

Exhibit No.:
Issue: Overview
Witness: William H. Downey
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

WILLIAM H. DOWNEY

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
April 2007**

DIRECT TESTIMONY
OF
WILLIAM H. DOWNEY

Case No. EM-2007-____

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

2 A: My name is William H. Downey. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106-2124.

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

5 A: I am President, Chief Operating Officer, and a member of the Board of Directors of Great
6 Plains Energy, Inc. (“Great Plains Energy”), the holding company of Kansas City Power
7 & Light Company (“KCPL”). I am also the President and Chief Executive Officer of
8 KCPL.

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

10 A: My responsibilities include overall management of all aspects of Great Plains Energy and
11 KCPL.

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

13 A: I hold a Bachelor of Science degree from Boston University, a Master of Science degree
14 from Columbia University and a Master of Business Administration degree from the
15 University of Chicago. I began working for KCPL in 2000 after 28 years of electric
16 utility experience. I was named to my current position in October of 2003. Prior to
17 joining KCPL, I served as vice president of Commonwealth Edison and president of
18 Unicom Energy Services Company, Inc., an unregulated energy marketing and services
19 company operating throughout the Midwest.

1 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
2 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**
3 **agency?**

4 A: Yes. I testified before the Commission in KCPL’s 2006 Missouri rate case.

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

6 A: The purpose of my testimony is to describe: (i) the strategic rationale for Great Plains
7 Energy’s submission of an offer to purchase Aquila, Inc. (“Aquila”) (the “Merger”); (ii)
8 the impact the Merger will have on customers and communities served by KCPL and
9 Aquila in Missouri, and (iii) the significant and important policy decisions to be
10 considered by the Commission that impact shareholders, creditors, and customers.

11 **Q: Please provide an overview of the Merger.**

12 A: The Merger is the result of a bidding process, established by Aquila, which culminated in
13 an agreement by and among Great Plains Energy, Aquila and Black Hills Corporation
14 (“Black Hills”). Black Hills is a South Dakota corporation that owns Black Hills Power,
15 Inc., an electric utility serving western South Dakota, northeastern Wyoming and
16 southeastern Montana, and Cheyenne Light, Fuel & Power Co., an electric and gas
17 distribution utility serving the Cheyenne, Wyoming area.

18 The Merger is the second part of a two-part transaction. The first part of the
19 transaction is Black Hills’ acquisition of Aquila’s natural gas assets in Iowa, Nebraska,
20 Kansas, and Colorado, as well as Aquila’s electric assets in Colorado (the “Black Hills
21 Purchase”). Consummation of the Black Hills Purchase is a condition precedent to the
22 consummation of the Merger, that is, the Black Hills Purchase must occur prior to the
23 Merger.

1 Immediately following the close of the Black Hills Purchase, the Merger will
2 close. Mechanically, the Merger consists of Gregory Acquisition Corp., a Delaware
3 corporation and direct, wholly-owned subsidiary of Great Plains Energy (“Merger Sub”)
4 merging with and into Aquila, with Aquila as the surviving entity. As I noted above, the
5 result of the Merger is that Great Plains Energy will effectively acquire Aquila’s Missouri
6 electric and steam operations, as well as its merchant services operations, which primarily
7 consist of the 340 MW Crossroads generating facility in Mississippi, and certain residual
8 natural gas contracts.

9 The transactional mechanics and financing of the Merger are addressed in greater
10 detail in the direct testimony of Terry Bassham.

11 **Q: What will Great Plains Energy look like following the Merger?**

12 A: The Merger will result in Great Plains Energy becoming an even stronger regional utility.
13 Following the Merger, Great Plains Energy’s footprint will be expanded into a larger
14 contiguous service area covering nearly 18,000 square miles, serving nearly 800,000
15 customers.

16 Following the Merger, very little change will occur within Great Plains Energy or
17 KCPL executive management. Michael Chesser will remain Chairman of the Board of
18 Great Plains Energy and KCPL, as well as Chief Executive Officer of Great Plains
19 Energy. I will remain President of Great Plains Energy and KCPL, as well as Chief
20 Operating Officer of Great Plains Energy and Chief Executive Officer of KCPL.

21 Following the Merger, I will become President and Chief Executive Officer of Aquila, as
22 it will be subsequently renamed upon the closing of the Merger. The Merger will not
23 alter the membership of the Boards of Directors of Great Plains Energy and KCPL, and

1 Great Plains Energy's corporate headquarters will remain at 1201 Walnut. Once the
2 Merger is finalized, Aquila corporate employees will relocate to Great Plains Energy's
3 existing office space and other facilities.

4 Similarly, we expect to see little to no change in the senior management team of
5 Great Plains Energy and KCPL as a result of the Merger. At Aquila, we expect to see no
6 immediate reduction in current union employees, but anticipate eliminating
7 approximately 250-350 overlapping administrative, management and support positions
8 over a five (5) year period.

9 **Q: Please describe the strategic rationale for Great Plains Energy to acquire Aquila.**

10 A: There are a number of reasons why the acquisition of Aquila complements Great Plains
11 Energy's current operations. Aquila's Missouri electric utilities are not only adjacent to
12 KCPL's service territory, but also would fill in the gap that currently exists between
13 KCPL's East District and the rest of its service territory. As a result, significant savings
14 opportunities are available soon after the close of the Merger through synergy savings
15 related to combined operations of many functions within KCPL and Aquila.
16 Furthermore, Great Plains Energy views Aquila's service territories as having strong
17 growth potential.

18 KCPL and Aquila have had a working relationship for many years. KCPL and
19 Aquila are joint owners of the coal-fired Iatan 1 generating plant ("Iatan 1") located at the
20 Iatan Generating Station in Platte County, Missouri. KCPL and Aquila are also joint
21 owners, with certain other parties, of the coal-fired Iatan 2 generating plant ("Iatan 2"),
22 which is now under construction at the Iatan Generating Station.

1 In addition, the financial condition of Aquila after the Merger is anticipated to
2 satisfy the financial metrics necessary to support an investment-grade credit rating. Such
3 an improvement will result in lower debt costs to Aquila. The anticipated credit rating
4 improvement and Great Plains Energy credit support will also allow greater access to
5 capital markets on more reasonable terms for Aquila.

6 Finally, the Merger is anticipated to improve the overall business risk profile of
7 Great Plains Energy. Great Plains Energy will own a higher percentage of regulated
8 business than it does currently and will also spread the business risk of its nuclear assets
9 over a broader asset and revenue base.

10 **Q: Please describe the impact the Merger will have on customers and communities**
11 **served by KCPL and Aquila in Missouri.**

12 A: KCPL has achieved an impressive history of providing low-cost, reliable electric service
13 to its customers and communities. It is recognized throughout the communities it serves
14 as an innovative and high-performing utility. As Robert Camfield explained in his pre-
15 filed testimony in KCPL's 2006 rate case, Case No. ER-2006-0314, KCPL ranks in the
16 top tier of performance in nearly every category typically benchmarked by utilities,
17 including production cost, reliability, distribution cost to serve per customer, and is
18 nearing top-tier in customer satisfaction. It is Great Plains Energy's and KCPL's
19 objective to combine management practices and resources to achieve significant
20 reduction in costs and further enhance reliability and customer satisfaction, with rates
21 lower than they would have been had the Merger not occurred.

1 **Q: What are the policy decisions requiring Commission determination in this**
2 **proceeding?**

3 A: As I explain above, we anticipate that the financial condition of Aquila subsequent to the
4 Merger will support investment-grade financial metrics. Such an improvement will result
5 in lower debt costs to Aquila.

6 With the construction of Iatan 2 and the significant environmental control
7 equipment that will be added to Iatan 1, Aquila and KCPL have similar capital
8 investment needs. It is imperative that Aquila and KCPL maintain strong credit quality
9 during the current capital intensive construction projects.

10 To help ensure that Aquila maintains its investment-grade financial metrics, we
11 are requesting that the Commission authorize Aquila to utilize the mechanism of
12 Additional Amortizations to Maintain Financial Ratios (“Additional Amortizations”) in
13 its next general rate case. As explained in the direct testimony of Michael Cline and
14 Terry Bassham, it is in the best interest of the Great Plains Energy, KCPL, Aquila, as
15 well as Aquila’s retail customers, to have Aquila maintain an investment-grade credit
16 rating.

17 The Additional Amortizations mechanism will only be an element of a future
18 Aquila rate case if Aquila’s revenue requirement in such case fails to satisfy certain
19 defined financial ratios through the application of a process similar to that utilized by the
20 Commission in KCPL’s 2006 rate case. Any such Additional Amortizations approved by
21 the Commission would ultimately serve as an off-set to Aquila’s rate base.

22 We are also requesting the Commission to authorize KCPL and Aquila to
23 amortize transaction and transition-related costs over a five-year period, and to share

1 synergy savings equally between customers and shareholders. As discussed in the
2 testimony of Terry Bassham, in this manner, customers and shareholders will benefit as
3 the result of the Merger.

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

5 A: Yes, it does.

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

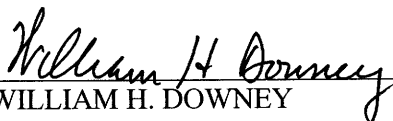
In the Matter of the Joint Application of)
Great Plains Energy Incorporated, Kansas)
City Power & Light Company, and Aquila,) **Case No. EM-2007-_____**
Inc. for Approval of the Merger of Aquila,)
Inc. with a Subsidiary of Great Plains Energy)
Incorporated and for Other Requester Relief)

AFFIDAVIT OF WILLIAM H. DOWNEY

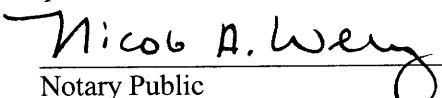
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

William H. Downey, being first duly sworn on his oath, states:

1. My name is William H. Downey. I work in Kansas City, Missouri, and I am employed by Great Plains Energy Incorporated as President and Chief Operating Officer. I am also employed by Kansas City Power & Light Company as President and Chief Executive 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 Seven (7) pages, all of which 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.


WILLIAM H. DOWNEY

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


Notary Public

My commission expires: Feb. 4, 2011

