.

24 If Aquila terminates the Agreement and Plan of Merger under specified
25 circumstances, including a termination to enter into a superior transaction, then Aquila
26 would pay to Great Plains Energy a \$45 million termination fee. If Great Plains Energy
27 terminates the Merger, then Great Plains Energy would pay Aquila a \$45 million
28 termination fee and would pay Black Hills a termination fee equal to the lesser of \$15

1 million or the actual transaction costs Black Hills had incurred at the time of termination.

2 III. POST-MERGER CREDIT RATINGS

3 **Q: What impact will the Merger have on the credit ratings of the Joint Applicants?**

4 **A:** Great Plains Energy has a Standard and Poor's ("S&P") credit rating of BBB- and KCPL
5 has an S&P credit rating of BBB, both of which are investment grade. Upon the public
6 announcement of the execution of the Merger agreements, S&P placed Great Plains
7 Energy and KCPL on negative watch. This is a standard practice for an acquiring
8 company when a merger is announced. Following the Merger, Great Plains Energy and
9 KCPL anticipate that they will continue to maintain their investment-grade credit ratings.
10 Great Plains Energy previewed the terms of the Merger with both Moody's and S&P,
11 and, given the assumptions provided, including regulatory treatment, both agencies
12 indicated that Great Plains Energy's and KCPL's credit positions should be maintained
13 following the Merger.

14 Aquila currently has an S&P credit rating of B, which is below investment grade.
15 Upon the public announcement of the companies' intent to merge, S&P placed Aquila on
16 positive watch. Great Plains Energy expects Aquila's credit metrics, after the Merger,
17 combined with a guarantee by Great Plains Energy on existing Aquila debt, to be
18 sufficient to meet the criteria established by credit rating agencies necessary for
19 investment grade status. Consequently, Great Plains Energy expects that after the
20 Merger, including Great Plains Energy's refinancing of Aquila debt, Aquila's financial
21 metrics will support an investment-grade credit rating. The rating agencies'
22 announcement of Aquila's improved credit rating will likely not occur immediately upon

1 the closing of the Merger because the agencies will likely require some period of time to
2 assess the effects of the Merger.

3 **Q: What is the significance of Aquila receiving an investment-grade credit rating?**

4 **A:** Maintaining high credit quality is vital to debt and equity investors, banks, and rating
5 agencies for three primary reasons. First, investors need to have confidence in a
6 company's credit strength and financial strength to feel comfortable making capital
7 available on attractive terms, particularly given the number of investment alternatives
8 otherwise available to them.

9 Second, achieving an investment-grade credit rating will significantly lower
10 Aquila's cost of debt. Two of Aquila's high coupon debt issues have step-down
11 provisions that lower the coupon on the debt upon achievement of an investment-grade
12 credit rating (*i.e.*, Aquila has a coupon debt issuance currently at 14.875% that will step
13 down to 11.875% and another coupon debt issuance currently at 9.95% that will step
14 down to 7.95% upon its achievement of an investment-grade credit rating). The rest of
15 Aquila's outstanding debt can be refinanced at lower, investment-grade interest rates. In
16 addition, following the Merger, Aquila will be able to issue new debt to finance ongoing
17 capital expenditures on more favorable terms than its current credit position allows.

18 Finally, equity investor views of Aquila's financial strength and credit quality will
19 be a major influence on Great Plains Energy's stock price. Clearly, a number of other
20 factors will also impact the performance of Great Plains Energy's stock. However,
21 because Aquila's earnings will represent a significant portion of Great Plains Energy's
22 core earnings and assets, assurance of Aquila's continued strength is, and will remain,
23 extremely important to Great Plains Energy investors.

1 Q: You note that Aquila's outstanding debt can be refinanced at lower, investment-
2 grade rates. What is Great Plains Energy's plan to achieve those synergy savings?

3 A: Great Plains Energy will retire or refinance all of Aquila's currently outstanding debt
4 with the exception of two debt issuances that contain "make-whole" provisions that make
5 their retirement uneconomic for the company. Fulfilling the requirements of those make-
6 whole provisions would more than offset any interest savings achieved from refinancing
7 or retiring those two debt issuances.

8 Q: What do the Joint Applicants estimate the savings to be of retiring or refinancing
9 Aquila's currently outstanding debt?

10 A: Great Plains Energy estimates that Aquila will achieve debt interest savings of
11 approximately \$188 million over the next five years (2008-2012) as a result of the
12 Merger.

13 Q: Will there be costs associated with achieving those savings?

14 A: Yes, Great Plains Energy anticipates that there will be debt tender costs associated with
15 refinancing and retiring Aquila's currently outstanding debt. Great Plains Energy
16 estimates that such costs will total approximately \$35 million.

17 Q: Is any Commission action necessary to help ensure that Aquila maintains an
18 investment-grade credit rating and achieves these cost savings?

19 A: Yes, in KCPL's 2006 Rate Case, the Commission included "Additional Amortizations to
20 Maintain Financial Ratios" ("Additional Amortizations") in KCPL's revenue requirement
21 to ensure that KCPL achieves an amount of Funds from Operations ("FFO") sufficient to
22 sustain levels of certain financial ratios above the low end of the top third of the range for
23 BBB rated, i.e., investment-grade rated, companies.

1 The Joint Applicants request that the Commission authorize Aquila, once it has
2 achieved the financial metrics necessary to support an investment-grade credit rating, to
3 utilize Additional Amortizations in its next general rate case to preserve and maintain that
4 rating. It is in the best interest of Aquila, as well as its retail customers, for Aquila to
5 maintain an investment-grade credit rating while implementing its utility infrastructure
6 projects. Thus, the use of Additional Amortizations to achieve these financial goals is
7 imperative. This issue is discussed in greater detail in the direct testimony of Michael
8 Cline.

9 **IV. SUMMARY OF FINANCE-RELATED RELIEF REQUESTED**

10 **Q: What is the purpose of this section of your testimony?**

11 A: This section of my testimony is intended to summarize the finance-related relief
12 requested in the Joint Application in this proceeding.

13 **Q: Please describe the finance-related relief requested by the Joint Applicants in this**
14 **proceeding.**

15 A: The Joint Applicants request that the Commission authorize Great Plains Energy to
16 acquire and assume the stocks and bonds, other indebtedness and other obligations of
17 Aquila.

18 As I explain above, a portion of the \$940 million in proceeds from the Black Hills
19 Purchase, with additional cash from Great Plains Energy, will be used to fund the \$677
20 million cash element of the consideration to be received by Aquila's shareholders. The
21 Joint Applicants request that the Commission approve such a distribution of capital.

22 Also as I explain above, because it is imperative that Aquila maintain its expected
23 investment-grade credit rating, the Joint Applicants request that the Commission approve

1 the use of the Additional Amortizations mechanism by Aquila as a reasonable and
2 appropriate regulatory policy. Specifically, the Joint Applicants request that once Aquila
3 achieves the financial metrics necessary to support an investment-grade credit rating, the
4 Commission authorize Aquila to use the Additional Amortizations mechanism in the
5 same manner and on the same terms and conditions as implemented by the Commission
6 with respect to KCPL in its 2006 rate case in Case No. ER-2006-0314.

7 Finally, the Joint Applicants request that the Commission authorize KCPL and
8 Aquila, collectively, to retain for a five (5) year period fifty percent (50%) of the synergy
9 savings that result from the Merger, as quantified in the testimony of Robert Zabors. In
10 addition, recognizing that the costs to achieve the Merger are necessary to achieve the
11 Merger-related synergy savings, the Joint Applicants further request that such costs,
12 excluding the non-incremental labor costs of the integration team, receive regulatory
13 accounting treatment on the books of Aquila and KCPL, *i.e.*, be placed in a regulatory
14 asset, and be amortized over a five (5) year period beginning on January 1, 2008, or the
15 month immediately following consummation of the Merger, whichever occurs later.

16 **Q: Are there any other requests for relief contained in the Joint Application that you**
17 **would like to discuss.**

18 **A:** Yes, as I explain above, the Joint Applicants expect that KCPL and Aquila will be able to
19 achieve significant savings from sharing certain services. To help facilitate the
20 achievement of these savings, to the extent deemed necessary by the Commission, the
21 Joint Applicants request a waiver from the provisions of the affiliate transactions rule, as
22 it pertains to transactions between Aquila and KCPL.

1 Q: Does that conclude your testimony?

2 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

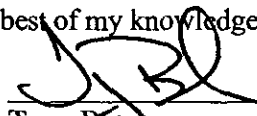
In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Requester Relief)
)
) Case No. EM-2007-____
)
)
)

AFFIDAVIT OF TERRY BASSHAM

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

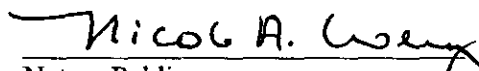
Terry Bassham, being first duly sworn on his oath, states:

1. My name is Terry Bassham. I work in Kansas City, Missouri, and I am employed by Great Plains Energy Incorporated as Executive Vice President and Chief Financial Officer.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of Seventeen (17) 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.



Terry Bassham

Subscribed and sworn before me this 2nd day of April 2007.



Notary Public

My commission expires: Feb. 4, 2011

