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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-2018-0012

DIRECT TESTIMONY

OF

KEVIN E. BRYANT

ON BEHALF OF
GREAT PLAINS ENERGY INCORPORATED,
KANSAS CITY POWER & LIGHT COMPANY, AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY

August 2017

Applicant Exhibit No. 3
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DIRECT TESTIMONY

OF

KEVIN E. BRYANT

Case No. EM-2018-0012

I. INTRODUCTION AND PURPOSE

Q: Please state your name and business address and on whose behalf you are testifying.

A: My name is Kevin E. Bryant. My business address is 1200 Main Street, Kansas City, Missouri 64105. I am testifying on behalf of Great Plains Energy Incorporated ("Great Plains" or "GPE"), Kansas City Power & Light Company ("KCP&L) and KCP&L Greater Missouri Operations ("GMO") in support of the Application of GPE, KCP&L, GMO and Westar Energy, Inc. and Kansas Gas and Electric Company (referred to herein as "Westar") (all parties collectively referred to herein as "Applicants") requesting approval of the amended transaction providing for the merger of Westar and GPE ("Merger").

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

A: I am currently employed by KCP&L and serve as Senior Vice President – Finance and Strategy and Chief Financial Officer ("CFO") of Great Plains, KCP&L and GMO. Once the Merger of Great Plains and Westar is complete, I will become Executive Vice President and Chief Operating Officer of the newly-formed holding company (referred to as "the combined Company" or "Holdco").

Q: What are your current responsibilities?

A: My current responsibilities include finance, accounting, investor relations, corporate strategy and risk management.

Q: Please describe your educational background and business experience.

A: I received dual undergraduate degrees in finance and real estate from the University of Missouri – Columbia where I graduated cum laude in May 1997. I received my Masters in Business Administration degree with an emphasis in finance and marketing from the Stanford University Graduate School of Business in June 2002.

I joined Great Plains Energy in 2003 as a Senior Financial Analyst and was promoted to Manager - Corporate Finance in 2005 where I was responsible for contributing to the development and maintenance of the sound financial health of both GPE and KCP&L through the management of company financing activities. In August 2006, I was promoted to Vice President, Energy Solutions for KCP&L and served in that capacity until March 2011, when I became Vice President, Strategy and Risk Management. In August 2011, I became Vice President – Investor Relations and Treasurer and, in 2013, I was appointed Vice President – Investor Relations and Strategic Planning and Treasurer. In 2014, I was appointed Vice President – Strategic Planning and I assumed my current position in 2015.

Prior to joining GPE, I worked for THQ Inc. from 2002 to 2003, a worldwide developer and publisher of interactive entertainment software based in Calabasas, California. I served as Manager - Strategic Planning where I was responsible for establishing corporate goals and developing and assisting with the execution of the company's strategic plan. From 1998 to 2000, I worked as a Corporate Finance Analyst for what is now UBS in New York, New York. I worked on mergers and acquisitions for medium and large-sized companies. I also worked at Hallmark Cards at their corporate headquarters in Kansas City, Missouri as a Financial Analyst from 1997 to 1998.

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

A: Yes. I have testified before the Commission and the Kansas Corporation Commission ("KCC").

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to discuss certain financial aspects of the proposed Merger of GPE and Westar. In particular, my testimony:

- Describes the structure and financial terms of the Merger;
- Explains how GPE unwound the financing for the transaction presented in EM-2017-0226 ("Initial Transaction");
- Assesses the impact of the Merger on the financial condition of the combined Company and the operating utilities; and
- In combination with Mr. Anthony Somma, Westar's current CFO, demonstrates that the Merger is not detrimental to the public interest from a financial perspective.

Mr. Somma also sponsors testimony in support of the financial aspects of the Merger from Westar's perspective and addresses the financial condition and plans of the combined Company, post-closing.

Q. What was the genesis of the Merger and how does it relate to the Initial Transaction?

A. As discussed by Messrs. Ruelle, Bassham and Greenwood, by an Order issued on April 19, 2016, in KCC Docket No. 16-KCPE-593-ACQ ("KCC's Initial Transaction Order"), the KCC denied approval of the Initial Transaction. The primary concerns noted by the KCC related to the financial condition of the merged company due to the magnitude of the acquisition premium GPE had agreed to pay, and the amount of debt GPE had proposed to incur.[1] As a result, we reconstituted the Initial Transaction to address these concerns and still achieve the benefits of combining Westar and GPE.

Q: Why do you believe that the Merger is not detrimental to the public interest from a financial perspective?

A: As I discuss in more detail throughout my testimony, the Merger will improve the financial condition of the Company as compared to GPE and Westar continuing to operate on a stand-alone basis due largely to improvements in business risk profile. The credit rating agencies have responded favorably to the Merger, with Moody's Investor Services ("Moody's") upgrading GPE's credit rating and affirming the ratings of KCP&L, GMO and Westar. Standard & Poor's ("S&P") affirmed the current credit ratings for GPE and Westar, and revised the outlook for the companies and their operating subsidiaries to Positive from Negative.

The purchase price implicit in the exchange of common stock between the companies reflects arm's-length negotiations with the general intent to exchange shares at the unaffected market value of the equity of both GPE and Westar with no control

[1] KCC's Initial Transaction Order, ¶ 92.

premium. As I noted earlier, Mr. Somma will speak to the reasonableness of the purchase price (exchange ratio) from Westar's perspective and discuss how it relates to extensive savings the Merger creates.

Q: How is the remainder of your testimony organized?

A: Following this introduction, my testimony is organized in the following sections:

- **Section II** briefly describes the structure and financing of the Merger and how we got from the KCC's Initial Transaction Order to the proposed Merger;
- **Section III** explains the financial condition of the combined Company and how it compares to the financial condition of the stand-alone entities if the Merger did not occur;
- **Section IV** discusses the reasonableness of the purchase price, *i.e.*, the exchange ratio, from GPE's perspective;
- **Section V** explains how the Merger will impact GPE's shareholders; and
- **Section VI** offers my conclusions.

II. STRUCTURE AND FINANCING OF THE MERGER

Q: Please describe the mechanics and key financial terms of the Merger.

A: The primary controlling document for the Merger is the Amended and Restated Agreement and Plan of Merger dated July 9, 2017 (the "Amended Merger Agreement"), which is attached as Appendix C to the Application. The Amended Merger Agreement specifies both the mechanics of how the Merger would be effectuated and the financial and other terms of the Merger. As discussed by Messrs. Bassham and Ives, the Amended Merger Agreement in concert with the Applicants' proposed Merger Commitments and

Conditions (see Appendix H to the Application) specify the Merger terms and commitments.

Pursuant to the Amended Merger Agreement, Westar and GPE will merge through the creation of a new holding company and an exchange of common stock. In my testimony, I will refer to the new holding company as "Holdco" or "the combined Company", but Holdco will be renamed to a new, yet-to-be-determined name by the close of the Merger. Holdco will be the new parent of KCP&L, GMO and GPE's other subsidiaries, and Westar and its subsidiaries. Holdco's corporate structure is shown in Appendix D to the Application and is discussed by Mr. Bassham. It is essentially the same structure as exists today for GPE, with respect to KCP&L and GMO; i.e., a publicly-traded, widely-held, non-utility holding company that wholly-owns multiple regulated utilities. This structure is common in the U.S. utility industry.

The Merger is structured as a tax-free exchange of stock, with no transaction debt used to finance the Merger, no exchange of cash (or other consideration), and no market or control premium paid to or received by either company. Great Plains' shareholders will receive 0.5981 shares in the newly-formed Company in exchange for each existing share of Great Plains' stock, currently trading at about $31 per share. Westar shareholders will receive one share in the Company in exchange for each share of Westar, which is currently trading at about $51 per share.

Q. How was the exchange ratio established?

A. The exchange ratio was the result of arms'-length negotiations, informed by GPE's and Westar's respective advisors' analyses of the value of each company's common stock undisturbed by the Initial Transaction. As discussed by Messrs. Bassham and Ruelle, the primary objective in establishing the exchange ratio was to ignore any residual or speculative effects of the Initial Transaction on each company's present share prices such that neither company would pay to or receive a control premium from the other in the exchange. I discuss the exchange ratio and the equity value of the Merger in more detail later in my testimony.

Q. Will the Merger result in the recording of goodwill?

A. Yes. As explained by Mr. Busser, for accounting purposes, Westar has been determined to be the accounting acquirer and GPE will be the accounting acquiree. Even though no cash will change hands and no control premium will be paid, Generally Accepted Accounting Principles ("GAAP") require that, as the acquiree, the difference between the underlying net book value of GPE's assets and the market value of GPE equity at the time of the exchange be recorded as Merger-related goodwill. The Merger-related goodwill will be recorded on and remain only on the books of Holdco. Merger-related goodwill will have no impact on the utilities, their capital structures, cost of service or customers' rates. Mr. Ives testifies to the Applicants' commitment that there will be no impact on customers resulting from Merger-related goodwill.

Q. Will the Merger have any effect on the assets, liabilities, or outstanding debt of Westar or KCP&L?

A. No.

Q. Will any Merger-related debt be incurred or cash exchanged to effect the Merger?

A. No. As a stock-for-stock exchange, the Merger requires no transaction debt and no exchange of cash or other securities.

Q: You mentioned the Initial Transaction's financing earlier. Please describe that financing and its status.

A: In anticipation of financing the Initial Transaction, GPE raised approximately $1.55B in cash by issuing common equity and secured $4.3 billion in senior unsecured debt, $863 million in mandatory convertible preferred stock, and a $750 million preferred convertible equity commitment from the Ontario Municipal Employees Retirement System ("OMERS"). Before we filed this Application for approval of the Merger, GPE redeemed all of the acquisition-related debt and the convertible preferred stock using the cash proceeds from such initial issuance of the acquisition-related debt and preferred securities mentioned above. Furthermore, Great Plains and OMERS agreed to terminate their preferred convertible equity commitment. As a result, at the time of the Merger and, as a condition of the Amended Merger Agreement, Great Plains will have $1.25 billion or more remaining cash on its balance sheet. This cash largely represents proceeds from the issuance of common equity in contemplation of the Initial Transaction.

Q: Will the Initial Transaction's financing and its subsequent unwind have any impact on utility customers or the Merger?

A: No. Any costs associated with financing contemplated to complete the Initial Transaction are considered transaction costs. As discussed by Mr. Ives, the Applicants have committed that they will not seek recovery of transaction costs through retail rates. Further, as I noted earlier, the Merger requires no transaction debt. In the Merger, we have eliminated transaction debt in order to address the concerns raised in the KCC's Initial Transaction Order related to the financial condition of the newly created entity as compared to the stand-alone entities if the Merger did not occur, among other concerns noted in regard to the debt.

Q. What will the combined Company's capital structure be following closing?

A. The combined Company's consolidated capital structure immediately following the closing will be approximately 59 percent equity and 41 percent long-term debt.[2],[3] This degree of equity capitalization is due to the equity issued by GPE in connection with the Initial Transaction. As discussed by Mr. Somma, the Company will rebalance its capital structure over time by repurchasing common stock in order to achieve and maintain a more balanced capital structure typical both for utility holding companies and regulated utilities, generally. As discussed by Mr. Reed, the Company's projected capital structure immediately following closing will be higher than industry norms for utility holding companies, and the rebalancing plans discussed by Mr. Somma are appropriate and will bring the Company's capital structure in-line with other utility holding companies.

Q. After it has been rebalanced, how would you characterize the debt and equity percentages of the consolidated capital structure compared with the same percentages typically used to establish the cost of service and on which rates are set?

A. They will be similar and consistent with the range seen both historically and across the industry.

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[2] Capital structure is calculated as the ratio of equity to total long-term capitalization and long-term debt (including the current portion of long-term debt) to total long-term capitalization. This is the same calculation used to calculate the capital structure of other utility holding companies discussed by Mr. Reed.

[3] Source: Combined financial model of GPE and Westar.

Q: When the rating agencies analyzed the Merger, did their analysis include and reflect the rebalancing discussed in Mr. Somma's testimony?

A: Yes.

Q: What will be the overall equity value of the Company, post-Merger, and how does that compare to the pre-Merger equity values of the two stand-alone corporations?

A: Based on current market values, the Company will have an equity value of approximately $14 billion, which is simply the sum of the equity market capitalization of the two companies (*i.e.*, $6.3 billion for Great Plains and $7.6 billion for Westar[4]) immediately prior to the announcement of the Merger. Of course, both companies' stocks will continue to trade until closing, so their respective trading values, and the combined actual market capitalization will likely be different than what it is today.

III. FINANCIAL CONDITION

Q: How did the Applicants evaluate the financial condition of the combined Company?

A: We considered the benefits of the credit ratings and credit rating agency assessments of the Merger and its impact on the new combined Company, GPE, KCP&L, GMO and Westar. We also considered the benefits of the larger size of the combined Company and the operational efficiencies that will enable. Finally, as discussed by Mr. Somma, the combined Company's pro-forma financials were also taken into consideration.

Q: What are credit ratings?

A: Credit ratings are evaluations by credit rating agencies of the creditworthiness of debt-issuing entities and a measure of the probability of default, or the failure to pay interest or principal on a debt security when due. These forward-looking opinions are represented

[4] Source: Goldman Sachs, Presentation to the Board of Directors of Great Plains Energy, July 9, 2017, at 7.

by a letter rating, with further sub-ratings, which is an ordinal or positional ranking of the entity and/or a specific debt issuance. The rating is representative of the credit quality of a given entity or issuance and is ranked relative to others across a spectrum of risk including both financial risk and business risk. GPE, Westar, GMO and KCP&L are rated by the two most prominent credit rating agencies, S&P and Moody's.

Q: How do S&P and Moody's evaluate the financial risk of a company?

A: In evaluating financial risk, the agencies consider certain objective credit metrics usually expressed as mathematically calculated ratios such as cash flow from operations and interest coverage ratios[5] to measure and assess a company's ability to service its debt and its financial strength.

Q: How do S&P and Moody's evaluate the business risk of a company?

A: In evaluating business risk, the agencies consider the business profile of the company including its size, scale and diversification of business risks. The business profile evaluation can be more subjective than the aforementioned financial ratio evaluation, but nonetheless is an integral component of the ratings assessment, as explained below. Both agencies carefully consider the regulatory environment in their assessment of business risk. As described by S&P, "The regulatory framework/regime's influence is of critical importance when assessing regulated utilities' credit risk because it defines the

[5] S&P considers the ratio of Funds from Operations to Debt ("FFO/Debt") and the ratio of Debt to Earnings before interest, Taxes, Depreciation and Amortization ("Debt/EBITDA"), among others. Moody's considers the ratios of ratio of Cash Flow from Operations before changes in working capital and interest to interest ("(CFO Pre-WC+Interest)/Interest") to measure the relationship between pre-interest cash flow and interest , Cash Flow from Operations before changes in working capital to Debt ("CFO Pre-WC/Debt") to measure the relationship between cash flow and debt, Cash Flow from Operations before changes in working capital and dividend payments to Debt ("(CFO Pre-WC-Dividends)/Debt") to measure the relationship between cash flow after dividends to debt, and Debt to total Capitalization ("Debt/Capitalization") to measure the relationship between debt and total capital. Moody's also considers the ratio of parent holding company debt to total outstanding debt to establish the difference between the parent holding company credit ratings and the subsidiary company credit ratings.

environment in which a utility operates and has a significant bearing on a utility's financial performance."[6]

Q: How do S&P and Moody's balance financial risk and business risk in their ratings' assessments?

A: Credit metrics have a 50% or less impact on a company's S&P credit rating and a 40% weighting in determining a company's Moody's credit rating. The balance of the rating agencies' assessment is their view of business risk. Business risk is at least as important as financial risk in the rating agencies' assessment and determination of credit ratings. Business risk is the overall framework and long term profile for a company that drives their financial ratios. For example, a company could have good financial metrics, but a high degree of business risk which would be detrimental to their ratings and possibly foreshadow a decline in their financial metrics. As I note later in my testimony, both agencies specifically commented on the combined Company's solid financial profile and specific improvements in its business risk profile as compared to the stand-alone companies.

Q: Did S&P and Moody's review the Merger?

A: Yes. GPE presented and discussed the Merger with both S&P and Moody's. The agencies also conducted their own analyses of the Merger and published reports on the credit implications of the Merger.

Q: What information was provided to S&P and Moody's regarding the Merger?

A. Financial models were provided to both S&P and Moody's in connection with their respective Ratings Advisory Service ("RAS") and Ratings Evaluation Service ("RES")

[6] S&P Criteria Corporates Utilities: Key Credit Factors For The Regulated Utilities Industry, November 19, 2013, at 3.

reviews. In addition, GPE provided the rating agencies with key assumptions regarding the structure of the Merger, the contemplated exchange ratio, the unwinding of acquisition financing related to the Initial Transaction, the capital structure of the new combined Company post-Merger, the dividend policy of the combined Company, and an assumed amount of upfront customer bill credits.

In the KCC Initial Transaction Order, the KCC expressed concern about the lack of a financial safety margin.[7] In order to be certain that the Merger would have a positive impact on our risk profile and credit outlook post-closing, we provided the credit rating agencies with a "stress-test" assumption of bill credits as much as two times what we see as a reasonable outcome.[8] Even with very large bill credits of $100 million, our credit metrics are still strong and in combination with our improved business risk profile will result in a combined Company that is stronger than GPE or Westar on a stand-alone basis.

Q: How did the credit rating agencies respond to the Merger?

A: S&P affirmed the current credit ratings for GPE and Westar, and revised the outlook for the companies and their respective operating subsidiaries to Positive from Negative. S&P offered the following rationale as it pertains to GPE, KCP&L and GMO:

> The positive outlook reflects the potential for higher ratings if after the merger, the combined entities are able to demonstrate a strengthened business risk profile and a clear path to realizing proposed synergies that results in operational improvements and cost savings, along with the expected improvement to financial measures.[9]

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[7] KCC Initial Transaction Order, ¶ 92.

[8] As noted by Mr. Reed in his direct testimony, of the three transactions most comparable to this Merger in the recent past (NU/Nstar, WEC/Integrys and Duke/Progress) only one included a bill credit commitment as proposed by Applicants, and it was far smaller on a per-customer basis.

[9] S&P Global Ratings, "Great Plains Energy Inc. and Subsidiaries Outlook Revised to Positive from Negative on Amended Merger Pact," July 11, 2017, at 1.

Moody's upgraded the rating for GPE to Baa2 from Baa3 in recognition that the transaction-related debt used to finance the Initial Transaction had been redeemed and that the Merger would not require additional financings that would put pressure on Great Plains' credit quality. Moody's also indicated that it viewed the new combined Company as having a stronger credit profile and as benefiting from increased size, scale and diversification.

> With the newly proposed MOE transaction, Great Plains preserves the same strategic benefits as it would have had in the previously proposed acquisition of Westar. **The combined company will benefit from an increase in the size and scale of their utility operations as well as an additional diversification in regulatory environments.** Moody's views the combined company under the MOE transaction as having a stronger credit profile than it would have had if formed through a highly leveraged acquisition. The combined company will also maintain the existing credit metrics such as CFO [Cash From Operations] pre-WC [Working Capital] to debt in the high teens range. Furthermore, with no additional parent debt issued in the MOE transaction, Great Plains will preserve some financial flexibility and balance sheet capacity to absorb any potentially adversary regulatory developments or other unexpected events in the future.[10] [*emphasis added*]

Q: Has S&P discussed the possibility that the rating for the combined Company and its operating utility subsidiaries could be upgraded as a result of the Merger?

A: Yes. S&P has indicated that the ratings for the combined Company (which S&P refers to as GPE) and its operating utility subsidiaries could be upgraded if certain conditions are met:

> We could raise the ratings on GPE and its subsidiaries if the combined companies are able to demonstrate a strengthened business risk profile and a clear path to realizing the proposed synergies that results in operational improvements and cost savings. Further enhancing the business risk profile will be the almost full ownership of the Wolf Creek nuclear plant,

[10] Moody's Investors Service, "Ratings Action: Moody's Upgrades Great Plains Energy to Baa2 from Baa3; outlook stable," July 19, 2007, at 1.

> strengthening control and driving further operating efficiencies. This could mitigate existing credit quality implications around partial ownership of a single nuclear plant. In addition, we would expect ongoing recovery of capital and operating costs through various regulatory mechanisms across its more diversified jurisdictions. Along with this strengthening of the business risk profile, we would expect GPE to sustain improved financial measures over the 2019-2021 period, including FFO to total debt in the 17%-19% range.[11]

The table below summarizes the credit ratings and outlooks of each entity prior to announcing the Merger and the expected ratings and outlooks as a result of the Merger.

[11] S&P Global, "Research Update: Great Plains Energy Inc. and Subsidiaries Outlook Revised to Positive from Negative on Amended Merger Pact," July 11, 2017, at 5.

Table 1: Credit Rating Comparison

GPE Credit Rating

	Moody's		S&P	
Type of Rating	Pre-Merger Rating	Post-Merger Rating	Pre-Merger Rating	Post-Merger Rating
Company Rating	-	-	BBB+	BBB+
Preferred Stock	Ba1	Ba1	BBB-	BBB-
Senior Unsecured Debt	Baa3	Baa2	BBB	BBB
Outlook	Stable	Stable	Negative	Positive

Westar Credit Rating

	Moody's		S&P	
Type of Rating	Pre-Merger Rating	Post-Merger Rating	Pre-Merger Rating	Post-Merger Rating
Company Rating	-	-	BBB+	BBB+
Long-Term Issuer Rating	Baa1	Baa1	-	-
Senior Secured Debt	A2	A2	A	A
Commercial Paper	P-2	P-2	A-2	A-2
Outlook	Stable	Stable	Negative	Positive

KCP&L Credit Rating

	Moody's		S&P	
Type of Rating	Pre-Merger Rating	Post-Merger Rating	Pre-Merger Rating	Post-Merger Rating
Sr Secured Debt	A2	A2	A	A
Senior Unsecured Debt	Baa1	Baa1	BBB+	BBB+
Commercial Paper	P-2	P-2	A-2	A-2
Outlook	Stable	Stable	Negative	Positive

KCP&L GMO Credit Rating

	Moody's		S&P	
Type of Rating	Pre-Merger Rating	Post-Merger Rating	Pre-Merger Rating	Post-Merger Rating
Sr Secured Debt (Bank Facility)	NR	NR	NR	NR
Senior Unsecured Debt	Baa2	Baa2	BBB+	BBB+
Commercial Paper	P-2	P-2	A-2	A-2
Outlook	Stable	Stable	Negative	Positive

These ratings and outlook improvements are further evidence of an improved financial condition of the combined Company as compared to the stand-alone entities.

Q: What are your conclusions regarding the financial condition of the combined Company?

A: The financial condition of the combined Company will be improved, both in the near term and over the longer-term, relative to either GPE or Westar on a stand-alone basis.

As presented, these ratings also include what I would call a "financial safety margin" that serves to protect the ratings from unforeseen negative possibilities. Solid financial metrics, a stronger balance sheet, a stronger business risk profile due to its more diverse electric utility cash flow sources, a more balanced regulatory framework, and a larger customer base than either GPE or Westar on a stand-alone basis contribute to the enhanced financial strength of the combined Company. On that basis, S&P concluded that "these factors should strengthen the business risk profile of the combined entity compared with GPE's stand-alone business risk profile."[12] As discussed in more detail by Mr. Somma, the improved financial strength of the Company will enhance its access to capital which will benefit consumers.

IV. EXCHANGE RATIO

Q: What is the purchase price associated with the Merger?

A: As discussed by Mr. Reed, in a stock-for-stock Merger of Equals ("MOE") there is no purchase price in the sense of one company writing checks to the owners of another company. The value that will be exchanged is instead the agreed upon exchange ratio of GPE's and Westar's common stock arrived at through multiple analyses and arms-length negotiation with the common general intent that neither company receive or pay a premium to the other. Underlying this agreed-upon exchange ratio, is an implied price (or price range) per share of common stock that is inherently fair as it represents a price largely produced by a freely trading equity market.

[12] S&P Global Ratings, "Great Plains Energy Inc. and Subsidiaries Outlook Revised to Positive from Negative on Amended Merger Pact," July 11, 2017, at 2-3.

Q: Please explain what the exchange ratio reflects and how it was developed.

A: The exchange ratio is our best assessment of the common equity value of each company, unaffected by lingering stock price trading impacts from uncertainty related to the Initial Transaction. Each company recognized that both companies' shares were likely trading with some residual effects of the Initial Transaction, or some anticipation of a possible future transaction. For example, analysts had speculated whether GPE or some other company might still offer a substantial premium for Westar. Similarly, they recognized that GPE's share value could be affected by unwinding the Initial Transaction's financing. While each company had its own opinion about the magnitude of how both companies' trading values might be affected by these factors, we were in general agreement on the issue. The arm's-length negotiated exchange ratio adjusted for such residual or lingering effects on the present share prices such that neither company would pay to or receive a premium from the other in the exchange. Supported by our respective advisors' analyses, we negotiated an exchange ratio of 1:1 for Westar and 0.5981:1 for GPE, which the parties agreed generally reflected the unaffected value of each company's common stock.

Q: What methods were used by the companies to establish the range of stand-alone equity values with any effects of the Initial Transaction removed?

A: As discussed in the fairness opinion materials that were provided to the respective boards of directors of GPE and Westar, share values for GPE and Westar were derived based on standard valuation methodologies (*e.g.*, DCF analysis, trading multiples, equity analyst target prices). The exchange ratio was ultimately determined based on consideration of the range of estimated share prices for GPE and Westar that resulted from these various methodologies and through arms'-length negotiations between the companies. Although GPE and Westar relied on slightly different methodologies and assumptions, both companies arrived at the same conclusion: that the exchange ratio was fair and reasonable from their respective company's perspective.

Q: Were Merger savings considered in establishing the exchange ratio?

A: As discussed by Messrs. Ruelle and Bassham, Merger savings were clearly considered in reaching the decision to enter into this Merger of Equals. As discussed in more detail by Mr. Somma, Merger savings are also clearly an important part of the Company's financial projections. Merger savings did not, however, influence the derivation or negotiation of the exchange ratio. The exchange of Westar's and GPE's common stock and the creation of the combined Company effectuate the Merger that will lead to substantial Merger savings which, as discussed by Mr. Ives, will benefit consumers through rates that are lower than they otherwise would have been absent the Merger.

Q: What are your conclusions regarding the exchange ratio?

A: The exchange ratio and implied share prices for GPE and Westar generally reflect GPE's and Westar's best assessment of the common equity value of each company undisturbed by the effects of the Initial Transaction. The exchange ratio is supported by the fairness opinions issued by each of GPE's and Westar's financial advisors, has been unanimously approved by each company's Board of Directors and is subject to approval by each company's shareholders. The Merger effectuated by the exchange of Westar's and GPE's common stock will lead to substantial Merger savings which, as discussed by Mr. Ives, will benefit consumers in the near and long-term and, as discussed by Messrs.

Somma and Greenwood, compare favorably to the purchase price which enables them. For these reasons, I am confident that the exchange ratio is reasonable.

V. EFFECT OF THE MERGER ON GPE'S SHAREHOLDERS

Q: What is the effect of the Merger on current Great Plains Energy shareholders?

A: The Merger will have a positive effect on GPE's shareholders based upon: 1) 47.5 percent ownership in a combined Company that has increased scale and jurisdictional diversity; 2) ownership in the combined Company with enhanced financial strength and a better ability to fund capital investments; 3) enhanced opportunity for the operating utilities to earn closer to their allowed returns due to operating efficiencies and cost savings created by the Merger; 4) post-closing share repurchases to rebalance the capital structure of the new holding company, all of which leads to 5) the prospect of more stable earnings and dividend growth than could be achieved by GPE as a stand-alone entity. In addition, the tax-free nature of the Merger allows shareholders to maintain their present tax position in their investment as the Merger is not a taxable event.

Q: Have equity analysts commented on the Merger from the perspective of GPE's shareholders?

A: Yes. Equity analysts generally view the Merger as favorable for GPE shareholders relative to the alternative of remaining a stand-alone entity. For example, Gabelli & Company stated:

> We consider the transaction to be quite favorable for GXP shareholders given that the WR merger would be accomplished without a premium and transaction debt. The Kansas Corporation Commission (KCC) had unanimously (3-0) rejected the original terms primarily due to "significant debt" associated with the "excessive premium" as well as deficiencies identifying customer benefits. We expect this transaction to be approved, accretive in the first year, produce a higher growth rate, and stronger credit profile.[13]

Q: Does the Merger require shareholder approval?

A: Yes. The Merger cannot go forward absent approval from two-thirds of Great Plains' outstanding shares and a simple majority of Westar's outstanding shares. These shareholder votes are expected to occur in the fourth quarter of 2017. Shareholders' approval of the Merger would be a clear indication that shareholders believe the Merger is positive and in their interests.

VI. CONCLUSIONS

Q: Please summarize your conclusions.

A. The financial condition of the new combined Company will be improved, both in the near term and over the longer-term, relative to either GPE or Westar on a stand-alone basis. The exchange ratio and implied share prices for GPE and Westar are reasonable and reflect GPE's and Westar's best assessment of the common equity value of each company undisturbed by the effects of the Initial Transaction. The Merger will lead to substantial Merger savings which, as discussed by Mr. Ives, will benefit consumers in the near and long-term. The Merger will also benefit shareholders by improving the Company's ability to achieve competitive financial returns.

Q: Does that conclude your Direct Testimony?

A: Yes, it does.

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[13] Gabelli & Company, Great Plains Energy Inc. report, July 11, 2017, at 1.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Great Plains Energy Incorporated for Approval of its Merger with Westar Energy, Inc.	)))	Docket No. EM-2018-0012

AFFIDAVIT OF KEVIN E. BRYANT

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Kevin E. Bryant, being first duly sworn on his oath, states:

1. My name is Kevin E. Bryant. I work in Kansas City, Missouri, and Kansas City Power & Light Company as Senior Vice President – Finance and Strategy and Chief Financial Officer of Great Plains Energy, KCP&L and KCP&L Greater Missouri Operations.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Great Plains Energy Incorporated, Kansas City Power & Light Company, and KCP&L Greater Missouri Operations Company consisting of twenty-one (11) 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.

Kevin E. Bryant

Subscribed and sworn before me this 31st day of August 2017.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021