BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

DARRIN R. IVES

ON BEHALF OF
GREAT PLAINS ENERGY INCORPORATED
AND
KANSAS CITY POWER & LIGHT COMPANY

IN THE MATTER OF THE APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND WESTAR ENERGY, INC. FOR APPROVAL OF THE MERGER OF WESTAR ENERGY, INC. AND GREAT PLAINS ENERGY INCORPORATED

DOCKET NO. 18-KCPE-095-MER

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q: Please state your name and business address.

A: My name is Darrin R. Ives. My business address is 1200 Main Street, 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") and serve as Vice President – Regulatory Affairs for KCP&L and KCP&L Greater Missouri Operations Company ("GMO").

Q: What are your responsibilities?

A: My responsibilities include oversight of the KCP&L's Regulatory Affairs Department, as well as all aspects of regulatory activities including cost of service, rate design, revenue requirements, regulatory reporting and tariff administration, as well as Southwest Power Pool ("SPP") matters.

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

A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in 1996 and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

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

A: Yes, I have testified a number of times before the Commission and the Missouri Public Service Commission ("MPSC"). I have also provided written testimony before the Federal Energy Regulatory Commission and have testified before legislative committees in Missouri.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Great Plains Energy Incorporated ("GPE" or "Great Plains") and KCP&L in this proceeding on the proposed merger ("Merger") between GPE and Westar Energy Inc. ("Westar") (collectively, the "Applicants") to form a new combined company ("combined Company", or "Holdco", where appropriate).

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to:

1) Describe savings that will accrue to customers as a result of (a) $50 million in timely upfront bill credits, (b) the recognition of Merger savings in Westar's and KCP&L's cost of service in future rate cases, and (c) the delay of future Westar and KCP&L rate increases made possible by Merger savings that offset other utility cost increases while allowing the operating utilities to earn nearer their Commission authorized returns;

2) Explain the need for rate cases in 2018 for both KCP&L and Westar to address issues unrelated to the Merger;

3) Describe how we have determined which generation-related savings are related to the Merger;

4) Present the Applicants' proposed set of Merger commitments and conditions ("Merger Commitments and Conditions") that collectively ensure that (a) the Merger will directly benefit customers, both immediately and over the longer term; (b) customers will be protected from potential risks related to the Merger; (c) the public interest is served; and (d) the Commission's regulatory authority will be maintained. The Merger Commitments and Conditions can be found in Appendix H of the Application, and for convenience are also attached to my direct testimony as Exhibit DRI-1; and

5) Address the Applicants' satisfaction of four elements of the Commission's Merger Standards: (a)(iii) - whether ratepayer benefits resulting from the transaction can be quantified (in coordination with the direct testimony of Steven P. Busser); (b) - the

effect of the transaction on the environment; (f) - whether the transaction maximizes the use of Kansas energy resources, and; (g) - whether the transaction will reduce the possibility of economic waste.

Q: How is the remainder of your testimony organized?

A: My Testimony is comprised of five Sections, following this Introduction:

- **Section II** presents an overview or "Executive Summary" which summarizes the key elements of my testimony.
- **Section III** addresses customer benefits of the upfront bill credit, Merger savings in future rate cases, and savings from generation plant retirements, including retirements that are not attributable to the Merger.
- **Section IV** presents the Applicants' proposed Merger Commitments and Conditions, and indicates how they work together to benefit and protect the interests of our customers and ensure Commission oversight.
- **Section V** reviews the Joint Applicant's compliance with the four elements of the Commission's Merger Standards that I am addressing.
- **Section VI** summarizes my conclusions.

Q: What are the primary conclusions that the Commission should take away from your testimony?

A: The primary conclusions are:

- The Merger will result in significant, quantifiable monetary benefits to customers, including timely upfront bill credits and lower as well as less frequent rate increases in the future than would occur absent the Merger;

- The Applicants have provided a comprehensive set of Merger Commitments and Conditions to ensure benefits for customers, protect against potential harm, and preserve Commission oversight;
- The Applicants have satisfied the Commission's Merger Standards (a)(iii), (b), (f), and (g), which support a finding that the Merger is in the public interest.

II. EXECUTIVE SUMMARY

Q: Please describe the Applicants' commitment regarding the bill credits.

A: The Applicants have committed to provide our retail electric customers (both Kansas and Missouri) with total upfront bill credits of $50 million within 120 days of closing. The bill credit addresses concerns expressed in the Commission's Final Order on the proposed acquisition of Westar by GPE (Docket No. 16-KCPE-593-ACQ) ("Initial Transaction" and "Initial Transaction Order") regarding savings benefits being passed to customers.[1] These upfront bill credits will be greater than the net Merger savings that are expected be achieved in 2018 as presented in the testimony of Mr. Busser.

Q: How will customers benefit from Merger savings beyond the upfront bill credits?

A: In addition to the upfront bill credits, Merger savings will benefit customers in two primary ways: (1) lower rates in future rate proceedings, including the KCP&L and Westar rate proceedings nearly contemporaneous with the Merger, than would be the case absent the Merger, due to lower cost of service, and (2) delays in future rate increases, enabled by Merger savings that will be available to offset other utility cost pressures and continued infrastructure investments for which the Company would otherwise need to seek rate recovery.

[1] Initial Transaction Order, ¶¶ 67, 75-76, Docket No. 16-KCPE-593-ACQ. (April 19, 2017).

Q: What factors drive the need for KCP&L's and Westar's 2018 rate cases, and are these related to the Merger?

A. Westar and KCP&L must file rate applications in 2018 to address issues unrelated to the Merger including: (1) large new renewable investments, (2) the expiration of wholesale contracts which have generated offsets to the retail cost of service for many years, (3) expiring production tax credits ("PTCs") currently reflected in rates, (4) a new customer information system and other infrastructure investments since rates were last set, and (5) smart meter technology deployment. All these cost factors are independent of the Merger.

While the Merger will ultimately result in significant net savings, such savings will not ramp up quickly enough to offset these cost increases that Westar and KCP&L must continue to manage. That said, some Merger savings are anticipated in 2018 and these initial Merger savings will be reflected in the cost of service of Westar and KCP&L in rate cases that will be filed and pending at the time of the expected Order in this Application. These savings will provide nearly immediate and ongoing reductions in our cost of service as compared to stand-alone operations absent the Merger.

Q: Please explain the Applicants' plans to retire generation units, and which of these are related to the Merger.

A: In June, KCP&L announced that it intends to retire generating units operated by KCP&L and GMO at Sibley, Montrose, and Lake Road.[2] Although these retirements will certainly create benefits for customers, they are independent of the Merger, and, accordingly, we have not included them in the expected Merger savings presented by Mr. Busser. However, the Merger will allow the combined Company to significantly accelerate the retirement of

[2] KCP&L Announcement June 2, 2017. https://www.kcpl.com/about-kcpl/media-center/2017/june/kcpl-continues-sustainability-commitment-by-announcing-retirement-of-six-units-at-three-power-plants

five Westar fossil fuel burning units at Gordon Evans, Murray Gill, and Tecumseh energy centers. Accordingly, savings from the acceleration of these Westar retirements are included in the Merger savings figures presented by Mr. Busser.

Q: Please describe the Merger Commitments and Conditions that you are sponsoring.

A: We have included an extensive and comprehensive list of Merger Commitments and Conditions.[3] Messrs. Ruelle, Bassham, Reed and others discuss how the Applicants have addressed the Commission's concerns regarding the financial strength of the combined Company through changes in the Merger structure as compared to the Initial Transaction.[4] The purpose of the Merger Commitments and Conditions is to collectively ensure that the Merger will directly benefit customers, both immediately and over the longer term, that customers will be protected from potential risks related to the Merger, that the public interest is served, and that the Commission's regulatory oversight will be maintained.

Q: What was the Applicants' approach to developing the Merger Commitments and Conditions in this case?

A: We started with the set of commitments and conditions that were proposed in the Initial Transaction.[5] We incorporated commitments and conditions included in the rebuttal testimony of the Joint Applicants and endeavored to address the testimony of Kansas Electric Power Cooperative, Inc. ("KEPCo") witness Dr. Dismukes in that case. Given the change in the Merger structure, the Applicants considered whether any changes to the prior set of commitments and conditions would be appropriate. For example, in the Initial

[3] Application Appendix H and Exhibit DRI-1.
[4]Mr. Bassham and Mr. Reed note that the primary way the Applicants have addressed the Commission's concerns is through the Amended Merger Agreement being a stock-only transaction and a merger of equals, with no acquisition premium or debt financing.
[5] See, Docket No. 16-KCPE-593-ACQ, Exhibit DRI-3.

Transaction Order, the Commission expressed concern related to the capital structures used to establish rates in future rate cases.[6] Holdco's consolidated capital structure will ultimately be balanced in terms of long-term debt and equity capital. This result is significantly different than the Initial Transaction when consolidated GPE equity was forecasted to be 41 percent at close compared to 59 percent now for Holdco. As such, there is no request from the Applicants for a determination of a capital structure to be used for future rate cases.

Q: Please summarize your testimony regarding the Merger Standards?

A: I address how the Amended and Restated Agreement and Plan of Merger dated July 9, 2017 (the "Amended Merger Agreement"), including the Applicants' proposed Merger Commitments and Conditions, satisfies Merger Standard (a) the effect of the transaction on consumers, including (iii) whether ratepayer benefits resulting from the transaction can be quantified (in coordination with Mr. Busser); Merger Standard (b) the effect of the transaction on the environment; Merger Standard (f) whether the transaction maximizes the use of Kansas energy resources; and Merger Standard (g) whether the transaction will reduce the possibility of economic waste.[7]

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[6] In Initial Transaction, the Applicants committed not to seek recovery of the acquisition premium in rates, but stipulated that they could do so in the event that other parties proposed that the capital structure used to calculate rates for an operating utility be the consolidated capital structure, rather than the capital structure of that subsidiary. See, Initial Transaction Order, ¶¶ 40-41.

[7] The Merger Standards are outlined by the Commission in Docket No. 16-KCPE-593-ACQ in its Order issued August 9, 2016 ("16-593 Merger Standards Order"). In the 16-593 Merger Standards Order, the Commission reaffirmed the Merger Standards adopted in its Order issued Nov. 14,1991 in Consolidated Dockets 172,745-U and 174,155-U, as later modified in the September 28, 1999 Order in Docket No. 97-WSRE-676-MER.

III. SAVINGS TO CUSTOMERS

A. Customer Bill Credit Commitment

Q: Please describe the commitment to upfront bill credits.

A: KCP&L, Westar, and GMO will provide upfront bill credits to all retail electric customers totaling $50 million to be allocated across the Applicants' electric rate jurisdictions in both Kansas and Missouri within 120 days of the closing of the Merger. This is a demonstrable upfront savings benefit for customers from the Merger.

Q: Please describe how the upfront bill credit will be allocated to customers.

A: This $50 million will be allocated among Applicants' electric rate jurisdictions in both Kansas and Missouri based on the proportion of jurisdictional retail megawatt-hour sales for the quarter-ending twelve-month period prior to the closing, which we expect to be year-end 2017 or first quarter 2018. As to how this amount will be allocated among customer classes and ultimately credited to individual customers, we plan to work with Staff, Citizens' Utility Ratepayer Board ("CURB"), and the other parties to the proceeding to develop an appropriate methodology for Commission approval.

Q: Will the Applicants have realized net savings of $50 million by the time they plan to issue the upfront bill credits?

A: No. The Applicants are providing the credits prior to achieving a corresponding amount of savings. The upfront bill credits are a separate and additional benefit the Applicants are providing in addition to the net savings that will be reflected in future rate cases. These future cases, the first of which we expect will be pending when the Commission issues its order in this docket, will also include test year savings created in anticipation of the Merger for both companies. The bill credits will be applied to customer bills within 120 days of the closing; Merger savings will be fully reflected in the amount realized and reflected in the test year utilized to establish the utilities' cost of service in future rate cases.

As stated above, the upfront bill credits respond to the concern of the Commission that the Merger should result in near-term benefits for customers.[8] They also reflect the Applicants' commitment that the Merger provide meaningful near-term and long-term economic benefits to customers.

B. <u>Recognition of Savings in Future Rate Cases</u>

Q: How will savings from the Merger be recognized in future rate cases?

A: As is discussed in detail by Mr. Busser, the Merger will result in significant savings, with approximate annual projections of net savings for the years 2018 through 2022 of: $28 million, $110 million, $144 million, $150 million, and $160 million, respectively. These Merger savings will be fully reflected in the amount realized and reflected in the test year utilized to establish the utilities' cost of service for future rate cases. This will result in future rate increases being lower than would be the case absent the Merger. Further, lower utility costs as a result of these savings will allow KCP&L and Westar to delay future rate increase requests, by offsetting other utility cost of service pressures and the cost of needed infrastructure investments, which will result in lower customer bills than would be possible without the Merger. I further explain these dynamics below.

Q: Please explain the terms "transition costs," "net savings," and "transaction costs."

A: Transition costs are costs necessary to integrate Westar and Great Plains. These costs are necessary to create the Merger efficiencies and savings and ensure that the post-Merger integration process is effective. Transition costs unlock the savings of the Merger.

[8] See, Initial Transaction Order, ¶ 67.

Examples of transition costs include voluntary severance, other than change-in-control severance, costs incurred in integration planning as well as costs incurred to enable network connectivity for the merged company and allow for a more efficient combined company. Transition costs are netted against gross savings to calculate and present net savings.

Transaction costs refer to those costs necessary to support efforts to evaluate, negotiate and complete a transaction and the associated transaction agreements through and including approval of the transaction. Transaction costs include, but are not limited to, those costs relating to obtaining regulatory approvals, development of transaction documents, investment banking costs, costs related to raising equity incurred prior to the close of the Merger, change-in-control severance payments, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid solicitation, analyze bids, and conduct due diligence. Such costs also include compliance with existing contracts, including change in control provisions, and compliance with any regulatory conditions, closing costs, and communication costs regarding the ownership change with customers and employees. The costs associated with unwinding the debt financing from the Initial Transaction are also transaction costs.[9]

Q: Are the Applicants asking the Commission to allow recovery of transaction costs in KCP&L's or Westar's revenue requirements?

A: No. The Applicants will not seek recovery of transaction costs in rates. The Applicants will have the burden of proof to clearly identify where all transaction costs related to this

[9] The Applicants will have incurred this category of costs prior to hearings in the instant case, and will not seek rate recovery of these costs.

Merger are recorded and will be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates. They will provide an explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates. The Applicants propose that the obligations of this commitment shall continue until transaction costs of this Merger are no longer on Holdco's books in a test year for KCP&L and/or Westar, as applicable.

Q: What is the Applicants' proposal regarding rate recovery of transition costs?

A: In future rate cases, the Applicants expect to request Commission authorization to defer any transition costs incurred to that point and to recover an amortized amount of such transition costs over an appropriate period, provided that demonstrated Merger savings (*i.e.*, revenue requirement reductions) exceed the requested recovery of transition costs. These transition costs are necessary to produce the realized Merger savings which will benefit customers in the form of lower revenue requirements and lower rates in future rate cases than would be the case absent the Merger.

This proposal is consistent with the traditional treatment granted by the Commission for such costs.[10] For example, if KCP&L were to implement an early retirement plan resulting in a lower salary expense going forward, the costs of the plan would be considered legitimate costs to include in the revenue requirement calculation. The fact that such reduced revenue requirement will be enabled by the Merger should not change that ratemaking treatment.

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[10] See, for example, Docket No. 07-KCPE-1064-ACQ, Order Granting Joint Motions to Adopt Stipulation and Agreement and Approving Agreements, dated May 15, 2008, at 14.

Q: Is amortization the appropriate and typical ratemaking convention for such (primarily one-time) costs that enable ongoing savings?

A: Yes. Consistent with our request, generally the Commission would consider some amortization period when setting revenue requirements and rates. As long as the amortization period is fair and reasonable, the Applicants support deferral and amortization of such one-time costs incurred to unlock Merger savings for customers.

Q: What are the ways that the Merger savings benefit customers, yet also benefit the combined Company and its owners?

A: The Merger allows us to serve our customers more efficiently and realize Merger savings. Those savings provide a credit or offset to the cost of service and revenue requirement used to set utility rates absent the Merger. That means the utilities can earn near their revenue requirement while addressing other cost of service pressures and the cost of making needed infrastructure investments without having to raise rates as frequently. The Merger benefits customers in three distinct ways, and also benefits the combined Company and its owners.

First, customers benefit from the $50 million in upfront bill credits. But for the Merger and the confidence we have in the savings it will produce, we would not be financially able to offer customers millions of dollars in guaranteed upfront bill credits – even before we realize that same level of savings in our cost structure.

Second, customers benefit from rates that are lower than they would pay absent the Merger. As we create efficiencies and realize savings, those savings reduce our utilities' cost of service. The lower costs result in more favorable test year revenue requirements, such that in resetting rates, customers realize the savings in the rates they ultimately pay.

Third, customers benefit from a delay in future rate cases as the utilities are able to use Merger savings between rate cases to offset cost of service increases and the cost of needed infrastructure investment. This allows the utilities to earn near their authorized returns without requiring rate increases to address rising costs.

Q: Please explain how net Merger savings will (1) be directly reflected in customers' rates through rate cases, and (2) offset cost increases and cost of infrastructure investments between rate cases.

A: To demonstrate the distribution of net Merger savings to customers over the first twenty years after close of the Merger, I have developed an illustrative example of customer benefits over the twenty-year period.

Table 1, shown below, presents an illustrative quantification of how the net Merger savings would be reflected in customers' rates and would be used to defer otherwise necessary rate increases over a 20-year period. The illustration presented in this table is based on the following assumptions:

- The $50 million upfront bill credit total is a cost to the utilities and benefit to customers. This reflects that the Applicants will not net this amount against the achievement of net savings. The bill credit is an incremental benefit for customers beyond the Merger savings.
- KCP&L and Westar in Kansas will have rate proceedings in 2018, to establish new rates projected in the financial plan on November 1, 2018 for KCP&L and February 1, 2019 for Westar, for simplicity of the illustration. These rates will be based on a historic test year of 2017 as updated. The illustration reflects expected realized Merger savings as benefits to customers through rates determined in the 2018 cases.
- While impossible to predict with absolute certainty today, this table assumes, that, following the 2018 rate proceedings, the operating utilities will not have their next Kansas rate cases until 2023, with a historic test year of 2022, for new rates effective November 1, 2023 for KCP&L and February 1, 2024 for Westar.
- The table reflects customer benefits from the removal of a Westar abbreviated rate case that is reflected in Westar's standalone financial plan with rates effective September 2020.

- The same period of five years between Kansas rate cases is assumed following 2023 through the end of the 20-year period. It is assumed that operating utility rate cases in Missouri will have four years between rate cases consistent with filing requirements to retain their fuel adjustment clauses.

- Between rate cases, net savings are used to offset increases in the cost of service and support needed infrastructure investments and allow the utilities to earn close to their authorized returns without having to file for a rate review. Net savings are "passed" to customers in a rate case through a lower cost of service, which is the basis of rates, by the amount of the net savings in the test year.

- The incremental impact is Merger-related net savings only; it does not include other elements of utility costs or rates.

- The table reflects annual net savings, *i.e.*, gross savings minus transition costs.

- Five years of net savings are shown for 2018-2022, reflecting the net savings presented by Mr. Busser.

- For the years after 2022, it is assumed for simplicity in this illustration that no additional savings are achieved. However, operations and maintenance ("O&M") cost savings are escalated by an O&M inflation factor of 2.4 percent annually after 2022.

- Once net savings are reflected in rates, the utilities retain no further portion of the net savings passed to customers to offset future rate cases. Ultimately, all savings are reflected in rates once addressed in a rate case.

- The table reflects payments by the Applicants of a total of $57.6 million in transition costs in 2016 through 2018.

- The table reflects the Applicants' expected request to defer transition costs in rate cases and recovery over an amortization period covering the timeframe between rate cases portrayed in the table. Because the Applicants are not requesting deferral of transition costs until future rate cases, amounts are considered a cost to the utilities when incurred and then reflected as a cost to customers and return to the utilities when recovered through future amortization.

Table 1: Illustrative Net Merger Savings Distribution

Illustrative Net Savings Distribution Great Plains Energy and Westar Energy Proforma Combined (amounts in millions)						
		Gross	Transition	Net	Net Savings Distribution	
Year #	Year	Savings	Costs	Savings	Customers	Utilities
	2016-2017	$ -	$ (35.6)	$ (35.6)	$ -	$ (35.6)
1	2018	49.7	(21.9)	27.8	53.5	(25.7)
2	2019	116.9	(6.6)	110.3	36.8	73.5
3	2020	146.5	(3.0)	143.5	47.5	95.9
4	2021	151.9	(2.6)	149.3	66.2	83.1
5	2022	162.0	(2.2)	159.9	73.4	86.4
6	2023	165.5	-	165.5	111.6	53.9
7	2024	169.1	-	169.1	159.4	9.7
8	2025	172.8	-	172.8	161.3	11.5
9	2026	176.6	-	176.6	162.2	14.3
10	2027	180.4	-	180.4	166.9	13.5
11	2028	184.4	-	184.4	169.0	15.4
12	2029	188.4	-	188.4	180.7	7.8
13	2030	192.6	-	192.6	182.4	10.2
14	2031	196.8	-	196.8	187.6	9.3
15	2032	201.2	-	201.2	187.6	13.6
16	2033	205.6	-	205.6	188.1	17.5
17	2034	210.2	-	210.2	200.9	9.3
18	2035	214.9	-	214.9	207.4	7.5
19	2036	219.6	-	219.6	207.4	12.2
20	2037	224.5	-	224.5	207.4	17.1
Totals		$ 3,529.9	$ (71.8)	$ 3,458.0	$ 2,957.4	$ 500.6
NPV at 7.50%				**$ 1,580**	**$ 1,276**	**$ 305**
NPV Distribution of Net Savings					**81%**	**19%**

Q: What is the main conclusion illustrated by Table 1?

A: In addition to the $50 million in upfront bill credits, all Merger savings serve to reduce the cost of service and to delay rate increases that would be required absent the Merger. Based on the assumptions used in Table 1 and using a 7.5 percent discount rate to determine the net present value of benefits, 81 percent of benefits accrue to customers, and 19 percent are used between rate cases to reduce the utilities under earning of allowed returns and offset increases in the cost of service and cost of making necessary infrastructure investments. Applying different assumptions could change the resulting percentages somewhat, but they would not change the basic conclusion that there are significant demonstrable benefits to customers over time from the $50 million upfront bill credit and the favorable effects of the Merger savings as an offset to the cost of service in future rate cases.

Q. How can the Merger contribute to delaying a rate increase?

A: As shown in the analysis by Mr. Busser, the Applicants expect to achieve significant Merger-related net savings over the period of 2018-2022. During this period, KCP&L and Westar will experience cost increases in other areas of their business operations and will make capital investments which are not reflected in revenue requirements. KCP&L and Westar will use Merger savings to offset these other cost pressures, and therefore be able to delay filing future rate cases. The assumption in Table 1 that KCP&L and Westar will not need to file a rate case in Kansas until 2023 is enabled by the achievement of the Merger-related savings. Avoided or delayed rate increases are just as real in providing lower bills for customers as lower rate increases in rate cases.

Q: How will the net Merger savings produced between rate cases contribute to returns?

A: The net Merger savings in the early years after the Merger closes and after the 2018 rate cases will allow Westar and KCP&L a better opportunity between rate cases to earn their authorized returns. Absent such savings, the utilities might have to file for rate increases due to a revenue deficiency. This application of Merger savings by the utilities is not expected to produce regulated returns in excess of authorized returns; however, if that ever were to occur, parties could petition that rates should be reduced to ensure that all savings appropriately benefit customers in the rates they pay while still appropriately allowing the utilities an opportunity to earn near their authorized returns.

C. The Need for Rate Cases in 2018

Q: Please describe the factors that drive the need to file rate cases in the 2018.

A: There are several factors that drive the need for near-term rate cases. Westar's case is driven primarily by (1) its large investment in wind generating facilities already providing low-cost renewable electricity to its customers, but which are not yet in its revenue requirement, (2) the need to address the expiration of wholesale contracts which had served as an offset to the retail cost of service, and (3) the expiration of 10-year production tax credits on wind farm investments placed in service a decade ago. KCP&L plans to file a rate case primarily to recover the costs of a new customer information system and other infrastructure investments since its last rate case. Irrespective of the Merger, these circumstances cause Westar and KCP&L to experience revenue deficiencies and contribute to the need for a rate case. Merger savings are likely to defer the need for future rate cases, and savings in anticipation of the Merger will have a favorable effect on these first rate cases; however, Merger savings will not be realized in time or at a sufficient level to defer the 2018 rate cases.

D. Retirement of Generation Units

Q: What were the Commission's concerns in the Initial Transaction Order related to the retirement of generating units?

A: The Commission expressed concern that savings related to the retirement of generation units were not "transaction related," potentially leading to an overstatement of merger-related benefits.[11]

[11] Initial Transaction Order, ¶ 55.

Q: Have the Applicants addressed this concern?

A: Yes. As detailed by Mr. Busser, the Applicants believe they have addressed this concern by not including the savings associated with the KCP&L and GMO retirements in the calculation of savings attributable to the Merger.

Q: What plans do KCP&L and Westar have to retire generation units?

A: KCP&L has publicly announced its intention to retire five coal-fired units and one natural gas unit across KCP&L and GMO at the Sibley, Montrose, and Lake Road generating plants either in 2018 or 2019. These units will be between 49 and 57 years old upon retirement and will have served customers well for decades, years longer than expected when the plants were first placed in service. Details of these units are included in Table 2.

Table 2: Planned KCP&L and GMO Generation Retirements

Generating Unit	**Capacity**	**Type**	**In-service**	**Retire by**
Lake Road 4/6	97 MW	Natural Gas	1967	Dec. 31, 2019
Montrose 2	164 MW	Coal	1960	Dec. 31, 2018
Montrose 3	176 MW	Coal	1964	Dec. 31, 2018
Sibley 1	48 MW	Coal	1960	Dec. 31, 2018[12]
Sibley 2	51 MW	Coal	1962	Dec. 31, 2018
Sibley 3	364 MW	Coal	1969	Dec. 31, 2018

Prior to the Merger, Westar planned to retire five generating units between 2023 and 2028. Table 3, below, identifies the Westar units, their capacity, fuel type, in-service

[12] GMO retired Sibley 1 in June 2017 for operational reasons.

data, and planned retirement dates. These units will be between 51 and 62 years old upon retirement and will also have served customers decades longer than first envisioned.

Table 3: Planned Westar Generation Retirements				
Generating Unit	**Capacity**	**Type**	**In-service**	**Retire by**
Gordon Evans 1	152 MW	Gas	1961	2028
Gordon Evans 2	372 MW	Gas	1967	2028
Murray Gill 3	93 MW	Gas	1956	2025
Murray Gill 4	90 MW	Gas	1959	2025
Tecumseh 7	70 MW	Coal	1957	2023

Q: What is the impact of the Merger on these retirement dates?

A: These retirements of the KCP&L and GMO units will provide cost savings for customers, but are not affected by the Merger. These retirement dates will not change due to the Merger and are not included in the efficiencies presented as Merger savings.

However, if the Merger is approved, the retirement of the Westar units will be accelerated and will occur after the peak summer season in 2018, *i.e.*, in a range of 5-10 years earlier than anticipated for Westar absent the Merger. Because these retirements will be significantly accelerated by the Merger, these efficiencies have been included as Merger savings.

Q: How did the Applicants determine the impacts of the Merger on these retirements?

A: The Applicants conducted a combined integrated resource plan ("IRP") process. The analysis we conducted is similar to that which KCP&L conducts for its standalone IRP required to be filed in Missouri.[13] The analysis demonstrates that these Westar plants can be retired following the peak summer season in 2018 without negatively impacting cost to serve customers or Westar's ability to meet the reserve requirements established by SPP and that the accelerated retirements result in the least cost option on a net present value of revenue requirements basis for customers over the 20-year planning horizon.

Q: What are the expected savings from these plant retirements?

A: The savings from these retirements are reflected in the financial model as described by Mr. Somma. The Merger-related savings from accelerating the retirement of the Westar units are forecast to be $55.4 million over the first five years after the Merger closes. As these savings are significantly enabled by the Merger, the Applicants included them in their calculation of Merger savings.

As discussed by Mr. Busser, the Applicants forecast savings associated with the retirement of the KCP&L and GMO units to be $222.6 million over the first five years following the Merger close. As these retirements are not related to the Merger, these savings are not included in the estimates of the Merger savings. However, as discussed by Mr. Somma in his direct testimony, these expected savings from KCP&L and GMO generating unit retirements are savings that will benefit the companies and their customers and are reflected in the combined Company's pro forma five-year financial forecast.

Q: Will savings from the Westar and the KCP&L and GMO retirements be treated differently in terms of how the savings benefit customers in the rates they pay?

A: No. The savings will benefit customers in the same manner. Savings from these retirements will result in lower revenue requirements and rate requests than would

[13] Anti-trust law restrictions preclude an exchange of certain information such as confidential market-sensitive fuel price forecasts prior to the consummation of the Merger. This does not impact the decision quality of these results.

otherwise be the case when Westar and KCP&L file future rate cases. Just as with the full set of Merger savings, they contribute to enabling Westar and KCP&L to delay future rate increases. The total Merger and non-Merger related net savings from these retirements are forecast to be $278 million over the first five years following the Merger.[14] Whether these savings are specifically attributable to the Merger or not, customers will ultimately receive the benefits.

IV. MERGER COMMITMENTS AND CONDITIONS

A. Approach to Merger Commitments and Conditions

Q: Please describe the Applicants' general approach regarding Merger Commitments and Conditions.

A: In developing the Commitments and Conditions, the Applicants started with the commitments and conditions that we ultimately proposed in the Initial Transaction.[15] That list combines the vast majority of the commitments and conditions included in the rebuttal testimonies of the Applicants and reflects many recommendations of KEPCo.[16] As we made clear in that earlier case, we were willing to adopt many of the commitments and conditions proposed by intervenors.[17] Our approach remains the same in this amended Merger. We have also considered whether individual commitments and conditions are no longer relevant given the amended structure of the Merger, and whether additional commitments and conditions should be considered. For example, as described above, we eliminated conditions related to determination of ratemaking capital structures, as the Amended Merger Agreement does not involve debt financing and Holdco will have a

[14] Bryant Direct Testimony.
[15] See, Docket No. 16-KCPE-593-ACQ, Exhibit DRI-3.
[16] KEPCo's Post-Hearing Brief, Docket No. 16-KCPE-593-ACQ. March 13. 2017, Appendix C.
[17] Docket No. 16-KCPE-593-ACQ. Exhibit DRI-3

balanced capital structure similar to those in place for Westar and KCP&L. In the end, we have proposed a full and robust set of Merger Commitments and Conditions, which witness John J. Reed describes as exceeding the typical commitments and conditions for such an equity-only merger of equals with adjacent service territories.

Q: What is the purpose of the Merger Commitments and Conditions?

A: The purpose of the Commitments and Conditions is to collectively ensure that the Merger will directly benefit customers, both immediately and over the longer term, that customers will be protected from potential Merger related risk, that the public interest is served, and that the Commission's regulatory oversight will be maintained.

B. Overview of Merger Commitments and Conditions

Q: What Commitments and Conditions are the Applicants proposing as part of the Application requesting Commission approval of the Merger?

A: The Applicants are proposing an extensive set of Commitments and Conditions, which are detailed in Appendix H to the Application and included in my direct testimony Exhibit DRI-1. The Commitments and Conditions are grouped into the following broad categories:

I. General Conditions

II. Employee Commitments

III. Financing and Ring-fencing Conditions

IV. Ratemaking, Accounting and Related Conditions

V. Affiliate Transactions and Cost Allocations Manual Conditions

VI. Quality of Service Conditions

VII. Reporting and Access to Records Conditions

VIII. Other Parent Company Conditions

I. General Conditions

Q: Please provide an overview of the general conditions.

A: The general conditions address the location and staffing levels of headquarters (No. 1), company leadership (No. 2), local charity giving and community involvement (No. 3), and the maintenance and promotion of low-income programs (No. 4). Collectively, they acknowledge that both KCP&L and Westar have been and will continue to be major participants in local economies as employers and community leaders that provide meaningful resources.

II. Employee Commitments

Q: Please provide an overview of the employee commitments.

A. These commitments give our valued employees important assurances and reflect the important role of both KCP&L and Westar as large employers in Kansas.

We set out our commitments to achieve reductions in payroll cost through attrition or voluntary programs, with no involuntary severance, including at certain generating facilities, and to do so in a generally balanced manner between Kansas and Missouri (No. 7) to honor existing collective bargaining agreements (No. 5), and to maintain substantially comparable compensation levels and benefits for all employees (No. 6).

III. Financing and Ring-Fencing Conditions

Q: Please provide an overview of the financing and ring-fencing conditions.

A: The financing and ring-fencing conditions ensure that the financial condition of the combined Company does not have any adverse impact on either KCP&L or Westar, and preserves a separation between KCP&L and Westar for both financial and governance purposes. They establish commitments to maintain separate capital structures, debt instruments, and credit ratings among Holdco, KCP&L and Westar, and – except for longstanding and approved guarantees between Westar and its subsidiaries – prohibit the utilities from guaranteeing the debt of other affiliates or through the pledge stock of an affiliate as collateral for the obligations of another entity, unless otherwise authorized by the Commission.

These conditions also address the structure and membership of the Holdco board of directors, including leadership of standing board committees (No. 8), and a commitment to maintain the financial integrity of Westar and KCP&L (No. 9). They ensure that Holdco, Westar, and KCP&L will maintain separate capital structures, including separate debt and preferred stock (if any), will maintain investment-grade capital structures, and will maintain levels of debt in capital structures below stated maximums (Nos. 10, 11). The Applicants commit to maintain separation of the assets of the affiliated companies unless otherwise authorized by the Commission (Nos. 12, 13, 14).

These conditions recognize the importance of strong credit metrics and financial ratios, as well as the commitment to maintaining separate issuer and issue credit ratings (No. 15). In the unlikely event either KCP&L or Westar were ever to experience a credit rating downgrade to below investment grade level, the conditions set out specific notice and reporting requirements to be given to the Commission and steps to be taken in response to the downgrade, including treatment of the downgrade in future rate cases to ensure that customers are not detrimentally affected (No. 16).

The Applicants commit not to seek an increase to their cost of capital because of the Merger or because of their ongoing affiliation with the combined Company or each other. If either KCP&L or Westar seeks an increase in its cost of capital, the conditions state how such a request is to be supported in evidence to establish that it is not a result of the Merger or dealings with the other affiliated entities (No. 17).

Q: Do other Applicant witnesses address these financing and ring-fencing conditions in detail?

A: Yes. Mr. Reed addresses these conditions in detail, and I refer to his direct testimony for that important discussion.

IV. Ratemaking, Accounting and Related Conditions

Q: Please provide an overview of the ratemaking, accounting, and related conditions.

A: The ratemaking, accounting, and related conditions provide customers with Merger savings while protecting them from potential adverse outcomes. They explicitly commit and document that the utility subsidiaries will not recover any Merger goodwill or transaction costs, including change in control severance costs, or termination fees associated with the transaction. These conditions address concerns regarding the impact of the Merger on future rates.

Pursuant to these conditions, the Applicants will provide all Kansas and Missouri retail electric customers with bill credits totaling $50 million within 120 days of the closing the Merger (No. 18).

Neither Westar nor KCP&L will seek to recover transition costs that are in excess of corresponding benefits. While Applicants expect to request that transition costs be deferred on the books of KCP&L and Westar and considered for recovery over an appropriate amortization period in their future rate cases, the burden of proving that such costs are appropriate for inclusion in rates is on the utility, including evidence that benefits to customers exceed the corresponding requested recovery of transition costs (No. 19).

The Applicants commit that goodwill from the Merger will stay on the books of Holdco and will not negatively affect KCP&L's or Westar's cost of capital, and will not be included in the revenue requirement of KCP&L or Westar in future rate cases (No. 20). Should impairment of the Merger goodwill occur and potentially impact the utilities, rates will be adjusted as needed to remove the effect of any impairment (No. 21).

The Applicants will record transaction costs on the books of the Holdco, and will not seek recovery of transaction costs in rates (No. 22). Westar's and KCP&L's fuel and purchased power costs shall not be adversely impacted by the Merger, and customer retail rates shall not increase because of the Merger (Nos. 23, 24). In future rate cases, KCP&L and Westar will demonstrate adherence to these commitments with appropriate analysis, testimony, and other documentation (No. 25).

V. <u>Affiliate Transactions and Cost Allocation Manual ("CAM") Conditions</u>

Q: Please provide an overview of the affiliate transactions and CAM conditions.

A: These affiliate transactions and CAM conditions provide assurances that future regulation by the KCC will continue to be effective post-Merger and that customer rates will not increase due to intercompany charges after the Merger close.

KCP&L and Westar commit to provide all additional relevant affiliate service agreements within 60 days after the close of the Merger and with the first post-closing rate case (No. 26), and confirm specific agreements regarding access to books and records of the affiliates and compliance with the KCC's affiliate transaction rules (Nos. 27, 28). KCP&L and Westar will seek recovery of intercompany charges in their first base rate proceedings filed post-Merger at levels equal to the lesser of actual costs or the costs allowed for such function in their most recent rate case prior to the closing of the Merger (No. 29).

The Applicants also commit to maintain separate books and records, which will be available to the Commission and its Staff and which will allow the audit of the allocation of centralized corporate costs (No. 30). The Applicants agree to file with the Commission the anticipated MPSC order in the proceeding where GPE seeks a variance from the Missouri Affiliate Transaction Rule 4 CSR 240-20.015 (No. 31). KCP&L and Westar will meet with Staff and CURB no later than 60 days after the closing of the Merger to provide information regarding adjustments to KCP&L's and Westar's CAMs and agree to file updates to the CAMs within a specified time frame (No. 32).

VI. Quality of Service Condition

Q: Please provide an overview of the quality of service condition.

A: The purpose of the quality of service condition is to ensure that quality of service does not deteriorate post-Merger. As stated by the Commission in its Initial Transaction Order, Westar and KCP&L have a long history of providing sufficient and efficient service in Kansas.[18] This commitment ensures the utilities will have every incentive to continue to provide at least that same level of service.

KCP&L and Westar agree to provide reliable electric service and call center service that meets or exceeds the specific performance metric thresholds set forth in the schedules to Mr. Akin's direct testimony. This is consistent with the Commission's prior transaction orders in the areas of customer service and reliability.[19] Further, KCP&L and Westar agree

[18] Initial Transaction Order, ¶ 5.
[19] Docket No. 07-KCPE-1064-ACQ, Joint Motion and Settlement Agreement filed Feb. 28, 2008, Attachments 1, 2 and 3. Docket No. 14-KGSG-100-MIS, Joint Motion for Approval of Unanimous Settlement Agreement, filed Dec.

to accept penalties, if deemed necessary by the Commission, for failure to meet the thresholds set out in those schedules, and will provide periodic reports on their performance under the relevant metrics (No. 33).

VII. <u>Reporting and Access to Records and Parent Company Conditions</u>

Q: Please provide an overview of these conditions.

A: These conditions help ensure that the Commission and its Staff have the information needed to perform future audits, to stay abreast of important developments at the utilities, and to protect utility customers pursuant to the Commission's statutory charge.

KCP&L and Westar will meet with and/or provide information to Staff and CURB, as appropriate, at established time intervals following the Merger close regarding (1) Merger integration implementation, including utility operations and customer experience impacts, (2) staffing levels, and (3) board of directors' reports or presentations regarding Merger efficiencies; KCP&L and Westar also commit to continue to meet current reporting obligations (No. 34). For five years following Merger close, Holdco will provide to Staff and CURB its annual goodwill impairment analysis with supporting materials; after five years, such materials will be provided upon request (No. 35). Any material Merger-related financial and accounting changes will be reported to the Commission (No. 36). KCP&L will provide to Staff its integrated resource plan within seven days of its filing in Missouri, and will provide a public version to CURB (37).

The Applicants confirm that they will provide Staff and CURB with access to written information provided to common stock, bond or bond rating analysts, and will make available to them all books, records and employees relevant to this Commission's

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4, 2013, Schedule 1. Docket No. 16-EPDE-410-ACQ, Joint Motion for Commission Approval of Unanimous Settlement Agreement, filed Oct. 6, 2016, Exhibit A, Unanimous Settlement Agreement. at 12-14.

regulatory authority and to verify compliance with the utilities' CAMs and any conditions ordered by the Commission (Nos. 38 and 39).

Holdco, Westar and KCP&L will provide Staff and CURB access to board of directors' meeting minutes, subject to appropriate objections on relevancy grounds (No. 40). They will retain records supporting their affiliate transactions for at least six years (No. 41). Finally, the combined Company, KCP&L, and Westar will provide to Staff detailed journal entries to reflect the Merger within six months of the Merger close, as well as final journal entries to the Commission no later than 13 months following the Merger close. The journal entries must show any entries to record or remove any Merger goodwill or transaction costs (No. 42).

Additionally, the combined Company, KCP&L and Westar reaffirm prior commitments made to the Commission to comply with any previously issued orders applicable to KCP&L, Westar, or their previous owners (No. 43), and Holdco acknowledges the need to meet the capital requirements of its utility subsidiaries (No. 44)

C. <u>Summary and Conclusion Regarding Commitments and Conditions</u>

Q: Please summarize your conclusions regarding these Commitments and Conditions.

A: The Applicants have developed a set of Merger Commitments and Conditions that is responsive to the Commission's concerns in the Initial Transaction Order, as well as to the input of stakeholders in the Initial Transaction proceeding. The Commitments and Conditions are robust and reflect the Applicants' commitment to our customers, our service territories, and this Commission.

V. MERGER STANDARDS (a)(iii), (b), (f) AND (g)

Q: Which elements of the Commission's Merger Standards will you be addressing?

A: I address four specific Commission Merger Standards: Merger Standard (a) the effect of the transaction on consumers, including (iii) whether ratepayer benefits resulting from the transaction can be quantified (in coordination with Mr. Busser); Merger Standard (b) the effect of the transaction on the environment; Merger Standard (f) whether the transaction maximizes the use of Kansas energy resources; and Merger Standard (g) whether the transaction will reduce the possibility of economic waste. I conclude that the Applicants' Amended Merger Agreement satisfies each of these standards.

A. <u>Merger Standard (a)(iii) whether ratepayer benefits resulting from the transaction can be quantified</u>

Q: Please summarize how the Applicants have satisfied to this standard.

A: The Applicants have demonstrated the quantifiable efficiencies and cost savings that will result from the Merger, with annual projections of net savings for the full years following the Merger (i.e., 2018-2022) of: $28 million, $110 million, $144 million, $150 million, and $160 million, respectively.[20] As described by Mr. Busser in greater detail, the Applicants have identified the anticipated Merger savings through a detailed multi-month process, established the level of reasonably achievable savings, and explained where they will come from and how they will be captured. As shown in Mr. Busser's direct testimony, the Applicants' quantification of benefits from the Merger was conducted properly, is consistent with recognized industry methods, and satisfies Merger Standard (a)(iii).

[20] Busser Direct Testimony.

Q: How will these quantified benefits be realized by customers?

A: My testimony in Section III, B. above addresses how the quantified savings presented by Mr. Busser will benefit customers in the rates they pay. First, the Applicants are providing a clear and quantified benefit to customers from the Merger through the proposed upfront bill credit totaling $50 million across all Kansas and Missouri retail electric customers. If the Merger is approved, retail customers will receive this clearly quantified credit on their bills within 120 days after the close.

In addition, Merger savings will benefit customers in two ways: (1) rate requests will be less than they would be absent the Merger and (2) requests for rate increases may be delayed or deferred. As demonstrated by the savings example I provided above, all Merger savings serve to reduce the cost of service over time. In the conservative analysis shown on Table 1, 81 percent of the quantified Merger-related savings over 20 years accrue to customers, and 19 percent are applied between rate cases to reduce under earning of allowed returns while at the same time addressing cost of service pressures and the cost of needed infrastructure investments.

B. <u>Merger Standard (b) The effect of the transaction on the environment</u>

Q: How does the Merger satisfy Merger Standard (b)?

A: KCP&L and Westar have both been strong environmental stewards and the Applicants intend to continue with the environmental plans and programs of both utilities upon approval of the Merger. Of course, the federal Environmental Protection Agency and Kansas Department of Health & Environment will retain their full authority to regulate our operations. Because Kansas is one of the premiere locations in the United States for the siting of wind power, the Merger may enable the future construction of additional wind generation in Kansas given that the combined Company will have almost two-thirds of its customers in Kansas. A significant portion of such additional wind generation could be used to serve both Kansas and Missouri customers. In addition, the retirement of 780 MW of fossil-fuel generation will be accelerated because of the Merger. Both of these outcomes will decrease emissions and provide positive impacts on the environment. Moreover, because of its greater financial strength compared to GPE or Westar on a standalone basis, the combined Company will have greater flexibility to expand its renewable generation in the future. Finally, KCP&L has been a leader in its efforts to promote energy efficiency. This includes rate design and demand side management/energy efficiency efforts and programs which will be shared with Westar. For all of these reasons, but most specifically, the acceleration of the retirement of 780MW of Westar's fossil-fueled generation, which is facilitated by the recent increases, and potential for additional increases, in Kansas renewable energy, the Merger would have an additional positive impact on the environment.

C. Merger Standard (f) Whether the transaction maximizes the use of Kansas energy resources

Q: How will the Transaction maximize the use of Kansas energy resources?

A: The Merger has a positive impact on maximizing the use of Kansas energy resources in at least three distinct ways. First, the Merger results in a financially stronger combined Company that should help insure that investments in Kansas electric infrastructure continue at a pace to allow positive economic growth. Second, with the combined Company having nearly one million Kansas customers, representing nearly two-thirds of its total customer base, and with Kansas possessing substantial wind resources, the Merger increases the likelihood of additional wind resources being built in Kansas in the future relative to the utilities' standalone prospects. Lastly, the Merger creates significant operating savings that make the utilities more efficient in their service to customers including the accelerated retirement of 780MW of older, less efficient Westar generating units.

Q: Please elaborate on your comment that the financially stronger combined Company supports satisfaction of Merger Standard (f).

A: I rely upon the testimony of Messrs. Somma and Bryant supporting the financial strength of the combined Company. With approximately two-thirds of the combined Company's customers located in Kansas, this level of investment will certainly be supportive of utilization of Kansas resources and of Kansas economic development.

Q: Can you describe the likelihood of utilization of additional Kansas wind resources by the combined Company?

A: Both companies have already committed to significant quantities of native Kansas energy resources, predominantly wind energy, and will continue those commitments. With its improved financial strength, the combined Company will be in a better position to take further advantage of those resources in the future. It is noteworthy that both Westar and the Great Plains operating utilities have made great strides in balancing their generation portfolios over the last decade or so. We are no longer what many thought of as staunch coal burning utilities. In fact, on a combined basis our respective environmental stewardship has us on a path projected by 2020 to reduce emissions from 2005 levels for sulfur dioxide by 98 percent, for nitrogen oxide by 85 percent and for carbon dioxide of 38 percent. This has been made possible in large part by significant growth in the Westar and Great Plains renewable portfolio, which by year-end 2017, will on a combined basis be at approximately 3,230 MW, primarily made up of Kansas wind resources either owned or under firm long-term control through power purchase agreements. This demonstrated environmental stewardship and make over of the operating utilities' generating capacity will continue and will be supported by the financial strength of the combined Company resulting from the revised transaction structure of the Merger.

Q: Will the combined Company also benefit from the zero-carbon emission generation capacity of Wolf Creek?

A: Yes. The combined Company will continue to operate its major Kansas energy resources including the Wolf Creek Nuclear Generating Station, the only nuclear facility existing in Kansas, which will be 94 percent owned by the Applicants' utility subsidiaries upon closing of the Merger. The Applicants will have the opportunity to employ best practices across the combined organization to provide efficiency benefits across all Kansas energy resources.

Q: Does the Merger provide an opportunity to accelerate the retirement of Westar fossil-fired generating capacity?

A: Yes. As discussed, above, KCP&L conducts an IRP process that evaluates and identifies the appropriate mix and schedule of supply-side, demand-side and distribution and transmission resource additions and retirements to provide the public with an adequate level, quality and variety of end-use energy services on a continuous going-forward basis. A benefit of the Merger for Kansas is that this process for Great Plains operating utilities has been expanded to include Westar post-Merger and will contribute to resource planning using the most advanced approaches to achieve the most efficient outcomes on behalf of customers. The combined Company will continue to utilize this robust IRP process across all of it operating utilities after close of the Merger. As described above, the Merger will maximize the efficiency of Kansas resources by accelerating the retirement of 780 MW of older Westar generating units resulting in cost savings for customers through the use of more modern and efficient resources including Kansas wind energy.

D. <u>Merger Standard (g) Whether the transaction will reduce the possibility of economic waste</u>

Q: How will the Merger reduce the possibility of economic waste?

A: Merger Standard (g) is closely aligned with Merger Standard (f). Merger Standard (g) is met most directly through the demonstrated Merger savings discussed in the direct testimony of Mr. Busser. The geographic fit between these two adjacent utilities makes high levels of Merger savings possible. The significant cost savings are generated by avoiding duplication of administrative and support services costs as well as other cost savings related to operational aspects of the business made possible by the increased size and scale of the combined Company. These savings, net of the transition costs required to achieve the savings, are expected to be $28 million in 2018 growing to $160 million by 2022. These demonstrable savings are clear support that the Merger will reduce the possibility of economic waste.

Additionally, I discuss above how KCP&L's IRP process fully evaluates generating resource requirements, including plant closures, based on the best long-term interests of our electric customers, thereby reducing the potential for economic waste, and how this has been expanded to include Westar post-Merger.

Q: Do the Applicants have additional support that the Merger reduces the possibility for economic waste?

A: Yes. Mr. Reed's direct testimony presents the results from an economic IMPLAN analysis he conducted demonstrating that the lower electricity rates expected to result from the savings associated with the Merger will increase productivity and thereby reduce economic waste.

VI. CONCLUSIONS

Q: Please summarize the conclusions of your testimony.

A: My testimony supports three main conclusions.

1) The Merger will result in significant customer benefits through timely bill credits, the inclusion of initial Merger savings in the cost of service of Westar and KCP&L in rate cases that will be filed and pending at the time of the expected Order in this Application, and future rates that will be lower than they would be, including the delay of future rate cases, absent the Merger;

2) The comprehensive set of Commitments and Conditions ensures significant benefits and protections for customers, maintains Commission oversight, supports compliance with the Merger Standards, and supports a Commission determination that the Merger is in the public interest; and

3) The Merger satisfies the Commission's Merger's Standards (a)(iii), (b), (f), and (g), and the evidence provided by the Applicants in addressing these Merger Standards is supportive of a Commission determination that approving the Merger is in the public interest.

Q: Does that conclude your Direct Testimony?

A: Yes, it does.

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Westar Energy, Inc. for Approval of the Merger of Wester Energy, Inc. and Great Plains Energy Incorporated	))))))	**Docket No. 18-KCPE- 095 -MER**

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 Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of thirty-seven (37) 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 24th 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

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	I. General Conditions
1	***Headquarters*****:** Holdco will maintain its corporate headquarters in Kansas City, Missouri and shall honor all terms and conditions of the existing lease for its headquarters office located at 1200 Main in Kansas City, Missouri, which expires in October 2032. Holdco will also maintain the current Westar Topeka downtown headquarters building at 800-818 South Kansas Avenue in Topeka, Kansas for its Kansas headquarters. Holdco shall honor all terms and conditions of the existing lease for the Westar headquarters building, which expires in April 2023. Holdco shall maintain staffing levels of no less than 500 employees based at 800-818 South Kansas Avenue, Topeka KS for at least five (5) years after the closing of the Merger.
2	***Executives*****:** Upon the closing of the Merger, Mark Ruelle will become the non-executive chairman of Holdco for a period of three (3) years. Terry Bassham will serve as president and chief executive officer.
3	***Charitable Giving and Community Involvement*****:** Holdco will continue charitable giving and community involvement in the Kansas service territory of KCP&L and Westar at levels equal to or greater than KCP&L's and Westar's respective 2015 levels for a minimum of five (5) years following the closing of the Merger.
4	***Low-Income Assistance Programs*****:** Holdco will maintain and promote all low-income assistance programs consistent with those in place at all operating utility companies prior to the Merger for at least five (5) years after closing.
	II. Employee Commitments
5	***Collective Bargaining Agreements*****:** Holdco will honor all existing collective bargaining agreements.
6	***Employee Compensation and Benefits*****:** Holdco will maintain substantially comparable compensation levels and benefits for all employees for two years after the closing of the Merger.
7	***Employee Headcount*****:** While Merger-related efficiencies will result in a lower employee headcount over time for the combined organization post-closing compared to the two stand-alone organizations prior to closing, there will be no involuntary severance as a result of the Merger.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	There will also be no involuntary severance as a result of closing the following generating facilities: Sibley (units 1, 2 and 3), Montrose (units 1, 2 and 3), Lake Road (unit 4/6), Tecumseh (unit 7), Gordon Evans (units 3 and 4) and Murray Gill (units 1 and 2). Holdco will achieve headcount-related efficiencies through normal attrition and other voluntary means over time in a generally balanced way across both states.
	III. Financing and Ring-Fencing Conditions
8	***Board of Directors:*** Upon the closing of the Merger, the size of the Holdco board of directors will be mutually determined by GPE and Westar. In addition, as of the closing of the transaction, Holdco's board shall initially be composed of an equal number of directors designated by each of GPE and Westar, who shall be predominantly from the Kansas and Missouri region and the majority of whom shall be independent as defined by the New York Stock Exchange. Terry Bassham shall be a member of the board as a GPE nominee and Mark Ruelle shall be the non-executive Chairman of the board as a Westar nominee, with Mr. Ruelle serving as such for a term of three years. The initial lead independent director of Holdco will also be designated by Westar, with reasonable consultation with GPE. In addition, to the above, as of the closing, the board of directors will initially have five (5) standing board committees. Those committees will be composed of an equal number of directors designated by each of GPE and Westar. The initial chairpersons for three (3) of the five (5) standing committees shall be designated by GPE and the chairpersons for two (2) of the five (5) standing committees shall be designated by Westar.
9	***Financial Integrity*:** Holdco will exercise management prudence to maintain the financial integrity of Westar and KCP&L in all respects, including matters relating to dividends, capital investments and other financial actions in an effort to maintain investment grade credit ratings.
10	***Capital Structures***: Holdco, KCP&L and Westar shall maintain separate capital structures to finance the respective activities and operations of each entity. Holdco, KCP&L and Westar shall maintain separate debt. Holdco, KCP&L and Westar shall also maintain separate preferred stock, if any. KCP&L and Westar shall use reasonable and prudent investment grade capital structures. KCP&L and Westar will be provided with appropriate amounts of equity from Holdco to maintain such capital structures. Holdco shall maintain consolidated debt of no more than 65 percent of total consolidated capitalization, and KCP&L's and Westar's debt shall be maintained at no more than 65 percent.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	Holdco commits that Westar and KCP&L will not make any dividend payments to the parent company to the extent that the payment would result in an increase in either utility's debt level above 65 percent of its total capitalization, unless the Commission authorizes otherwise.
11	***Separate Debt*:** Holdco, KCP&L and Westar shall maintain separate debt so that Westar will not be liable (directly or through guarantees, cross-defaults or other provisions) for the debts of Holdco, KCP&L, or GMO or other subsidiaries of Holdco (excluding Westar and subsidiaries of Westar), and KCP&L, GMO and other subsidiaries of Holdco (excluding Westar and subsidiaries of Westar) will not be liable (directly or through guarantees, cross-defaults or other provisions) for the debts of Westar. For the avoidance of doubt, consistent with past practice, Westar may guarantee certain obligations of its subsidiaries, and subsidiaries of Westar may guarantee certain obligations of Westar. Holdco, KCP&L and Westar shall also maintain adequate capacity under revolving credit facilities and commercial paper, if any, which capacity may be administered on a combined basis provided that capacity maintained for KCP&L and Westar shall be exclusively dedicated to the benefit of KCP&L and Westar, pricing is separated by entity, and that (i) Westar neither guarantees the debt of Holdco, KCP&L, GMO or other subsidiaries of GPE (excluding Westar and subsidiaries of Westar) nor is subject to a cross-default for such debt and (ii) Holdco, KCP&L, GMO and other subsidiaries of GPE (excluding Westar and subsidiaries of Westar) neither guarantee the debt of Westar nor are subject to a cross-default for such debt.
12	***Asset Conveyance*:** Holdco, KCP&L and Westar shall not sell, lease, rent or otherwise convey, outside routine business practices, Westar and KCP&L assets necessary and useful in providing electric service to the public without Commission approval.
13	***Separation of Assets***: Holdco commits that KCP&L and Westar will not commingle their assets with the assets of any other person or entity, except as allowed under the Commission's Affiliate Transaction statutes or other Commission order. Holdco commits that KCP&L and Westar will conduct business as separate legal entities and shall hold all of their assets in their own legal entity name unless otherwise authorized by Commission order. Holdco, KCP&L and Westar affirm that the present legal entity structure that separates their regulated business operations from their unregulated business operations shall be maintained unless express Commission approval is sought to alter any such structure. Holdco, KCP&L and Westar further commit that proper accounting procedures will be employed to protect against cross-subsidization of Holdco's, KCP&L's and Westar's non-regulated businesses, or Holdco's other regulated businesses in Kansas or its regulated businesses in other jurisdictions by Westar's Kansas customers.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
14	***Other Separation:*** Westar (including subsidiaries of Westar), on the one hand, and Holdco and KCP&L, on the other hand, shall not grant or permit to exist any encumbrance, claim, security interest, pledge or other right in their respective stock or assets in favor of any entity or person other than immaterial liens or encumbrances in the ordinary course of business, letters of credit issued on behalf of third-parties in the ordinary course of business and encumbrances resulting from regulatory requirements unless otherwise authorized by the Commission.
15	***Credit Rating:*** Both Standard & Poor's ("S&P") and Moody's have opined that the Merger is credit-positive and that Holdco will have improved credit metrics and financial ratios compared to GPE on a stand-alone basis. GPE, KCP&L and Westar shall maintain separate issuer (i.e., Corporate Credit Ratings) and separate issue ratings for debt that is publicly placed.
16	***Credit Rating Downgrade***: If S&P or Moody's downgrade the Corporate Credit Rating or senior secured or unsecured debt issue rating of KCP&L or Westar (the "Impacted Utility") to below investment grade (i.e., below BBB- or Baa3), the "Impacted Utility" commits to file: i. Notice with the Commission within five (5) business days of such downgrade that includes specification of the affected credit rating(s), the pre- and post-downgrade credit ratings of each affected credit rating, and a full explanation of why the credit rating agency or agencies downgraded each of the affected credit ratings; ii. A filing with the Commission within sixty (60) days which shall include the following: • Actions the Impacted Utility may take to raise its S&P or Moody's credit rating to BBB- or Baa3, respectively, including the costs and benefits of such actions and any plan the Impacted Utility may have to undertake such actions. If the costs of returning Westar and/or KCP&L to investment grade are above the benefits of such actions, Westar and/or KCP&L shall be required to show and explain why it is not necessary, or cost-effective, to take such actions and how the utility(s) can continue to provide efficient and sufficient service in Kansas under such circumstances; • The change on the capital costs of the Impacted Utility due to its S&P or Moody's credit rating being below BBB- or Baa3, respectively; and • Documentation detailing how the Impacted Utility will not request from its Kansas customers, directly or indirectly, any higher capital costs incurred due to a downgrade of its S&P or Moody's credit rating below BBB- or Baa3, respectively; iii. File with the Commission, every forty-five (45) days thereafter until the Impacted Utility has regained its S&P or Moody's credit rating of BBB- or Baa3, respectively or above, an updated status report with respect to the items required in subparagraph ii above.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	iv. If the Commission determines that the decline of the Impacted Utility's S&P or Moody's credit rating to a level below BBB- or Baa3, respectively, has caused its quality of service to decline, then the Impacted Utility shall be required to file a plan with the Commission detailing the steps that will be taken to restore service quality levels that existed prior to the ratings decline. v. In the event KCP&L's or Westar's affiliation (ownership or otherwise) with Holdco or any of Holdco's affiliates is a primary factor for KCP&L's or Westar's S&P or Moody's Corporate credit rating to be downgraded to below BBB- or Baa3, respectively, KCP&L and/or Westar shall promptly undertake additional legal and structural separation from the affiliate(s) causing the downgrade. Notwithstanding Commitment No. 10's limitation on payment of dividends, the Impacted Utility shall not pay a common dividend without Commission approval or until the Impacted Utility's S&P or Moody's credit rating has been restored to BBB- or Baa3, respectively. vi. If KCP&L's or Westar's respective S&P or Moody's credit rating declines below BBB- or Baa3, respectively, the Impacted Utility shall file with the Commission within 15 days a comprehensive risk management plan setting forth committed actions assuring the Impacted Utility's access to and cost of capital will not be further impaired. The plan shall include a non-consolidation opinion if required by S&P or Moody's.
17	***Cost of Capital*:** Holdco commits that future cost of service and rates of KCP&L and Westar shall not be adversely impacted on an overall basis as a result of the Merger and that future cost of service and rates will be set commensurate with financial and business risks attendant to their individual regulated utility operations. Neither KCP&L nor Westar shall seek an increase to their cost of capital as a result of (i.e., arising from or related to) the Merger or KCP&L's and Westar's ongoing affiliation with Holdco and its affiliates after the Merger. The return on equity capital ("ROE") as reflected in Westar's and KCP&L's rates will not be adversely affected as a result of the Merger. Holdco agrees the ROE shall be determined in future rate cases, consistent with applicable law, regulations and practices of the Commission. The burden of proof that any increase to the cost of capital is not a result of the Merger shall be borne by KCP&L or Westar. Any net increase in the cost of capital that KCP&L or Westar seeks shall be supported by documentation that: (a) the increases are a result of factors not associated with the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-Westar affiliates; (b) the increases are not a result of changes in business, market, economic or other conditions caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-Westar affiliates; and (c) the increases are not a result of changes in the risk profile of KCP&L or Westar caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-Westar affiliates. The provisions of this section are intended to recognize the Commission's

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	authority to consider, in appropriate proceedings, whether this Merger or the post-Merger operations of Holdco or its non-KCP&L and non-Westar affiliates have resulted in capital cost increases for KCP&L or Westar. Nothing in this condition shall restrict the Commission from disallowing such capital cost increases from recovery in KCP&L or Westar's rates.
	IV. Ratemaking, Accounting, and Related Conditions
18	***Upfront Bill Credits*****:** Holdco agrees that its electric utility subsidiaries will provide all retail electric customers with one-time bill credits totaling $50 million within 120 days of the closing of the Merger. This amount shall be allocated among Applicants' electric rate jurisdictions in both Kansas and Missouri on the basis of the total MWH of all retail Sales of Electricity reported to FERC under Form 1 (or Form 3-Q) for the most recent full twelve calendar month period prior to the closing of the Merger for which such report is available. The amount so allocated shall be assigned to each retail electric customer within the applicable Kansas electric rate jurisdiction based upon methodology approved by the Commission.
19	***Transition Costs*****:** Neither Westar nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that are in excess of the benefits that these transition costs are intended to attain. Transition costs are those costs incurred to integrate Westar and GPE, and include integration planning, execution, and "costs to achieve." Non-capital transition costs can be ongoing costs or one-time costs. KCP&L's and Westar's non-capital transition costs, which shall include but not be limited to severance payments made to employees other than those required to be made under change of control agreements, can be deferred on the books of either KCP&L or Westar to be considered for recovery in KCP&L and Westar future rate cases. If subsequent rate recovery is sought, KCP&L and Westar will have the burden of proof to clearly identify where all transition costs are recorded and of proving that the recoveries of any transition costs are just and reasonable as their incurrence facilitated the ability to provide benefits in excess of those costs to its Kansas customers. Such benefits may be the result of avoiding or shifting costs and activities. KCP&L and Westar shall be required to attest in all future rate proceedings before the Commission that no transition costs in excess of their corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be required until all transition costs are fully amortized. KCP&L and/or Westar, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits. Such benefits may be the result of avoiding or shifting costs and activities.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
20	***<u>Goodwill</u>*****:** Goodwill associated with the Merger is the difference between the fair market value of GPE's assets and the exchange value of GPE's stock upon the closing of the Merger (referred to herein as "Merger Goodwill") and will be maintained on the books of Holdco. The amount of any such Merger Goodwill shall not be included in the revenue requirement of KCP&L or Westar in future Kansas rate cases. Neither KCP&L nor Westar will seek recovery through recognition in retail rates and revenue requirement in future rate cases of any such Merger Goodwill.
21	***<u>Goodwill Impairment</u>*****:** Customers shall be held harmless from the risk or realization of any Merger Goodwill impairment. Holdco does not expect, and shall take prudent actions to avoid, Merger Goodwill from negatively affecting KCP&L's or Westar's cost of capital. If such Merger Goodwill becomes impaired and such impairment negatively affects KCP&L's or Westar's cost of capital or credit ratings, all costs associated with the decline in the Impacted Utility's credit quality specifically attributed to the Merger Goodwill impairment, considering all other capital cost effects of the Merger and the impairment, shall be excluded from the determination of the Impacted Utility's rates.
22	***<u>Transaction Costs</u>*****:** Transaction costs include, but are not limited to, those costs relating to obtaining regulatory approvals, development of transaction documents, investment banking costs, costs related to raising equity incurred prior to the close of the Merger, severance payments required to be made by change of control agreements, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid solicitation, analyze bids, conduct due diligence, compliance with existing contracts including change in control provisions, and compliance with any regulatory conditions, closing, and communication costs regarding the ownership change with customers and employees. Westar and KCP&L commit that they will not seek recovery through recognition in retail rates of transaction costs, that they shall have the burden of proof to clearly identify where all transaction costs related to this Merger are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates. This commitment shall be required until transaction costs of this Merger are no longer on Holdco's books in a test year for KCP&L and/or Westar, as applicable. Transaction costs shall be recorded on Holdco's books.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
23	***Fuel and Purchased Power Costs*:** KCP&L's and Westar's fuel and purchased power costs shall not be adversely impacted as a result of the Merger.
24	***Retail Rates*:** Holdco commits that retail rates for KCP&L and Westar customers shall not increase as a result of the Merger.
25	***Future Rate Cases*:** Holdco commits that in future rate case proceedings, KCP&L and Westar will support their assurances provided in this document with appropriate analysis, testimony, and necessary journal entries fully clarifying and explaining how any such determinations were made.
	V. Affiliate Transactions and Cost Allocations Manual (CAM) Conditions
26	***Affiliate Service Agreements*:** KCP&L and Westar commit that they will file with the Commission (1) within sixty (60) days of closing of the Merger and (2) with the first post-closing rate case, an executed copy of all additional relevant Affiliate Service Agreements related to the Merger, pursuant to K.S.A. 66-1402 and that includes the service agreement(s) between any service company or affiliate allocating costs to a regulated utility affiliate.
27	***Affiliate Interests*:** Holdco, KCP&L and Westar each expressly recognize that each represents an "Affiliated Interest" under K.S.A. 66-1401, 66-1402, and 66-1403. These statutes confer certain jurisdiction on the Commission regarding access to books and records, submission of contracts, review of affiliate transactions detail, etc.
28	***Affiliate Rules*:** KCP&L and Westar will be operated after the closing of the Merger in compliance with the Commission's affiliate transaction rules as set forth in K.S.A. 66-1401, *et seq.*, and in compliance with the affiliate rules adopted in the Commission's December 3, 2010 Order in Docket No. 06-GIMX-181-GIV ("06-181 Order"), or will obtain any necessary variances from such rules, and the Commission's August 7, 2001 Order in Docket No. 01-KCPE-708-MIS ("01-708 Order"). Holdco and its subsidiaries commit that all information related to an affiliate transaction consistent with the affiliate statutes and the Commission's 06-181 and 01-708 Orders in the possession of Holdco will be treated in the same manner as if that information is under the control of either KCP&L or Westar.
29	***Intercompany Charges*:** Holdco and its subsidiaries may seek recovery of intercompany charges to regulated utility affiliates in their first general rate proceedings following the closing of the Merger at levels equal to the lesser of actual costs or the costs allowed related to such functions in

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	the cost of service of their most recent rate case prior to the closing of the Merger, as adjusted for inflation measured by the Gross Domestic Product Price Index. Billings for common-use assets shall be permitted consistent with GPE's current practices. Holdco and its subsidiaries shall have the burden of proof to demonstrate billings are prudent, in the usual course of business, and consistent with past practice.
30	***Separate Books and Records Available to Staff and Commission*****:** Holdco shall maintain separate books and records, systems of accounts, financial statements and bank accounts for Westar and KCP&L. The records and books of Westar and KCP&L will be maintained under the FERC Uniform System of Accounts ("USOA") applicable to investor-owned jurisdictional electric utilities, as adopted by the Commission. The financial books and records of Holdco's regulated utility affiliates will be made available to the Commission and its Staff. The records and books of any affiliate for which any direct or indirect charge is made to Westar and KCP&L, and included in said utilities' cost of service and rates on either a direct or indirect basis, will be made available, upon request, to the Commission and its Staff. Holdco, KCP&L and Westar shall facilitate access of the Commission Staff to its external auditors and endeavor to provide the Commission and its Staff with timely access to any relevant external audit workpapers and/or reports. Holdco, KCP&L and Westar will maintain adequate records to support, demonstrate the reasonableness of, and enable the audit and examination of all centralized corporate costs that are allocated to or directly charged to KCP&L or Westar. Nothing in this condition shall be deemed a waiver of any rights of Holdco, KCP&L or Westar to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party.
31	***Variance From Missouri Affiliate Transaction Rule*****:** The Merger is or will be the subject of a variance request before the Missouri Public Service Commission ("MPSC") and an order is expected from the MPSC no later than the second quarter of 2018. GPE and KCP&L commit to pursue this variance from the provisions of Missouri Affiliate Transaction Rule 4 CSR 240-20.015 and endeavor to have such variance in place by Merger close. The variance will provide for goods and services transactions between KCP&L, GMO and Westar to occur at cost except for wholesale power transactions, which will be based on rates approved by the Federal Energy Regulatory Commission ("FERC"). Within thirty (30) days of the issuance of a final MPSC order in that proceeding, KCP&L and Westar will cause to be filed in this docket a copy of the final order.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	If the MPSC has not granted the variance from the Missouri Affiliate Transaction Rule mentioned above at the time Staff and CURB file direct testimony regarding the Merger, Holdco, Westar and KCP&L commit that in Kansas retail rate proceedings of KCP&L and Westar after the closing of the Merger, neither utility will seek to recover more than actual costs incurred by Holdco, Westar or KCP&L in connection with affiliate transactions, provided, however, that annualizations and other customary and appropriate ratemaking adjustments may be used.
32	***<u>Cost Allocation Manual</u>*****:** KCP&L and Westar agree to meet with Staff and CURB no later than sixty (60) days after the closing of the Merger to provide a description of its expected impact on the allocation of costs among Holdco's utility and non-utility subsidiaries as well as a description of its expected impact on the cost allocation manuals ("CAMs") of KCP&L and Westar. No later than six (6) months after the closing of the Merger but no less than two (2) months before the filing of a general rate case for either KCP&L or Westar, whichever occurs first, KCP&L and Westar agree to file updates to their existing CAMs reflecting process and recordkeeping changes necessitated by the Merger.
	VI. Quality of Service Conditions
33	***<u>Service Quality and Reliability Performance Standards</u>*****:** Commencing with the beginning of the first full calendar year after closing, KCP&L and Westar will provide electric service reliability and call center service that meets or is better than the performance metric thresholds set forth in Exhibits BA-1, BA-2, BA-3.[1] If KCP&L or Westar fail to meet a particular performance metric threshold, then penalties will apply in accordance with these schedules and provisions.[2] KCP&L and Westar will work with Staff to report periodically on their performance relative to these service metrics following the closing of the Merger. If KCP&L or Westar perform without penalties on any metric for three consecutive years, then the reporting and penalty provisions for that metric for that utility will terminate.
	VII. Reporting and Access to Records
34	***<u>Merger Integration</u>*****:** To keep Staff and the Commission apprised of the status of integration implementation after closing: a. KCP&L and Westar shall meet with Staff no later than 60 days after closing, and on a quarterly basis thereafter for a period of one year after closing, to provide an update on the status of integration implementation, including discussion of progress on organizational changes and consolidation of processes affecting the customer experience, including but not limited to: contact center operations, customer information and billing, remittance processing, credit and collections, and service order processes. The frequency of such update meetings shall be reduced to every six months during the second year after closing of the Merger and shall cease thereafter, unless otherwise ordered by the Commission. Regardless of the frequency of such meetings, KCP&L and Westar agree to continue their practice of promptly advising Staff in the event of material operational irregularities – whether arising from systems, training, process change or any other cause – that may affect the

[1] Akin Direct Testimony, Exhibits BA-1, BA-2, BA-3.
[2] *Ibid.*

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	customer experience. Additionally, for a period of no less than two years, unless otherwise ordered by the Commission, KCP&L and Westar shall, on a twice-yearly basis unless otherwise ordered by the Commission, appear and provide an update of the status of integration implementation, providing the Commissioners an opportunity to ask questions about the status of integration implementation. b. KCP&L and Westar shall, on a quarterly basis continuing for two years after closing, provide Staff, no later than 45 days after the conclusion of the relevant quarter, with data on employee headcounts (full- and part-time, including contingent labor retained through employment agencies) for Holdco, KCP&L, GMO and Westar as well as a complete listing of functions and/or positions that have been either outsourced (meaning that work is being performed on behalf of Holdco, KCP&L, GMO and/or Westar that is not under the direct management and supervision of Holdco, KCP&L, GMO or Westar employees) or converted to contingent labor as a result of the integration of Holdco, KCP&L, GMO and Westar. To the extent that job positions at Holdco, KCP&L, GMO or Westar have been eliminated, re-classified or transferred between Holdco, KCP&L, GMO or Westar, such eliminations, re-classifications or transfers shall be identified. c. KCP&L and Westar shall, for a period of two years after closing, provide Staff any reports or presentations made to Holdco's board of directors regarding efficiencies attained as a result of the Merger. Such reports or presentations shall be provided to Staff within 30 days after being provided to Holdco's board of directors. d. The reporting and data provision agreed to herein by Holdco, KCP&L and Westar does not change any reporting obligations of GPE (which shall apply to Holdco post-merger), KCP&L or Westar that existed prior to the approval of this Merger. e. CURB shall be invited to any meetings scheduled in compliance with sub-paragraph a of this Commitment No. 34. CURB shall be provided with the materials identified in sub-paragraphs b and c of this Commitment No. 34 and if such material contains non-public information shall execute an appropriate non-disclosure agreement before receiving such information.
35	***Goodwill Impairment Analysis*: For the first five (5) full calendar years after the closing of the Merger, Holdco shall provide Staff and CURB its annual goodwill impairment analysis in a format that includes spreadsheets in their original format with formulas and links to other spreadsheets intact and any printed materials within thirty (30) days after the filing of Holdco's Form 10 Q for the period in which the analysis is performed, as well as all supporting documentation. Thereafter, this analysis will be made available to Staff and CURB upon request.
36	***Accounting Changes*: Holdco, KCP&L and Westar commit that any material Merger-related financial and accounting changes must be reported to the Commission.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
37	***Integrated Resource Plan:*** KCP&L will provide to the KCC Staff its integrated resource plan (IRP) within seven (7) days of its filing in Missouri. The public version of such materials shall also be provided to CURB.
38	***Access to Materials Provided to Ratings Analysts*:** KCP&L and Westar shall provide Staff and CURB with access, upon reasonable written notice during working hours and subject to appropriate confidentiality and discovery procedures, to all written information provided to common stock, bond or bond rating analysts which directly or indirectly pertains to KCP&L or Westar or any affiliate that exercises influence or control over KCP&L, Westar or Holdco. Such information includes, but is not limited to, common stock analyst and bond rating analyst reports. For purposes of this condition, "written" information includes, but is not limited to, any written and printed material, audio and video tapes, computer disks, and electronically stored information. Nothing in this condition shall be deemed a waiver of any entity's right to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party.
39	***Access to Materials Regarding CAM Compliance*:** Holdco, KCP&L and Westar shall make available to Staff and CURB, upon written notice during normal working hours and subject to appropriate confidentiality and discovery procedures, all books, records and employees as may be reasonably required to verify compliance with KCP&L's and Westar's CAM and any conditions ordered by this Commission. Holdco, KCP&L and Westar shall also provide Staff and CURB any other such information (including access to employees) relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over KCP&L or Westar; provided that any entity producing records or personnel shall have the right to object on any basis under applicable law and Commission rules, excluding any objection that such records and personnel of affiliates (a) are not within the possession or control of either KCP&L or Westar or (b) are either not relevant or are not subject to, the Commission's jurisdiction and statutory authority by virtue of, or as a result of, the implementation of the proposed Merger.
40	***Access to Board of Director Materials*:** KCP&L and Westar shall provide Staff and CURB access, upon reasonable request, the complete Holdco board of directors' meeting minutes, including all agendas and related information distributed in advance of the meeting, presentations and handouts, provided that privileged information shall continue to be subject to protection from disclosure and KCP&L and Westar shall continue to have the right to object to the provision of such information on relevancy grounds.
41	***Retention Period for Affiliate Transaction Records*:** KCP&L and Westar will maintain records supporting their affiliated transactions for at least six (6) years.
42	***Journal Entries*:** Within six months of the close of the Merger, Holdco, KCP&L and Westar will provide to the Commission Staff detailed journal entries recorded to reflect the Merger.

No.	Joint Applicants' Proffered Merger Commitments and Conditions
	Holdco, KCP&L and Westar shall also provide the final detailed journal entries to be filed with the Commission no later than 13 months after the date of the closing. These entries must show, and shall include but not be limited to, the entries made to record or remove from all utility accounts any Merger goodwill costs or transaction costs.
	VIII. Other Parent Company Conditions
43	***Prior Commitments of, and Orders Applicable to, GPE, KCP&L and Westar*:** Holdco, KCP&L and Westar commit to reaffirm and honor any prior commitments made by GPE or Westar to the Commission to comply with any previously issued Commission orders applicable to KCP&L or Westar or their previous owners except as otherwise provided for herein.
44	***Future Access to Capital*:** Holdco acknowledges that its utility subsidiaries need significant amounts of capital to invest in energy supply and delivery infrastructure (including, but not limited to, renewable energy resources and other environmental sustainability initiatives such as energy efficiency and demand response programs) and acknowledges that meeting these capital requirements of its utility subsidiaries will be considered a high priority by Holdco's board of directors and executive management and that Holdco's access to capital post-transaction will permit it and its utility subsidiaries to meet their statutory obligation to provide sufficient and efficient service.