20180129151505
Filed Date: 01/29/2018
State Corporation Commission
of Kansas

BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION	]	
OF GREAT PLAINS ENERGY INCORPORATED,	]	
KANSAS CITY POWER AND LIGHT COMPANY	]	KCC Docket No. 18-KCPE-095-MER
AND WESTAR ENERGY, INC. FOR APPROVAL	]	
OF THE MERGER OF WESTAR ENERGY, INC.	]	
AND GREAT PLAINS ENERGY INCORPORATED	]	

DIRECT TESTIMONY OF

ANDREA C. CRANE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

REDACTED VERSION

January 29, 2018

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is 2805 East Oakland Park Boulevard, #401, Ft. Lauderdale, FL 33306.

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

A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and undertake various studies relating to utility rates and regulatory policy. I have held several positions of increasing responsibility since I joined The Columbia Group, Inc. in January 1989. I became President of the firm in 2008.

Q. Please summarize your professional experience in the utility industry.

A. Prior to my association with The Columbia Group, Inc., I held the position of Economic Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product Management, Treasury, and Regulatory Departments.

Q. Have you previously testified in regulatory proceedings?

A. Yes, since joining The Columbia Group, Inc., I have testified in over 400 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I have filed testimony since January 2008 is included in Appendix A.

Q. Have you previously testified in regulatory proceedings in Kansas?

A. Yes, I have. As shown in Appendix A, I have testified in numerous proceedings in Kansas, including cases involving Kansas City Power and Light Company ("KCP&L") and Westar Energy ("Westar"). I have also testified in cases involving Atmos Energy, Kansas Gas Service, Empire District Electric Company, Black Hills Gas Company, Midwest Energy and others.

Q. Have you previously participated in other proceedings involving utility mergers and acquisitions?

A. Yes, I have filed testimony and participated in numerous proceedings involving utility mergers and acquisitions, including proceedings involving: Delmarva Power and Light Company and the Atlantic City Electric Company; Potomac Electric Power Company and Baltimore Gas and Electric Company; Conectiv Power Delivery and PEPCO Holdings, Inc. ("PHI"); Exelon Corporation and PHI; Orange and Rockland Utilities and Consolidated Edison; New Century Energies, Inc. and the Northern States Power Company; New England

Electric System and Eastern Utility Associates; Consolidated Edison and Northeast Utilities, Inc.; Texas-New Mexico Power Company ("TNMP") and Public Service Company of New Mexico ("PNM"); New Mexico Gas Company ("NMGC") and TECO Energy, Inc.; and Midwest Energy, Inc. and Westar Energy, Inc. I also participated in the 1997 merger proceeding involving Western Resources, Inc. and KCP&L. In addition, I have participated in cases involving the sale of Atlantic City Electric Company's B.L. England Generating Station, TNMP's acquisition by S.W. Acquisition, L.P., and the sale of PNM's gas assets to Continental Energy Systems, Inc., the transaction that resulted in the formation of NMGC. Finally, I filed testimony in KCC Docket 16-KCPE-593-ACQ ("593 Docket") regarding the proposed acquisition of Westar Energy, Inc. by KCP&L, an acquisition that was rejected by the Kansas Corporation Commission ("KCC").

Q. What is your educational background?

A. I received a Master of Business Administration degree, with a concentration in Finance, from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in Chemistry from Temple University.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On August 25, 2017, Great Plains Energy, Inc. ("GPE"), KCP&L, and Westar Energy, Inc. ("Westar", collectively "Joint Applicants") filed an Application with the Kansas Corporation

Commission ("KCC" or "Commission") seeking KCC approval of an Amended Merger Agreement ("Amended Agreement") between Westar and GPE, the parent company of KCP&L. The Columbia Group, Inc. was engaged by the Citizens' Utility Ratepayer Board ("CURB") to review the Application, to evaluate the impact on Kansas ratepayers, and to develop recommendations to the KCC. I am providing testimony on CURB's overall recommendations and the ratemaking conditions that CURB recommends be imposed if the Amended Agreement is approved. I also discuss the degree to which the Amended Agreement meets the merger standards that have been adopted by the KCC. Stacey Harden is also submitting testimony on behalf of CURB, addressing the Joint Applicants' proposed capital expenditure program over the next five years and its potential impact on ratepayers. In addition, Cary Catchpole of CURB is providing testimony on quality of service issues relating to the proposed merger.

Q. Please explain how your testimony is organized.

A. Section III of my testimony contains a brief summary of my conclusions and recommendations relating to the proposed transaction. In Section IV of my testimony, I summarize the proposed transaction and discuss how the proposed transaction differs from the acquisition previously proposed by the Joint Applicants in the 593 Docket. In Section V, I discuss the KCC's merger standards and evaluate the extent to which the proposed transaction complies with those standards.

III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Q. What are your conclusions and recommendations regarding the Amended Agreement and the proposed merger of Westar and GPE?

A. There are many benefits to the proposed merger. As stated in my testimony in the 593 Docket, there are several factors that make GPE a good candidate to merge with Westar. GPE, through KCP&L, already operates an electric utility that is contiguous to the Westar service territory. The KCC is familiar with KCP&L, and KCP&L is familiar with regulation in Kansas. KCP&L and Westar already share ownership of several generating facilities. These factors are all favorable and suggest that the merger of Westar and GPE could result in cost savings and other benefits that are at least as great as the benefits resulting from an acquisition of Westar by some other entity.

There are, however, five additional safeguards that I recommend be adopted if the proposed merger is approved by the KCC. These are:

1. In order to guarantee adequate savings to ratepayers, ratepayers should receive a credit of $250 million over the next five years. The Joint Applicants should provide an initial ratepayer credit of $100 million upon closing of the merger, with an additional credit of $50 million in each year from 2020 to 2022.
2. The Joint Applicants should agree to a rate moratorium for five years following the effective date of rates in each company's next base rate case.
3. The KCC should deny the Joint Applicants' request to defer transition costs associated with the merger.

4. Dividends from the Joint Applicants to the parent company should be limited to 100% of net income, unless additional dividends are approved by the KCC. In addition, notification should be provided to the KCC if the debt component of the capital structures of the holding company, Westar, or KCP&L exceed 55%.

5. The KCC should condition the merger on a commitment to retain Westar's inclining block residential rate structure.

In addition to the above recommendations, which are further addressed in my Direct Testimony, CURB also recommends certain reporting requirements with regard to capital expenditures over the next five years, as discussed in Ms. Harden's testimony. Finally, CURB is also recommending the expansion of certain reliability and customer service metrics and related penalties, as discussed in the testimony of Ms. Catchpole.

IV. OUTLINE OF THE PROPOSED TRANSACTION

Q. Please provide a brief description of Westar.

A. Westar is the largest electric utility in Kansas, with its principal office in Topeka, Kansas. Westar, and its wholly-owned subsidiary Kansas Gas and Electric Company ("KGE"), provide service to approximately 703,000 customers in central and eastern Kansas.[1] Westar's energy sales are approximately 33% residential, 28% industrial, and 39% commercial. It has

1 "Westar" will be used throughout this testimony to refer to both the parent company and to the wholly-owned subsidiary, KGE.

a service area of roughly 10,000 square miles.[2] The Company operates and coordinates 35,000 miles of transmission and distribution lines. In addition, it owns approximately 6,600 MW of electric generation capacity, including nuclear, coal, natural gas, and renewable generation.

Q. Please provide a brief description of GPE.

A. GPE is a public utility holding company headquartered in Kansas City, Missouri. GPE owns KCP&L, a regulated electric utility providing service in eastern Kansas and western Missouri. GPE is also the parent company of Greater Missouri Operations Company ("GMO"), which provides regulated electric service in Missouri, and GPE Transmission Holding Company, which owns 13.5% of Transource Energy, LLC, which provides competitive electric transmission projects. GPE's regulated electric operations include approximately 749,600 residential customers, 99,100 commercial customers, and 2,500 industrial customers. GPE owns approximately 6,500 MW of electric generation capacity fueled by various sources, including nuclear and coal.

Westar and KCP&L are together the majority holders of the Wolf Creek Nuclear Generating Station, each holding a 47% ownership interest. The two utilities also jointly own the La Cygne Generating Station, which is a two-unit 1400-megawatt coal-fired power plant and the three-unit Jeffrey Energy Center, a 2,150-megawatt coal-fired power plant.

2 Testimony of Mr. Ruelle, pages 6-7.

Q. Please provide a description of the proposed transaction.

A. The Joint Applicants are proposing a Merger of Equals ("MOE") whereby Westar and GPE will exchange each company's common stock for stock in a new holding company, Monarch Energy Holding, Inc. ("Monarch")[3]. Stockholders of Westar will receive one share of Monarch stock for each share of Westar stock, while shareholders of GPE will receive 0.5981 shares of Monarch stock for each share of GPE. After the merger, current Westar shareholders will own approximately 52.5% of the new company and current GPE shareholders will own approximately 47.5%. The combined company will have an equity value of approximately $14 billion and will serve approximately 1 million customers in Kansas and 600,000 customers in Missouri. The transaction will result in a corporate structure that is similar to the current GPE holding company structure, with both KCP&L and Westar being subsidiaries of Monarch, the new holding company that will replace GPE.

The proposed transaction is structured as a tax-free exchange of shares, with neither company paying or receiving a premium. Under Generally Accepted Accounting Principles ("GAAP"), Monarch will be required to record an estimated $1.52 billion of goodwill to account for the difference between the net book value of GPE's assets and the market value of its stock at the time of the merger.

The Joint Applicants estimate that the merger will result in gross savings of $627.0 million from 2018-2022 and they are proposing to provide retail electric customers with upfront bill credits of $50 million. Included in merger-related savings are the savings

3 At the time of the filing, the name of the new holding company had not been identified. A Proxy Statement identifying Monarch Energy Holding, Inc. was filed with SEC on September 14, 2017.

associated with the early retirement of five Westar generating units (Tecumseh Unit 7, Gordon Evans Units 1 and 2, and Murray Gill Units 3 and 4). In addition to the gross savings of $627.0 million, the Joint Applicants also expect additional capital and operational savings relating to the consolidation of the ownership of Wolf Creek. Moreover, the Joint Applicants also expect additional savings related to the avoidance or deferral of capital projects that are indirectly related to the merger but which are not included in the Company's savings projections, such as savings relating to the early retirement of certain KCP&L and GMO generating units. Both Westar and KCP&L intend to file base rate cases in Kansas in 2018. For planning purposes, the Joint Applicants assume that they would not file subsequent base rate cases for approximately five years.

Q. Have the Joint Applicants included other commitments if the merger is approved?

A. Yes, as presented in Appendix H of the Application, the Joint Applicants have provided commitments in the following eight categories:

I. **General Conditions** – The Joint Applicants have agreed to retain the Westar Topeka headquarters building until April 2023, and to maintain a staffing level of at least 500 employees at that location for at least five years following the merger. The Joint Applicants also agree to continue charitable giving and community involvement at 2015 levels for a period of five years, and to maintain existing low-income programs for a minimum of five years following the merger.

II. **Employee Commitments** – The Joint Applicants have committed to no involuntary severance as a result of the merger. They have also agreed to maintain substantially comparable compensation levels and benefits for two years after the closing of the merger.

III. **Financing and Ring Fencing Provisions** – The Joint Applicants have agreed to a number of financial and ring-fencing conditions, including limiting debt at KCP&L, Westar and the holding company to no more than 65% of the capital structure. The Joint Applicants have also committed to certain actions in the event of a downgrade.

IV. **Ratemaking, Accounting and Related Conditions** – The Joint Applicants have proposed to provide $50 million in up-front bill credits and will only seek to recover transition costs from ratepayers to the extent that they can demonstrate that savings from the merger exceed the transition costs. The Joint Applicants also agree that they will not seek recovery from ratepayers of any transaction costs related to the merger. They also agree to hold ratepayers harmless in the event that the goodwill recorded by the holding company is ever impaired.

V. **Affiliate Transactions and Cost Allocation Manual ("CAM") Conditions** – The Joint Applicants agree that they will file all related affiliated transaction agreements with the KCC and will comply with all Commission rules with regard to affiliate transactions. They also agree that in the first rate case following the closing of the merger, intercompany charges will be less than those presented in each company's most recent rate case prior to the merger, as adjusted for inflation. They have also made various commitments regarding the maintenance of separate books and records and the provision of records to the KCC and Staff. The Joint Applicants will also seek a waiver from the Missouri Affiliate Transaction Rules and they commit that if a waiver is not received, they will not seek to recover more than actual costs incurred by affiliates for any affiliated transaction. Finally, the Joint Applicants have agreed to meet with Staff and CURB no later than 60 days after the closing to discuss the impact of cost allocations among Monarch's affiliates and to file an updated CAM no later than 6 months after the closing.

VI. **Quality of Service Conditions** – The Joint Applicants have committed to meeting certain quality of service standards. Quality of service issues and related commitments are being addressed by CURB witness Cary Catchpole.

VII. **Reporting and Access to Records** – The Joint Applicants have agreed to meet periodically with Staff after the closing to discuss the progress of the integration plans. They have also agreed to various reporting requirements relating to employee headcounts, efficiencies, goodwill impairment, and accounting changes. The Joint Applicants will also provide Staff and CURB with access to various documents and reports, including the Integrated Resource Plans filed in Missouri, information provided to ratings analysts, documents regarding CAM compliance, and Board of Directors' materials.

VIII. **Other Parent Company Conditions** – The Joint Applicants have agreed to reaffirm and honor any prior commitments to the KCC made by GPE, KCP&L or Westar. In addition, the holding company has committed that capital required for utility investment will continue to be a high priority by Monarch's Board and executive management.

Q. How does the Amended Agreement differ from the proposed transaction that was the subject of the 593 Docket?

A. From a ratepayer perspective, the MOE proposed in the current Application is vastly superior to the transaction that was originally proposed in the 593 Docket ("Original Agreement"). The Joint Applicants previously sought approval for the Original Agreement in a filing dated June 28, 2016 wherein GPE proposed to acquire the stock of Westar and operate it as a subsidiary, similar to the ownership structure for KCP&L. Pursuant to the Original Agreement, GPE proposed to acquire 100% of the outstanding stock of Westar for approximately $12.2 billion, including purchasing Westar's equity for approximately $8.5 billion and assuming approximately $3.6 billion of Westar debt. The original transaction would have resulted in an acquisition premium of approximately $4.8 billion. GPE proposed to finance the Original Agreement by issuing $4.4 billion in long-term debt, $750 million of privately-issued mandatory convertible preferred equity, and $2.35 billion of public equity in the form of common stock and mandatory convertible preferred stock. The proposed transaction would have significantly changed the holding company capital structure, from approximately 49.0% common equity to only 32.4% common equity. Moreover, GPE's consolidated long-term debt would have increased from 50.4% to 59.0%. For ratemaking purposes, the Joint Applicants proposed that the KCC utilize the KCP&L and Westar subsidiary capital structures, instead of the consolidated GPE capital structure, to set rates. This would have resulted in an artificially high equity ratio for ratemaking purposes.

The Original Agreement was rejected by the KCC on April 19, 2017, as the Commission determined that the proposal did not meet the Commission's Merger Standards. These Merger Standards were originally adopted on November 15, 1991 in Docket Nos. 172,745-U and 174,155-U ("1991 Merger Order") and later on September 28, 1999 in Docket No. 97-WSRE-676-MER ("1999 Merger Order"). More recently, the Merger Standards were affirmed in the KCC's Order on Merger Standards issued on August 9, 2016 in the 593 Docket. The denial of the Original Agreement was predicated on a finding that the $8.5 billion purchase price, the $4.8 billion acquisition premium and the $4.4 billion of new debt were detriments to GPE's financial condition as the surviving company, compared to the conditions of the two entities on a stand-alone basis. Although the Joint Applicants had proposed certain ring-fencing mechanisms and other commitments in rebuttal testimony, the KCC found that these proposed ring-fencing measures and commitments were not sufficient to protect the regulated subsidiaries from the debt at the parent company level. The Commission expressed concern that the benefits to customers were not guaranteed and that the merger savings and integration plans were not sufficiently advanced. The Commission therefore found that the Original Agreement was not in the public interest since it raised serious concerns about the financial strength of the combined entities and offered little assurance that ratepayers would benefit from the merger.

The Joint Applicants continued to pursue a merger and have now dramatically amended and restated the Original Agreement, with a goal of addressing the concerns raised by Staff, CURB, other intervenors and the Commission. The Amended Agreement is now based on a MOE, rather than on an acquisition of Westar by GPE. The change to a MOE has eliminated the financial issues associated with the acquisition premium to be paid by GPE and therefore eliminated the need for the debt financing that led to the Commission's concerns about the effect of the Original Agreement on the financial condition of GPE. Under the Amended Agreement, the Joint Applicants will each exchange their common equity shares for shares in a new holding company in a ratio agreeable to the parties and that is designed so that neither company will be paying or receiving a premium. A new holding Company, Monarch, will take the place of GPE and will hold both Westar and KCP&L, as well as other current GPE subsidiaries.

Q. How does the Amended Agreement seek to address the concerns raised by the KCC regarding the lack of ratepayer benefits?

A. In order to address the Commission's concern about the lack of guaranteed customer benefits the Joint Applicants are now proposing a first-year bill credit to ratepayers of $50 million across all jurisdictions. The $50 million bill credit would be allocated among the jurisdictions based on energy sales for the most recent twelve-month period prior to the merger. This would result in approximately 46.1% of the credit going to Westar's Kansas customers (including customers of KGE) and 15.0% going to KCP&L's ratepayers in Kansas. Thus, Kansas ratepayers would receive approximately 61.1% of the bill credit. The

Company has not proposed a methodology to allocate the bill credits among customers in each jurisdiction. If the bill credits were allocated on a per customer basis, the $50 million bill credit would result in a credit of approximately $32 per customer in Kansas.

Q. How have the rating agencies reacted to the Amended Agreement?

A. The two major credit agencies, Standard & Poor's ("S&P) and Moody's Investor Services ("Moody's"), have both reacted positively to the Amended Agreement. Moody's has upgraded GPE's credit rating and affirmed its ratings of KCP&L, GMO and Westar. S&P affirmed its ratings for GPE and Westar but changed its outlook to positive from negative. These are positive indications that the financial community views the structure and financial terms of the Amended Agreement more favorably than the Original Agreement.

Q. Have the Joint Applicants adequately addressed the concerns expressed by the KCC in its Order rejecting the Original Agreement?

A. In the Amended Application, the Joint Applicants have addressed many of the Commission's concerns and objections to the Original Agreement. For the most part, I believe that the Amended Agreement does comply with the Merger Standards that have been utilized by the KCC to evaluate whether utility mergers meet the public interest standard. However, there are a few areas where I believe that additional ratepayer protections are necessary, as I will address below.

V. COMPLIANCE WITH MERGER STANDARD

Q. What factors has the KCC stated it will consider in its evaluation of the Amended Agreement?

A. The criteria for evaluating a proposed merger were adopted by the Commission in its 1991 Merger Order and its 1999 Merger Order, and reaffirmed in its August 9, 2016 Order on Merger Standards in the 593 Docket. The KCC has stated that it uses the following criteria to determine if the public interest standard had been met:

(a) The effect of the transaction on consumers, including:

(i) the effect of the proposed transaction on the financial condition of the newly created entity as compared to the financial condition of the stand-alone entities if the transaction did not occur;

(ii) the reasonableness of the purchase price, including whether the purchase price was reasonable in light of the savings that can be demonstrated from the merger and whether the purchase price is within a reasonable range;

(iii) whether ratepayer benefits resulting from the transaction can be quantified;

(iv) whether there are operational synergies that justify payment of a premium in excess of book value; and

(v) the effect of the proposed transaction on the existing competition.

(b) The effect of the transaction on the environment.

(c) Whether the proposed transaction will be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state. Whether the proposed transaction will likely create labor dislocations that may be particularly harmful to local communities, or the state generally, and whether measures can be taken to mitigate the harm.

(d) Whether the proposed transaction will preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit public utility operations in the state.

(e) The effect of the transaction on affected public utility shareholders.

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

(g) Whether the transaction will reduce the possibility of economic waste.

(h) What impact, if any, the transaction has on the public safety.

In the 1991 Merger Order, the Commission made clear that the enumerated criteria can be supplemented to account for the unique facts and circumstances of each docket. These factors are the starting criteria to be used when evaluating a merger application, and are to be supplemented by any other considerations that are relevant given the circumstances existing at the time of the merger proposal. In essence, the question is whether the public interest is served by approving the merger as determined by the specific facts and circumstances of each case.

A. Effect on Consumers

Q. Please discuss the first merger standard, concerning the effect on consumers.

A. In evaluating the effect of a merger transaction on consumers, the KCC has specified five areas for review, including (i) the effect on the financial condition of the newly created entity, (ii) the reasonableness of the purchase price, (iii) whether ratepayer benefits can be quantified, (iv) whether operational synergies justify the payment of a premium, and (v) the effect on competition. I will first address Merger Standard (a)(iii), because the most significant issue arising from the Amended Agreement relates to the projected financial benefits of the merger and how those benefits should be passed through to Kansas ratepayers.

Merger Standard (a)(iii) - The effect on consumers, including whether ratepayer benefits resulting from the transaction can be quantified.

Q. Have the Joint Applicants quantified the cost savings that are expected to result if the Amended Agreement is approved?

A. Yes, they have. The Joint Applicants, both individually and jointly, have examined the potential for cost savings resulting from both the Original Agreement and the Amended Agreement. In his testimony, Mr. Busser provides details of the integration plans on which the current estimate of cost savings is based.

As shown in Table 1 to Mr. Busser's testimony, the Joint Applicants estimate that gross efficiencies directly related to the merger will total $627.0 million from 2018-2022. Mr. Busser identifies savings in five functional areas: $171.4 million in Support Services,

$147.4 million in Generation, $145.9 million in Supply Chain, $35.5 million in Transmission and Distribution / Customer Savings, and $126.7 million in Benchmark Staffing. The Company's proposed merger savings include savings related to the early retirement of several Westar generating facilities. The Joint Applicants also propose to retire several KCP&L and GMO facilities, but these are not included in the $627.0 million of merger savings assumed in the Application, since the Joint Applicants' contend that these retirements are not strictly the result of the merger.

The majority of projected merger savings relate to labor savings. While most mergers are expected to result in some level of administrative labor savings, it is likely that the Amended Agreement will also result in operational labor savings, given the contiguous service territories and the joint ownership of certain generating facilities. The Joint Applicants project Non-Fuel Operating and Maintenance ("NFOM") Labor savings of $351.5 million, NFOM Non-Labor savings of $220.5 million, Fuel savings of $6.4 million and Other Savings (Inventory Carrying Costs/Revenue Requirement Reductions) of $49.0 million, as shown in Table 2 to Mr. Busser's testimony.

Q. How does the Company propose to share these savings with Kansas ratepayers?

A. The Company is proposing to credit ratepayers with a $50 million (total company) upfront payment, which would result in a rate credit of approximately $32 on a per customer basis. Both Westar and KCP&L are planning to file rate cases in 2018. Current projections are that after the 2018 rate cases, there would be a period of approximately 5 years before the next base rate case is filed. During that period, any additional savings would accrue to the benefit of the Joint Applicants' shareholders.

Q. Do you believe that the Joint Applicants' estimates of cost savings are reasonable?

A. Yes, generally I do believe that the Joint Applicants' estimates are reasonable. The Company has been working on merger savings projections for quite some time, given that it filed the Original Agreement in June 2016. Therefore, the Joint Applicants have had considerable time and opportunity to refine their estimates of cost savings. Moreover, the projected cost savings estimated by the Joint Applicants are generally in line with cost savings in other utility merger transactions. Therefore, I am not taking issue with the Joint Applicants' projections for cost savings resulting from the merger.

Q. If you are accepting the Joint Applicants' projections for cost savings resulting from the merger, is it certain that ratepayers will in fact benefit from such savings?

A. No, it is not, for several reasons. First, regardless of how reasonable any cost savings projections are, estimated savings are just that – projections based on a host of assumptions. While many variables are within the control of the Joint Applicants, other variables are not. In fact, it is almost certain that actual savings will be more or less than the savings estimated by the Joint Applicants. The issue then is how to ensure that ratepayers do in fact receive the benefits on which the Application is premised.

This issue is compounded by the fact that it is very difficult to accurately assess what impact a particular transaction, such as a merger, had on overall costs after the fact. Experts have spent millions of dollars and thousands of hours arguing over actual cost savings resulting from merger transactions. The problem is that utility costs are impacted by many, many factors and, in my opinion, it is very difficult to accurately quantify actual cost savings that result exclusively from a merger transaction. While we can compare actual costs to projected costs, we are not able to ever really know what actual costs would have been in the absence of the merger. Therefore, in my view, attempts to quantify actual cost savings resulting from a merger almost always result in some inaccuracy.

Q. Given the difficulty in accurately determining cost savings resulting from a merger, how can the KCC ensure that ratepayers receive sufficient benefits if the Amended Agreement is approved?

A. I believe that the best way to ensure that ratepayers receive sufficient benefits is to require the Joint Applicants to provide rate credits to ratepayers that are based on the financial projections on which the merger is premised. If rate credits are coupled with a rate moratorium, a utility will have a further incentive to maximize cost savings during the moratorium period. This can result in additional benefits to shareholders. It can also result in additional benefits to ratepayers once utility rates are reset after the rate moratorium, assuming that these savings are then fully reflected in new utility rates.

1. Rate Plan

Q. What specific recommendations are you making in this case to ensure that ratepayers receive a reasonable share of any cost savings?

A. In this case, I am recommending that the Joint Applicants provide initial rate credits of $100 million once the merger is closed. In addition, I am recommending that the Joint Applicants provide additional rate credits of $50 million in each year from 2020-2022. I am also recommending that rates resulting from the Company's 2018 base rate cases remain in place for five years. During this period, any additional savings over and above the refunds provided to ratepayers would be retained by shareholders. Finally, I am recommending that the Joint Applicants' request to defer transition costs be rejected by the KCC.

Q. What is the basis for your recommendations relating to rate credits and a rate moratorium?

A. The Joint Applicants estimate merger savings of $627.0 million from 2018-2022. In addition, they estimate additional savings of $222.6 million related to the early retirement of certain KCP&L and GMO generating units[4]. These savings are not directly attributable to the merger but nevertheless have been included in the Company's financial models. This totals approximately $850 million in cost savings over the next five years. In addition, the Joint Applicants anticipate additional "capital-related savings and savings likely to be achieved from the consolidation of Wolf Creek ownership shares" that are not included in the

4 Testimony of Mr. Ives, page 21.

merger savings analysis.[5] Finally, the Joint Applicants also state that there may be additional merger savings "that result either from the avoidance, or more likely, deferral of capital projects" that have not been included in the estimate of merger savings, "as a way to reduce controversy in this proceeding because others may view them as being more a matter of management discretion than attributable to the Merger."[6]

Some of these savings will be incorporated into the new rates that result from the 2018 base rate cases although at the present time, it is impossible to know how much of these savings will be reflected in those new rates. Just for illustration, if one assumes that new rates will take effect January 1, 2020, and will be based on 2019 merger savings of $116.9 million, that would still result in merger savings of $276.3 million that would not have been passed through to ratepayers.[7] Accordingly, I am recommending that ratepayers receive bill credits of $250 million. A fixed bill credit of $100 million will approximate the savings estimated by the Joint Applicants for 2018 and 2019. The additional $50 million of bill credits in 2020, 2021, and 2022 will approximate the incremental merger savings projected for those years relative to 2019. In addition, spreading out the last three rate credits over a three-year period later in the rate moratorium will provide the Company with additional time and opportunity to meet its savings projections.

Moreover, my recommendation is very conservative in that it is based solely on the Joint Applicants' estimate of cost savings that they have identified as being directly related to

5 Testimony of Mr. Busser, page 15.
6 Testimony of Mr. Busser, pages 15-16.
7 Reflects total savings of $627.0 million less $116.9 reflected in annual rates for three years (2020, 2021, and 2022).

the merger. It does not include additional savings relating to the early retirements of the KCP&L/GMO generating facilities, Wolf Creek consolidation, or other deferred costs. Since shareholders will benefit from any additional savings during the rate moratorium period, the KCC may also want to require the Joint Applicants to guarantee the savings projected for these factors and require an additional fixed bill credit. While it would be entirely reasonable for all savings to be passed through to regulated ratepayers during the rate moratorium, I have taken a conservative approach in recognition of the uncertainty that exists with any cost savings projection, as well as the uncertainty regarding the effective date of rates resulting from the 2018 rate cases and the uncertainty regarding the amount of cost savings that will be incorporated in those new rates.

Q. Is there some indication that the Joint Applicants anticipated rate credits that would be larger than the $50 million upfront credit reflected in the Application?

A. Yes, there is. In information provided to credit rating agencies, the Joint Applicants assumed that the upfront rate credit would be $100 million. The credit rating agencies of Moody's and S&P therefore already evaluated the impact of a $100 million upfront bill credit for customers. Mr. Bryant states at page 14 of his testimony, "Even with very large bill credits of $100 million, our credit metrics are still strong and in combination with our improved business risk profile will result in a combined Company that is stronger than Westar or GPE on a stand-alone basis." Mr. Bryant's testimony highlights the improved credit metrics that result from the proposed merger, based on a $100 million rate credit.

Representatives of Guggenheim Securities commented from the Westar point of view that, based on their financial analysis and an assumed $100 million bill credit to customers, they continued to believe there was a compelling strategic rationale for the Amended Agreement. As stated on page 77 of the Definitive Merger Proxy ("Prospectus"):

> They highlighted key benefits of the proposed merger-of-equals transaction, including accretive earnings per share even without transaction synergies and an increased dividend for Westar Energy shareholders, increased cash flow, an improved credit ratings profile, potential benefits to both Westar Energy shareholders and customers from transaction synergies, and enhanced optionality for future strategic alternatives. They also highlighted the key analysis in their stand-alone valuation of Westar Energy and the pro forma valuation of the new combined company, especially noting the positive benefit to Westar Energy shareholders indicated by a discounted cash flow valuation of the pro forma combined company that exceeded the same valuation for Westar Energy on a stand-alone basis.

A $250 million bill credit over five years amounts to an average monthly bill credit of $2.67 per customer ($250 million/1.556 million customers/60 months). Given that the credit rating agencies already assumed an upfront $100 million credit ($64 per customer) in the first year post-merger, I believe that my recommendation to spread an additional $150 million credit over the last three years of the rate moratorium would not be a significant financial hardship for the Joint Applicants. The additional $150 million I propose provides additional protection for ratepayers and significantly improves the odds that ratepayers will in fact benefit from the Amended Agreement.

Finally, it should be noted that the Original Agreement required GPE to raise approximately $7.5 billion of capital for which GPE incurred financing costs of *****CONFIDENTIAL ____________*** CONFIDENTIAL** In fact, GPE has retained

$1.25 billion of cash from the initial financings that is still available to the Joint Applicants. Compared to the initial $7.5 billion of capital that the Joint Applicants were willing to obtain in the Original Agreement, and the financing costs associated with that capital that the Joint Applicants were willing to incur, my proposal for a $250 million rate credit over five years is quite modest, especially when one considers the benefits to shareholders resulting from the proposed transaction.

Q. Please discuss the benefits to shareholders that you mention above.

A. As noted in the Prospectus referenced above, a primary focus of the Amended Agreement is increasing shareholder benefit, including earnings accretion, earnings per share growth, and increased dividends. For example, Westar shareholders will experience an immediate 15% increase in dividends, as discussed on page 15 of the Prospectus:

> After taking into account the exchange ratios and the combination of the two companies, and subject to approval from the Monarch Energy Board, the initial dividend rate is expected to be $1.84 per share per year, which would result in an approximate 15 percent dividend increase for Westar Energy shareholders.

The benefits to Westar shareholders alone from this dividend increase and accretion over the next five years is more than the $250 million upfront rate credit that I am recommending in this case. In addition, there is also a projected increase in annual earnings per share for GPE shareholders, which will result in higher dividends at the 60-70% payout ratio projected for Monarch after the merger.

Q. How do you recommend that the bill credits be allocated?

A. The Company has proposed to allocate bill credits to each jurisdiction based on energy sales but has not proposed any specific method for the allocation of bill credits among rate classes or within each class. Based on energy sales, ratepayers in Kansas would receive approximately 66.1% of any bill credits. This would equate to approximately $165 million to Kansas ratepayers if the KCC accepts my recommendation and authorizes total bill credits of $250 million.

Once the bill credits are allocated to Kansas, I recommend that the bill credits be allocated to Kansas ratepayers on a per customer basis, in order to provide the most significant impact on the largest number of customers. Assuming 955,000 customers in Kansas, my recommendation would still only result in credits of approximately $174.00 over a five-year period for the average customer, an initial credit of approximately $69 followed by credits of approximately $35 in 2020, 2021, and 2022. Any other interclass allocation methodology would virtually negate the impact of these bill credits on the vast majority of Kansas ratepayers. Moreover, since the initial jurisdictional allocation is based on energy sales, which favors jurisdictions with high load customers, the use of a per customer allocation for interclass allocations would provide some balance to the process of distributing bill credits. Accordingly, while I accept the Joint Applicants' proposal to allocate the bill credits among jurisdictions based on energy sales, I recommend that Kansas bill credits be allocated on a per customer basis.

Q. In addition to bill credits of $250 million, please explain why you have also proposed a five-year rate moratorium and explain how that would protect ratepayer interests.

A. My proposed rate moratorium for a period of five years, with new rates effective no sooner than five years after the effective date of the rates resulting from the 2018 rate cases, protects ratepayers from the risk that the merger efficiencies and savings will not be realized in a timely manner. Without a rate moratorium, the Joint Applicants would be free to seek additional rate recovery if it should turn out that they are unable to secure the planned efficiencies in a timely manner or if the forecasts of merger benefits turn out to be overly-optimistic. It is the shareholders who should bear the risk that the merger does not provide the expected benefits. In addition, the rate moratorium affords shareholders the opportunity to benefit from the timely realization of merger benefits, including benefits that exceed the base case estimates.

Q. If the Joint Applicants agree to a five-year rate moratorium, as well as a $250 million ratepayer credit, can they still expect to be better off than they would be on a stand-alone basis?

A. Yes, I believe that my proposal still provides the Joint Applicants with ample opportunity to enjoy the merger benefits envisioned in the Prospectus. In addition, there is the very real possibility of merger efficiencies, or other cost savings, that exceed those projected by the Joint Applicants. A rate moratorium would allow the Joint Applicants to retain all of these additional efficiencies during a five-year period post-merger. Mr. Bryant at page 20 of his

Direct Testimony highlights the benefits of the merger, including the ability of the Joint Applicants to earn closer to their allowed returns post-merger due to merger savings and other efficiencies, the advantages of the increased scale and diversity of the combined company, enhanced financial strength and more stable earnings and dividend growth. All of these shareholder benefits will persist, regardless of the bill credit I propose.

Q. Does your proposal for a rate moratorium and a $250 million bill credit mean that ratepayers will bear no risks from the merger?

A. No, it does not. Ratepayers are already bearing increased risks resulting from the merger, due to the diversion of executive resources during this period. In addition, ratepayers are currently funding not only management resources that are focused on merger activities but are also paying for hundreds of currently vacant employee positions held open in contemplation of a merger, as will be discussed later in my testimony. Once the merger closes, ratepayers will face the risk that the expected savings may not materialize, resulting in higher rates at the end of the rate moratorium. In addition, ratepayers will presumably live with this merger well beyond the five-year planning horizon discussed in the Application. They will bear the risk that future costs could be higher, not lower, as a result of the merger, that service quality will suffer during and after the transition, and that the attention of management and much of the utilities' staff will be diverted away from existing and routine utility business responsibilities, including quality of service and public safety responsibilities. These risks will persist for a considerable period of time. In the longer-term, ratepayers could suffer from economic harm to state and local communities due to labor dislocations as staffing levels are reduced. In addition. the combined company will own 94% of Wolf Creek Nuclear Generating Station, doubling the ratepayers' exposure to nuclear risks.

Q. Isn't a rate stay-out in Kansas for five years a considerable burden to the Joint Applicants?

A. No, I do not believe it is, and apparently the Joint Applicants do not believe it is either, as they have included a five-year rate moratorium in Kansas in the base case scenario reflected in their financial model. Instead of being a burden on shareholders, the rate moratorium can be viewed as an opportunity for the Joint Applicants to maximize cost savings during the stay-out period, to the benefit of the shareholders. The Joint Applicants are in control of the transition process and it is important that there is a significant financial incentive for them to proceed with alacrity and accomplish the transition as smoothly and economically as possible. My rate moratorium proposal will provide that incentive and also requires that shareholders bear the risk that the transition will be delayed, result in unexpected expenses, or simply fail to produce the expected savings. The responsibility for achieving merger savings rests with the Joint Applicants and I believe it is equitable to provide them with an opportunity to retain certain merger savings for five years, but also to require them to take the risk if the savings do not materialize.

Q. Do you believe your proposed five-year rate moratorium is fair to both shareholders and ratepayers?

A. Yes, I believe my rate moratorium is fair and balances the interests of both the ratepayers and shareholders. The Company's financial models indicate a range of *****CONFIDENTIAL __________________________CONFIDENTIAL ***** that would be retained by the Company from 2018 to 2022. This suggests that the additional bill credits that I am recommending will still allow shareholders to retain significant benefits from the merger.

The Prospectus at page 79 addresses the advantages of the merger from GPE's point of view. I have provided a few excerpts from that material that augurs well for the company's prospects to benefit from the merger as follows:

> • *Value Creation*. The Great Plains Energy Board considered a number of potential sources of value to be created in the mergers, including, among others, the benefits of greater size and scope of operations and the resulting increased investment opportunities, anticipated operating and cost efficiencies, the benefits of a broader set of skills that will be brought together in the combined company's workforce, and benefits to be obtained in the standardization of key processes by leveraging existing best practices at Great Plains Energy and Westar Energy. *The Great Plains Energy Board considered both the aggregate potential value that may be created in the mergers, as well as the fact that the numerous opportunities to create value mitigate the risk that any particular opportunity to create value will not be realized*. (Emphasis added.)
>
> • *Regulatory and Geographic Diversification.* The Great Plains Energy Board considered that the mergers should result in the combined company's earnings being derived from more diversified operations, both from a regulatory and geographic perspective. *Achieving this greater balance among the geographic areas and regulatory jurisdictions in which we operate should help the combined company enhance the diversification of its principal revenue stream and promote increased financial flexibility, as well as decrease the combined company's potential exposure to any particular adverse event*. (Emphasis added.)
>
> • *Fuel and Energy Mix Diversification*. The Great Plains Energy Board considered that the combined company will have increased capacity in renewable generation as compared to Great Plains Energy on a stand-alone basis. In addition, the combined company would gain majority control of the La Cygne, Jeffrey and Wolf Creek generating units, which would

provide the combined company with greater opportunities with respect to the optimization of these generating units.

• *Improved Credit Profile*. The Great Plains Energy Board considered that, over time, because of the anticipated improved cash flow profile, greater operating scale and regulatory jurisdiction diversification of the combined company, the combined company should have an improved credit profile as compared to Great Plains Energy today, which could result in lower borrowing costs, and greater financial flexibility, including with respect to financing significant capital improvements in the future to satisfy the combined company's obligations to operate and maintain a safe and reliable electric system, among other beneficial effects.

• *Combined Expertise*. The Great Plains Energy Board considered that the mergers will combine complementary areas of expertise of each company. The combined company is expected to be able to draw upon the intellectual capital, technical expertise, processes, practices and experience of a deeper, more diverse workforce and strengthened succession planning for key positions, and to leverage the best practices of Great Plains Energy and Westar Energy.

• *Shared Culture*. The Great Plains Energy Board considered that Great Plains Energy and Westar Energy share a common culture, which Great Plains Energy believes will result in a more efficient integration of the two companies, and will improve the combined company's opportunities to realize operating efficiencies on a timely basis that will inure to both customers and shareholders.

The Amended Agreement will provide considerable benefits to shareholders and it is therefore reasonable to require them to provide commensurate benefits to Kansas ratepayers. Requiring fixed ratepayer credits of $250 million and a five-year rate moratorium provides a good balance between the need to ensure ratepayer benefits and the need to provide shareholders with an incentive to maximize cost savings.

In addition, my recommendation to require a five-year rate moratorium simply formalizes the Joint Applicants' current projections for post-2018 base rate cases in Kansas. As discussed on pages 14-15 of Mr. Ives' testimony, the Joint Applicants assumed that rates resulting from the 2018 rate cases would be effective for five years. Moreover, the Joint

Applicants assumed that a five-year period between base rate cases would likely continue on an ongoing basis even after 2023. Accordingly, my recommendation to formalize the five-year rate moratorium should not present an undue hardship on the Joint Applicants.

Q. Please summarize why you believe a five-year rate moratorium is a key component in the determination of ratepayer benefits resulting from the merger.

A. The Joint Applicants have quantified significant cost savings over the next five years, benefits totaling approximately $850 million, including cost savings associated with early retirements of certain KCP&L and GMO generating facilities. Additional savings resulting from consolidation of Wolf Creek ownership and deferral of capital projects is also projected. While the Company's savings estimates are reasonable, they are just that – estimates. Given this uncertainty, and given the difficulty of quantifying actual merger savings, I recommend that the most reasonable approach to ensure that ratepayers benefit from the savings is to require a $250 million fixed ratepayer credit - $100 million when the merger closes and $50 million annually in each year from 2020 to 2022. Moreover, the rating agencies have already evaluated the proposed transaction based on an upfront ratepayer credit of $100 million and the Joint Applicants have assumed a five-year period between base rate cases in their financial models. Accordingly, I do not believe that my recommendations will result in undue hardship to the Joint Applicants. In fact, the Joint Applicants, and their shareholders, will benefit significantly from any savings over and above the $250 million rate credit during the five-year rate moratorium.

2. Transition Costs

Q. Please explain the Joint Applicants' request regarding transition costs.

A. The Joint Applicants propose that the KCC authorize them to record a regulatory asset for the transition costs associated with the merger. These transition costs would then be subject to recovery from ratepayers in a future rate proceeding, to the extent that the Joint Applicants could demonstrate that the merger savings had exceeded the transition costs.

The proposed transition costs are shown in Table 3 of Mr. Busser's testimony and amount to an estimated $71.8 million. Approximately $20.6 million of these costs are severance costs. Transition costs related to the supply chain comprise $24.2 million, which include consulting fees as well as costs for "advanced analytics and management systems." Information Technology ("IT") transition costs total $13.4 million, which include consulting fees and costs to ensure connectivity and visibility across both companies' IT systems. Additional consulting fees of $7.5 million are projected related to Integration Planning and Integration Support. Finally, there are other integration team costs of $6.1 million. In addition, the Joint Applicants claim that its employees recorded $14.7 million of labor costs through June 30, 2017 related to integration team activities, but the Joint Applicants are not seeking to defer those costs because those labor costs are already in cost of service and therefore currently being recovered from ratepayers.

Q. Should the KCC approve the request to defer transition costs, if the Amended Agreement is approved?

A. No, it should not. I recommend that the KCC deny the Joint Applicants' request to defer transition costs, for several reasons. First, the Joint Applicants' claim of $71.8 million of transition costs represents, to a great extent, retroactive ratemaking. In fact, $35.6 million, or approximately half of the total transition costs, were incurred in 2016 and 2017. In addition, the Joint Applicants have indicated that many of these costs related to the Original Agreement, which was rejected by the KCC. Given the vastly different nature of the current MOE versus the Original Agreement, it is reasonable to assume that at least many of these costs relate to efforts that will have little value given the Amended Agreement. The Joint Applicants' request to defer these transition costs is clearly an attempt to recover costs that relate to a transaction that no longer has any applicability to Kansas ratepayers. Finally, it is my understanding that none of the costs for consultants or other expenses was based on a competitive bidding process and so ratepayers have no assurance that the actual costs were reasonable or represent the lowest cost options.

Q. Have the Joint Applicants benefited from labor cost savings over the past two years?

A. Yes, they have. While the Joint Applicants are seeking to recover $35.6 million in transition costs incurred in 2016 and 2017, during this period the Joint Applicants have benefitted from labor savings due to an increase in vacant employee positions, as discussed by Mr. Busser at pages 16-17 of his testimony. The savings resulted from a conscious plan to leave open all vacancies that arose from the time when the Joint Applicants first contemplated the merger pursuant to the Original Agreement, being at the beginning of 2016. During this period Kansas ratepayers continued to pay utility rates that reflected costs for these employees, even though the employees were no longer employed by the Joint Applicants and the ratepayers have not been receiving any benefit from these labor costs that are currently reflected in utility rates. Any labor savings therefore accrued to the benefit of the Joint Applicants, and their shareholders, during this period.

Q. Do you believe that the cost savings from these vacant positions have already exceeded the transition costs projected by the Joint Applicants?

A. Yes, I do. As discussed on page 18 of Mr. Busser's testimony, there are 189 employee positions that have been held open since at least June of 2016, when the Original Agreement was filed. In addition, another 135 positions were opened by employees voluntarily leaving between July 2016 and April 2017, when the Original Agreement was rejected by the Commission. Another 98 employees subsequently elected to take severance from KCP&L under the VEEP Severance Program and Mr. Busser testified that another 91 employees were expected to take severance under the Westar voluntary severance program. That brings the total vacant positions to 513 by the time of the merger closing. Mr. Busser states, "This means we have already held open positions equal to 54% of the labor savings we plan."

It is now known that 130 Westar employees have elected to take a voluntary severance award instead of the 91 employees assumed in the Application. Based on this update and on an estimate of how long various positions have been open, I estimate that approximately $90.6 million of labor costs have been saved by the Joint Applicants since the Original Agreement was filed. In addition, at page 38 of his testimony, Mr. Busser indicates that GPE and Westar employees charged approximately $14.7 million to merger integration activities through June 30, 2017. These costs are not included in Mr. Busser's estimate of transition costs, since these costs are already being recovered from ratepayers through utility rates. However, in evaluating the request to defer transition costs, the KCC should recognize that ratepayers have already contributed almost $15 million for transition activities, in addition to the $90.6 million of labor costs that have been saved by the Joint Applicants due to unfilled positions. Accordingly, I contend that there are no unrecovered transition costs relating to this transaction. It would be unconscionable for the Joint Applicants to pocket the savings relating to vacant positions and then to request additional funding from ratepayers for transition costs, especially since ratepayers are already paying labor costs for those employees who are currently focusing on merger activities instead of on the operational aspects of Westar and KCP&L.

Q. Will management continue to divert its resources to merger activities if the Amended Agreement is approved?

A. Yes, it will. Ratepayers have provided, and will continue to provide millions of dollars for executive and other labor costs related to personnel that will now be focused on merger and integration efforts, rather than on the ongoing operating and management needs of providing regulated electric service in Kansas. One of the merger risks discussed at page 35 of the Prospectus is the risk of diverting management attention to the merger rather than focusing on internal operations or other opportunities that could be beneficial to ratepayers. I suspect that merger and integration activities will continue to be the focus of management for some time.

Q. Have transition costs already been expensed on the Joint Applicants' books and records of account?

A. Yes, according to the response to KCC-117, the Joint Applicants have been expensing transition costs as they have been incurred, pursuant to GAAP. Therefore, a significant portion of these costs has already been reflected in the Joint Applicants' financial results. Moreover, shareholders stand to benefit from any excess savings realized during the rate moratorium period. Permitting the Joint Applicants to defer transition costs during the rate moratorium for future recovery from ratepayers is inconsistent with the treatment proposed for other operating expenses during this period and inconsistent with the objective of providing an incentive for cost containment over the next five years.

Q. Please summarize your position on the Joint Applicants' request to defer transition costs for future recovery from ratepayers.

A. I do not believe it is appropriate for the Joint Applicants to submit an Application based on retaining the savings between base rate cases, but then segregate certain of the myriad of expenses that will be incurred between base rate cases into a special category of expenses that they identify as “transition costs”, which would then be subject to special ratemaking treatment.

The Applicants have wisely agreed not to claim transaction costs in rates. The argument that transition costs are somehow different from transaction costs is not very convincing, as both kinds of expenses are necessary to “unlock” merger savings going forward.

A significant percentage of the transition costs were incurred in 2016-1017 and these costs have already been expensed on the financial records of the Joint Applicants. In addition, the Joint Applicants have benefitted from a large number of vacant positions over the past two years. For all these reasons, the KCC should deny the Joint Applicants’ request to defer transition costs and to seek recovery of these costs from ratepayers in future years.

3. <u>Summary of Merger Standard (a)(iii)</u>

Q. Please summarize your recommendations relating to Merger Standard (a) (iii): whether ratepayer benefits resulting from the transaction can be quantified.

A. The Joint Applicants have provided a reasonable estimate of the merger savings resulting from the Amended Agreement. In addition, they have estimated that the early retirement of KCP&L and GMO generating units, consolidation of Wolf Creek ownership, and deferral of capital projects could result in millions of dollars of additional savings over the next five years.

In order to ensure that ratepayers receive a reasonable share of these estimated benefits, I recommend that the Joint Applicants provide an upfront bill credit of $100 million, followed by bill credits of $50 million in 2020, 2021, and 2022. I also recommend that new rates resulting from the 2018 base rate cases remain in effect for a period of five years. Finally, I recommend that the KCC deny the Joint Applicants' request to defer transition costs for future recovery from ratepayers. The Joint Applicants will be fully compensated for those costs by labor savings relating to open positions, by utility rates for personnel whose focus has been on merger activities, and by additional earnings that shareholders can enjoy during the rate moratorium. With these provisions, I believe that Merger Standard (a) (iii) has been met.

4. <u>Consumers – Financial Condition</u>

Merger Standard (a) (i): The effect of the transaction on consumers, including the effect of the proposed transaction on the financial condition of the newly created entity as compared to the financial condition of the stand-alone entities if the transaction did not occur.

Q. What impact will the proposed transaction have on the financial condition of the newly created entity as compared with the financial condition of the stand-alone entities?

A. The combined company should be stronger than either company on a stand-alone basis, as discussed by Mr. Bryant and Mr. Somma in their testimonies. More importantly, the proposed transaction does not contain the problems that were inherent in the original merger transaction due to the need to finance the significant premium that was present in the Original Agreement. As a MOE, the proposed transaction has the benefits of consolidation without the need to impose heavy financing costs to achieve the consolidation. In fact, it is interesting to note that the combined companies will actually begin with equity levels that are higher than normal, due to the additional equity that was issued by GPE in anticipation of the first merger transaction and that is still outstanding. This is in sharp contrast to the prior transaction, which would have resulted in historically low equity levels and excessive leverage.

Both rating agencies commented on an improved business risk profile for the combined company as compared to GPE and Westar as stand-alone entities. Moody's upgraded GPE's credit rating from Baa3 to Baa2 and affirmed its prior ratings of its subsidiaries, as well as affirmed ratings for Westar. Standard and Poor's affirmed its ratings of both GPE and Westar and raised its outlook for them (and their operating subsidiaries) to Positive from Negative.

Q. Do you have any concerns about the financial structure proposed by the Joint Applicants?

A. I do not have any concerns regarding the financial structure in light of the merger standards. However, I do recommend modifications to two of the proposed financial commitments in order to provide better long-term protection to the utilities' ratepayers. These relate to capital structure protections and to dividend policy.

Q. Please discuss your first concern.

A. In their merger commitments, the Joint Applicants propose to limit debt in the capital structures of the holding company, KCP&L and Westar to no more than 65% debt. The Joint Applicants have also committed that dividend payments to the holding company will not increase debt levels above 65%. Given that the Joint Applicants have a target debt ratio of approximately 50% and given that the KCC has traditionally targeted a capital structure of approximately 50% debt and 50% equity, the KCC should be notified well before the Joint Applicants reach a capital structure containing 65% debt. Therefore, I am recommending that the KCC be notified if the capital structure of the holding company, KCP&L or Westar exceeds 55% debt so that the Commission can determine whether an additional review should be undertaken. Similarly, the Joint Applicants should notify the KCC if the payment of any dividends, either by the holding company or one of the Kansas-regulated subsidiaries, would result in a debt level above 55%.

Q. Why are you concerned by the debt levels increasing beyond 55% of the capital structure?

A. I am concerned that the ring-fencing provisions proposed by the Joint Applicants establish as a threshold the maintenance of the lowest possible investment grade ratings (S&P BBB- and Moody's Baa3). It is only in the event of a credit downgrade to below investment grade levels that the ring-fencing commitments would require further legal and structural steps be taken to separate the utilities from Holdco, per Commitment 16. (v.) in Appendix H.

I would prefer that the Commission receive notice well before any financial circumstances arise that would cause the credit ratings to fall below investment grade in the years following the merger. An important safeguard to maintaining an investment grade rating is to manage and limit the amount of leverage (debt) in the capital structure. Given that the pro forma financials submitted project significant dividend payments from the subsidiaries to the holding company and given that there are no limits contemplated for the maximum amount of dividends payable from the utilities to the holding company, it is prudent to trigger a Commission review of any circumstances that cause the debt component of the capital structure to rise above 55%.

Q. Does a Commission review mean that the utilities would be prohibited from increasing the percentage of debt in their capital structures above 55%?

A. That would be up to the KCC to determine, based upon the underlying reasons for such a significant change in financial circumstances. My goal is to be sure, given all of the uncertainties surrounding the merger, particularly the cash-flow consequences of failing to achieve the merger savings in a timely manner, that the utilities are not treated as cash cows and squeezed until their credit ratings fall below investment grade. It seems appropriate for the Commission to obtain notice before such an event occurs so that it has an opportunity to intercede in a timely manner to protect the interests of the ratepayers.

Q. Does your recommendation address the capital structure that could be used to determine utility rates in a future rate proceeding?

A. No, it does not. The KCC already has the ability to examine the capital structure proposed by KCP&L and Westar in a rate proceeding and to determine whether the proposed capital structure is reasonable for ratemaking purposes. Regardless of whether my recommended notification requirement is adopted, this authority would not change. My recommendation would simply provide ratepayers with a further protection for the Joint Applicants' financial integrity by requiring notification if there was a deterioration in financial condition so that the KCC could evaluate the reasons for the increase in debt and determine if any further action is necessary.

Q. Are you also proposing that the Joint Applicants be required to obtain KCC approval prior to making certain dividend payments?

A. Yes, I am. The dividend payments projected for KCP&L in the financial model are well above the historic payout ratios for that utility. I realize that there could be valid reasons to increase the payout ratio, especially if such an increase is necessary in order to manage capital structure issues. However, in order to provide additional protection to ratepayers, I recommend that Westar, KCP&L and Monarch be required to notify the KCC if any of these entities make dividend payments exceeding 100% of net income. It is important to protect the utilities from the cash-flow needs of the holding company, in order to prevent a scenario whereby too much cash is withdrawn from the subsidiaries. If too much cash is withdrawn from the utilities in order to pay excessive dividends, then the utilities may be required to forego necessary capital investment or they may be forced to go to the capital markets for additional funds that could come at higher costs and ultimately have a negative effect on their credit ratings.

The dividend restrictions currently proposed by the Joint Applicants are 1) that the dividend payments to the holding company will not cause utility debt levels to rise above 65% of the capital structure unless authorized by the Commission and 2) if KCP&L or Westar's credit ratings drop below investment grade, *due to their affiliation with the holding company*, then the impacted utility will not pay a common dividend without commission approval. The first provision leaves ample room for the utilities to increase dividends to the holding company, possibly to the detriment of the utilities' (and ratepayer) interests. With regard to the second commitment, it may be difficult to determine whether a downgrade was due specifically to the affiliation with the holding company, or the extent to which the holding company contributed to the downgrade.

Q. What specific dividend restriction do you recommend?

A. I recommend that KCP&L, Westar, and Monarch notify the KCC of the intent to pay a dividend of more than 100% of net income at least fifteen days prior to the dividend being paid, along with an explanation as to why it is appropriate for the dividend to exceed 100% of net income. If the KCC takes no action, then the dividend payment can be made. If, however, the KCC has concerns about the size of the dividend, it can require the company to limit the dividend to 100% of net income. The companies should be permitted to calculate the 100% limitation on a rolling average basis and should be permitted to roll over underutilized dividend capacity to a subsequent period. This recommendation provides flexibility to the Joint Applicants but also protects ratepayers from excess transfers of capital from the regulated utilities.

Q. Please summarize your recommendations regarding financial condition.

A. I recommend that the KCC be notified if the debt component of Westar, KCP&L, or Monarch exceeds 55% debt, or if dividend payments would result in a capital structure with more than 55% debt. In addition, the Joint Applicants should be required to obtain KCC approval for dividend payments by Monarch, KCP&L or Westar that exceed 100% of net income.

5. Consumers - Reasonableness of the Purchase Price and Premium

Merger Standard (a)(ii) – The effect of the transaction on consumers including the reasonableness of the purchase price, whether the purchase price was reasonable in light of the demonstrated savings from the merger and whether the purchase price is within a reasonable range.

Merger Standard (a)(iv) - The effect of the transaction on consumers including whether there are any operational synergies that justify payment of a premium in excess of book

value.

Q. Is there a purchase price specified in the Amended Agreement?

A. No, there is not. This MOE is a stock-for-stock transaction and will not involve any cash payments between the parties. The Joint Applicants have elected to address this merger standard as it relates to the exchange ratios between their existing shares and the shares that will be received in the new holding company. As mentioned earlier, GPE shareholders will receive .5981 shares of Monarch stock for each share of GPE stock. Westar shareholders will exchange their existing stock on a 1 for 1 basis for Monarch shares.

Q. How were these exchange ratios determined?

A. The intent of the ratios was that neither GPE nor Westar shareholders would receive or pay a premium to the other. Further it was decided that the appropriate values of the respective companies should be free of any lingering effects that resulted from the Original Agreement and its rejection by the KCC, such as speculation that Westar could receive another offer with a premium over its share price. The parties negotiated the exchange ratios at arms-length and each retained its own independent advisors.

Q. What is the significance of the shareholders of both companies having voted to approve the merger?

A. For the most part, I would rely on the opinion of those investors who actually own shares in the two companies as an indicator that the terms were fair to both parties. In this case, both groups of shareholders have been satisfied that the proposed merger is in fact in their best interests and have voted to approve the transaction.

Q. Are you concerned that goodwill will be recorded on the books of the holding company following the merger closing?

A. No, I am not. This is an accounting entry only, unlike the enormous goodwill that resulted from the $4.9 billion acquisition premium that was to have been paid largely in cash under the Original Agreement. The accounting entry for goodwill in this proceeding of $1.52 billion will in any case be excluded from ratemaking treatment and will be recorded only at the holding company level. The Original Agreement was based on the acquisition of Westar by GPE and resulted in $4.8 billion of goodwill based on the difference between the $8.5 billion purchase price and the $3.7 billion fair value of Westar's assets as set forth at page 151 of the original Prospectus. Because the current merger is a MOE, and not an acquisition, the goodwill amount is not meaningful and represents only the difference between the market value of GPE's equity and the net book value of its assets.

In addition, this goodwill will not be amortized and would only be reduced if at some point it was determined that the value of the enterprise was impaired. In its merger commitments, the Joint Applicants have agreed to hold ratepayers harmless from any such impairment. In addition, since the Amended Agreement is a non-cash transaction, there is no need for either party to raise capital (and increase leverage) in order to finance the resulting goodwill. Therefore, I am not concerned that the $1.52 billion of goodwill resulting from the Amended Agreement would have a negative impact on Kansas ratepayers.

6. Consumers – Existing Competition

Merger Standard (a)(v) - The effect of the transaction on consumers, including the effect of the proposed transaction on the existing competition.

Q. Please discuss the Merger Standard concerning the effect of the proposed transaction on the existing competition.

A. On page 20 of his testimony, Mr. Greenwood states that the proposed transaction will have a "limited effect on retail competition since each electric utility is only authorized to provide service within a specified and certificated geographic area." As I stated in my testimony in the 593 Docket, in spite of the fact that there is currently no competition for regulated electric service, the proposed transaction will still eliminate one major entity in the electric industry. This is a significant period for the electric industry, as new technologies evolve, resulting in new sources of renewable power, increased distributed generation, and other technological changes. Therefore, while I tend to agree with Mr. Greenwood that there will be virtually no short-term impact on retail competition, the elimination of one large player in the field could impact the progress of future technological development and implementation of new power sources. More importantly, the merger will eliminate one independent entity from the industry, an entity that has the potential to examine issues with a different perspective.

However, at the same time, the greater size and financial strength of the merged company may make it a more significant player in development of energy-related technologies and services. Regardless of whether the merger will therefore enhance or detract from competition, I would not expect the impact to be significant either way.

B. Effect on the Environment

Merger Standard (b) – The effect of the transaction on the environment.

Q. Please discuss the next merger standard, which is the effect of the transaction on the environment.

A. The proposed transaction could have a positive impact on the environment. The Joint Applicants have assumed that certain generating units would be retired earlier than currently anticipated if the proposed transaction is approved. If the transaction results in early retirement of coal generation, then the impact on the environment could be positive. In addition, the transaction could result in synergies regarding reserve margins that would result in the need for less generation, thereby benefiting the environment. All of the existing environmental oversight by the EPA and the Kansas Department of Health & Environment will continue post-merger. The Joint Applicants also anticipate that the stronger financial profile of the combined company will allow them to pursue additions to their renewable energy portfolios and that may also serve to lower emissions even further.

Q. Are there other ways in which the proposed transaction could impact the environment?

A. Yes, as I discussed in my testimony in the 593 Docket, the proposed transaction could negatively impact the environment if it resulted in rate structures that promoted increased energy consumption. Therefore, the KCC should consider the different rate structures of the Joint Applicants and the possibility that eventual rate consolidation could result in less efficient rate structures.

Q. Can you summarize the differences between the current Westar and KCP&L residential general use rate structures?

A. Yes, the Westar residential general (or standard) use rate schedule contains a customer charge, a declining-block winter energy charge, and an inclining-block summer energy charge. In the winter, the energy charge is lower for all usage in excess of 900 kWh per month. In the summer, the energy charge is higher for all usage in excess of 900 kWh per month. KCP&L's current residential general use (or RES-A) rate schedule contains a customer charge and a flat rate energy charge, which is seasonally differentiated (*i.e.*, higher in the summer than in the winter).

Therefore, Westar's inclining-block energy charge provides a strong price signal to all residential customers to conserve electricity in the summer months, which is Westar's peak season. By conserving electricity, residential customers exercise greater control over their electric bills, and benefit directly from the resulting reduction in their utility bills. At the same time, however, greater conservation can contribute towards a delay in the need to build expensive new generating plant, which benefits *all* ratepayers. Obviously, the conservation-oriented price signal inherent in Westar's inclining-block rate design is absent from KCP&L's residential rate structure. I understand that CURB has supported Westar's existing inclining-block rate structure in past Westar rate proceedings. In addition, I understand that CURB advocated for the adoption of a Westar-like inclining-block rate structure in KCP&L's most recent base rate proceeding, KCC Docket No. 15-KCPE-116-RTS. It is also my understanding that KCP&L has consistently opposed the adoption of an inclining-block rate structure for residential customers.

Q. Have the Joint Applicants made any commitment to retain and/or expand Westar's inclining-block rate structure in the event the proposed transaction is approved?

A. No, they have not. Absent such a commitment, is it reasonable to conclude that the Joint Applicants could seek to implement a common rate design, and to eliminate Westar's inclining-block rate design in a future rate proceeding, based on KCP&L's past opposition to implementing a similar inclining-block rate design for its residential customers. Elimination of Westar's inclining block structure could have a detrimental impact on the environment if it resulted in increased consumption per customer and increased generation requirements.

Q. Would it be appropriate for the Commission to approve the merger without a firm commitment from the Joint Applicants that they will maintain the conservation-

oriented inclining-block rate design currently in place for Westar's residential customers?

A. No. In order to ensure that the conservation-related benefits associated with Westar's existing residential inclining-block rate structure are available in the future, the Commission should require that Westar retain the inclining-block rate structure currently in place for its residential customers in future rate proceedings, as a condition for approving the proposed merger. I am not recommending that KCP&L be required to change its existing residential rate structure to mirror that of Westar as a condition for approving the merger. However, if the proposed transaction is approved, it is conceivable that the Joint Applicants might seek permission to serve residential customers via a consolidated (i.e., single) tariff in a future rate proceeding. In that situation, CURB recommends that the Commission require the Joint Applicants to incorporate Westar's inclining-block rate structure in any proposal to consolidate residential rates, as a condition for approving the proposed merger.

C. <u>Effect on State and Local Economies</u>

Merger Standard (c) Whether the proposed transaction will be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state. Whether the proposed transaction will likely create labor dislocations that may be particularly harmful to local communities, or the state generally, and whether measures can be taken to mitigate the harm.

Q. Please discuss your concerns regarding the effect of the Amended Agreement on local economies.

A. The Joint Applicants contemplate the loss of approximately 938 employee positions across all the regulatory jurisdictions of the combined company by the end of 2021, per the response to CURB-38 (f). While the loss of these jobs will have a negative impact on the local economy, job reduction is necessary in order to produce more efficient utilities and to maximize the cost savings that are the principal factor driving this transaction. While the loss of specific jobs will harm local economies, bill credits and ultimately lower utility rates will mitigate this impact. Lower utility rates could also attract new businesses, resulting in the creation of additional jobs and expansion of the local economies.

In addition, it is important to consider the fact that the reduction in staffing will be accomplished without any involuntary severance. In fact, more than 500 of the employee reductions will have voluntarily occurred by the time that the merger closes, as discussed by Mr. Busser at page 18 of his testimony. The Joint Applicants have also stated that the staffing reductions will occur over time "in a generally balanced way across both states." Staffing levels will be maintained at 500 or more employees at Westar's downtown Topeka headquarters for a minimum of five years. All collective bargaining agreements will be honored and compensation and benefits will be maintained at comparable levels for two years after closing. Property tax levels are expected to remain at levels comparable to the last few years, despite the acceleration of plant closings and charitable giving will be maintained for a minimum of 5 years post-closing. All of these provisions will help to mitigate the negative impact on the local economy of the job losses resulting from the merger.

Q. Do you believe Applicants have satisfied Merger Standard (c)?

A. Yes. Taking all the above factors into consideration, I have concluded that the Joint Applicants have satisfied Merger Standard (c). However, I do recommend that the KCC monitor the actual job losses to ensure that the reductions of employee positions indeed prove to have been balanced across Kansas and Missouri over time.

D. Effect on KCC Jurisdiction

Merger Standard (d) Whether the proposed transaction will preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit public utility operations in the state.

Q. Will the proposed transaction preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit public utility operations in the state?

A. The proposed transaction will generally preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit public utility operations in the state. However, to this end, the KCC should ensure that if it does approve the proposed transaction, such approval is contingent upon GPE's assurance that the KCC will retain its right to regulate all affiliate transactions, including those that may be subject to other regulatory bodies as well. For example, the KCC should not be bound by allocation factors or methodologies authorized by other regulatory jurisdiction, even if differences among allocation methodologies result in the Joint Applicants' failure to recover all of its costs. Similarly, the Joint Applicants should be precluded from arguing that federal regulatory authorities take precedence over state regulation.

Even though I am proposing a five-year rate moratorium, the Commission will continue to have access to the books and records of the regulated entities and the ability to conduct audits and monitor quality of service issues. With this access and with the recommendations I made to limit dividend payments to 100% of net income and to require notification if debt exceeds 55% of the capital structure, the KCC will have additional opportunities to review the financial results of the utilities between rate cases. Taking the foregoing into consideration, I believe that the Amended Agreement meets Merger Standard (d.)

E. Effect on Public Utility Shareholders

Merger Standard (e) The effect of the transaction on affected public utility shareholders.

Q. Please discuss the effect of the proposed merger on the shareholders of GPE and Westar.

A. Both Westar and GPE shareholders voted to approve the merger this fall and that indicates they view the merger in a positive light. The benefits to shareholders of the merger grow out of their ownership of a larger and more diversified entity that should be able to take advantage of efficiencies and lower costs. Management believes these factors will result in improved profitability for the utilities and allow them to earn closer to their authorized returns. In addition, Westar shareholders will receive an immediate increase of 15% in dividends while the dividend to GPE shareholders will be kept whole. The holding company will also be repurchasing a significant number of shares in the early years post-merger in order to rebalance its capital structure and those repurchases should serve to increase or maintain the shareholders' stock values. Therefore, I believe that the Amended Agreement satisfies Merger Standard (e).

F. Effect on Kansas Energy Resources and Effect on Economic Waste

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

Merger Standard (f) – Whether the transaction will reduce the possibility of economic waste

Q. What is the effect of the proposed transaction on Kansas energy resources?

A. As noted earlier, the proposed transaction could result in an early retirement of certain Kansas energy generation resources. In addition, it could result in more efficient use of such resources if the proposed transaction has a favorable impact on reserve margins. The proposed transaction could also enhance the efficiency of generation resources that are jointly owned by Westar and KCP&L.

As discussed, the proposed transaction could also have a detrimental impact on Kansas energy resources due to employee layoffs, including labor reductions at generating facilities. Kansas energy resources could also be negatively impacted if there are unreasonable reductions in capital expenditures and/or unreasonable reductions in maintenance spending. Therefore, I believe that the effect of the proposed transaction on Kansas energy resources is mixed. However, the financial pressure on the Joint Applicants to reduce costs and increase earnings will be much less than the financial pressures that would have resulted from the Original Agreement.

Q. What is the effect of the proposed transaction on economic waste?

A. The Joint Applicants suggest that the proposed transaction will result in the more efficient use of resources, thereby minimizing economic waste. With regard to utility operations, the expectation is that the synergies of merging two contiguous utilities that share an ownership interest in certain generation facilities will enhance efficiencies and reduce waste.

Q. Do you believe that the Applicants have complied with Merger Standards (f) and (g)?

A. Yes, I do. Because Westar is a Kansas utility merging with another utility serving the Kansas jurisdiction, I do not foresee any issues regarding the future operation of the Kansas utility companies post-merger. The combined entity will have approximately one million Kansas customers and 600,000 Missouri customers, and I believe that will naturally lead to a reliance on Kansas energy resources. The retirement of the GPE generating units discussed in testimony are not deemed to be merger-related, while the merger-related early retirement of the Westar Murray Gill, Gordon Evans and Tecumseh generating units will increase economic efficiency and reduce waste.

G. Effect on Public Safety

Merger Standard (h) What impact, if any, the transaction has on public safety.

Q. What effect will the proposed transaction have on public safety?

A. Ms. Catchpole discusses public safety and this merger standard in her testimony. If the KCC adopts the recommendations proposed by Ms. Catchpole, CURB believes that the Joint Applicants will have met the requirements of Merger Standard (h).

H. Summary of Merger Standard Impact

Q. Given your assessment of the proposed transaction in light of the Merger Standards that have been adopted by the KCC, do you believe that the transaction as currently structured is in the public interest?

A. With the ratepayer safeguards that I have recommended in my testimony, as well as the recommendations contained in the testimonies of Ms. Harden and Ms. Catchpole, I believe that the Amended Agreement would meet the merger standards adopted by the KCC. Those regulatory safeguards include:

- Bill credits of $250 million

- Five-year rate moratorium
- Rejection of the Company's request to defer transition costs
- Notification to the KCC if debt levels exceed 55%
- Limitations on the amount of dividends to be paid absent KCC approval
- Retention of Westar's inclining block residential rate structure
- Reporting requirements on capital expenditures
- Expansion of certain reliability and customer service metrics and related penalties

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

STATE OF FLORIDA)

COUNTY OF BROWARD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing Direct Testimony, and that the statements made therein are true to the best of her knowledge, information and belief

Andrea C. Crane

Andrea C. Crane

Subscribed and sworn before me this 22rd day of January, 2018.

Notary Public Diane K Pappa

My Commission Expires: November 3, 2020

DIANE K PAPPA
MY COMMISSION # GG021910
EXPIRES November 03, 2020

APPENDIX A

List of Testimonies Filed Since January 2008

Company	Utility	State	Docket	Date	Topic	On Behalf Of
GPE/ Kansas City Power & Light Co., Westar Energy, Inc.	E	Kansas	18-KCPE-095-MER	1/18	Proposed Merger	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Co.	E	New Jersey	GR17070776	1/18	Gas System Modernization Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	17-00044-UT	10/17	Approval of Wind Generation Facilities	Office of Attorney General
Kansas Gas Service	G	Kansas	17-KGSG-455-ACT	9/17	MGP Remediation Costs	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER17030308	8/17	Base Rate Case	Division of Rate Counsel
Public Service Company of New Mexico	E	New Mexico	16-00276-UT	6/17	Testimony in Support of Stipulation	Office of Attorney General
Westar Energy, Inc.	E	Kansas	17-WSEE-147-RTS	5/17	Abbreviated Rate Case	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	17-KCPE-201-RTS	4/17	Abbreviated Rate Case	Citizens' Utility Ratepayer Board
GPE/ Kansas City Power & Light Co., Westar Energy, Inc.	E	Kansas	16-KCPE-593-ACQ	12/16	Proposed Merger	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	16-KGSG-491-RTS	9/16	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	15-00312-UT	7/16	Automated Metering Infrastructure	Office of Attorney General
Kansas City Power and Light Company	E	Kansas	16-KCPE-160-MIS	6/16	Clean Charge Network	Citizens' Utility Ratepayer Board
Kentucky American Water Company	W	Kentucky	2016-00418	5/16	Revenue Requirements	Attorney General/LFUCG
Black Hills/Kansas Gas Utility Company	G	Kansas	16-BHCG-171-TAR	3/16	Long-Term Hedge Contract	Citizens' Utility Ratepayer Board
General Investigation Regarding Accelerated Pipeline Replacement	G	Kansas	15-GIMG-343-GIG	1/16	Cost Recovery Issues	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	15-00261-UT	1/16	Revenue Requirements	Office of Attorney General
Atmos Energy Company	G	Kansas	16-ATMG-079-RTS	12/15	Revenue Requirements	Citizens' Utility Ratepayer Board
El Paso Electric Company	E	New Mexico	15-00109-UT	12/15	Sale of Generating Facility	Office of Attorney General
El Paso Electric Company	E	New Mexico	15-00127-UT	9/15	Revenue Requirements	Office of Attorney General
Rockland Electric Company	E	New Jersey	ER14030250	9/15	Storm Hardening Surcharge	Division of Rate Counsel
El Paso Electric Company	E	New Mexico	15-00099-UT	8/15	Certificate of Public Convenience - Ft. Bliss	Office of Attorney General
Southwestern Public Service Company	E	New Mexico	15-00083-UT	7/15	Approval of Purchased Power Agreements	Office of Attorney General
Westar Energy, Inc.	E	Kansas	15-WSEE-115-RTS	7/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	15-KCPE-116-RTS	5/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR14101099-1120	4/15	Cable Rates (Form 1240)	Division of Rate Counsel

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Liberty Utilities (Pine Buff Water)	W	Arkansas	14-020-U	1/15	Revenue Requirements	Office of Attorney General
Public Service Electric and Gas Co.	E/G	New Jersey	EO14080897	11/14	Energy Efficiency Program Extension II	Division of Rate Counsel
Exelon and Pepco Holdings, Inc.	E	New Jersey	EM14060581	11/14	Synergy Savings, Customer Investment Fund, CTA	Division of Rate Counsel
Black Hills/Kansas Gas Utility Company	G	Kansas	14-BHCG-502-RTS	9/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	14-00158-UT	9/14	Renewable Energy Rider	Office of Attorney General
Public Service Company of New Mexico	E	New Mexico	13-00390-UT	8/14	Abandonment of San Juan Units 2 and 3	Office of Attorney General
Atmos Energy Company	G	Kansas	14-ATMG-320-RTS	5/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Rockland Electric Company	E	New Jersey	ER13111135	5/14	Revenue Requirements	Division of Rate Counsel
Kansas City Power and Light Company	E	Kansas	14-KCPE-272-RTS	4/14	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR13100885-906	3/14	Cable Rates	Division of Rate Counsel
New Mexico Gas Company	G	New Mexico	13-00231-UT	2/14	Merger Policy	Office of Attorney General
Water Service Corporation (Kentucky)	W	Kentucky	2013-00237	2/14	Revenue Requirements	Office of Attorney General
Oneok, Inc. and Kansas Gas Service	G	Kansas	14-KGSG-100-MIS	12/13	Plan of Reorganization	Citizens' Utility Ratepayer Board
Public Service Electric & Gas Company	E/G	New Jersey	EO13020155 GO13020156	10/13	Energy Strong Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	12-00350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4 All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium, Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility

Company	Utility	State	Docket	Date	Topic	On Behalf Of
						Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	110258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

APPENDIX B

Referenced Data Requests:

CURB-38

KCC-117

KCPL KS
Case Name: Westar Merger
Case Number: 18-KCPE-095-MER

Response to Nickel David Interrogatories - CURB_20170920
Date of Response: 10/02/2017

Question:CURB-38

Regarding the 2016-2017 transition costs of $35.6 million per Table 2 of Mr. Busser's testimony, please:

a. Provide the detailed programs and efforts, along with the cost of each, that resulted in this expense.

b. Explain how it is known that these costs are all merger related and would not have occurred in the absence of the merger. For example a voluntary employee reduction at GPE may likely have occurred to promote efficiencies absent the merger.

c. Explain why GPE severance costs for 98 positons cost $6.5 million while it is estimated that Westar will incur almost twice as much expense at $11.1 million for just 91 employees severed, per page 36 of Mr. Busser's testimony.

d. What actions would GPE take regarding the voluntary severance program if the merger is not approved? Would all the positions be filled as soon as practical?

e. Are any of the costs of "overtime, contractors, and other compensating measures," per Mr. Busser at page 17 of his direct testimony, included in the transition cost estimate of $35.6 million? If so, provide the amount separately from the salary component of the employee reduction effort.

f. Provide the details of employee-related savings by year, 2016-2022, showing number of positions eliminated or vacant, salary and wage savings, severance costs, benefits savings, etc.

g. Discuss why KCP&L proceeded with the Voluntary Employee Exit Program (VEEP) in 2017 (Busser at page 17) but Westar is waiting until a later date to initiate its severance program.

Number of Attachments:

Response:

a. Provide the detailed programs and efforts, along with the cost of each, that resulted in this expense.
Please see response to CURB-2.

b. Explain how it is known that these costs are all merger related and would not have occurred in the absence of the merger. For example, a voluntary employee reduction at GPE may likely have occurred to promote efficiencies absent the merger.
All costs were compiled centrally by a single resource who ensured that costs listed met "merger related" requirements. Subsequently, all costs were reviewed in detail by the PMO, by the Steering Team, and by internal audit to confirm that costs incurred met the definition of "merger related".
Regarding the example stated, management had no previous plan for a voluntary employee reduction program, had not considered a voluntary reduction program outside of the merger, and specifically enacted the program to meet merger savings goals. There is no evidence for the statement that the voluntary program "may likely have occurred", as it had never previously been considered by management and was only ever discussed and executed as part of the merger planning efforts. Absent the merger, the approved positions which are currently open as a result of this voluntary program would need to be re-filled and stand-alone efficiencies would not be realized from these reductions.
c. Explain why GPE severance costs for 98 positons cost $6.5 million while it is estimated that Westar will incur almost twice as much expense at $11.1 million for just 91 employees severed, per page 36 of Mr. Busser's testimony.
Severance payments were based on each company's established and documented severance procedure and guidelines for these severance programs. Westar's severance policy provided for greater average payout per employee than KCP&L's as under the previous merger agreement, Westar's severance policy was unusually lucrative because it was meant to protect the Westar employees who were being acquired and as such resulted in a higher payout to the Westar employees when compared to the KCP&L employees.
d. What actions would GPE take regarding the voluntary severance program if the merger is not approved? Would all the positions be filled as soon as practical?
In anticipation of the merger, positions have been kept open by utilizing contractors and overtime, such that they can be cross-filled upon completion of the merger and the integration. If the merger is not approved, both companies will resume their normal process for approval of creating new positions and execution of hiring, and these positions would be backfilled absent the merger.
e. Are any of the costs of "overtime, contractors, and other compensating measures," per Mr. Busser at page 17 of his direct testimony, included in the transition cost estimate of $35.6 million? If so, provide the amount separately from the salary component of the employee reduction effort.
No overtime is included in the costs-to-achieve. Some contractors have been used for Day-1 support, and potentially other integration tasks associated with their day-to-day work. Full details of what is included in costs-to-achieve is provided in CURB-2.
f. Provide the details of employee-related savings by year, 2016-2022, showing number of positions eliminated or vacant, salary and wage savings, severance costs, benefits savings, etc.
The overall combined company headcount target is 4,538 and this is the cornerstone of our staffing and labor integration work. We have estimated the path that will reasonably lead to achievement of this goal, but the ultimate path will be achieved through natural attrition and retirements. In addition, as stated elsewhere, we have committed to no

involuntary reductions as a combined company as a result of the merger. Please refer to the testimony of Steve Busser, page 32, lines 10-23 and page 33, lines 1-4,
We have estimated the following position reductions by year across the company:

7/1/2016 – Day-1	Day-1 – EOY 2018	2019	2020	2021	2022
156	396	208	140	38	-

Many of the position reductions referenced above include reductions associated with AMI implementation and KCP&L plant retirements, which will benefit the customers, but the dollar savings related to such are not included in merger efficiencies. The merger-related labor (fully-loaded salaries) savings which are expected in each year (2017-2022) are included in the response to CURB-32.
The details related to severance costs are included in CURB-2.
g. Discuss why KCP&L proceeded with the Voluntary Employee Exit Program (VEEP) in 2017 (Busser at page 17) but Westar is waiting until a later date to initiate its severance program.
Since Westar's severance program was informed by the expected acquisition, Westar decided to reevaluate their severance program based on the fact that their employees were no longer being acquired and the structure of the transaction had changed. They expect to announce a decision regarding the severance program in the near future. Meanwhile, based on the structure and rationale of the VEEP program, KCP&L management determined that they had made commitments to employees that they chose to honor at that time.
Attachments: QCURB-38_Verification_Busser.pdf

Verification of Response

Kansas City Power & Light Company

Docket No. 18-KCPE-095-MER

The response to CURB Data Request# CURB-38, submitted by KCP&L, is covered by this Verification of Response:

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: ______________________

Title: VP Risk Management & Controller

Date: September 27, 2017

KCPL KS
Case Name: Westar Merger
Case Number: 18-KCPE-095-MER

Response to Grady Justin Interrogatories - KCC_20171219
Date of Response: 12/27/2017

Question:117

Please provide a detailed discussion of the accounting that has been used up to this point for both Transition costs and Transaction costs incurred at both Westar and KCPL including all transition and transaction costs incurred related to the original transaction (the 16-593 Docket transaction). Please include at least the following items in the discussion:

1. Identification of where transaction and transition costs have been recorded, i.e., which FERC account these expenses were recorded to.

2. How these amounts have been presented for financial statement purposes, i.e., did these items affect net income, were they deferred to a regulatory asset, etc.

Number of Attachments:

Response:

1. For KCPL, merger transaction costs are recorded on the Great Plains Energy holding company books (separate from operating utility company's books) in account 920000 for labor and accounts 921000 and 923000 for non-labor. Merger transition costs for labor and non-labor are recorded in account 426500.

2. For KCP&L, these amounts have been presented as expenses on the income statement for financial reporting purposes.

Response by Leigh Anne Jones, Accounting

Attachment: Q117_Verification.pdf

Verification of Response

Kansas City Power & Light Company

Docket No. 18-KCPE-095-MER

The response to KCC Data Request# 117, submitted by KCP&L, is covered by this Verification of Response:

I have read the foregoing Information Request(s) and answer(s) thereto and find answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signed: ______________

Title: Assistant Treasurer

Date: December 27, 2017

CERTIFICATE OF SERVICE

18-KCPE-095-MER

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Direct Testimony was served by electronic service on this 29th day of January, 2018, to the following:

MICHAEL E. AMASH, ATTORNEY
BLAKE & UHLIG PA
SUITE 475 NEW BROTHERHOOD BLDG
753 STATE AVE.
KANSAS CITY, KS 66101
MEA@BLAKE-UHLIG.COM

*MARTIN J. BREGMAN
BREGMAN LAW OFFICE, L.L.C.
311 PARKER CIRCLE
LAWRENCE, KS 66049
mjb@mjbregmanlaw.com

ANDREW J. ZELLERS, GEN COUNSEL/VP
REGULATORY AFFAIRS
BRIGHTERGY, LLC
1712 MAIN ST 6TH FLR
KANSAS CITY, MO 64108
andy.zellers@brightergy.com

*GLENDA CAFER, ATTORNEY
CAFER PEMBERTON LLC
3321 SW 6TH ST
TOPEKA, KS 66606
glenda@caferlaw.com

*TERRI PEMBERTON, ATTORNEY
CAFER PEMBERTON LLC
3321 SW 6TH ST
TOPEKA, KS 66606
terri@caferlaw.com

*JONATHAN LESSER
CONTINENTAL ECONOMICS, INC.
6 REAL PLACE
SCANDIA PARK, NM 87047
jlesser@continentalecon.com

*DANIEL R. ZMIJEWSKI
DRZ LAW FIRM
9229 WARD PARKWAY STE 370
KANSAS CITY, MO 64114
dan@drzlawfirm.com

*SHANNON FISK, ATTORNEY
EARTHJUSTICE
1617 JOHN F KENNEDY BLVD
SUITE 1675
PHILADELPHIA, PA 19103
sfisk@earthjustice.org

*SARAH STEELE
GILMORE & BELL, P.C.
ONE MAIN PLACE
100 NORTH MAIN, STE. 800
WICHITA, KS 67202
ssteele@gilmorebell.com

DARRELL MCCUBBINS, BUSINESS MANAGER
IBEW LOCAL UNION NO. 1464
1760 UNIVERSAL AVENUE
KANSAS CITY, MO 64120
kwhiteman@ibew1464.org

DAVID PINON, BUSINESS MANAGER
IBEW LOCAL UNION NO. 1613
6900 EXECUTIVE DR
SUITE 180
KANSAS CITY, MO 64120
local1613@earthlink.net

RANDY ADAMS, BUSINESS MANAGER
IBEW LOCAL UNION NO. 412
1760 UNIVERSAL AVENUE
KANSAS CITY, MO 64120
business.manager@ibew412.org

*JOHN KRAJEWSKI, PRESIDENT
J K ENERGY CONSULTING LLC
650 J STREET STE 108
LINCOLN, NE 68508
jk@jkenergyconsulting.com

*ALAN I. ROBBINS, ATTORNEY
JENNINGS, STROUSS & SALMON, P.L.C
1350 I Street, NW
Suite 810
WASHINGTON, DC 20005
arobbins@jsslaw.com

*DEBRA D. ROBY, ATTORNEY
JENNINGS, STROUSS & SALMON, P.L.C
1350 I Street, NW
Suite 810
WASHINGTON, DC 20005
droby@jsslaw.com

*ANDREA I. SARMENTERO GARZON
JENNINGS, STROUSS & SALMON, P.L.C
1350 I Street, NW
Suite 810
WASHINGTON, DC 20005
asarmentero@jsslaw.com

*SUSAN ALIG, ASSISTANT COUNSEL
KANSAS CITY KANSAS BOARD OF PUBLIC UTILITIES
701 N 7TH STREET
KANSAS CITY, KS 66101
salig@wycokck.org

*ANGELA LAWSON, SENIOR COUNSEL
KANSAS CITY KANSAS BOARD OF PUBLIC UTILITIES
540 MINNESOTA AVENUE
KANSAS CITY, KS 66101-2930
alawson@bpu.com

*ROBERT J. HACK, LEAD REGULATORY COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 31ST FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
ROB.HACK@KCPL.COM

*DARRIN R. IVES, VICE PRESIDENT, REGULATORY AFFAIRS
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 31ST FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
darrin.ives@kcpl.com

*ROGER W. STEINER, CORPORATE COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 31ST FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
roger.steiner@kcpl.com

*NICOLE A. WEHRY, SENIOR REGULTORY COMMUNICATIONS SPECIALIST
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 31ST FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
NICOLE.WEHRY@KCPL.COM

*ANTHONY WESTENKIRCHNER, SENIOR PARALEGAL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 31ST FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
anthony.westenkirchner@kcpl.com

*BRIAN G. FEDOTIN, DEPUTY GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
b.fedotin@kcc.ks.gov

*DUSTIN KIRK, DEPUTY GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
d.kirk@kcc.ks.gov

*MICHAEL NEELEY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
m.neeley@kcc.ks.gov

*AMBER SMITH, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
a.smith@kcc.ks.gov

*MARK DOLJAC, DIR RATES AND REGULATION
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW (66615)
PO BOX 4877
TOPEKA, KS 66604-0877
MDOLJAC@KEPCO.ORG

*WILLIAM G. RIGGINS, GENERAL COUNSEL
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW (66615)
PO BOX 4877
TOPEKA, KS 66604-0877
briggins@kepco.org

*JAMES GING, DIRECTOR ENGINEERING SERVICES
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
jging@kpp.agency

*LARRY HOLLOWAY, ASST GEN MGR
OPERATIONS
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
lholloway@kpp.agency

*ROBERT V. EYE, ATTORNEY AT LAW
KAUFFMAN & EYE
4840 Bob Billings Pkwy, Ste. 1010
Lawrence, KS 66049-3862
BOB@KAUFFMANEYE.COM

*ASHLEY M. BOND, ATTORNEY
KENNETH HOLMBOE
1730 RHODE ISLAND AVENUE NW
SUITE 700
WASHINGTON, DC 20036-3155
amb@duncanallen.com

*KENNETH M. HOLMBOE, ATTORNEY AT LAW
KENNETH HOLMBOE
1730 RHODE ISLAND AVENUE NW
SUITE 700
WASHINGTON, DC 20036-3155
kh@duncanallen.com

*GREGG D. OTTINGER, ATTORNEY
KENNETH HOLMBOE
1730 RHODE ISLAND AVENUE NW
SUITE 700
WASHINGTON, DC 20036-3155
GDO@DUNCANALLEN.COM

*JOHN MICHAEL ADRAGNA
MCCARTER ENGLISH, LLP
1015 15TH STREET, NW
12TH FLOOR
WASHINGTON, DC 20005
jadragna@mccarter.com

*KIMBERLY BRICKELL FRANK
MCCARTER ENGLISH, LLP
1015 15TH STREET, NW
12TH FLOOR
WASHINGTON, DC 20005
kfrank@mccarter.com

*WILLIAM DOWLING, VP ENGINEERING &
ENERGY SUPPLY
MIDWEST ENERGY, INC.
1330 CANTERBURY ROAD
PO BOX 898
HAYS, KS 67601-0898
BDOWLING@MWENERGY.COM

ROBERT MUIRHEAD, REGULATORY-VICE-
PRES CUSTOMER SERVICE
MIDWEST ENERGY, INC.
1330 Canterbury Rd
PO Box 898
Hays, KS 67601-0898
bmuirhead@mwenergy.com

*ANNE E. CALLENBACH, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
acallenbach@polsinelli.com

*FRANK A. CARO, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
fcaro@polsinelli.com

*BORIS STEFFEN
RMS US LLP
1861 INTERNATIONAL DRIVE
SUITE 400
MCLEAN, VA 22102
boris.steffen@rsmus.com

*SUNIL BECTOR, ATTORNEY
SIERRA CLUB
2101 WEBSTER, SUITE 1300
OAKLAND, CA 94312-3011
sunil.bector@sierraclub.org

*ANDREW J. FRENCH, ATTORNEY AT LAW
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
andrew@smizak-law.com

*JAMES P. ZAKOURA, ATTORNEY
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
jim@smizak-law.com

RENEE BRAUN, CORPORATE PARALEGAL,
SUPERVISOR
SUNFLOWER ELECTRIC POWER
CORPORATION
301 W. 13TH
PO BOX 1020 (67601-1020)
HAYS, KS 67601
RBRAUN@SUNFLOWER.NET

*JAMES BRUNGARDT, MANAGER,
REGULATORY RELATIONS
SUNFLOWER ELECTRIC POWER
CORPORATION
301 W. 13TH
PO BOX 1020 (67601-1020)
HAYS, KS 67601
JBRUNGARDT@SUNFLOWER.NET

*DAVIS ROONEY, VICE PRESIDENT AND CFO
SUNFLOWER ELECTRIC POWER
CORPORATION
301 W. 13TH
PO BOX 1020 (67601-1020)
HAYS, KS 67601
HROONEY@SUNFLOWER.NET

*AL TAMIMI, VICE PRESIDENT,
TRANSMISSION PLANNING AND POLICY
SUNFLOWER ELECTRIC POWER
CORPORATION
301 W. 13TH
PO BOX 1020 (67601-1020)
HAYS, KS 67601
atamimi@sunflower.net

*AMY FELLOWS CLINE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
amycline@twgfirm.com

*TIMOTHY E. MCKEE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
TEMCKEE@TWGFIRM.COM

DOROTHY BARNETT
CLIMATE & ENERGY
PROJECT PO BOX 1858
HUTCHINSON, KS
67504-1858
barnett@climateandenergy.org

*MARK D. CALCARA, ATTORNEY
WATKINS CALCARA CHTD.
1321 MAIN ST STE 300
PO DRAWER 1110
GREAT BEND, KS 67530
MCALCARA@WCRF.COM

*TAYLOR P. CALCARA, ATTORNEY
WATKINS CALCARA CHTD.
1321 MAIN ST STE 300
PO DRAWER 1110
GREAT BEND, KS 67530
TCALCARA@WCRF.COM

*CATHRYN J. DINGES, SENIOR CORPORATE
COUNSEL
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
cathy.dinges@westarenergy.com

*JEFFREY L. MARTIN, VICE PRESIDENT,
REGULATORY AFFAIRS
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
JEFF.MARTIN@WESTARENERGY.COM

*DAVID L. WOODSMALL
WOODSMALL LAW OFFICE
308 E HIGH ST STE 204
JEFFERSON CITY, MO 65101
david.woodsmall@woodsmalllaw.com

Della Smith
Administrative Specialist

*Denotes those receiving the Confidential Version