

Exhibit No.:
Issue: Integration Process
Witness: Steven P. Busser
Type of Exhibit: Direct Testimony
Sponsoring Party: Great Plains Energy Incorporated;
Kansas City Power & Light
Company; and KCP&L Greater
Missouri Operations Company
Case No.: EE-2017-_____
Date Testimony Prepared: October 12, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EE-2017-_____

DIRECT TESTIMONY

OF

STEVEN P. BUSSER

ON BEHALF OF

**GREAT PLAINS ENERGY INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri
October 2016**

DIRECT TESTIMONY

OF

STEVEN P. BUSSER

Case No. EE-2017-_____

I. Background and Qualifications

Q: Please state your name and business address.

A: My name is Steven P. Busser. My business address is 1200 Main Street, Kansas City, MO 64105.

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

A: I am employed by Kansas City Power & Light Company (“KCP&L”) and serve as Vice President-Risk Management and Controller for Great Plains Energy Incorporated (“GPE” or “Great Plains Energy”), KCP&L and KCP&L-Greater Missouri Operations Company (“GMO”). I am also GPE’s integration leader for the acquisition of Westar Energy, Inc. (referred to herein as “Westar”) by Great Plains Energy.

Q: What are your responsibilities?

A: I have executive responsibility for corporate accounting, energy accounting, Securities and Exchange Commission (“SEC”) reporting, income taxes, accounting systems and risk management. My responsibilities also include the development and presentation of testimony before various regulatory bodies with respect to the integration planning framework the Company will utilize to integrate GPE and Westar in connection with GPE’s acquisition of Westar (the “Transaction”) which is described more fully in the Direct Testimony of Terry Bassham.

1 **Q: Please summarize your education, experience and employment history.**

2 A: My educational background includes a B.B.A., Accounting cum laude from the
3 University of Texas at El Paso. I have also taken several graduate level classes with a
4 focus in finance and am a Certified Public Accountant.

5 I have over 20 years of experience focusing on accounting and finance matters for
6 companies in the electric utility industry. I joined the Company in September 2014.
7 Prior to joining the Company, I served as vice president - treasurer of El Paso Electric
8 Company in Texas. During my almost 12 year tenure at El Paso Electric, I held various
9 executive positions including assistant chief financial officer, vice president - regulatory
10 affairs and chief risk officer. At El Paso Electric, I had executive responsibility for the
11 treasury, risk management, facility services, fleet management and supply chain
12 management functions. My responsibilities included the development and presentation
13 of testimony before various regulatory bodies with respect to the company's public and
14 private financing, and other securities transactions and various other regulatory
15 proceedings. Prior to El Paso Electric, I served as vice president - international controller
16 for Affiliated Computer Services and National Processing Company. I started my
17 professional career at KPMG LLP where I held several positions, including manager –
18 assurance serving clients in the electric utility industry.

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

21 A: I have not testified previously before the MPSC. I have, however, testified as an expert
22 witness or prepared expert witness testimony before the Federal Energy Regulatory
23 Commission and state regulatory agencies in Kansas, Texas and New Mexico.

1
2 **II. Purpose**

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

4 A: The purpose of my testimony is to support the application of Great Plains Energy,
5 KCP&L and GMO (collectively, the “Joint Applicants”) for a limited variance or waiver
6 from Commission Rule 4 CSR 240-20.015 on affiliate transactions (“Application for
7 Variance”). I will provide an overview of the integration planning framework and the
8 process that will be utilized to integrate GPE and Westar. This process will enable us to
9 achieve the estimated Transaction-related efficiencies and longer term competitiveness
10 for the benefit of customers, while maintaining or improving customer and community
11 satisfaction. I also will comment on GPE’s accounting that will be utilized for recording
12 acquisition and integration related costs as well as post-Transaction accounting for shared
13 corporate costs and, briefly, on the absence of property tax impacts anticipated to result
14 from the Transaction.

15 **III. Integration Project**

16 **Q: Please provide an overview of the integration project.**

17 A: The integration project will have four general phases consisting of framework, design,
18 integration plans and Day 1 preparation. The integration project will be a joint effort
19 with joint integration teams consisting of representation from both GPE and Westar. This
20 will facilitate knowledge transfer, identification of best practices and processes and
21 ensure that all areas are adequately planned and accounted for in the integration plans and
Day 1 playbooks.

1 **Q: Can you briefly describe each of the phases?**

2 A: Yes. The framework phase set the framework for how the integration effort will be
3 managed. In the design phase, which we are currently in, the daily operating practices of
4 the combined organization will be established, efficiency opportunities will be further
5 assessed, the initial targets will be set and gap-filling actions necessary to reach those
6 targets will be established. The integration plans phase will take the work that was put
7 forth to assess the savings in the design phase and start to develop the integration plans.
8 Once the integration plans are established the remaining time prior to deal closing will be
9 spent preparing for Day 1 and preparing the Day 1 plans and playbooks.

10 **Q: Please provide more details for each phase of the integration project.**

11 A: The integration project consists of four major stages.

12 1. Framework Development, which is ongoing and expected to be complete in July.

13 Components include:

14 a. Establishment of integration governance structure

15 b. Stand up integration teams

16 c. Develop and complete the target setting

17 d. Launch the project teams

18 e. Complete/build team charters and background information packets

19 2. Design Phase, which is ongoing and expected to be complete in December.

20 Components include:

21 a. Documentation of current state

22 b. Definition of combined company future state

23 c. Identification of savings and performance improvements

- d. Validation and confirmation of savings levels
- e. Identification of Day 1 combined company priorities
- 3. Integration Plan Development, which is expected to commence in January and be complete in March. Components include:
 - a. Creation of detailed work plans for Day 1 execution and post-Day 1 migration to steady state
 - b. Preparation of employee engagement plan for Day 1
 - c. Verification of auditability of Day 1 execution plans
- 4. Day 1 Plan Development, which is expected to commence in March and be complete in April 2017. Components include:
 - a. Development of Day 1 checklists and certification
 - b. Identification of steady state resource plan
 - c. Development of post-Day 1 execution, tracking and employee engagement approach

Q: What is meant by “Day 1”?

A: Day 1 means the first day of operation of the combined entity. This is projected to occur in the second quarter of 2017.

Q: Please provide an overview of the integration planning framework that will be utilized to integrate Great Plains Energy and Westar.

A: The integration planning framework has been established primarily to set the strategic goals for the project. At the highest levels, those strategic goals are for both companies to continue delivering the safe, reliable, efficient service that is our obligation today, but to do that much more efficiently over time as a result of combining companies. The

1 integration planning framework will also commence the benchmarking process to
2 validate assumptions used to develop savings targets for the ultimate plans. Furthermore,
3 the integration planning framework will set the “tone at the top” which will guide the
4 messaging to employees and to the integration teams as they work through the process of
5 identifying and developing the efficiencies and savings. The integration planning
6 framework will also be utilized to plan the launch of the efficiency effort necessary as
7 part of this integration of the two companies.

8 **Q: Will there be any major differences between the integration project and the**
9 **diligence process used by GPE to evaluate the Transaction?**

10 A: Yes. The major difference is that the integration project will consist of broader
11 participation, involving people across the organizations and the ability to share and
12 discuss information across the larger team and with Westar personnel. Importantly,
13 information will be shared only within guidelines established by the legal departments.
14 In several areas, such as Generation, the teams will not have access to all data due to
15 restrictions at this stage of the approval process.

16 **Q: What is the mission of the integration project?**

17 A: The mission of the integration project is as follows:

18 The integration team will plan and prepare all integration efforts necessary
19 to combine KCP&L and Westar including establishing daily operating
20 practices and processes for the combined company such that the full value
21 of the combined entities is captured and that a seamless Day 1 transition is
22 achieved. This will be done by utilizing an executive-led structured team
23 approach that collaborates and proactively communicates across all levels
24 at each organization and through the establishment of agreed upon targets
25 for efficiency and performance improvements, against which progress will
26 be measured.

27 **Q: What are the goals of the integration project?**

28 A: The goals of the integration project are to:

1. Utilize the best of both companies' processes and practices for each area of the new combined company to ensure efficient and effective service to customers.
2. Identify and capture the full strategic value of the combined company through achieving or exceeding the efficiency and performance improvement targets both at Day 1 and within the three-year period post Day 1.
3. Ensure seamless transition from current operations to Day 1, and from Day 1 through the transition to steady state.
4. Provide consistent, effective communication to all stakeholders as to project progress with a regular cadence.
5. Ensure consistency between Great Plains Energy and Westar by utilizing a structure for integration that involves participation at both companies.
6. Utilize an objective, fact-based decision-making process to avoid reliance on our perceived level of understanding or familiarity between the two companies.

Q: What is meant by “seamless transition to steady state”?

A: This means that the integration teams will stand the two companies up as one common enterprise adopting, as much as possible, the best practices of both companies while minimizing disruption to each company and ensuring that day-to-day operations relating to the customer experience are not compromised. “Steady state” is our term for the point at which all of the integration plans have been fully implemented. GPE will of course continue to seek improvements in its operations beyond that point.

Q: Are there any other goals implicit in the integration process?

A: Yes, the process needs to reinforce the core corporate values and successful culture of the combined company. As can be seen in the integration project guidelines discussed

below, there is a desire to ensure that activities and decisions are consistent with GPE's cultural standards and aspirations. For purposes of the integration teams, that implies attributes such as collaboration, engagement, respect, leadership and integrity.

Q: Do you have guidelines that you are to adhere to in the integration project?

A: Yes.

Q: What are they?

A: The guiding principles we have established for the project are as follows:

- Maintain both employee and public safety across the combined organization;
- Ensure the combined company is strategically positioned to achieve our long term goals;
- Capture benefits of greater scale and skills;
- Manage people integration consistent with Guiding Principles,
 - Cost savings from integration, and staffing for the combined companies, will come from across the combined platform; and
 - Natural attrition, job assignments outside of current responsibilities, voluntary termination packages and severance will be used to reduce headcount;
- Deliver on our financial requirements,
 - Credit metrics; and
 - Efficiencies;
- Maintain and improve customer service and reliability across both states;
- Keep rates lower than they would have been absent the Transaction by capturing efficiencies and building them into ratemaking in the normal course;
- Generation, T&D and fleet integration decisions will be premised, designed and implemented to position operations to deliver value over the long-term;
- Standardize key processes using best practices from both organizations; and
- Continue to promote energy efficiency and environmental stewardship.

1 **Q: Please explain how the integration project will be executed?**

2 **A:** The integration project is being overseen by a steering committee, an executive sponsor,
3 myself as the integration leader and an integration project manager. There are executive
4 led teams, with an executive from GPE teamed with an executive from Westar that are
5 responsible for establishing integration team leads and integration team members for their
6 areas of responsibility to work jointly with Westar integration team members. Attached
7 as Schedule SPB-1 is a chart showing the organizational structure of the project.

8 **Q: Who is your counterpart leading Westar’s participation in the integration project?**

9 **A:** John Bridson, senior vice president of generation and marketing and I have been working
10 very closely to ensure that the GPE and Westar teams are properly aligned and fully
11 prepared to collaborate effectively on this important project.

12 **Q: Can you further explain how the integration project was designed?**

13 **A:** The integration project was designed to ensure that there is disciplined execution,
14 accountability, recording of issues encountered and resolved and decisions made,
15 engagement of employees, proper communication and sound decision-making processes
16 that exist throughout the entire project.

17 **Q: Will there be any outside firms assisting in the integration project?**

18 **A:** Yes. Enovation Partners, LLC (“Enovation”) who helped with the initial integration
19 planning and was replaced by PricewaterhouseCoopers LLP/Strategy&, nationally
20 recognized consulting and strategy firms with deep experience in integration efforts
21 resulting from mergers and acquisitions in the electric utility industry, will be providing
22 assistance throughout the project. Enovation and Strategy& were both selected given
23 their deep knowledge of both companies and utility industry M&A transactions.

1 Principals from Enovation also supported GPE with the integration of Aquila as a result
2 of that acquisition.

3 **Q: Describe, in general terms, the initial areas from which the efficiencies are expected**
4 **to come?**

5 A: The initial areas from which efficiencies are expected to come are as follows:

- 6 1. Improving customer service and enhancing the customer experience and other
7 potential efficiencies in the area of transmission and distribution.
- 8 2. Simplification of the corporate services support structure at Wolf Creek nuclear
9 generating plant.
- 10 3. Combining the two companies' power supply fleets and the associated joint planning
11 ability.
- 12 4. Capturing the scale benefits of sourcing and the use of a single supply chain process.
- 13 5. Elimination of corporate support service redundancies.

14 **Q: What is meant by the term "efficiency savings"?**

15 A: This term refers to reductions in costs, revenue enhancements or other benefits as a result
16 of combining Great Plains Energy and Westar as compared to the combined costs of the
17 entities standing alone. These may also be referred to as "savings" or "efficiencies" or
18 "benefits" of the Transaction.

19 **Q: What are some examples of efficiency savings?**

20 A: Examples include benefits of scale and improved efficiency in support functions,
21 economies of scale in sourcing and supply chain, savings in customer service and field
22 operations enabled by serving the same geographic area, etc. By way of example,
23 improved efficiency in support functions will include such things as eliminating the costs

1 for one system for shareholder recordkeeping, one board of directors, one New York
2 Stock Exchange registration fee. An example in supply chain is that by negotiating one
3 larger order for poles and wire, we can get quantity discounts on material compared to
4 two smaller orders. That has certainly been our experience with the GPE-Aquila
5 integration. In terms of geographic proximity, both companies have wind farms in
6 western Kansas, very close to one another. We will not need two separate teams to
7 oversee those facilities. Greater detail is provided in the Direct Testimony of William
8 Kemp.

9 **Q: Will the integration project be structured around the initial focus areas that have**
10 **been identified?**

11 A: Yes, it will, as this approach will provide the greatest opportunity to realize the greatest
12 amount of efficiencies and ensure a seamless transition to a combined company both for
13 Day 1 and for steady state operations.

14 **IV. Transaction Accounting**

15 **Q: What accounting pronouncements provide guidance with respect to accounting for**
16 **the Transaction?**

17 A: Under Generally Accepted Accounting Principles (“GAAP”), the accounting rules for a
18 business combination are prescribed in Financial Accounting Standards Board (“FASB”)
19 Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations*. ASC
20 Topic 305, *Goodwill and Other*, is also relevant to the Transaction, among others.

21 **Q: How will Great Plains Energy account for the Transaction?**

22 A: Great Plains Energy will use the acquisition accounting method to record the Transaction.
23 Under the acquisition method, Great Plains Energy will record the net assets acquired at

1 fair market value. The excess of the purchase price over the fair market value of the net
2 identifiable assets is recorded as goodwill. In the case of regulated assets and liabilities,
3 fair value is generally considered to be book value. Goodwill to be recorded for the
4 Transaction is currently estimated at almost \$4.8 billion. Goodwill and the related
5 purchase accounting adjustments will be recorded at consolidated Great Plains Energy
6 and will not be pushed down to any operating utility's books.

7 **Q: Subsequent to the Transaction, will Great Plains Energy amortize this goodwill into**
8 **expense?**

9 A: No. While that practice – or something like it – may have been required in the past, ASC
10 Topic 350 does not allow amortization of goodwill. As a result, GPE will not be asking
11 for recovery in rates of the amortization expense of goodwill. Rather, the topic requires
12 annual impairment testing to determine whether the value of the underlying asset has
13 been impaired. If no impairment exists, that asset simply continues on the books
14 indefinitely, at the same amount. If an impairment is indicated, a write-down would be
15 required. Impairment testing, between annual testing, is required if events or
16 circumstances indicate an impairment is more likely than not.

17 **Q: How do Great Plains Energy, KCP&L and GMO propose that goodwill be treated**
18 **for regulatory purposes?**

19 A: As discussed in the Direct Testimony of Darrin Ives, GPE, KCP&L, GMO and Westar
20 are not requesting authorization to recover goodwill associated with the Transaction in
21 any state proceeding by inclusion in revenue requirement used to set electric service
22 rates.

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A: As a wholly-owned subsidiary of Great Plains Energy, Westar will have a separate general ledger similar to Westar's general ledger today, with reporting entities within its accounting and reporting systems for Westar's regulatory business units consistent with its current accounting records. It is expected that services will be provided to Westar from KCP&L similar to the manner in which KCP&L provides services to GPE subsidiaries and business units today. It is also expected that goods and services will be provided to KCP&L and GMO from Westar similar to the manner in which GMO provides goods and services to KCP&L today. Likewise it is expected that GMO will provide goods and services to Westar similar to the manner in which GMO provides goods and services to KCP&L today.

A: Certain of these shared costs will be incurred by KCP&L, such as accounting, payroll, regulatory, accounts payable, and human resources. The current allocation methodology used by KCP&L to allocate shared costs among KCP&L and other Great Plains Energy business units, as documented in the Great Plains Energy Cost Allocation Manual filed annually with the MPSC, will be utilized. That is, KCP&L's allocation of its shared costs will be expanded to include Westar in the allocation.

1 **Q: Can you please provide an example?**

2 A: Yes. If it is determined that a particular KCP&L shared cost should be allocated based
3 on each business unit's utility plant, then Westar will receive a portion of that cost based
4 on its utility plant; if by customer count, then by the number of customers, etc. The same
5 process would hold true in the event that a GMO shared cost should be allocated to
6 Westar, or if a Westar shared cost should be allocated to KCP&L or GMO. The
7 application for variance from the Commission's affiliate transaction rules is specifically
8 aimed at the transactions between the regulated utility operations of KCP&L, GMO and
9 Westar to permit those transactions to be undertaken at cost, except for wholesale power
10 transactions, which will be based on rates approved by the Federal Energy Regulatory
11 Commission.

12 **Q: How will the individual Westar business units be allocated shared costs that have**
13 **been allocated to Westar?**

14 A: At this time we anticipate utilizing Westar's existing allocation methodologies to allocate
15 costs among the various Westar business units.

16 **VI. Property Taxes**

17 **Q: What do you expect the impact of the Transaction to be on the property taxes of**
18 **Great Plains Energy consolidated?**

19 A: I do not expect a material difference in the property taxes paid by Great Plains Energy
20 consolidated after the Transaction as compared to the combined property taxes paid by
21 the separate companies as a result of the Transaction. However, we have not discussed
22 this Transaction with the tax commissions in Kansas or Missouri, and cannot predict for
23 certain what the final impact may be.

1 **Q: Can you elaborate?**

2 A: Yes. Utility property taxes are based upon the fair market value of each utility legal
3 entity. Therefore, KCP&L, GMO, Westar Energy, Kansas Gas & Electric Company, and
4 Prairie Wind Transmission, LLC will continue to have their fair market values assessed
5 separately. As a result, the merger is not expected to have material impact on the
6 property taxes of the combined company. However, to the extent net operating income
7 increases (as a result of efficiency savings) or cost of capital decreases (as a result of
8 lower interest rates, if applicable) at the utility entities due to the merger, we may see
9 increases in property taxes in future years due to the benefits of the merger recognized by
10 the utilities. The expected combined property taxes is based on our experience with the
11 Aquila acquisition in 2008. It is possible that other factors may be considered by the tax
12 commissions in both Kansas and Missouri related to this merger that we have not
13 anticipated and for which we are unable to determine what the impact may be to property
14 taxes.

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

16 A: Yes it does.

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

**IN THE MATTER OF THE VERIFIED JOINT)
APPLICATION OF GREAT PLAINS ENERGY)
INCORPORATED, KANSAS CITY POWER & LIGHT) Docket No. EE-2017-_____
COMPANY AND KCP&L GREATER MISSOURI)
OPERATIONS COMPANY FOR A VARIANCE)
FROM THE COMMISSION'S AFFILIATE)
TRANSACTIONS RULE, 4 CSR 240-20.015)**

AFFIDAVIT OF STEVEN P. BUSSER


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

Steven P. Busser, being first duly sworn on his oath, states:

1. My name is Steven P. Busser. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President of Risk Management and Controller.

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 fifteen (15) 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.



Steven P. Busser

Subscribed and sworn before me this 2nd day of October 2016.

My commission expires: Feb. 4, 2019



Notary Public

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200