**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

SUPPLEMENTAL DIRECT TESTIMONY OF

DARRIN R. IVES

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MAKE CERTAIN CHANGES IN
ITS CHARGES FOR ELECTRIC SERVICE**

DOCKET NO. 18-KCPE-480-RTS

Q: Please state your name and business address.

A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L" or "Company") as Vice President – Regulatory Affairs.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L.

Q: Are you the same Darrin R. Ives who filed Direct Testimony in this proceeding?

A: Yes, I am.

Q: What is the purpose of your supplemental direct testimony?

A: The purpose of my supplemental direct testimony is to explain and support how the May 24, 2018 approval[1] by the State Corporation Commission of the State of Kansas ("Commission") and the June 4, 2018 closing of the merger ("Merger") of Great Plains Energy Incorporated ("GPE") and Westar Energy, Inc. ("Westar") affects the revenue requirement requested by KCP&L in this base rate review.

Q: How does the closing of the Merger affect the revenue requirement requested by KCP&L in this base rate review?

A: The Non-Unanimous Settlement Agreement ("Settlement Agreement") approved by the Commission in Docket No. 18-KCPE-095-MER ("18-095 Docket") requires KCP&L to (1) reduce its recommended return on equity ("ROE") to 9.3%[2]; (2) reduce its request for rate recovery of Merger-related non-capital transition costs to $796,202 annually[3]; and (3) include no less than $7,468,874 in Merger savings in KCP&L's revenue requirement.[4] The net effect of these changes is to reduce the revenue requirement requested by KCP&L including property tax rebasing from $32,948,941 to $22,673,415.

Q: Why is 9.3% a reasonable ROE for purposes of establishing KCP&L's revenue requirement and rates in this base rate proceeding?

A: 9.3% is KCP&L's currently authorized ROE with respect to its Kansas retail electric operations.[5] Although 9.3% is below the low end of the ROE range recommended by KCP&L witness Hevert in this proceeding, it is my opinion that 9.3% represents a

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[1] *See* Order Approving Merger issued in Docket No. 18-KCPE-095-MER on May 24, 2018.
[2] *See* Settlement Agreement in Docket No. 18-KCPE-095-MER, ¶ 32.iv.1, pp. 14-15.
[3] *See* Settlement Agreement in Docket No. 18-KCPE-095-MER, Attachment A, Condition 24.
[4] *See* Settlement Agreement in Docket No. 18-KCPE-095-MER, Attachment A, Condition 25.

reasonable ROE in this base rate review in light of the treatment of Merger-related non-capital transition costs and Merger-related savings under the Settlement Agreement in the 18-095 Docket as discussed below as well as the five-year base rate moratorium to which KCP&L agreed in the Settlement Agreement approved by the Commission in the 18-095 Docket[6], and all of the other provisions of that Settlement Agreement taken together in the aggregate. The revenue requirement impact of using a 9.3% ROE compared to a 9.85% ROE is a reduction of $8,676,363.

Q: Why is it reasonable to include $796,202 in non-capital Merger-related transition costs in KCP&L's revenue requirement in this base rate review proceeding?

A: Transition costs are incurred to integrate the businesses of GPE and Westar and their incurrence results in Merger savings. Although GPE and Westar expect to incur more than $75 million in non-capital transition costs in connection with the Merger, they agreed in the Settlement Agreement to never seek to recover in rates any transition costs related to the Merger that are in excess of the benefits that the transition costs are intended to attain subject to a limit of $50 million total company.[7] To date, transition costs totaling more than $50 million have been incurred in connection with this Merger. The share of $50 million in total company transition costs attributable to KCP&L's Kansas retail electric operations, when spread across the jurisdictions (i.e., KCP&L's Kansas and Missouri operations, Westar and KCP&L Greater Missouri Operations Company) according to the manner in which the Merger savings are expected to be

[5] *See* Order on KCP&L's Application for Rate Change, Docket No. 15-KCPE-116-RTS, p. 16 (September 10, 2015).

[6] To the extent the Commission establishes KCP&L's revenue requirement and rates in this base rate review on the basis of an ROE less than 9.3%, then the base rate moratorium to which KCP&L has agreed will be limited to three years. *See* Settlement Agreement, Attachment A, Condition 24

achieved, equates to $7,962,018. When amortized over 10 years, this results in a revenue requirement amount of $796,202 for KCP&L in this base rate review, which is far lower than the Merger savings of no less than $7,468,874 that the Settlement Agreement calls for KCP&L to demonstrate has been reflected as an offset to revenue requirement in this base rate review. Including recovery of transition costs at $796,202 annually reduces revenue requirement by $575,111 because KCP&L had initially included $1,371,313 in transition cost recovery in revenue requirement in its direct testimony. Because customer benefits from these Merger savings have been reflected in KCP&L's requested revenue requirement and the savings vastly exceed the transition costs necessary to achieve such savings, it is reasonable to include such transition costs in revenue requirement also. In assessing the reasonableness of including these transition costs in revenue requirement it should also be remembered that substantial transaction costs were also necessary to effectuate the Merger, without which Merger savings could not have been achieved, and that KCP&L has committed to never seek rate recovery of such transaction costs.

Q: Why is it reasonable to include no less than $7,468,874 in Merger savings in KCP&L's revenue requirement in this base rate review?

A: As a result of the integration planning work undertaken by GPE and Westar beginning in the summer of 2016, KCP&L is expected to achieve Merger savings attributable to its retail electric operations in Kansas of $7,468,874 million in 2018. Although the Merger only closed just recently, on June 4, 2018, and the cut-off period in this base rate review follows very soon thereafter on June 30, 2018, KCP&L agreed in the Settlement Agreement approved by the Commission in the 18-095 Docket to offset revenue

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[7] *See* Settlement Agreement, Attachment A, Condition 19.

requirement by the full level of Merger savings expected for 2018. Including Merger savings of $7,468,874 in revenue requirement reduces KCP&L's revenue requirement by $1,024,052 because KCP&L had initially included $6,444,822 in Merger savings in revenue requirement in its direct testimony. This provides certainty for customers that KCP&L's rates will reflect no less than the full level of Merger savings expected for 2018 for the benefit of customers annually during the five-year base rate moratorium. Further, the reasonableness of the net effect of the treatment of transition costs discussed immediately above and Merger savings can be seen by comparing five years of Merger savings included in revenue requirement in this base rate review (not less than $59,750,092) to the Merger-related non-capital transition costs included in rates for that same five-year period ($3,901,805). This comparison shows that the Merger is providing benefits to KCP&L's Kansas customers far in excess of associated costs based on these two items alone without considering all of the other benefits the Merger will bring to customers (such as upfront bill credits after the 2018 base rate review and guaranteed bill credits for the years 2019-2022).

Q: Can you summarize the revenue requirement reductions resulting from the Commission's approval of the Settlement Agreement in the 18-095 Docket and the subsequent closing of the Merger?

A: Yes. The Company's filed revenue requirement excluding the rebasing of property taxes has decreased from $26.2 million to $16.0 million. The Company's revenue requirement including the rebasing of property taxes has decreased from $32.9 million to $22.6 million. These revenue requirement reductions are summarized in the following table:

Merger Impacts	
Revenue Requirement Filed	$32,948,941
Less:	
ROE	8,676,363
Merger Savings	1,024,052
Transition Costs	575,111
Adjusted Revenue Requirement	$22,673,415

Q: Does this conclude your supplemental direct testimony?

A: Yes.

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas City Power & Light Company to Make Certain Changes in Its Charge for Electric Service	))))	**Docket No. 18-KCPE-480-RTS**

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony on behalf of Kansas City Power & Light Company consisting of six (6) 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.

Darrin R. Ives

Subscribed and sworn before me this 26th day of June 2018.

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