BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Compliance Filings by Kansas) City Power & Light Company, Westar Energy, Inc.,) Kansas Gas and Electric Company and Evergy, Inc.) Pursuant to the Commission's Order In Docket No.) 18-KCPE-095-MER.)	Docket No. 19-KCPE-053-CPL

EVERGY'S NOTICE TO COMMISSION
REGARDING THIRD-PARTY MANAGEMENT AUDIT

COME NOW Evergy Metro, Inc. d/b/a Evergy Kansas Metro [f/k/a Kansas City Power & Light Company]("Evergy Kansas Metro"), Evergy Kansas Central, Inc. [f/k/a Westar Energy, Inc.] and Evergy Kansas South, Inc. [f/k/a Kansas Gas and Electric Company] (collectively referred to herein as "Evergy Kansas Central");" and all three collectively referred to herein as "Companies")[1], and submit this compliance filing, as required by the Order of the State Corporation Commission of the State of Kansas ("Commission") issued in Docket No. 18-KCPE-095-MER ("18-095 Docket") on May 24, 2018 ("Merger Order"). In its Merger Order the Commission approved the Non-Unanimous Settlement Agreement submitted on March 7, 2018, by certain parties to the 18-095 Docket ("Settlement Agreement"). Attachment A to the Settlement Agreement contains Merger Conditions, some of which require Evergy to make post-merger filings with the Commission.

1. Merger Condition 35 provides as follows:

> ***Third Party Audit of Cost Allocations*:** On January 12, 2018, Applicants, the Staff of the Missouri Public Service Commission, and other parties filed a Stipulation and Agreement in the Applicants' Application for Approval of Merger with the Public Service Commission of Missouri. The Stipulation and Agreement contains a commitment for an independent third-party management audit report of cost allocations between Holdco, Westar, KCP&L and GMO. **Within 30 days of issuance, KCP&L and Westar agree to file this Audit of Affiliate Transactions and Corporate Cost**

[1] Effective October 8, 2019, Evergy Metro, Inc. d/b/a Evergy Kansas Metro adopted the service territory and tariffs of KCP&L; *Order Approving Name Change*, Docket No. 20-KCPE-122-CCN, dated October 8, 2019. Effective October 8, 2019, Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. d/b/a collectively as Evergy Kansas Central adopted the service territory and tariffs of Westar; *Order Approving Name Change*, Docket No. 20-WSEE-123-CCN, dated October 8, 2019.

Allocations Report in the Compliance Docket to be established by the Commission to monitor achievement of Merger savings and other Merger-related issues.

2. Attached as **Exhibit A** is the January 28, 2020 *Management Audit of Affiliate Transactions and Corporate Cost Allocations Involving Evergy Companies* ("Management Audit") prepared by Schumaker & Company.

WHEREFORE, the Companies request that the Commission take notice of the attached Management Audit.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed or mailed, postage prepaid, this 5th day of February 2020, to all parties listed below:

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Schumaker & Company

Management Audit of
Affiliate Transactions and Corporate Cost Allocations
Involving Evergy Companies

Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, and Westar Energy, Inc.

January 28, 2020

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I. Executive Summary

A. Scope of Work

The scope of work for this audit report of Evergy Companies involved the following major steps:

- Identify the accounting and allocation procedures for separating the costs of inter-company transactions of Evergy Companies from affiliates.
- Determine the accuracy of allocations when allocating joint/common costs between Evergy Companies and its affiliates. Any discrepancies shall be corrected by providing direct cost allocations when possible and explanations where the costs cannot be directly allocated.
- Review the time sheet reporting practices of employees with shared responsibilities to determine allocations. Further, determine if the duties of employees who bill time for Evergy Companies and/or its affiliates permit for cross-subsidization.
- Evaluate competitive and noncompetitive bidding procedures.
- Identify all of Evergy Companies' lease arrangements with its affiliates, determine if the terms of the arrangements are consistent with lease arrangements in competing local markets, have recommended cost allocations and are set at arms' length. Review affiliate charges and cost allocation methodologies among Evergy Companies and its affiliates for adherence to applicable legal, regulatory, and contractual requirements.
- Review affiliate charges and cost allocation methodologies among Evergy Companies and its affiliates for adherence to applicable, legal, regulatory, and contractual requirements.
- We shall examine and determine if the holding company structure, affiliates, and their diversified activities have had or may have any detrimental effects on Evergy Companies.
- We shall review/evaluate Evergy Companies' interactions with its affiliates by:
  - Reviewing Evergy Companies' files covering all contracts and transactions with other affiliates.
  - Evaluating independence of purchasing on behalf of Evergy Companies on all staff levels. Assess whether performance evidences that purchasing is acting in the best interests of Evergy Companies and its ratepayers.
  - Evaluating Evergy Companies' relationships with its affiliates and the ability of Evergy Companies' internal controls and structure to ensure that purchases made on behalf of Evergy Companies are in the best interest of Evergy Companies and its ratepayers.
- We shall examine and determine if Evergy Companies has an internal system to provide assurance that its goals and objectives are accomplished at the lowest possible cost and maximum benefit to its ratepayers. The internal controls should give a true and accurate

account of the transactions of Evergy Companies and its affiliates, and should show that the transactions have been carried out with integrity and according to standards consistent with regulatory and legal requirements.

- We shall examine and determine if Evergy Companies has internal controls that protect against irregular, illegal, and/or improper transactions.
- In addition, we shall review the following communication areas and shall:
  - Evaluate all correspondence between directors and officers to determine if discussions were conducted:
    - At arms' length
    - In the best interests of Evergy Companies' ratepayers

There are three additional chapters for this report, including:

- Affiliate Relationships
- Cost Accumulation and Assignment/Cost Allocation Methodologies
- Capital Allocation among Subsidiaries

Missouri Public Service Commission Requirements

The Missouri Public Service Commission (MoPSC) requires utility organizations to be compliant with the Commissions Affiliate Transaction Rule (4 CSR 240-20.015), as shown on the following pages, including Schumaker & Company's opinion if KCP&L complies appropriately.

Standards

The standards include:

(A) A regulated electrical corporation shall not provide a financial advantage to an affiliated entity. For the purposes of this rule, a regulated electrical corporation shall be deemed to provide a financial advantage to an affiliated entity if—

> In reviewing costs during this audit, even though no specified studies were available to review, KCP&L does not seem to provide a financial advantage to affiliates, as specified by KCP&L in the *Overview of Costing Methodology & Service Agreements* section of the Cost Allocation Manual (CAM) provided to the MoPSC.

- 1. It compensates an affiliated entity for goods or services above the lesser of—
  - A. The fair market price; or
  - B. The fully distributed cost to the regulated electrical corporation to provide the goods or services for itself; or

- 2. It transfers information, assets, goods or services of any kind to an affiliated entity below the greater of—
  - A. The fair market price; or
  - B. The fully distributed cost to the regulated electrical corporation.

(B) Except as necessary to provide corporate support functions, the regulated electrical corporation shall conduct its business in such a way as not to provide any preferential service, information or treatment to an affiliated entity over another party at any time.

The KCP&L service agreements do seem to comply with all applicable MoPSC rules to prevent any preferential treatment among KCP&L's affiliates, as specified by KCP&L in the *Overview of Costing Methodology & Service Agreements* section of the CAM provided to the MoPSC.

(C) Specific customer information shall be made available to affiliated or unaffiliated entities only upon consent of the customer or as otherwise provided by law or commission rules or orders. General or aggregated customer information shall be made available to affiliated or unaffiliated entities upon similar terms and conditions. The regulated electrical corporation may set reasonable charges for costs incurred in producing customer information. Customer information includes information provided to the regulated utility by affiliated or unaffiliated entities.

The KCP&L utility organization requires that customer information is provided to affiliated or unaffiliated entities appropriately above, as specified by KCP&L in the *Customer Information* section of the CAM provided to the MoPSC.

(D) The regulated electrical corporation shall not participate in any affiliated transactions which are not in compliance with this rule, except as otherwise provided in Section (10) (Variances) of this rule.

KCP&L established a fully-functioning CAM team in January 2015 consisting of a number of trained employees to over the operations and management of KCP&L affiliate transactions. The CAM team is designed to ensure that all affiliate transactions are either consistent with the MoPSC's affiliate transactions rules or KCP&L has followed the required variance procedures to allow KCP&L to participate in non-complying affiliate transactions, as specified by KCP&L in the *Introduction* section of the CAM provided to the MoPSC.

(E) If a customer requests information from the regulated electrical corporation about goods or services provided by an affiliated entity, the regulated electrical corporation may provide information about its affiliate but must inform the customer that regulated services are not tied to the use of an affiliate provider and that other service providers may be available. The regulated electrical corporation may provide reference to other service providers or to commercial listings, but is not required to do so. The regulated electrical corporation shall include in its annual Cost Allocation Manual (CAM), the criteria, guidelines and procedures it will follow to be in compliance with this rule.

Any customer requests typically come to the Customer Services group, which receives and processes customer requests though all customer contact channels; answers customer questions, creates and enters service orders, educates customers and manages energy assistance programs; and also records meter data and manages field collection process at the customer premise, invoices customers, manages payment process and investigates complaints, as specified by KCP&L in the *Description of Services Provided by KCP&L* section of the CAM provided to the MoPSC. According to KCP&L management, this group would also address this rule, if necessary, and our review of available documentation indicates that sufficient direction is being provided to comply with applicable rules governing the provision of information to customers.

(F) Marketing materials, information or advertisements by an affiliate entity that share an exact or similar name, logo or trademark of the regulated utility shall clearly display or announce that the affiliate entity is not regulated by the Missouri Public Service Commission.

This type of situation may not occur now given the Evergy company names used by 2019; however, as discussed in *Chapter II – Affiliate Relationships*, Evergy is proposing changing brand names of its subsidiaries starting in October 2019 (*Finding II-1*) in which most future names now will use "Evergy," which will make it difficult to determine as a customer if regulated or not. For example, KCP&L Solar will become the Evergy Solar name; (in *Recommendation II-1* we suggest that Evergy not include a recognizable tie-in name when renaming its subsidiaries). Its draft business plan is simply in draft form and is not operational at this point in time, so it's possible to determine, at this time, if this rule will be properly followed in the future.

Evidentiary Standards for Affiliate Transactions

(A) When a regulated electrical corporation purchases information, assets, goods or services from an affiliated entity, the regulated electrical corporation shall either obtain competitive bids for such information, assets, goods or services or demonstrate why competitive bids were neither necessary nor appropriate.

KCP&L doesn't generally purchase information, assets, goods or services from affiliated entities; therefore, it is not necessary to obtain competitive bids. However, KCP&L pays GMO for the use of shared assets and purchases services from Westar. These purchases do not require competitive bids, as there is a variance/waiver granted by the Missouri Public Commission file Nos. EM-2007-0374 and EM-2018-0012. These variances are listed in Tab J of the CAM.

(B) In transactions that involve either the purchase or receipt of information, assets, goods or services by a regulated electrical corporation from an affiliated entity, the regulated electrical corporation shall document both the fair market price of such information, assets, goods and services and the FDC to the regulated electrical corporation to produce the information, assets, goods or services for itself.

KCP&L doesn't generally purchase information, assets, goods, or services from affiliated entities; therefore, it is not necessary to document both the fair market price of such information, assets, goods and services and the fully distributed cost (FDC) to KCP&L to produce the information, assets, goods, or services for itself. However, KCP&L pays GMO for the use of shared assets and purchases services from Westar. These purchases do not require competitive bids, as there is a variance/waiver granted by the Missouri Public Commission file Nos. EM-2007-0374 and EM-2018-0012. These variances are listed in Tab J of the CAM.

(C) In transactions that involve the provision of information, assets, goods or services to affiliated entities, the regulated electrical corporation must demonstrate that it—

As specified by policies, procedures, and activities discussed in other chapters, KCP&L applies to this rule.

- 1. Considered all costs incurred to complete the transaction;
- 2. Calculated the costs at times relevant;
- 3. Allocated all joint and common costs appropriately; and
- 4. Adequately determined the fair market price of the information, assets, goods, or services, as discussed above.

(D) In transactions involving the purchase of goods or services by the regulated electrical corporation from an affiliated entity, the regulated electrical corporation will use a commission-approved CAM which sets forth cost allocation, market valuation and internal cost methods. This CAM can use benchmarking practices that can constitute compliance with the market value requirements of this section if approved by the commission.

According to KCP&L management, a fair market price (FMP) is the price that would be received to sell or acquire a good or service in an orderly transaction (i.e., not a forced liquidation or distressed sale) between market participants at or near the measurement date, under current market conditions. The fair market price will be used to document the pricing of goods and services to KCP&L's affiliates, with the exception of GMO's MoPSC regulated operations and Westar's regulated operations, which is done at cost. In the absence of current comparable market prices, benchmarking, if approved by the MoPSC, may be used. The transaction to sell a good or provide a service is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the good or provides the service. The objective is to determine the price that would be received to sell or paid to acquire the good or service at or near the measurement date (an exit price). These are specified by KCP&L in the *Transfer Pricing* section of the CAM provided to the MoPSC.

Record Keeping Requirements

(A) A regulated electrical corporation shall maintain books, accounts and records separate from those of its affiliates.

Evergy operates as one company, but with separate sets of books, accounts, and records for Evergy and its subsidiaries. On May 4, 2020, these Evergy companies are going into one system, but different companies will continue to report separately. It also has formalized records retention policies and procedures, as discussed in *Chapter III-Cost Accumulation and Assignment-Cost Allocation Methodologies.*

(B) Each regulated electrical corporation shall maintain the following information in a mutually agreed-to electronic format (i.e., agreement between the staff, Office of the Public Counsel and the regulated electrical corporation) regarding affiliate transactions on a calendar year basis and shall provide such information to the commission staff and the Office of the Public Counsel (OPC) on, or before, March 15 of the succeeding year:

KCP&L has included all of the following items in its recent Affiliate Transactions Report provided to MoPSC and OPC annually by March 15 of the succeeding year.

- 1. A full and complete list of all affiliated entities as defined by this rule;
- 2. A full and complete list of all goods and services provided to or received from affiliated entities;
- 3. A full and complete list of all contracts entered with affiliated entities;
- 4. A full and complete list of all affiliate transactions undertaken with affiliated entities without a written contract together with a brief explanation of why there was no contract;
- 5. The amount of all affiliate transactions by affiliated entity and account charged; and
- 6. The basis used (e.g., fair market price, FDC, etc.) to record each type of affiliate transaction.

(C) In addition, each regulated electrical corporation shall maintain the following information regarding affiliate transactions on a calendar year basis:

As specified by policies, procedures, and activities discussed in other chapters, KCP&L applies to this rule, as calendar year data was readily available.

- 1. Records identifying the basis used (e.g., fair market price, FDC, etc.) to record all affiliate transactions; and

- 2. Books of accounts and supporting records in sufficient detail to permit verification of compliance with this rule.

Records of Affiliated Entities

(A) Each regulated electrical corporation shall ensure that its parent and any other affiliated entities maintain books and records that include, at a minimum, the following information regarding affiliate transactions:

- 1. Documentation of the costs associated with affiliate transactions that are incurred by the parent or affiliated entity and charged to the regulated electrical corporation;

Evergy operates as one company, but with separate sets of books, accounts, and records for Evergy and its subsidiaries, which addresses this rule.

- 2. Documentation of the methods used to allocate and/or share costs between affiliated entities including other jurisdictions and/or corporate divisions;

Evergy operates as one company, but with separate sets of books, accounts, and records, including the CAM documentation, for Evergy and its subsidiaries, which addresses this rule.

- 3. Description of costs that are not subject to allocation to affiliate transactions and documentation supporting the non-assignment of these costs to affiliate transactions;

Evergy operates as one company, but with separate sets of books, accounts, and records, including the CAM documentation, for Evergy and its subsidiaries, which addresses this rule.

- 4. Descriptions of the types of services that corporate divisions and/or other centralized functions provided to any affiliated entity or division accessing the regulated electrical corporation's contracted services or facilities;

Evergy operates as one company, but with separate sets of books, accounts, and records, including the CAM documentation, for Evergy and its subsidiaries, which addresses this rule.

- 5. Names and job descriptions of the employees from the regulated electrical corporation that transferred to a nonregulated affiliated entity;

Typically no transfers of employees occur.

- 6. Evaluations of the effect on the reliability of services provided by the regulated electrical corporation resulting from the access to regulated contracts and/or facilities by affiliated entities;

Typically KCP&L does not provide services to other affiliates, except GMO or Westar, plus it does not get services from other affiliates in this area, so this rule is not applicable. However, KCP&L pays GMO for the use of shared assets and purchases services from Westar.

- 7. Policies regarding the availability of customer information and the access to services available to nonregulated affiliated entities desiring use of the regulated electrical corporation's contracts and facilities; and

The KCP&L utility organization requires that customer information is provided to affiliated or unaffiliated entities appropriately above, as specified by KCP&L in the *Customer Information* section of the CAM provided to the MoPSC.

- 8. Descriptions of and supporting documentation related to any use of derivatives that may be related to the regulated electrical corporation's operation even though obtained by the parent or affiliated entity.

Such kind of information is typically in service agreements, as specified by KCP&L in the *Overview of Costing Methodology & Service Agreements* section of the CAM provided to the MoPSC.

Access to Records of Affiliated Entities

(A) To the extent permitted by applicable law and pursuant to established commission discovery procedures, a regulated electrical corporation shall make available the books and records of its parent and any other affiliated entities when required in the application of this rule.

Evergy operates as one company, but with separate sets of books, accounts, and records for Evergy and its subsidiaries. On May 4, 2020, these Evergy companies are going into one system, but different companies still reporting separately. KCP&L has access to all these books, accounts, and records, which was necessary for completion of this audit and it was done.

(B) The commission shall have the authority to—

- 1. Review, inspect and audit books, accounts and other records kept by a regulated electrical corporation or affiliated entity for the sole purpose of ensuring compliance with this rule and making findings available to the commission; and

Evergy operates as one company, but with separate sets of books, accounts, and records for Evergy and its subsidiaries. On May 4, 2020, these Evergy companies are going into one system, but different companies still reporting separately. KCP&L has access to all these books, accounts, and records, which was necessary for completion of this audit and it was done, so MoPSC can review, inspect, and audit, as necessary.

- 2. Investigate the operations of a regulated electrical corporation or affiliated entity and their relationship to each other for the sole purpose of ensuring compliance with this rule.

(C) This rule does not modify existing legal standards regarding which party has the burden of proof in commission proceedings.

This rule does not, therefore, auditors were allowed to review KCP&L's books, accounts, and records and have detailed interviews with Evergy employees.

Record Retention

Records required under this rule shall be maintained by each regulated electrical corporation for a period of not less than six (6) years.

Records related to affiliate relationships and/or transactions, as well as rate case records, are maintained for a period of not less than six years. Mostly the records retention schedule requires a period of retention for at least six years; however, those under six years are not related to affiliate relationships and/or transactions, although rate case records are for five years following the completion of rate case, so it's likely at least six years in total.

Enforcement

When enforcing these standards, or any order of the commission regarding these standards, the commission may apply any remedy available to the commission.

This rule is applicable.

Training

The regulated electrical corporation shall train and advise its personnel as to the requirements and provisions of this rule as appropriate to ensure compliance.

As previously discussed, KCP&L established a fully-functioning CAM team in January 2015 consisting of a number of trained employees to oversee the operations and management of KCP&L affiliate transactions, therefore, this rule is being complied with.

Variances

(A) A variance from the standards in this rule may be obtained by compliance with paragraphs (10)(A)1. or (10)(A)2. The granting of a variance to one regulated electrical corporation does not constitute a waiver respecting or otherwise affect the required compliance of any other regulated electrical corporation to comply with the standards. The scope of a variance will be determined based on the facts and circumstances found in support of the application.

KCP&L management understands that a variance from the standards of the MoPSC's Affiliate Transactions Rule may be obtained by compliance with paragraphs (10)(A)1 or (10)(A)2 of the MoPSC Affiliate Transactions Rule (4 CSR 240-20.015), as specified by KCP&L in the *Variances* section of the CAM provided to the MoPSC, and has correctly obtained a variance.

- 1. The regulated electrical corporation shall request a variance upon written application in accordance with commission procedures set out in 4 CSR 240-2.060(11); or
- 2. A regulated electrical corporation may engage in an affiliate transaction not in compliance with the standards set out in subsection (2)(A) of this rule, when to its best knowledge and belief, compliance with the standards would not be in the best interests of its regulated customers and it complies with the procedures required by subparagraphs (10)(A)2.A. and (10)(A)2.B. of this rule—
  - A. All reports and record retention requirements for each affiliate transaction must be complied with; and
  - B. Notice of the noncomplying affiliate transaction shall be filed with the secretary of the commission and the Office of the Public Counsel within ten (10) days of the occurrence of the non-complying affiliate transaction. The notice shall provide a detailed explanation of why the affiliate transaction should be exempted from the requirements of subsection (2)(A), and shall provide a detailed explanation of how the affiliate transaction was in the best interests of the regulated customers. Within thirty (30) days of the notice of the noncomplying affiliate transaction, any party shall have the right to request a hearing regarding the noncomplying affiliate transaction. The commission may grant or deny the request for hearing at that time. If the commission denies a request for hearing, the denial shall not in any way prejudice a party's ability to challenge the affiliate transaction at the time of the annual CAM filing. At the time of the filing of the regulated electrical corporation's annual CAM filing the regulated electrical corporation shall provide to the secretary of the commission a listing of all non-complying affiliate transactions which occurred between the period of the last filing and the current filing. Any affiliate transaction submitted pursuant to this section shall remain interim, subject to disallowance, pending final commission determination on whether the noncomplying affiliate transaction resulted in the best interests of the regulated customers.

Nothing contained in this rule and no action by the commission under this rule shall be construed to approve or exempt any activity or arrangement that would violate the antitrust laws of the state of Missouri or of the United States or to limit the rights of any person or entity under those laws.

Governing Regulations, Orders, and Decisions from the Missouri Public Service Commission Regarding Affiliate Transactions

Listed below are the Affiliate Transactions rules included in the Code of State Regulations and also copies of Stipulation Agreements/Orders from the Commission:

- Missouri Code of State Regulations (4 CSR 240-20.15) Affiliate Transactions, summarized above
- Docket 01-KCPE-708-MIS Order Approving Unanimous Stipulation and Agreement and Authorizing Reorganization by the State Corporation Commission of Kansas (April 30, 2001)
- Case EM-2001-464 Stipulation and Agreement to Missouri Public Service Commission (May 1, 2001)
- Case EM-2001-464 First Amended Stipulation and Agreement to Missouri Public Service Commission (July 9, 2001)
- Case EM-2001-464 Order Approving Stipulation and Agreement and Closing Case (July 31, 2001)
- Docket 01-KCPE-708-MIS Unanimous Stipulation and Agreement to the State Corporation Commission of Kansas (August 7, 2001)
- KCP&L Additional Affiliate Transactions Information (March 15, 2019)
- KCP&L Additional CAM Information (March 15, 2019)
- KPC&L Affiliate Transaction Filing Report (March 15, 2019)
- KCP&L GMO Additional Affiliate Transactions Information (March 15, 2019)
- KCP&L GMO Additional CAM Information (March 15, 2019)
- KPC&L GMO Affiliate Transaction Filing Report (March 15, 2019)

B. Summary of Recommendations

The audit produced four major recommendations, which are contained in this report. The actual recommendation statements contained in the audit report are shown in *Exhibit I-1*. We have also indicated the recommendation number, page number in the report, priority, and estimated time-frame to initiate implementation efforts. The details of each recommendation can be found in *Chapter II-Affiliate Relationships* and *Chapter III-Cost Accumulation and Assignment-Cost Allocation Methodologies* where the subject matter is evaluated.

Exhibit I-1
Summary of Recommendations

			Implementation	
#	**Description**	**Page**	**Priority**	**Initiation Time Frame**
II-1	Create a separate service company, when possible.	41	Medium	12 months+
II-2	Evergy should consider eliminating the KCP&L from the name of KCP&L Solar, Inc. when all of the Evergy companies' names are changed.	41	Medium	Six months
III-1	Detailed analysis should be conducted concerning the use of internal or external suppliers.	87	High	Three months
III-2	Areas, functions, or departments that receive Internal Audit findings and recommendations at one Evergy affiliate should be reviewed at all Evergy affiliates	87	Medium	Six months

To assist in developing implementation plans, each recommendation has been assigned a priority of "high," "medium," or "low" according to the following criteria:

- *High* – Designated recommendations are high priority because of their importance and urgency. These represent significant benefit potential, major improvements to service, or substantial improvements to methods or procedures.
- *Medium* – Designated recommendations are of medium priority. In some instances, the implementation of these recommendations is expected to provide moderate improvements in profitability of operations, or management methods and performance. In other instances, implementation may provide significant longer-term benefits, which are less predictable.
- *Low* – Designated recommendations reflect a lower priority. In many instances, they should be studied further or implemented sometime during the next few years. Potential benefits are perceived to be either modest or difficult to measure.

II. Affiliate Relationships

A. Background & Perspective

The work steps, information required, and key indicators for this chapter are as follows:

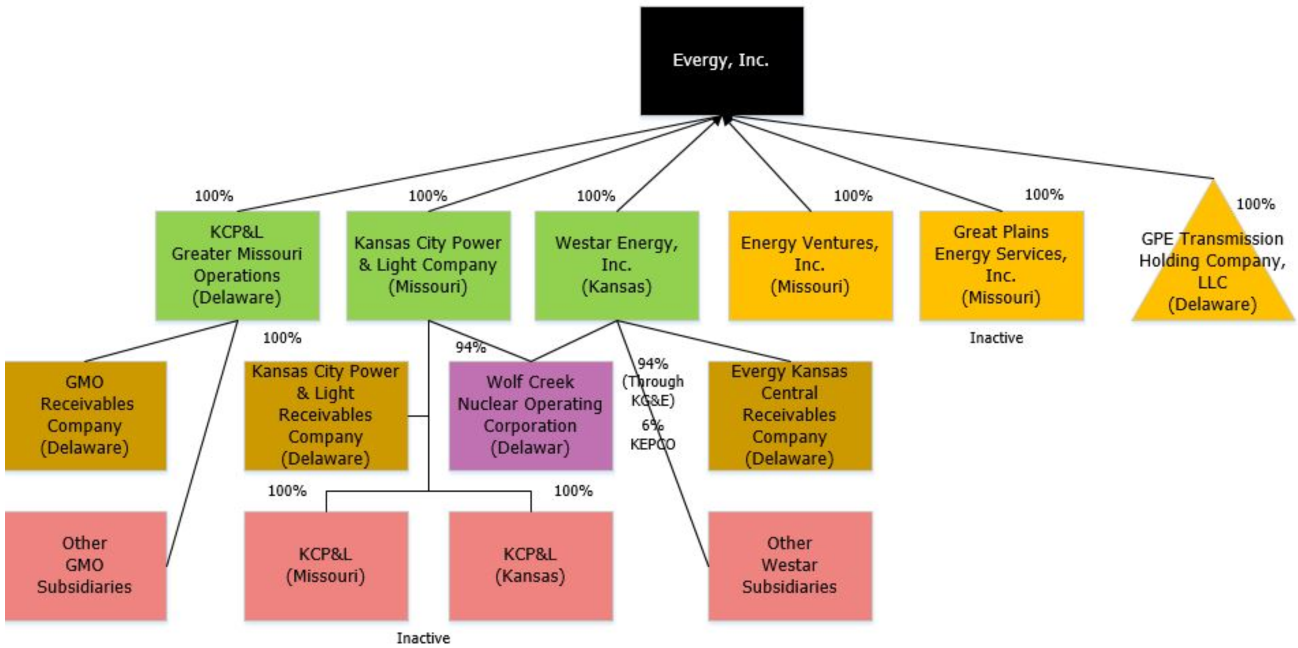
Affiliate Relationships		
Typical Work Steps	**Information Required**	**Key Indicators**
Review governing regulations, orders, and decisions from the Commission regarding affiliate transactions and determine if these affiliate relations rules have been fully complied with by Evergy Companies; identify any situations of non-compliance and determine the actual or potential impact of this non-compliance. Obtain Evergy organization charts showing the relationships of Evergy Companies with its holding company and affiliates; review the management structure of major entities. Identify affiliates that had transactions with Evergy Companies during the last five years and identify all products and services provided from/to regulated and unregulated affiliates of Evergy Companies during the period. Document the frequency/dollar magnitude of all affiliate goods and services by year and by affiliate for all items received by or provided by Evergy Companies. Develop diagrams, graphs, and/or tabulations identifying affiliates, services, dollar magnitude, and other useful information and data. Explain any significant trends or changes. Analyze trends of allocated amounts compared to the trends of these costs in the parent/affiliate. Separately identify affiliate transactions involving the transfer of employees, property, and/or technology. Identify, by plant category, any capital expenditures made by affiliates but allocated to Evergy Companies' operations. Evaluate any transactions that have had a significant effect on depreciation expense.	Copies of all governing regulations, orders, and decisions from the Commission regarding affiliate transactions Evergy Companies, holding company, and affiliate organization charts showing all affiliate relationships, including regulatory status of affiliates Affiliate agreement among Evergy Companies, holding company, and affiliate organizations. Description of all products and services provided from/to regulated and unregulated affiliates of Evergy Companies during the last five years Level and nature of affiliated transactions (actual and budget dollars) from/to Evergy Companies' operations and affiliates during the last five years, including a breakdown by: ♦ From/to affiliate ♦ Type of transaction ♦ Time period Actual dollars and personnel equivalents, by functional category, for each associated regulated and/or non-regulated Evergy Companies subsidiary	All affiliate transactions of Evergy Companies should be in complete compliance with all of the governing regulations, orders, and decisions from the Commission regarding affiliate transactions. The relationships with affiliates are clearly documented. The costs are fairly representative of the value of goods and services provided and of the benefits derived by Missouri ratepayers. Evergy Companies should be able to easily furnish information regarding the products and services provided to/from its affiliates and the corresponding financial transactions that result. Evergy Companies should not be negatively impacted by its relationships in the overall corporate organization.

Affiliate Relationships, continued		
Typical Work Steps	**Information Required**	**Key Indicators**
Identify shared facilities, systems, and programs among affiliates including employee training, joint purchasing, information technology, advertising and promotion, and corporate support services. Review internal systems for providing assurance that goals and objectives are accomplished at the lowest possible cost and maximum benefit to ratepayers.	The level and nature of affiliated transactions (actual and budgeted capital expenditure dollars, by plant category) allocated to Evergy Companies' operations by affiliates during the last five years – as compared to its parent/affiliates Cost Allocation Manual document, including formulas and basis	
Identify internal controls in place to protect against irregular, illegal, and/or improper transactions. Review internal controls and information flow involving affiliate relationships. Review directors' and officers' correspondence. Evaluate independence of purchasing on behalf of Evergy Companies on all staff levels and assess performance in acting in best interest of Evergy Companies and its ratepayers. Evaluate Evergy Companies' relationship with holding company, and its affiliates and the ability of internal controls and structure to allow it to make purchases on behalf of Evergy Companies that are in the best interest of Evergy Companies and its ratepayers.	Documentation describing internal controls of Evergy Companies' relationship with holding company, and its affiliates, especially involving (a) purchases on behalf of Evergy Companies and (b) protection against irregular, illegal, and/or improper transactions. Identification and samples of written and verbal correspondence between directors and officers for past eight (8) years	Evergy Companies' affiliate relationships and associated activities are in the best interest of MO ratepayers.

Evergy Companies, Holding Company, and Affiliate Organization Charts Showing All Affiliate Relationships, including Regulatory Status of Affiliates

Exhibit II-1 displays the Evergy organizational structure, which includes Kansas City Power & Light Company (KCP&L), KCP&L Greater Missouri Operations Company (KCP&L GMO), and Westar Energy, Inc. (Westar) as regulatory companies, plus others.

Exhibit II-1
Evergy Inc.
Organizational Structure



Source: Information Response 3

KCP&L, Westar, and Wolf Creek Nuclear Operating Corporation are the only Evergy entities with employees. Evergy, GMO, and the other affiliates do not have employees. Plans are for the Wolf Creek employees to be transferred to KCP&L in the near future. Wolf Creek is owned by KCP&L (47%), Westar (47%), and Kansas Electric Power Cooperative (KEPCO) (6%). There are four regulated companies in the Evergy organization, including KCP&L, GMO, Westar, and Kansas Gas and Electric Company (KG&E).

Information systems that support KCP&L and GMO include PeopleSoft ERP system for accounting purposes, Power Plan (fixed assets), PowerTax, and five work management systems, including Maximo and Storms. All Evergy companies use the same information systems, but with two instances. Starting, however, in May 2020, all Evergy companies are going to be on one instance, but showing as multiple companies.

There are no Evergy employees, only Evergy officers, who are KCP&L or Westar employees, in which charges to Evergy and other companies are based on time spent used for time reporting.

Description of All Products and Services Provided From/To Regulated and Unregulated Affiliates of Evergy Companies during the Last Five Years

KCP&L (Kansas City, MO) and Westar (Topeka, KS) both provide the same types of services. As discussed above, in May 2020, Evergy companies are going to use similar systems showing multiple companies. The plan to bring the systems together is the Cornerstone project. This project started at the end of year 2018, was expected to be operational in 2019, but is going live by May 4, 2020.

Shown below is a description of services that may be provided to regulated or unregulated affiliates by KCP&L. GMO does not have employees and, therefore, does not perform services for affiliates.

Corporate Services

Corporate Services is responsible for providing information technology, purchasing, and facilities and resource protection services.

- *Information Technology*: Supports existing applications, technology and infrastructure to ensure business continuity and leverage capabilities. Systems include CIS, PeopleSoft, desktop, real-time systems, radio, and telecommunications.
- *Purchasing*: Provides procurement services in acquiring goods and services for operations, maintenance, and construction projects.
- Facilities: Responsible for planning and management of existing company buildings and grounds as well as new building construction and remodeling. Also provides print, courier, mailroom, and records management services.

Delivery

Delivery is responsible for providing customer, transmission and distribution services. This includes business performance services, claims services, customer services, major outage event management services, energy efficiency and demand response services, metering, resource management, safety training, and incident response services. Delivery also includes transmission and distribution operations, maintenance and construction, engineering, planning, and compliance.

- *Business Performance Services*: Develops and gathers data to create financial and reliability delivery reports.
- *Claims Services*: Administers claims received for property damage and/or service issues.
- *Community Liaison and Communications Services*: Acts as a liaison with government agencies, civic organizations and other community stakeholders.

- *Customer Services*: Receives and processes customer requests though all customer contact channels; answers customer questions, creates and enters service orders, educates customers, and manages energy assistance programs. Also, records meter data and manages field collection process at the customer premise, invoices customers, manages payment process, and investigates complaints.
- *Economic Development Services*: Manages and administers business development initiatives, and programs for retention, expansion and recruitment of customers.
- *Energy Efficiency and Demand Response Service* (EE/DSM): Identifies and develops EE/DSM projects including market analysis, technology reviews, load research, and tariff development. Also provides marketing and education of EE/DSM programs to customers.
- *Major Outage/Catastrophic Event Management Services*: Provides "command and control" management including allocation of resources, communication with stakeholders, coordination with the Mutual Assistance Group, and analysis of operation and performance data.
- *Metering and Infrastructure Technology Services*: Plans, designs, and implements integrated technologies to supply, manage, and enable more efficient use of energy for utility and customers.
- *Resource Management*: Provides supervision of resource procurement, including strategic sourcing, vendor development, order and supplier management, consignment systems and contract governance. Also manages vegetation, infrastructure, and fleet services.
- *Safety Training and Incident Response Services*: Creates and presents public safety education and training demonstrations and responds to incidents of personal injury and property damage.
- *Transmission and Distribution Construction Maintenance Management*: Analyzes coordinates and supports work for system expansion, system improvements, construction, and corrective and preventive maintenance. Also provides patrolling services of infrastructure and acts as company liaison.
- T*ransmission and Distribution Operations and Maintenance*: Provides first response to outage and irregular system operations and coordinates and supports work to restore service.
- *Transmission, Distribution, and Substation Engineering and Asset Management*: Analyzes, coordinates, and supports work for delivery and substation system expansions, improvements, and provides corrective and preventive maintenance. Also provides engineering, planning, design, mapping services, right-of-way, and zoning services.
- *Transmission Policy, Planning, and Compliance Services*: Develops policies, monitors key developments, policies, and procedures, and participates in industry groups related to transmission reliability, operations and policy issues, including Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC), Southwest Power Pool, Midcontinent Independent System Operator (MISO), Edison Electric Institute (EEI), and Kansas Electric Transmission Authority (KETA). Services also include monitoring system reliability and security.

Supply

Supply is responsible for all aspects of providing the electric energy necessary to reliably fulfill the electric demands of customers. Supply may provide the following services: resource planning, plant operations and maintenance, fuel procurement, generation dispatch, power purchases and sales, new construction, and black start (process of restoring an electric power station or a part of an electric grid to operation without relying on the external transmission network. Normally, the electric power used within the plant is provided from the station's own generators).

- *Resource Planning*: Develops integrated resource plans, provides capacity testing, reliability reporting and interconnection applications and maintains fleet generation statistics.
- *Plant Operations and Maintenance*: Conducts safety training and incident investigations, manages plant operation and maintenance, maintains facilities and equipment, and manages inventory, environmental compliance, and reporting.
- *Fuel Procurement and Logistics*: Develops fuel procurement plans, arranges fuel delivery handling and storage, and the sale or off-site disposal of coal combustion products.
- *Generation Dispatch*: Provides unit scheduling, maintenance of reserve requirements, coordination with the recovery time objective (RTO) and coordination of generation stations and load balancing.
- *Power Purchases and Sales*: Manages day ahead and real time sales and/or purchases to meet customer demand, secure transmission paths, manage wholesale customers, and tracks and manages RTO transactions.
- *New Unit Construction*: Organizes and manages the construction efforts to place new generating assets into service or to retro-fit existing facilities and also manages the removal of abandoned equipment.
- *Black Start*: Maintains and periodically tests the system black-start capability.

Human Resources

Human Resources (HR) is responsible for the planning, development, and implementation of all aspects of human capital.

- *Employee Relations*: Provides generalists to work with operating groups as business partners to support operating needs.
- *Labor Relations*: Works with the International Brotherhood of Electrical Workers (IBEW) locals in labor strategy, negotiations, grievances, arbitration, job bidding and other union activities.
- *Staffing and Recruitment*: Oversees the recruiting, interviewing, testing, placement, and on-boarding processing. Also manages internship and diversity programs.
- *Compensation and Benefits*: Develops and maintains the overall reward programs including base salary, incentives and benefits. Also oversees the Affirmative Action programs.

- *Safety and Medical*: Manages worker's compensation, return-to-work, Department of Transportation (DOT), and other health and safety programs.
- *Training and Development*: Ensures an effective professional workforce through the development and delivery of training programs, leadership development, work force planning, surveys, and performance management systems.
- *Human Resource Information System*: Ensures secure and effective systems to report employee-related information, provide employee self-service, and other HR systems.
- *HR Strategy and Planning*: Establishes goals, metrics, and plans to enhance HR services and implement workforce strategies.

Finance and Accounting Services

Finance and Accounting Services is responsible for all aspects of financial services to the company.

- *Accounting Systems*: Provides system support operations and maintenance of all financial systems including PeopleSoft financial and HR systems, Customer Information System (CIS) customer billings systems, and PowerPlan.
- *Accounts Payable*: Provides accounts payable transaction processing and reporting.
- *Audit Services*: Examines and evaluates the adequacy and effectiveness of the company's governance and risk management processes and internal control structure. This includes the review of reliability and integrity of financial and operation information, compliance with Sarbanes-Oxley Act of 2002 and other laws, and regulations and safeguarding of assets.
- *Corporate Accounting*: Maintains the accounting books and records of all Great Plains Energy (GPE) companies and provides internal and external reporting and other financial support as required.
- *Corporate Finance*: Directs the company's corporate finance function, including development, analysis, and implementation of financial plans and capital structure. Corporate finance is also responsible for the management of relationships with rating agencies and the financial community.
- *Corporate Planning and Budgeting*: Develops budgets and financial forecasts, including total company and department operating and capital budgets.
- *Corporate Treasury*: Responsible for all cash management activities, including short-term financing facilities, cash monitoring and controls, and customer remittance activities.
- *Income and Transaction Taxes*: Responsible for all aspects of maintaining the tax books and records, including the preparation and filing of consolidated and separate federal, state, and local income, franchise, sales, use, gross receipts, fuel excise, property, and other miscellaneous tax returns and payments

- *Insurance*: Provides insurance services, including management of insurance policies and filing of claims.
- *Property Accounting*: Maintains all fixed assets and intangible property records.
- *Risk Management*: Provides credit risk management services related to wholesale counterparties, reviews contracts, monitors credit markets, and develops policies to mitigate market risk.
- *Strategic Planning and Development*: Provides long-term strategic development and coordination for major asset decisions, renewable energy, climate change, nuclear power, energy efficiency, and other energy related issues.

Legal and Environmental Services

Legal and Environmental Services is responsible for providing legal advice and representation and environmental services.

- *Legal Advice and Representation*: Services include advising and representing the company on litigation matters, contract negotiations, regulatory compliance, security filings, and general corporate matters.
- *Environmental Services*: Responsible for compliance with applicable environmental laws and regulations and obtainment of environmental permits.

Regulatory Affairs

Regulatory Affairs is responsible for supporting and representing the Company in all regulatory processes and procedures including developing regulatory strategies and policies, filing for changes in rate levels, responding to Commission investigations and the administration of tariff filings and rate designs.

Corporate Secretary and Governance

The Corporate Secretary and Governance area is responsible for compliance with applicable corporate laws and regulations, development and maintenance of corporate documents, compliance with corporate policies and procedures, and acts as a liaison between management and the Board of Directors.

Affiliate Agreements among Evergy Companies, Holding Company, and Affiliate Organizations

Evergy and its affiliated companies, including KCP&L and GMO, are party to numerous affiliated agreements. These agreements are based on an ultimate timeframe, but only upgraded when necessary. A Company Officer reviews these agreements to make sure they are correct and appropriate, and officers sign each agreement. The affiliated agreements are considered confidential because they contain trade secrets, revealing the manner in which the affiliated companies are operated and also because disclosure of the agreements could reveal strategies utilized by the affiliated companies in contract negotiations with unaffiliated parties. An example of two major agreements are included below:

- A Services Agreement was made effective as of June 4, 2018 by and among Evergy, Inc., a Missouri corporation; Kansas City Power & Light Company (KCP&L), a Missouri corporation; KCP&L Greater Missouri Operations Company (GMO); Westar Energy, Inc. (Westar), a Kansas corporation; and Kansas Gas and Electric Company (KG&E), a Kansas corporation; and collectively with KCP&L, GMO, and Westar, the regulated parties. Article sections include:
  - Services
    - Corporate secretarial services, including entity formation, maintenance, termination, and record-keeping
    - Corporate oversight and governance matters, including board of director and shareholder services
    - Code-of-conduct and corporate ethics programs, policies, and enforcement services
    - Regulatory and regulatory compliance services
    - Legal liability assessment services, including litigation management services
    - Executive and employee benefits planning and administration
    - Labor and employment-related services, including staffing services, employee evaluation and training, employee communications, and workforce management
    - Labor relations, including with respect to union employees and representatives
    - Payroll services
    - Leadership management and development services
    - Compensation (including bonus and incentive) programs, policies, management, and administration services
    - Diversity programs, policies, and services
    - Internal audit services
    - Investor relations
    - Internal and external communications
    - Community relations
    - Corporate finance services
    - Budgeting
    - Insurance and risk management services, including the hiring and management of insurance advisors

- Credit services, including collateral management services
- Accounting services
- Tax planning and reporting and other tax-related services
- Treasury services, including cash management services
- Accounts payable and cashier services
- Legal services, including outside counsel hiring and management
- Contract management and administration services
- Document retention and management services
- Account management services
- External reporting services, including with respect to SEC, NYSE, FERC, and other governmental reporting requirements
- Environmental services, including permitting, reporting, testing, selection, and management of outside consultants and advisors and remediation management
- Corporate security services
- Safety programs, policies, and services
- Governmental affairs
- Corporate development and strategic planning
- Mail and postage services
- Travel and expense reimbursement services
- Document processing services
- Facility services, including maintenance, housekeeping, decorating, grounds keeping, and janitorial services
- Receptionist and secretarial services
- Capital expenditure planning, budgeting, and project-management
- Purchasing and other procurement services
- Operational audit services
- IT and telecommunications services, including IT system planning, support, and training
- Internet, intranet, and website development, support, and related services
- Intellectual property management, protection and maintenance services
- Mapping and drafting services
- Customer billing and accounts receivable services
- Marketing and promotional services
- Affiliate relationship management
- Selection and hiring of outside consultants, advisers, and service providers
- Real estate and facilities services, including use of space owned or leased by provider
- Siting and land acquisition services
- Engineering and design services
- Construction services

- Term and termination
- Compensation
- Performance standards; disclaimer; remedies
- Relationship between the parties

- Subcontractors
- Miscellaneous

♦ A Services Agreement was made effective as of June 4, 2018 by and among Kansas City Power & Light Company, a Missouri corporation (the "Provider"), and the signatory parties hereto set forth on Exhibit A, which includes 33 Regulated and Non-Regulated Recipients, and each additional signatory party executing a counterpart to this Services Agreement in accordance with Section 7.2 (each a "Recipient"), which includes any other affiliate of Provider that may become a Party to this Services Agreement that is accepted and countersigned by Provider. Article sections include:

- Services
  - Corporate secretarial services, including entity formation, maintenance, termination, and record-keeping
  - Corporate oversight and governance matters, including board of director and shareholder services
  - Code-of-conduct and corporate ethics programs, policies, and enforcement services
  - Regulatory and regulatory compliance services
  - Legal liability assessment services, including litigation management services
  - Executive and employee benefits planning and administration
  - Labor and employment-related services, including staffing services, employee evaluation and training, employee communications, and workforce management
  - Labor relations, including with respect to union employees and representatives
  - Payroll services
  - Leadership management and development services
  - Compensation (including bonus and incentive) programs, policies, management, and administration services
  - Diversity programs, policies, and services
  - Internal audit services
  - Investor relations
  - Internal and external communications
  - Community relations
  - Corporate finance services
  - Budgeting
  - Insurance and risk management services, including the hiring and management of insurance advisors
  - Credit services, including collateral management services
  - Accounting services
  - Tax planning and reporting and other tax-related services
  - Treasury services, including cash management services
  - Accounts payable and cashier services
  - Legal services, including outside counsel hiring and management
  - Contract management and administration services

- Document retention and management services
- Account management services
- External reporting services, including with respect to SEC, NYSE, FERC, and other governmental reporting requirements
- Environmental services, including permitting, reporting, testing, selection, and management of outside consultants and advisors and remediation management
- Corporate security services
- Safety programs, policies, and services
- Governmental affairs
- Corporate development and strategic planning
- Mail and postage services
- Travel and expense reimbursement services
- Document processing services
- Facility services, including maintenance, housekeeping, decorating, grounds keeping, and janitorial services
- Receptionist and secretarial services
- Capital expenditure planning, budgeting, and project-management
- Purchasing and other procurement services
- Operational audit services
- IT and telecommunications services, including IT system planning, support, and training
- Internet, intranet, and website development, support, and related services
- Intellectual property management, protection and maintenance services
- Mapping and drafting services
- Customer billing and accounts receivable services
- Marketing and promotional services
- Affiliate relationship management
- Selection and hiring of outside consultants, advisers, and service providers
- Real estate and facilities services, including use of space owned or leased by provider
- Siting and land acquisition services
- Engineering and design services
- Construction services

- Term and termination
- Compensation
- Performance standards; disclaimer; remedies
- Relationship between the parties
- Subcontractors
- Miscellaneous

Each year, KCP&L and KCP&L GMO provide to the Missouri Public Service Commission (MoPSC) lists of agreements with affiliates as part of their Affiliate Transactions Report. In connection with responding to a document request for this Audit of Affiliate Transactions and Corporate Cost Allocations, KCP&L and GMO discovered a few typographical errors in the submitted lists and identified a few agreements that were inadvertently omitted. Additional agreements had also been entered into subsequent to submission of the most recent Affiliate Transactions Report. For example, in 49-Evergy-WR-KCPL-KGE-GMO - Services Agreement (6-4-2018), descriptions of different categories of services are listed below. According to Evergy management, such descriptions shall not be limiting, but instead shall be broadly construed to include all associated, related or similar services and do not necessarily cover all of the services to be provided by provider to recipient under the Services Agreement.

- Corporate secretarial services, including entity formation, maintenance, termination and record-keeping
- Corporate oversight and governance matters, including board of director and shareholder services
- Code-of-conduct and corporate ethics programs, policies and enforcement services
- Regulatory and regulatory compliance services
- Legal liability assessment services, including litigation management services
- Executive and employee benefits planning and administration
- Labor and employment-related services, including staffing services, employee evaluation and training, employee communications and workforce management
- Labor relations, including with respect to union employees and representatives
- Payroll services
- Leadership management and development services
- Compensation (including bonus and incentive) programs, policies, management and administration services
- Diversity programs, policies and services
- Internal audit services
- Investor relations
- Internal and external communications
- Community relations
- Corporate finance services
- Budgeting
- Insurance and risk management services, including the hiring and management of insurance advisors
- Credit services, including collateral management services
- Accounting services
- Tax planning and reporting and other tax-related services
- Treasury services, including cash management services
- Accounts payable and cashier services
- Legal services, including outside counsel hiring and management
- Contract management and administration services
- Document retention and management services
- Account management services

- External reporting services, including with respect to SEC, NYSE, FERC, and other governmental reporting requirements
- Environmental services, including permitting, reporting, testing, selection, and management of outside consultants and advisors and remediation management
- Corporate security services
- Safety programs, policies and services
- Governmental affairs
- Corporate development and strategic planning
- Mail and postage services
- Travel and expense reimbursement services
- Document processing services
- Facility services, including maintenance, housekeeping, decorating, grounds keeping, and janitorial services
- Receptionist and secretarial services
- Capital expenditure planning, budgeting and project-management
- Purchasing and other procurement services
- Operational audit services
- IT and telecommunications services, including IT system planning, support, and training
- Internet, intranet and website development, support, and related services
- Intellectual property management, protection, and maintenance services
- Mapping and drafting services
- Customer billing and accounts receivable services
- Marketing and promotional services
- Affiliate relationship management
- The selection and hiring of outside consultants, advisers, and service providers
- Real estate and facilities services, including use of space owned or leased by provider
- Siting and land acquisition services
- Engineering and design services
- Construction services

The KCP&L list of affiliate agreements are shown in *Exhibit II-2*, while the GMO list of affiliate agreements are shown in *Exhibit II-3*.

Exhibit II-2
Listing of KCP&L Affiliate Agreements
Page 1 of 3

		2019 Affiliate Transaction Report Exhibit 3	Addition/Modification	Reason/Notes
1.	Amended and Restated Ancillary Services Agreement, dated July 1, 2005, by and between Kansas City Power & Light Company and Kansas City Power & Light Receivables Company.	X		
2.	Service Agreement, dated September 20, 2005, by and between Kansas City Power & Light Receivables Company and Great Plains Energy Services Incorporated.	X		
3.	Management Services Agreement, dated September 4, 1998, between Kansas City Power & Light Company and KCP&L Solar, Inc. (f/k/a Home Service Solutions Inc.).	X		
4.	Service Agreement, dated April 1, 2003, by and between Great Plains Energy Services Incorporated and Kansas City Power & Light Company.	X		
5.	Facilities Services Agreement, dated April 1, 2003, by and between Great Plains Energy Services Incorporated and Kansas City Power & Light Company.	X		
6.	Wolf Creek Generating Station Operating Agreement, dated April 15, 1986, by and among Kansas City Power & Light Company, Kansas Electric Power Cooperative, Inc. and Wolf Creek Nuclear Operating Corporation.	X		
7.	General Support Services Agreement, dated January 1, 1987, by and among Kansas Gas and Electric Company, Kansas City Power & Light Company and Kansas Electric Power Cooperative, Inc.	X		
8.	Emergency Plan Support Services Agreement, dated January 1, 1987, by and among Kansas Gas and Electric Company, Kansas City Power & Light Company, Kansas Electric Power Cooperative, Inc. and Wolf Creek Nuclear Operating Corporation.	X		
9.	First Amendment to Wolf Creek General Support Services Agreement, effective February 25, 2010, by and between Kansas Gas and Electric Company, Kansas City Power & Light Company, Kansas Electric Power Cooperative and Wolf Creek Nuclear Operating Corporation.	X		
10.	Service Reciprocity Agreement, dated June 20, 1986, by and among Kansas City Power & Light Company, Kansas Gas and Electric Company and Wolf Creek Nuclear Operating Corporation.	X		
11.	Joint Operating Agreement, dated October 10, 2008, between Kansas City Power & Light Company and Aquila, Inc.	X		
12.	Iatan Unit 2 and Common Facilities Ownership Agreement, dated May 19, 2006, by and among Kansas City Power & Light Company, Aquila, Inc., Empire District Electric Company, Kansas Electric Power Cooperative, Inc. and Missouri Joint Municipal Electric Utility Commission.	X		
13.	Iatan Station Ownership Agreement, dated July 31, 1978, by and among Kansas City Power & Light Company, St. Joseph Light & Power Company and The Empire District Electric Company.	X		
14.	Iatan Station Operating Agreement, dated February 1, 1982, by and among Kansas City Power & Light Company, St. Joseph Light & Power Company and the Empire District Electric Company.	X		
15.	Tax Allocation Agreement, dated July 14, 2008, among Great Plains Energy Incorporated and affiliates.	X		
16.	Amended and Restated Agreement Regarding the Operation of, and Participation in, the Evergy Money Pool, dated June 4, 2018.	X	Title modification	Affiliate Transactions Report 2019, Exhibit 3 incorrectly identified as the "Great Plains Energy Money Pool."
17.	Support Agreement, dated May 10, 2012, by and between Transource Energy, LLC and Kansas City Power & Light Company.	X		
18.	Services Agreement, dated April 3, 2012, by and between Transource Energy, LLC and Kansas City Power & Light Company.	X		
19.	Substations Upgrade Agreement, dated October 31, 2013, between Transource Energy, LLC, Transource Missouri, LLC, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
20.	Amendment No. 1 to Services Agreement, dated October 31, 2013, by and between Transource Energy, LLC and Kansas City Power & Light Company.	X		
21.	Agreement for Sale/Purchase of Specified Transmission System Property, dated June 29, 2012, by and between Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
22.	St. Joseph Landfill Generator Interconnection Agreement, dated October 18, 2011, by and between KCP&L Greater Missouri Operations Company and Kansas City Power & Light Company.	X		
23.	License Agreement for use of Service Mark, dated July 14, 2008, by and between Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
24.	Asset Purchase Agreement, effective January 2, 2014, by and between Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company and Great Plains Energy Services Incorporated and Transource Missouri, LLC.	X		
25.	Assignment and Assumption of Contracts and Permits, effective January 2, 2014, by and between Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company and Great Plains Energy Services Incorporated and Transource Missouri, LLC.	X		
26.	Assignment and Assumption of Purchase Orders, effective January 2, 2014, by and between KCP&L Greater Missouri Operations Company and Great Plains Energy Services Incorporated and Transource Missouri, LLC.	X		

Source: Information Response 4

Exhibit II-2
Listing of KCP&L Affiliate Agreements
Page 2 of 3

		2019 Affiliate Transaction Report Exhibit 3	Addition/Modification	Reason/Notes
27.	Bill of Sale and Assignment, effective January 2, 2014, by and between Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company and Great Plains Energy Services Incorporated and Transource Missouri, LLC.	X		
28.	Assignment and Assumption of Website, effective January 2, 2014, by and between Kansas City Power & Light Company and Transource Missouri, LLC.	X		
29.	Purchase and Sale Agreement, dated July 1, 2005, by and between Kansas City Power & Light Company, as Originator, and Kansas City Power & Light Receivables Company, as Buyer.	X		
30.	Receivables Sale Agreement, dated July 1, 2005, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
31.	Amendment No. 1 to Receivables Sale Agreement, dated April 2, 2007, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
32.	Amendment No. 2 to Receivables Sale Agreement, dated July 11, 2008, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
33.	Amendment to Receivables Sale Agreement, dated July 9, 2009, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
34.	Amendment and Waiver to Receivables Sale Agreement, dated September 25, 2009, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
35.	Amendment to Receivables Sale Agreement, dated May 5, 2010, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
36.	Amendment to Receivables Sale Agreement, dated February 23, 2011, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
37.	Amendment to Receivables Sale Agreement, dated September 9, 2011, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
38.	Amendment to Receivables Sale Agreement, dated September 9, 2014, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
39.	Amendment to Receivables Sale Agreement, dated September 9, 2015, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
40.	Amendment to Receivables Sale Agreement, dated September 9, 2016, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
41.	Amendment to Receivables Sale Agreement, dated September 8, 2017, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Victory Receivables Corporation.	X		
42.	Amendment to Receivables Sale Agreement, dated September 7, 2018, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch) and Victory Receivables Corporation.	X		
43.	Waiver to Receivables Sale Agreement, dated January 18, 2019, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch) and Victory Receivables Corporation.	X		
44.	Waiver and Amendment to Receivables Sale Agreement, dated February 15, 2019, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch) and Victory Receivables Corporation.	X		
45.	System Contingency Economy Energy Service, effective March 3, 2013, by and between KCP&L Greater Missouri Operations Company and Kansas City Power & Light Company, as governed by the terms of Western Systems Power Pool Agreement, Schedule A.	X		
46.	Designee Qualification and Novation Agreement, dated October 30, 2013, by and between Southwest Power Pool, Transource Missouri, LLC, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		

Source: Information Response 4

Exhibit II-2
Listing of KCP&L Affiliate Agreements
Page 3 of 3

		2019 Affiliate Transaction Report Exhibit 3	Addition/Modification	Reason/Notes
47.	Substation Upgrade Agreement, dated October 31, 2013, by and between Transource Energy, LLC, Transource Missouri, LLC, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X	Title/Date modification	• Affiliate Transactions Report 2019, Exhibit 3 listed an incorrect date of April 3, 2012. • Duplicative of #19 and will be removed in future lists.
48.	Lease Agreement, dated April 30, 2014, by and between Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
49.	Services Agreement, effective June 4, 2018, by and among Evergy, Inc., Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, Westar Energy, Inc. and Kansas Gas and Electric Company.	X		
50.	Services Agreement, effective June 4, 2018, by and among Kansas City Power & Light Company and the various subsidiary companies that are a party thereto from time to time.	X		
51.	Administrative Services Agreement, dated February 20, 2017, by and among Great Plains Energy Incorporated, Kansas City Power & Light Company and Grid Assurance LLC.	X		
52.	Amendment No. 1 to Administrative Services Agreement, dated September 20, 2018, by and among Evergy, Inc. (f/k/a Great Plains Energy Incorporated), Kansas City Power & Light Company and Grid Assurance LLC.	X	Title modification	Added missing amendment number.
53.	Midway Mine Electric Service Agreement, dated October 29, 1970, by and between by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	• Inadvertent omission following merger relating to LaCygne Generating Station. • Amending Affiliate Transactions Report, Exhibit 3.
54.	Railroad Spur Memorandum, dated December 30, 1970, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
55.	LaCygne Station Ownership Agreement, dated April 19, 1971, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
56.	LaCygne Unit #2 Agreement, dated February 14, 1972, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
57.	LaCygne Station Operating Agreement, dated May 11, 1973, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
58.	Transmission Lease Agreement, dated October 1, 1984, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
59.	Letter Amendment to Transmission Lease Agreement, dated April 9, 1991, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
60.	Amendment No. 1 to LaCygne Station Operating Agreement, dated September 1, 1987, by and between by and among Kansas City Power & Light Company, Kansas Gas and Electric Company and The Connecticut National Bank.		Addition	See No. 53.
61.	LaCygne Train Set Lease, dated July 22, 1993, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
62.	LaCygne Train Set Lease, dated August 4, 1993, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
63.	LaCygne Train Set Lease, dated August 25, 1993, by and between by and between Kansas City Power & Light Company and Kansas Gas and Electric Company.		Addition	See No. 53.
64.	Support Cost Allocation Agreement, dated December 5, 2003.		Addition	See No. 53.
65.	Support Cost Allocation Agreement Amendment, dated December 12, 2007.		Addition	See No. 53.
66.	Waiver to Receivables Sale Agreement, dated March 15, 2019, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch) and Victoria Receivables Corporation.		Addition	• Entered into after Affiliate Transactions Report 2019, Exhibit 3 was submitted. • Will be included next year.
67.	Amendment to Receivables Sale Agreement, dated April 12, 2019, by and among Kansas City Power & Light Receivables Company, Kansas City Power & Light Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch) and Victory Receivables Corporation.		Addition	• Entered into after Affiliate Transactions Report 2019, Exhibit 3 was submitted. • Will be included next year.

Source: Information Response 4

Exhibit II-3
Listing of GMO Affiliate Agreements
Page 1 of 3

		2019 Affiliate Transaction Report Exhibit 3	Addition/Modification	Reason/Notes
1.	Joint Operating Agreement, dated October 10, 2008, by and between Kansas City Power & Light Company and Aquila, Inc.	X		
2.	Iatan Unit 2 and Common Facilities Ownership Agreement, dated May 19, 2006, by and among Kansas City Power & Light Company, Aquila, Inc., The Empire District Electric Company, Kansas Electric Power Cooperative, Inc. and Missouri Joint Municipal Electric Utility Commission.	X		
3.	Iatan Station Ownership Agreement, dated July 31, 1978, by and among Kansas City Power & Light Company, St. Joseph Light & Power Company and The Empire District Electric Company.	X		
4.	Iatan Station Operating Agreement, dated February 1, 1982, by and among Kansas City Power & Light Company, St. Joseph Light & Power Company and The Empire District Electric Company.	X		
5.	Tax Allocation Agreement, dated July 14, 2008, by and among Great Plains Energy Incorporated and affiliates.	X		
6.	Amended and Restated Agreement Regarding the Operation of, and Participation in, the Evergy Money Pool, dated June 4, 2018.	X	Title modification	Affiliate Transactions Report, Exhibit 3 incorrectly identified as the "Great Plains Energy Money Pool."
7.	Promissory Note, dated May 19, 2011, from KCP&L Greater Missouri Operations Company to Great Plains Energy Incorporated.	X		
8.	Promissory Note, dated June 15, 2012, from KCP&L Greater Missouri Operations Company to Great Plains Energy Incorporated.	X		
9.	Support Agreement, dated April 10, 2012, by and between Transource Energy, LLC[1] and KCP&L Greater Missouri Operations Company.	X		
10.	Agreement for Sale/Purchase of Specified Transmission System Property, dated June 29, 2012, by and between Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
11.	Amended and Restated Commercial Paper Dealer Agreement 4(2) Program, dated February 10, 2015, by and among KCP&L Greater Missouri Operations Company, Great Plains Energy Incorporated and Merrill Lynch, Piece, Fenner & Smith Incorporated.	X		• Effective June 10, 2019, the commercial paper program was restructured and Great Plains Energy Incorporated is no longer a party to this agreement. • Agreement will be removed in future filing.
12.	Amended and Restated Commercial Paper Dealer Agreement 4(2) Program, dated January 28, 2015, by and among KCP&L Greater Missouri Operations Company, Great Plains Energy Incorporated and RBS Securities Inc.	X		See No. 11.
13.	Assignment of Commercial Paper Dealer Agreement, dated June 24, 2015, between RBS Securities, Inc., Mizuho Securities USA Ind., Great Plains Energy Incorporated and KCP&L Greater Missouri Operations Company.	X		See No. 11.
14.	Commercial Paper Dealer Agreement, dated October 21, 2016, by and among KCP&L Greater Missouri Operations Company, Great Plains Energy Incorporated and SunTrust Robinson Humphrey, Inc.	X		See No. 11.
15.	Amended and Restated Commercial Paper Dealer Agreement 4(2) Program, dated January 28, 2015, by and among KCP&L Greater Missouri Operations Company, Great Plains Energy Incorporated and Goldman, Sachs & Co.	X		See No. 11.
16.	Issuing and Paying Agency Agreement, dated August 22, 2014, by and among KCP&L Greater Missouri Operations Company, Great Plains Energy Incorporated and Bank of America, N.A.	X		See No. 11.
17.	Guarantee, dated October 21, 2011, of Great Plains Energy Incorporated on promissory notes issued by KCP&L Greater Missouri Operations Company.	X		
18.	St. Joseph Landfill Generator Interconnection Agreement, dated October 18, 2011, by and between KCP&L Greater Missouri Operations Company and Kansas City Power & Light Company.	X		
19.	License Agreement, dated July 14, 2008, by and between Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
20.	Ancillary Services Agreement, dated May 31, 2012, by and between KCP&L Greater Missouri Operations Company and GMO Receivables Company.	X		
21.	Stockholder and Subscription Agreement, dated May 31, 2012, by and between GMO Receivables Company and KCP&L Greater Missouri Operations Company.	X		

Source: Information Response 4

Exhibit II-3
Listing of GMO Affiliate Agreements
Page 2 of 3

		2019 Affiliate Transaction Report Exhibit 3	Addition/Modification	Reason/Notes
22.	Purchase and Sale Agreement, dated May 31, 2012, by and between KCP&L Greater Missouri Operations Company and GMO Receivables Company.	X		
23.	Receivables Sale Agreement, dated May 31, 2012, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Victory Receivables Corporation.	X		
24.	First Amendment to Receivables Sale Agreement, dated September 9, 2014, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
25.	Second Amendment to Receivables Sale Agreement, dated September 9, 2015, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
26.	Third Amendment to Receivables Sale Agreement, dated September 9, 2016, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
27.	Fourth Amendment to Receivables Sale Agreement, dated September 8, 2017, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Victory Receivables Corporation.	X		
28.	Sixth Amendment[2] to Receivables Sale Agreement, dated September 7, 2018, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi, Ltd., New York Branch) and Victory Receivables Corporation.	X		
29.	Waiver and Seventh Amendment to Receivables Sale Agreement, dated February 15, 2019, by and among GMO Receivables Company, KCP&L Greater Missouri Operations Company, MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi, Ltd., New York Branch) and Victory Receivables Corporation.	X	Title/Date modification	Affiliate Transactions Report, Exhibit 3 previously listed an incorrect date of February 15, 2010.
30.	Credit Agreement, dated September 18, 2018, by and among Evergy, Inc., Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, Westar Energy, Inc., the several lenders from time to time parties thereto, Wells Fargo Bank, National Association and the other issuing lenders and agents party thereto.	X		• Although affiliates are parties to this agreement, the obligations of each affiliate are to the lenders, and not one another. As such, this agreement does not qualify as an affiliate agreement. • Agreement will be removed in the future.
31.	First Amendment to Credit Agreement, dated November 30, 2018, by and among Evergy, Inc., Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, Westar Energy, Inc., the several lenders from time to time parties thereto, Wells Fargo Bank, National Association and the other issuing lenders and agents party thereto.	X		• Although affiliates are parties to this agreement, the obligations of each affiliate are to the lenders, and not one another. As such, this agreement does not qualify as an affiliate agreement. • Agreement will be removed in the future.
32.	System Contingency Economy Energy Service, effective March 3, 2013, by and between KCP&L Greater Missouri Operations Company and Kansas City Power & Light Company, as governed by the terms of Western Systems Power Pool Agreement, Schedule A.	X		
33.	Substations Upgrade Agreement, dated October 31, 2013, between Transource Energy, LLC, Transource Missouri, LLC, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
34.	Agreement for the Licensing of Transmission Structures, dated January 1, 2014, by and between KCP&L Greater Missouri Operations Company and Transource Missouri, LLC.	X		

Source: Information Response 4

Exhibit II-3
Listing of GMO Affiliate Agreements
Page 3 of 3

		2019 Affiliate Transaction Report Exhibit 3	Addition/Modification	Reason/Notes
35.	Designee Qualification and Novation Agreement, dated October 30, 2013, by and among Southwest Power Pool, Transource Missouri, LLC, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
36.	Lease Agreement, dated April 30, 2014, by and between Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company.	X		
37.	Services Agreement, effective June 4, 2018, by and among Evergy, Inc., Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, Westar Energy, Inc. and Kansas Gas and Electric Company.	X		
38.	Agreement for the Construction and Ownership of Jeffrey Energy Center, dated January 13, 1975, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Central Telephone & Utilities Company and KCP&L Greater Missouri Operations Company (f/k/a Missouri Public Service Company).		Addition	• Inadvertent omission following merger relating to Jeffrey Energy Center. • Amending Affiliate Transactions Report, Exhibit 3.
39.	Amendment No. 1 to Agreement for the Construction and Ownership of Jeffrey Energy Center, dated May 16, 1977, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Central Telephone & Utilities Company and KCP&L Greater Missouri Operations Company (f/k/a Missouri Public Service Company).		Addition	See No. 38.
40.	Amendment No. 2 to Agreement for the Construction and Ownership of Jeffrey Energy Center, dated May 24, 1982, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Central Telephone & Utilities Company and KCP&L Greater Missouri Operations Company (f/k/a Missouri Public Service Company).		Addition	See No. 38.
41.	Amendment No. 3 to Agreement for the Construction and Ownership of Jeffrey Energy Center, dated October 14, 1982, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Central Telephone & Utilities Company and KCP&L Greater Missouri Operations Company (f/k/a Missouri Public Service Company).		Addition	See No. 38.
42.	Amendment No. 4 to Agreement for the Construction and Ownership of Jeffrey Energy Center, dated August 26, 1988, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Centel Corporation and KCP&L Greater Missouri Operations Company (f/k/a Utilicorp United, Inc.).		Addition	See No. 38.
43.	Amendment No. 5 to Agreement for the Construction and Ownership of Jeffrey Energy Center, dated August 15, 1991, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Centel Corporation and KCP&L Greater Missouri Operations Company (f/k/a Utilicorp United, Inc.).		Addition	See No. 38.
44.	Amendment No. 6 to Agreement for the Construction and Ownership of Jeffrey Energy Center, dated July 14, 1999, by and among Westar Energy, Inc. (f/k/a Western Resources, Inc.), Kansas Gas and Electric Company and KCP&L Greater Missouri Operations Company (f/k/a Utilicorp United, Inc.).		Addition	See No. 38.
45.	Jeffrey Energy Center Operation Agreement, dated June 1, 1978, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Central Telephone & Utilities Company and KCP&L Greater Missouri Operations Company (f/k/a Missouri Public Service Company).		Addition	See No. 38.
46.	Amendment No. 1 to Jeffrey Energy Center Operation Agreement, dated July 23, 1986, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Centel Corporation and KCP&L Greater Missouri Operations Company (f/k/a Utilicorp United, Inc.).		Addition	See No. 38.
47.	Amendment No. 2 to Jeffrey Energy Center Operation Agreement, dated August 26, 1988, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company, Centel Corporation and KCP&L Greater Missouri Operations Company (f/k/a Utilicorp United, Inc.).		Addition	See No. 38.
48.	Amendment No. 3 to Jeffrey Energy Center Operation Agreement, dated December 13, 1993, by and among Westar Energy, Inc. (f/k/a The Kansas Power & Light Company), Kansas Gas and Electric Company and KCP&L Greater Missouri Operations Company (f/k/a Utilicorp United, Inc.).		Addition	See No. 38.
49.	Jeffrey Energy Center Transmission Agreement, dated June 1, 1978, by and between Westar Energy, Inc. (f/k/a The Kansas Power & Light Company) and KCP&L Greater Missouri Operations Company (f/k/a Missouri Public Service Company).		Addition	See No. 38.
50.	Jeffrey Energy Center Cost Allocation Letter Agreement, dated January 20, 2005, by and between Westar Energy, Inc., Kansas Gas and Electric Company and KCP&L Greater Missouri Operations Company (f/k/a Aquila, Inc.).		Addition	See No. 38.

Source: Information Response 4

According to KCP&L management, the following errors were present in the lists included in the most recent Affiliate Transactions Report submitted to MoPSC:

KCP&L

- 16. The Amended and Restated Agreement was inadvertently identified as the Great Plains Energy Money Pool when it should have correctly reflected that it was the Evergy Money Pool.
- 47. Substation Upgrade Agreement is a duplicative entry of #19. #47 incorrectly identified the date as of April 3, 2012, which is the date of the Services Agreement. The date should have correctly reflected October 31, 2013 and is therefore duplicative of #19.
- 52. is Amendment No. 1.
- 53.-67. Additions referenced in paragraph above.

KCP&L GMO

- 29. The Waiver and Seventh Amendment incorrectly identified the date of February 15, 2010 versus February 15, 2019.
- 38.-50. Additions referenced in paragraph above.

Level and Nature of Affiliated Transactions (Actual and Budget Dollars) from/to Evergy Companies' Operations and Affiliates

Provided by Evergy regarding KCP&L are the following actual affiliate transactions for June 2018 – May 2019, as summarized in, including:

- KCP&L affiliate transactions to GMO
- GMO affiliate transactions received from KCP&L
- KCP&L affiliate transactions received from Westar
- KCP&L affiliate transactions to other affiliates

For the 2014-2018 periods, GMO did not provide services to affiliates, nor did any non-regulated affiliate provide services, so in *Exhibit II-4* are the 2014-2018 affiliate transactions from KCP&L, which does not include transactions such as common use billings, transition costs, and other non-system miscellaneous billings.

Exhibit II-4
Level of Affiliated Transactions Involving KCP&L
2014 to May 2019
($)

GL Business Unit	GL Business Unit Name	Year Ended December 31					June 2018 to May 2019
		2014	2015	2016	2017	2018	
ECORP	GMO Utilities Non Jurisdiction	1,625,923	2,054,073		-1,728,319		
EVRG	Evergy, Inc.					642,255	1,717,665
GMO	Greater Missouri Operations			138,575,297	137,495,394	134,792,302	125,114,247
GPTHC	GPE Transmission Holding Company	103,734	33,159	57,612	233,726	304,827	283,386
GREC	GMO Receivables Company	7,517	120,456	145,787	125,395	119,278	112,526
HOLDCO	Great Plains Energy Inc.	948,878	548,589	5,528,574	10,941,773	3,621,244	
KCREC	KCPL Receivables Company	8,034	223,230	279,356	249,442	250,381	251,297
KLT	Evergy Ventures Inc.	143,992	298,532	591,176	612,801	1,144,479	1,202,115
KLTIV	KLT Investments Inc.	37,643	27,236	32,955	20,807	28,899	43,925
MOPUB	Missouri Public Service	83,137,364	88,852,710		-9,266,863		
MPSFC	MPS Finance Corp.	159	71	116	106	218	257
MPSMS	MpS Merchant Services	24,836	16,633	27,299	14,378	11,319	11,713
MPSNC	MPS Networks Canada	1,106	1,251	270	11	94	94
PARNT	GMO Parent Division	2,266,221	2,434,993	2,642,452	2,432,923	2,276,334	2,705,315
SILP	St Joseph Light & Power	34,345,194	35,967,998		439,200		
SOLAR	KCP&L Solar Inc.	155,087	165,944	75,294	30,385	18,854	22,882
Westar	Westar					-10,343,604	-20,734,622
WXCHG	Westar Cross Charges					11,555,110	23,452,845
	TOTAL Transactions with KCP&L	122,805,688	130,744,876	147,956,190	141,601,160	144,421,990	134,183,645

These do not include transactions such as common use billings, transition costs, and other non-system miscellaneous billings. Also, asking for actual dollars and personnel equivalents, by function category, for each Evergy subsidiary, KCP&L management indicated no personnel equivalents are tracked.

These transactions include both expense and construction work in progress. Capital expenditure dollars are accumulated in construction work in progress by project before being placed into service. Generally, capital costs from affiliates are charged directly to a project and are not allocated. Capital expenditure dollars are then placed in plant category accounts by project after being placed into service. The plant category accounts do not include the detail needed to identify affiliate transactions. The detail needed to identify capital expenditure dollars from affiliates is in the construction work in progress account.

Evergy prepares a consolidated budget and allocates costs for separate company income statements using the same allocation methodology used to allocate actual costs. Evergy does not budget specifically for affiliate transactions.

Internal Controls

This section describes internal controls of Evergy Companies' relationship with holding company, and its affiliates, especially involving (a) purchases on behalf of Evergy Companies and (b) protection against irregular, illegal, and/or improper transactions.

According to KCP&L, the PeopleSoft system used for creating and approving requisitions and purchase orders for KCP&L and GMO contains rules and security and provides for documentation of approvals per the schedule of authorization. Additional approvals are in place for Evergy holding company requisition and purchase order approval. These rules are periodically reviewed and tested. The Enterprise Business System Support group generates and reviews a report daily regarding any requisitions and purchase orders that cross charge general ledger accounts. This report is a process to prevent KCP&L from buying goods and services for Westar from a third party. Evergy Policy E200 details approval authority for business transactions, including approval authority for employment-related matters, such as hiring and promotions.

The Supply Chain Management Procurement Policy dictates that interlocking and related party lists generated annually by the Evergy Corporate Secretary be reviewed by Procurement prior to completing contract documents with a supplier, as shown below.

- *Responsibility* – Persons responsible for non-Supply Chain Department transactions are responsible for contacting the Supply Chain Department to check the current suppliers listed as interlocking directorates. The Supply Chain Department is responsible for checking the interlocking directorates list against the parties to each transaction it handles and for forwarding transactions to the Corporate Secretary's Office when they involve parties included on the list. The Corporate Secretary's Office is responsible for maintaining the list of interlocking directorates and providing it to the Supply Chain Department. The Corporate Secretary's Office is responsible for reviewing and making appropriate approvals of transactions that involve parties included on the interlocking directorates list.
- *Policy* – Before any transaction are made, (whether or not the Supply Chain Department is involved), the parties to the transaction must be reviewed against the interlocking directorates list. The Corporate Secretary's Office is responsible for maintaining this list and providing it to the Supply Chain Department at least once annually. The Supply Chain Department will check this list against the parties to each transaction it handles. Persons responsible for non-Supply Chain Department transactions will contact the Supply Chain Department to check any parties against the interlocking directorates list. Any transaction involving parties included on the list will be forwarded to the Corporate Secretary's Office for review and appropriate approvals before the transaction is entered.

Identification and Samples of Written and Verbal Correspondence between Directors and Officers for Past Five (5) Years

The Board of Directors meet approximately five times annually. Materials kept, which were viewed onsite by Schumaker & Company representatives, include agendas, presentations, and documentation. Often they range from 200 to 300 pages.

Board of Directors membership is the same for all Evergy companies, including:

- Evergy
- KCP&L
- Westar
- GMO

The members of the Evergy, Inc. Board of Directors are Mr. Terry Bassham, Ms. Mollie Hale Carter, Mr. Charles Q. Chandler IV, Mr. Gary D. Forsee, Mr. Scott D. Grimes, Mr. Richard L. Hawley, Mr. Thomas D. Hyde, Mr. B. Anthony Isaac, Ms. Sandra A.J. Lawrence, Ms. Ann D. Murtlow, Ms. Sandra J. Price, Mr. Mark A. Ruelle, Mr. John J. Sherman, Mr. S. Carl Soderstrom Jr., and Mr. John Arthur Stall. Each member of the Board of Directors of Evergy, Inc. is also a member of the Board of Directors of each of Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, Westar Energy, Inc., and Kansas Gas and Electric Company. Mr. Bassham is also (a) President and Chief Executive Officers of each of Evergy, KCP&L, GMO, Westar, and KG&E, (b) President and a member of the Board of Directors of Evergy Ventures, Inc., (c) President of each of KCP&L Solar, Inc., Evergy Services, Inc. and GPE Transmission Holding Company, LLC and (d) a member of the Board of Directors of Wolf Creek Nuclear Operating Corporation.

The typical schedule includes quarterly meetings in May, August, October, and December, plus the annual meeting in February.

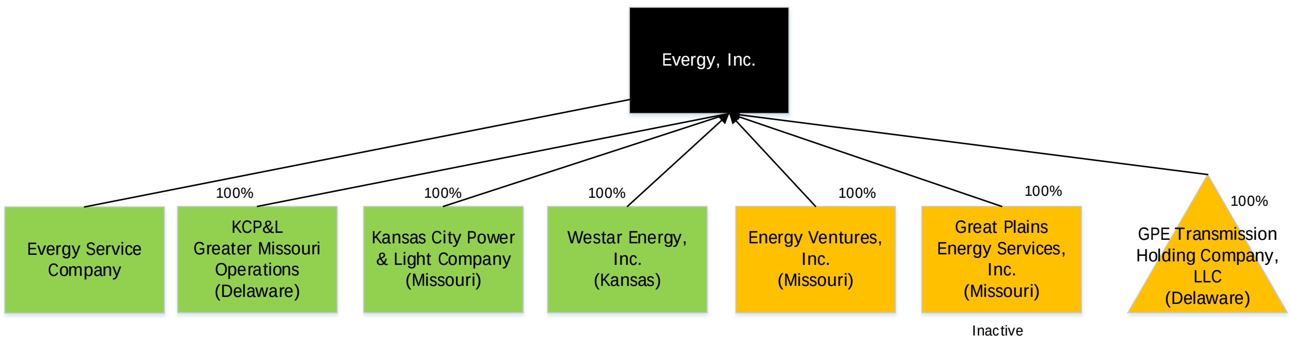
Because written correspondence between directors and officers for past five (5) are considered voluminous, Schumaker & Company reviewed samples while on-site in KCP&L's office in Kansas City, Missouri, which were reasonably developed.

B. Findings & Conclusions

Finding II-1 Evergy does not have a designated service company within its organization.

The current organization of Evergy was shown in *Exhibit II-1*. Schumaker & Company came into this assignment with the expectation that Evergy would have created a service company. This would have resulted in an organization similar to that shown in *Exhibit II-5*.

Exhibit II-5
Service Company Configuration



Source: Schumaker & Company Analysis

There would be a separate entity for the service company, as shown above in *Exhibit II-5*. All the costs associated with that entity would be directly assigned or allocated to other Evergy entities. All costs that are allocated to the other entities flow from the service company to the other entities. There are typically minimal costs which flow from the operating companies (KCP&L, GMO, and Westar) to the service company and, similarly, from one operating company to another operating company.

Historically, the concept of service companies and operating companies came from the 1935 Public Utility Holding Company Act. Although many of the provisions of this act have been repealed, some of the underlying concepts are still valid today, in particular:

- Allocation of costs at cost
- The service company/operating company model

Evergy is currently directly charging or allocating costs at cost but does not have a separate service company. In essence, KCP&L is operating as a service company, although it is in reality an operating company.

Finding II-2 **Evergy uses a uniform time reporting process throughout the organization.**

Evergy has implemented a time reporting system from PeopleSoft, which integrates with its payroll system (also PeopleSoft) for individuals throughout the organization. All individuals report their time on a daily basis on a mid-month and end of month timeframe. These hours are interfaced with the payroll system to translate the hours into dollars. The allocation factors (operating units) can be applied to these dollars to create the journal entries for the allocations to the various operating entities. This process results in a significant number of individual records, which are processed as record sets within a database application (Oracle). Schumaker & Company consultants observed these processes by choosing a very small department and walking through the processing steps in the computer system. This processing occurs on an end-of-month basis. We did not find any issues with the processing activities.

Finding II-3 **The allocation of shared costs to the various entities is based on the time reporting system.**

At the time of the 1935 Holding Company Act, computers were not used in the utility industry, if fact they did not exist. Without computers, there were no relational database technologies. However, the advent of computers and relational database technologies gives us the ability to capture and assign cost to an extent never possible when all utility accounting was done on a manual basis (in the 1920s and 1930s). As discussed in *Exhibit III-1*, the accounting block code determines how time reported and other costs are allocated. However, upon further examination, it is the operating unit code which really determines the allocation factor. During the time entry process, the individual must enter the proper block code (specifically the operating unit, which is actually the allocation factor) for the proper allocations to take place. Although, with proper training, this process can yield the proper accounting entries, it is difference than what we have observed at other companies. In other companies, individual employees enter "task codes" which directly relate to the work being performed. These task codes are assigned allocation factors within the accounting system for the allocations to take place. Thus, the individual employees are not concerned with allocation factors when entering their time; they only focus on their specific work breakdowns in their area by picking an operating unit that determines what entity is benefiting from the work they perform. The type of work being performed is identified by the department code of the accounting code block. Although both techniques can result in the same accounting numbers, there is much more transparency available using the task code process.

Finding II-4 **Some costs do flow between GMO and KCP&L for capacity, which is governed by a separate bilateral contract.**

GMO is short on capacity within the Southwest Power Pool and, therefore, has to procure capacity via bilateral contract. This process is discussed in *Finding III-1* on Page 84.

Finding II-5 **Evergy is proposing changing brand names of its subsidiaries starting in October 2019, but this affiliate audit report is still using the current names.**

Exhibit II-6 displays the brand names that Evergy is proposing for use in October 2019, which are considerably different than those used earlier.

Exhibit II-6
Future Brand Name Changes

Current Name During Affiliate Audit	Proposed Future Name
Great Plains Energy Services Incorporated	Evergy Services, Inc.
Kansas City Power & Light Company	Evergy Metro, Inc.
Kansas City Power & Light Receivables Company	Evergy Metro Receivables Company
KCP&L Solar, Inc.	Evergy Solar, Inc.
GPE Transmission Holding Company, LLC	Evergy Transmission Company, LLC
KCP&L Greater Missouri Operations Company (GMO)	Evergy Missouri West, Inc.
GMO Receivables Company	Evergy Missouri West Receivables Company
Westar Energy, Inc.	Evergy Kansas Central, Inc.
Westar Energy Foundation	[Evergy Foundation]
Kansas Gas and Electric Company	Evergy Kansas South, Inc.
Westar Generating, Inc.	Evergy Generating, Inc.
Westar Industries, Inc.	Evergy Industries, Inc.

Source: Information Response 74

Finding II-6 **The use of the name, KCP&L, in KCP&L Solar, Inc. may provide an unfair advantage to an affiliate.**

KCP&L Solar, Inc. sells and leases solar panels and related equipment used to generate electric power from solar. Contractors are used for installation and maintenance. Sales and leases have been to commercial customers. Although there has been one sale in 2019, the current primary function of this company is the maintenance of approximately 60 leases to seven customers.

KCP&L Solar, Inc. competes with other unaffiliated companies for commercial customers. Potential customers are also electricity service customers of KCP&L. There is no evidence that KCP&L Solar, Inc. links their marketing efforts to KCP&L electricity service or that the KCP&L electricity utility funnels prospective solar customers to KCP&L Solar, Inc. However, by including KCP&L in the name, KCP&L Solar, Inc., this may provide a marketing advantage that is not available to other competing solar companies in marketing their services.

Finding II-7 The affiliate transactions of KCP&L and GMO are in compliance with the governing regulations of MoPSC.

The affiliate transactions of KCP&L and GMO are in compliance with the rules and regulations of the MoPSC governing affiliate transactions. Affiliate transactions for each company are governed by their respective CAMs. The KCP&L and GMO CAMs prescribe procedures, processes, and guidelines that enable the utility companies to comply with 4 CSR 240-20.015 Affiliate Transactions.

C. Recommendations

Recommendation II-1 Create a separate service company, when possible. (Refer to Finding II-1.)

Ideally, Evergy should have a service company. We recognize that at the current time there are some legal and tax issues in the state of Kansas prohibiting this from being established. But over time these issues should be able to be resolved and then Evergy should proceed with establishing the service company.

Recommendation II-2 Evergy should consider eliminating the KCP&L from the name of KCP&L Solar, Inc. when all of the Evergy companies' names are changed. (Refer to Finding II-6.)

Including KCP&L in the name, KCP&L Solar, Inc., may provide a marketing advantage that is not available to other competing solar companies in marketing their services. The name, KCP&L Solar, Inc. is obviously closely related to the utility name, KCP&L. Although KCP&L may not refer prospective solar customers to KCP&L Solar, Inc., the name would seem to provide instant name recognition and a connection to the utility company. Other solar companies do not receive the same name recognition advantage. Through name recognition, KCP&L can be deemed to provide preferential treatment to KCP&L Solar, Inc. regarding the sale or lease of solar equipment. When Evergy changes the names of all of its subsidiaries (see Finding II-6), it should consider naming KCP&L Solar without including a name recognizable tie-in to the KCP&L or to Evergy or any other Evergy affiliate.

III. Cost Accumulation & Assignment/Cost Allocation Methodologies

A. Background & Perspective

The work steps, information required, and key indicators for this chapter are as follows:

Cost Accumulation and Assignment/Cost Allocation Methodologies		
Typical Work Steps	**Information Required**	**Key Indicators**
Determine procedures specified for identifying, tracking, and posting direct, indirect, and general overhead costs to specific projects or cost pools. Determine how these assignment policies, procedures, and practices have changed over time; assess the rationale for these changes. Assess methodologies (e.g., accounting systems) used to accumulate and assign costs. Examine criteria used to assign costs. Evaluate Evergy Companies' hierarchy for placing emphasis on direct billing versus cost allocation, and for developing causal relationships in formulating allocation methodologies. Evaluate whether direct billing is used whenever possible. Review cost allocations used to allocate joint and common costs among Evergy Companies and its affiliates for the past eight (8) years. Assess whether cost accumulation/assignment bases are reasonable and appropriate (e.g., based on cost causative factors) and whether they have been consistently developed. Review documentation involving policies and guidelines in place to establish the appropriation of resources and costs, including (but not limited to): ♦ Finance manuals ♦ Assignment policies ♦ Cost allocation manuals Identify generic direct billing and/or cost allocation methodologies in place in Evergy Companies and affiliates used to calculate the costs for services or products provided. Assess whether cost allocation methodologies, and their associated bases and factors, are reasonable and appropriate, and whether they have been consistently applied. Assess whether these methodologies are regularly reviewed and revised. Determine whether the policies, procedures, and practices governing transfer pricing methodologies and accounting standards are adequately documented and understood by the personnel involved. Identify the data sources and special studies required to develop allocations factors (if they are used), and evaluate their appropriateness.	Any cost accounting documentation involving cost accumulation and assignment Copies of Evergy Companies' general ledger and pertinent subsidiary ledgers Any accounting manuals and other documentation describing methodologies, bases, and factors used for direct billing and/or cost allocation, and/or segregating regulated and unregulated costs, including (but not limited to): ♦ Finance manuals ♦ Assignment policies ♦ Cost allocation manuals Description of daily accounting standards and recordkeeping methods and procedures that support the daily operations between Evergy Companies and its affiliates	Evergy Companies and its affiliates should have in place well-defined and consistently applied procedures for accumulating and assigning costs, and should be able to provide timely, current, and accurate information regarding the level, nature, and magnitude of costs incurred. Direct billing and allocation methodologies used by Evergy Companies and its affiliates should be founded on reasonable and fair factors and bases that properly reflect the value of products and services received, and should be supported by automated systems and contracts that provide management with the information and data it needs for recording and managing these activities. Evergy Companies should not be negatively impacted by its relationships in the overall corporate organization.

Cost Accumulation and Assignment/Cost Allocation Methodologies, continued		
Typical Work Steps	**Information Required**	**Key Indicators**
Determine how allocation policies, procedures, and practices have changed over time; assess the rationale for these changes Determine if contracts and/or leases are in place and current where appropriate. Determine if they define the nature of affiliate services rendered, set forth clearly defined bases for associated charges, and stipulate terms and conditions favorable to Evergy Companies' regulated operations in Missouri. Determine if any contracts with third parties involving more than one affiliate provide Evergy Companies' operations with full consideration for performance, taking into account risk premiums or time value of money implicit in the payment or collection terms of such contracts. Assess whether the direct billing and cost allocation processes are adequately automated. Evaluate those mechanisms and procedures in the direct charges/cost allocation guidelines intended to guard against the cross-subsidization of unregulated entities, either through intentional or unintentional means. Identify the extent to which Evergy Companies' financial strength is impacted by or insulated from its affiliated (regulated or unregulated) companies.		Appropriate policies, procedures, and practices exist involving accounting and allocations of affiliate transactions. Appropriate agreements exist involving Evergy Companies and its affiliates.
Identify the decision-making process used in the determination of services required, and for identifying the most optimum means of providing these services. Identify how Evergy Companies determines whether internal or external resources are used; identify instances of comparisons between outside vendors and internal resources for products and services provided to Evergy Companies.	Any analyses regarding use of external vendors for the development and delivery of services to Evergy Companies and its operations Any cost/benefit analyses performed during the last five years regarding provision of services by Evergy Companies or its affiliates	Decisions pertaining to the use of external vendors should be based on analysis that considers cost-benefit, financial, and other factors. These decisions should consider comparisons to provision directly by Evergy Companies or its affiliates, as well as the benefits that customers of regulated operations will receive.

Cost Accumulation and Assignment/Cost Allocation Methodologies, continued		
Typical Work Steps	**Information Required**	**Key Indicators**
Determine the accuracy of allocations when allocating joint/common costs between Evergy Companies and its affiliates. Review the time sheet reporting practices of employees with shared responsibilities to determine allocations, plus determine if the duties of employees who bill time for Evergy Companies and/or its affiliates permit for cross-subsidization. Review and assess pricing policies between affiliate interests, e.g. the market price of electricity compared to the cost of electricity purchased by Evergy Companies Evaluate competitive and noncompetitive bidding procedures. Identify all of Evergy Companies' lease arrangements with its affiliates, determine if the terms of the arrangements are consistent with lease arrangements in competing local markets, have recommended cost allocations and are set at arms length.	Description of the time sheet reporting process regarding Evergy Companies and its affiliates. Description of market prices of electricity compared to the cost of electricity purchased by Evergy Companies Description of competitive and noncompetitive bidding procedures. Copies of any lease arrangements between Evergy Companies and its affiliates	Appropriate policies, procedures, and practices exist involving accounting and allocations of affiliate transactions. Any discrepancies in accounting and allocations shall be corrected by providing direct cost allocations when possible and explanations where the costs cannot be directly allocated. Affiliate charges and cost allocation methodologies among Evergy Companies and its affiliates adhere to applicable legal, regulatory, and contractual requirements.

Affiliate Transactions General Information

Allocation percentages are typically updated in the middle of each year. A general factor is typically used, plus the Utility Massachusetts formula, but only for regulatory companies. Westar allocation processes are the same as KCP&L's, but the allocation percentages are different. See *Cost Allocation Manual Documentation* section of this chapter for detailed information regarding all of the allocation factors used. According to management, "There is no one-to-one relationship between the services and the allocation factors. The operating unit of the chart field determines where a cost is directed, and it is not tied to the service but rather to the business unit receiving the benefit of the service." The department chart field identifies the service being provided.

Actual dollars and personnel equivalents, by functional category, for each associated regulated and/or non-regulated Evergy Company subsidiary are not available, as labor dollar charges are based on time reporting usage, plus personnel equivalents are not tracked (also mentioned in *Chapter II – Affiliate Relationship*). For example, there are three to four people dedicated to Evergy Ventures Company, as there are small investments in Evergy space.

Typically, employees use direct reporting chart fields; additionally, general categories of support will be assigned to projects. Some allocation factors associated with work performed by employees include Westar and some do not, but allocation factors are not specifically associated with a specific service. All time entered is approved by Supervisors.

Accounting Activities Involving Direct Charges & Cost Allocations

Description of Daily Accounting Standards and Recordkeeping Methods and Procedures That Support the Daily Operations between the Evergy Companies and their Affiliates

KCP&L and GMO utilize a code block consisting of six chart fields to identify and account for all external and internal accounting transactions. These chart fields are shown in the following table in *Exhibit III-1*. Listed below in *Exhibit III-1* is also a description of each chart field in the accounting code block:

Exhibit III-1
KCP&L/GMO Accounting Code Block

Description	Accounting Code Block					
Chart Field	**Business Unit**	**Operating Unit**	**Department**	**Account**	**Project**	**Resource**
Format	5 digit alpha	5 digit numeric	3 digit numeric	5 digit numeric	10 digit alpha numeric	4 digit alpha numeric
Example Code	KCPL	10135	165	10100	02-30368	1015
Example Code Description	Kansas City Power & Light Company	KCPL Hawthorn Unit 5	Facilities MAINT & MGMT	Plant in service	Replace MH/Vault Top	Labor Overtime Union

Description of Chart Fields in Accounting Code Block

Business Unit – used to indicate the legal or regulatory entity to which the transaction is recorded. The business unit is required on all transactions.

Operating Unit – used to further indicate the legal or regulatory entity to which the transaction is recorded and is generally geographical or jurisdictional in nature. The operating unit determines cost allocations and is required on all construction and allocable transactions.

Department – cost center used to identify where the transaction originated and area of responsibility. Departments are not business unit specific but are used in conjunction with operating units and required on all transactions where an operating unit is used.

Account – used to group amounts into the proper classification for financial reporting purposes. The numbering is based upon the FERC Uniform System of Accounts and required on all transactions.

Project – used to track costs for construction transactions. Projects are also used for specific tasks that have a defined beginning and end or may be used to track specific recoverable costs or non-regulated activities. Projects are required on all construction transactions and may be used on a limited basis for expense transactions.

Resource – also known as resource category, the resource is used to provide an additional level of detail to transactions by identifying the type of cost. The resource category is required on all construction transactions and certain other balance sheet and income statement transactions.

Source: Information Responses 33 and 15 and Evergy Draft Report Comments

KCP&L is a business unit, as are all legal entities. Operating units are an organizational level under business units: for example, Plant Distribution within KCP&L. Evergy operates as a single company using separate sets of books for each legal entity.

The chart fields of the accounting code block are used to identify costs. The allocation of costs between business units is based on the operating unit field of the account code. This field identifies which business unit or units is benefiting from the cost and is required on all capital and expense transactions.

Overhead Loadings

Overhead costs are costs required to run a business, but which cannot be directly attributed to any specific business activity, product, or service. Overhead costs do not directly lead to the generation of profits but provide necessary support for the generation of profit-making activities. Overhead loadings are a method of allocating or assigning overhead costs to labor or operating units, functions, or processes in order to determine the true cost or fully distributed cost (FDC) of products or processes for an organization. Overhead loadings contained in KCP&L's and GMO's CAM apply to types of costs that are assigned based on the usage related to other costs. In some applications, costs are distributed, or "cleared" over a distribution of direct costs, such as fleet clearings. In other applications, costs are distributed, or "loaded" onto a related cost, such as paid absence, and distributed based on a payroll distribution. The overhead loadings employed by KCP&L and GMO include the following:

- *Paid Absence Loadings* – Costs charged to the various paid absence accounts are allocated to capital and expense accounts based on each account's respective straight-time payroll activity for the month. Paid absence loading are assigned to labor charges at the same time as direct and indirect charges. The allocation looks at each department individually and allocates time off to the account coding based on how the department charges time regardless if it is capital or O&M for the month.
- *Payroll Tax Loadings* – Payroll taxes are loaded to labor charged to expense accounts, work orders and clearing accounts based on a projected rate applied to direct labor charged to these accounts. This process allows for payroll taxes to follow the original labor distribution and to be included in construction costs.
- *Pensions and Other Benefits Loadings* – Pension, post-retirement, employee insurance and other benefits are applied to labor costs based on a projected rate applied to direct labor.
- *Material and Tool Loading* – Purchasing and store keeping costs of inventory materials are applied to materials issued to O&M and capital projects based on historical loading rates.
- *Administrative and General (A&G) Loading* – This loading capitalizes a portion of A&G costs that are incurred in support of capital activities. Based on a time study, specific departments monthly labor charges are allocated to all open construction projects.
- *T&D Division Overhead* – This loading capitalizes a portion of the delivery division service costs related to construction and removal activity that are impractical to charge directly. The allocation is based on the balance in account 184780 and charged to T&D projects based on labor charged to those projects.
- *Generation Division Clearing* – This capitalizes a portion of the generation service costs related to construction and removal activity that are impractical to charge directly.

- *Flyash Clearings* – This clearing distributes general Steam Operations Solid By-Products costs to the appropriate coal fired plants based on the twelve months ended MMBTU's factor.
- *Unit Train Maintenance Clearing* – This distributes general unit train maintenance charges to coal fired plants based on train cars assigned to each plant.
- *Combustion Turbine* (*CT*) *Fuel Clearing* – This distributes general charges in fuel expense and CT expense accounts to appropriate combustion turbines based on the twelve months ended MMBTU's factor.
- *Fuel Clearing* – This clearing distributes general charges in fuel expense and steam accounts to the appropriate coal fired plants based on the twelve months ended MMBTU's factor.
- *Fleet Clearings* – This spreads the cost of vehicles to departments and capital and expense accounts.

Monthly Processes

The monthly closing process is a six-day process:

- Day 1: Closing process begins
- Day 2: Payroll/allocations are running; property transactions are running
- Day 3: Fuel-related allocations from the Energy Accounting Group; includes overhead loadings
- Day 4: Non-regulated taxes (from Tax Department); trial balance management; utility business unit data
- Day 5: Process utility unit taxes and equitization process, plus making sure getting posted
- Day 6: Close books

All shared services costs are charged out; there are controls in place to prevent charging invalid accounts or codes. Combo edits (edits with two parts - if this, then it must be that) are utilized to help prevent data entry errors. The emphasis is on supervisors to catch any incorrect entries, plus budget analysts have an additional six days to determine if the charges to their business unit are correct. Evergy utilizes approximately 500 resource codes; Evergy has a "skinny G/L" which means a relative few accounts with many resource codes. Two directors responsible for budgeting and their budget analysts, along with the work group management, are responsible for reviewing and analyzing all variances.

FERC Form 1 Reports

The auditors reviewed the 2014-2018 FERC Form 1s for Westar Energy, Inc. (Westar), Kansas City Power & Light Company (KCP&L), KCP&L Greater Missouri Operations Company (GMO), Prairie Wind Transmission (PWT), Westar Generating, Inc. (WGEN), and Kansas Gas & Electric Company (KG&E).

FERC Form 1 reports are submitted in April, so allocation calculation percentages are done in June. Data from the previous year's FERC Form 1 is used to develop allocation calculation percentages; therefore the

FERC Form 1's for 2017 were used for the allocation calculations for 2018. There are two sets of causal allocation factors – one including KCP&L, GMO, and Transource data and the other one including KCP&L, GMO, Transource, Westar and KGE data. The set of causal allocation factors utilized depends on the cost elements and the companies that should share in the costs. Causal allocation factors and the source of data utilized for each factor is shown in the following table in *Exhibit III-2*.

Exhibit III-2
KCP& and GMO Allocation Factors

Allocation Factor	Formula	Source
General Allocator	(Each Company's Direct and Causal Allocated Expenses) / (Total Direct and Causal Allocated Expenses)	• Directly assigned based on 2017 charges and include O&M, nonoperating expense, interest & taxes that were not negative. • Causal Allocated Expenses include following indirect allocations: o Utility Massachusetts Formula o Plant Capacity Factor o Number of Customer Factor o Transmission Miles Factor o Customer/Transmission Miles Factor
Utility Massachusetts Formula	(% of Total Operating Revenue + % of Total O&M Payroll + % of Total Net Plant)/3	FERC Form 1 • Page 110. Line 6 • Page 114, Line 2 • Page 354, Line 28
Plant Capacity Factor	% of Total Plant Capacity	FERC Form 1 • Page 402-403, Line 9, and Line 5 for CT's/other if Line 9 is zero • The joint partner allocation will allocate a portion to joint partners
Number of Customer Factor	% of Total Average Number of Customers	FERC Form 1 • Page 304, Col. D
Transmission Miles Factor	% of Total Transmission Miles	FERC Form 1 • Page 422, Pole Miles
Customers/Transmission Miles Factor	(% of Total Average Number of Customers + % Total Transmission Miles)/2	FERC Form 1 • Page 304, Col. D • Page 422, Pole Miles - Did not include Transource in Transmission miles.

Source: Information Response 9 and Evergy Draft Report Comments

The FERC Form 1s will report all transactions with affiliated companies above an annual threshold of $250,000. *Exhibit III-3* shows the non-power goods or services provided by affiliates to either KCP&L or GMO and the non-power goods or services provided for affiliates by KCP&L and GMO.

Exhibit III-3
KCP&L Transactions with Affiliated Companies
Years Ended December 31, 2014 through 2018
($000)

Provide by Affiliates	2014	2015	2016	2017	2018
GMO	3,527	2,989	2,676	2,594	2,460
HLDCO			14,263	14,376	5,083
Westar					9,768
Total Provided by Affiliates	**3,527**	**2,989**	**16,939**	**16,970**	**17,311**
Provided to Affiliates	**2014**	**2015**	**2016**	**2017**	**2018**
GMO	67,251	137,880	151,493	146,927	154,728
KCREC	2,615	2,689	3,093	3,367	3,468
HLDCO			6,545	13,221	4,575
Westar					19,398
KLT			466	527	1,093
GPE	255				
Transource Missouri, LLC	32,225	12,099	4,866	1,822	
Total Provided to Affiliates	102,346	152,668	166,463	165,864	183,262

Source: Information Response 35

Systems

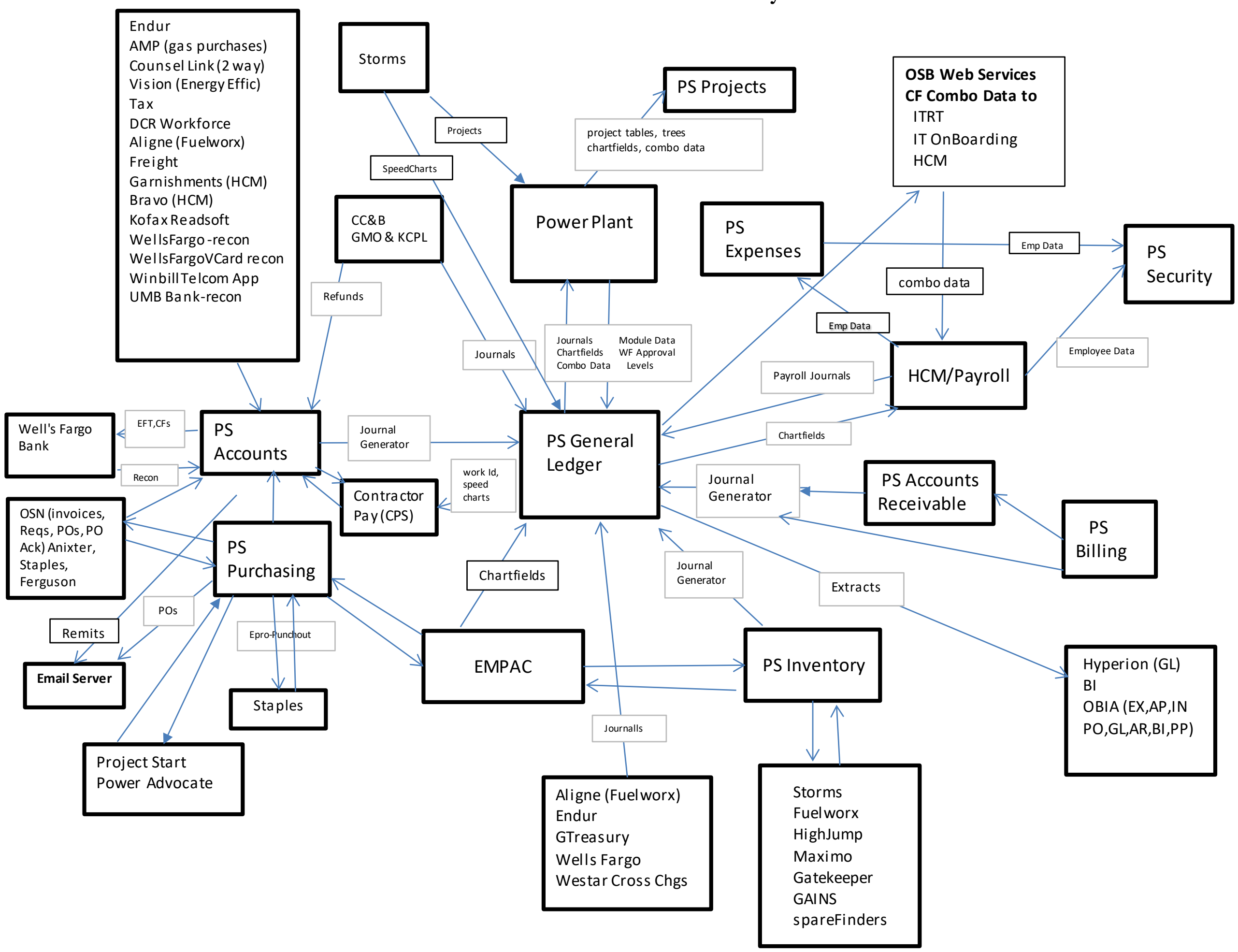
The primary information systems that Evergy utilizes to support their operations and to account for their affiliate transactions include:

- PeopleSoft: Accounts Payable / Accounts Receivable / Human Resources / Inventory / Billing / Purchasing / General Ledger
- PowerPlan, including Power Tax
- Oracle Customer Care & Billing (CCB)
- Work management:
  - Maximo – feeds employee hours to PeopleSoft
  - Storms
  - Enterprise Asset Management Planning and Control (EMPAC)
- Time and labor are accounted for in the time reporting system.

Fuel Works feeds Accounts/Payable, and Endur feeds energy accounting in the General Ledger system.

Exhibit III-4 illustrates KCP&L's flowchart of systems and how they interface with each other.

Exhibit III-4
KCP&L Flowchart of All Systems



Source: Information Response 49
PS in front of a name indicates a PeopleSoft module

Time Reporting

Time reporting user preferences (how a person spends their time) is set up by the individual user to streamline their time entry process. Typically, KCP&L employees enter their time at least twice a month, while Westar employees enter their time weekly. KCP&L and Westar do payroll/time reporting separately. The time reporting system in PeopleSoft is called the Time & Labor (T&L) system. This T&L system was started being used on April 9, 2017. Standard monthly, quarterly, and annual Payroll Department reports include:

- Control Report by Business Unit and Labor Class Field
- Payroll Summary
- Continuous Audit Pay Check
- Continuous Audit Home Address
- Continuous Audit Bank Account
- Continuous Audit Federal Taxes
- Continuous Audit SSN
- Continuous Audit Overtime
- Build Staging Table for GL Interface
- Final Chart of Accounts Validation
- Time & Labor rejects
- Monthly State Tax Summary Report
- Monthly Federal Tax Summary Report
- Tax Deposit Summary
- Deductions Not Taken Report
- Employees Not Processed in Current Payroll
- Employer Benefit Contributions/Deductions
- Deductions In Arrears Report
- Payroll Register Summary
- Deductions Register
- Payroll Advice Register
- Pay Advices - Only Terminated Employees
- Direct Deposit Register
- ACH File
- Interpretation File Report
- Disbursement File Report
- Wages Report State Unemployment
- W-2s
- W-2 Audit
- YE Record Error Report
- W-3 Transmittal - Totals Report
- Annual Reporting Error Listing
- Tax Form Print Parameters Table
- Tax Form Definition Table
- Annual reporting error listing
- Retirement Plan and Third Party Sick Pay
- Cost of Vacation
- Labor Statistics Report
- Vacation Accrued Report
- GENCO (regulated or non-regulated entity (depending upon the industry structure) that operates and maintains existing generating plants) occurrences
- GENCO Leave Accrual Report
- TECH Ops Leave Accrual Report

Both KCP&L and Westar employees are typically paid semi-monthly with the exception that non-exempt Westar employees are paid bi-weekly. Once time has been entered, T&L is processed. Employees must know the Account, Operating Unit, and Project (if applicable) to enter their time in the system. Reports are available showing employee hours and dollars based on Accounts, Operating Units, and Projects. It is up to managers to train new employees on how to use T&L time reporting system. Managers don't necessarily look at detailed data, but they are supposed to look up chart fields to verify that the correct chart fields were used. There are currently 76 timekeepers in KCP&L and 39 in Westar.

After May 4, 2020, when the Cornerstone Project goes live, all Evergy companies will be using a single time and labor system, but with different companies reporting separately. Both KCP&L and Westar have approximately 2,500 employees. The specific number of employees by exempt and nonexempt status are shown in *Exhibit III-5*.

Exhibit III-5
#of Employees

	Exempt	Nonexempt	Total
KCP&L	1,012	1,571	2,583
Westar	915	1,261	2,176

Source: Information Response 47

Monthly Affiliate Bills/Invoices

The following monthly affiliate transaction billings for KCP&L, Westar Energy, and KCP&L Solar were reviewed by the auditors:

- KCP&L for 2018 and year-to-date May 2019.
- Westar Energy, Inc. for July 2018 through year-to-date May 2019.
- KCP&L Solar, Inc. for 2018 and year-to-date May 2019.

The Westar Energy, Inc. billings began in July 2018 after the payment process was established. KCP&L Solar, Inc. has intercompany transactions with KCP&L and Evergy, Inc. and provides the billing invoice for each; therefore, KCP&L Solar, Inc. is not included in their monthly billings.

As previously discussed in *Chapter II – Affiliate Relationships*, billings do not include transactions such as common use billings, transition costs, and other non-system miscellaneous billings. For the 2014-2018 periods, GMO did not provide services to affiliates other than the billing of common use assets, nor did any non-regulated affiliate provide services to affiliates. In 2018, with the merger with Westar Energy, Inc., KCP&L began receiving services from Westar.

Exhibit III-6 summarizes net intercompany dollars on invoices.

Exhibit III-6
Net Intercompany $

	Net Intercompany A / P or A / R		
	KCP&L	**Westar**	**Solar**
	Net Intercompany A / R	**Net Intercompany A / P**	**Net Intercompany A / P & A / R**
1/31/2018	$33,262,798.76		$4,484.11
2/28/2018	$20,825,415.56		$4,500.20
3/31/2018	$26,768,785.38		$5,308.79
4/30/2018	$31,713,342.50		($35,421.43)
5/31/2018	$29,744,367.07		$45,523.48
6/30/2018	$27,708,121.53		$5,694.05
7/31/2018	$33,827,257.29	$37,941,713.89	$5,945.40
8/31/2018	$24,965,489.19	$113,034,631.88	$5,411.18
9/30/2018	$26,356,374.93	$65,617,617.80	$5,292.84
10/31/2018	$27,984,695.61	$13,600,304.99	$6,125.59
11/30/2018	$27,169,585.46	$9,305,921.77	$5,499.34
12/31/2018	$54,431,323.10	$12,275,073.85	$7,145.43
JAN-DEC 2018	**$364,757,556.38**	**$251,775,264.18**	**$65,508.98**
1/31/2019	$33,407,387.51	$11,987,951.69	$6,502.13
2/28/2019	$28,203,719.64	$6,187,743.21	$7,165.90
3/31/2019	$32,575,528.48	$6,197,890.96	$6,802.65
4/30/2019	$21,754,861.31	$6,064,763.76	$6,535.93
5/31/2019	$20,313,995.31	$8,389,305.85	$6,399.00
JAN-MAY 2019	**$136,255,492.25**	**$38,827,655.47**	**$33,405.61**
	$501,013,048.63	**$290,602,919.65**	**$98,914.59**
	KCP&L is owed up to ~ 20	Westar owes KCP&L & Evergy GMO owes Westar	Solar owes HLDCO/EVERGY & KCP&L & KLT unless negative

Source: Information Response 36
* Negative amounts above indicate amount affiliate owes company, such as HOLDCO owes Solar in April 2018; Solar transactions included HOLDCO until August 2018, when in September 2018 it changed to EVERGY

KCP&L and GMO also have affiliate billings with Kansas City Power & Light Receivables Company (KCREC) and GMO Receivables Company (GREC). The KCREC and GREC monthly billings are a combined billing that includes the receivables sales activity along with intercompany activity. The KCREC and GREC monthly billings were not attached due to the combined billing.

Common Use Billing

Both KCP&L and GMO bill affiliated companies for the expenses related to common use assets – software, wide area networks, CIS, and facilities.

- *Common Use Software* – allocated to affiliates utilizing the General Allocator. Over the past five years, ended June, 2019, KCP&L has allocated $38.4 million of common use software expenses to GMO and its other affiliates, and GMO has allocated approximately $1.4 million of common use software expenses to KCP&L and other affiliates.
- *Common Use Wide Area Network* – allocated to affiliates using the General Allocator. Over the past five years ended June, 2019, KCP&L has allocated a $9.8 million of common use wide area network expenses to GMO and its other affiliates, and GMO has allocated $3.0 million of common use wide area network expenses to KCP&L and other affiliates.
- *Common Use CIS* – allocated to affiliates using the Number of Customers Factor. Since June 2018 through June, 2019, KCP&L has allocated $7.7 million to GMO using this factor.
- *Common Use Facilities* – allocated to affiliates using the General Allocator. Using this formula, KCP&L allocated $34.6 million to GMO and its other affiliates in the five-year period ended June, 2019. During this same period, GMO allocated $10.1 million to KCP&L and its other affiliates.

CAM Team

Evergy established a CAM team January 2015 to oversee the operation and management of KCP&L's and GMO's affiliate transactions. The CAM team is involved in decision-making regarding affiliate transactions to ensure that these transactions are consistent with the MoPSC's Affiliate Transactions Rule, or KCP&L or GMO have followed the required variance procedures to allow KCP&L or GMO to participate in non-complying affiliate transactions. There are seven (7) CAM Team members, as shown below:

- Director Regulatory Affairs (KCP&L)
- Regulatory Lead Analyst (KCP&L)
- Director Financial Reporting, Accounting and Policy (KCP&L)
- Regulatory Accounting Lead Analyst (KCP&L)
- Director Financial Accounting (Westar)
- Manager Financial Accounting (Westar)
- Corporate Counsel (KCP&L)

The CAM Team members are the CAM representatives for each Evergy company governed by the CAM and its usage.

For example, the 2018 CAM Team meetings were held on the following dates:

- March 13, 2018
- April 25, 2018
- May 31, 2018
- June 20, 2018
- July 20, 2018

- August 14, 2018
- October 1, 2018
- October 30, 2018
- November 15, 2018
- December 19, 2018

Additionally, various members of the CAM Team met informally in 2019 to work on the Affiliate Transactions Audit RFP process and the annual affiliate transaction report filing.

CAM Checklists

On a monthly and an annual basis, Evergy utilizes checklists to verify and ensure that all changes to the CAM have been identified, are appropriate, and, on an annual basis, reported to the regulatory authorities. The monthly and annual affiliate checklists are distributed to responsible and knowledgeable personnel concerning the CAM and its requirements. The completed checklists are reviewed and discussed in the CAM Team meetings.

Exhibit III-7 illustrates the CAM Team's monthly checklist.

Exhibit III-7
Monthly Checklist
2018

Question	Jan		Feb		March		April		May		June		July		August		Sept		Oct		Nov		Dec	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1 Any new affiliate entities?	X (1)			X		X		X		X	X (2)			X		X		X		X		X		X
2 Any new service agreements or modifications to existing agreements?		X		X		X		X		X	X (3)			X		X		X		X		X		X
3 Any deleted affiliate entities?		X		X		X		X		X	X (4)			X		X		X	X (6)			X		X
4 Any new non-regulated activities?		X		X		X		X		X		X		X		X		X		X		X		X
5 Any deleted non-regulated activities?		X		X		X		X		X		X		X		X		X		X		X		X
6 Any new affiliate entities reported to MoPSC?		X		X		X		X		X	X (2)			X		X		X		X		X		X
7 Any deleted affiliate entities reported to MoPSC?		X		X		X		X		X	X (4)			X		X		X	X (6)			X		X
8 Any new non-regulated activities reported to MoPSC?		X		X		X		X		X		X		X		X		X		X		X		X
9 Any deleted non-regulated activies reported to MoPSC?		X		X		X		X		X		X		X		X		X		X		X		X
10 Are there any new services not currently in Appendix 2 being provided?		X		X		X		X		X		X		X		X		X		X		X		X
11 Has Appendix 2 been updated for any new services?		X		X		X		X		X		X		X		X		X		X		X		X
12 Are fully distributed costs for services provided to affiliates being accumulated and billed on a monthly basis?	X		X		X		X		X		X		X		X		X		X		X		X	
13 Were there any assets transfered between affiliates?		X		X		X		X		X		X		X		X		X		X		X		X
14 Were affiliates charged for the use of capital based on outstanding intercompany receivable balances & daily Commercial Paper Rate?	X		X		X		X		X		X		X		X		X		X		X		X	
15 Were there any late payment fees applied to outstanding receivable balances?		X		X		X		X		X		X		X		X		X		X		X		X
16 Were there any revisions/changes/deletions to the CAM?		X		X		X		X		X		X		X		X		X		X		X		X
17 Were there changes to any allocation processes between affiliates or to clearings and loading?		X		X		X		X		X	X (2)			X		X		X		X		X		X
18 Were there any changes to the common use billing process?		X		X		X		X		X	X (5)			X		X		X		X		X		X
19 Were there any affiliate transaction (except with GMO regulated & Transource) where it would not be in best interest of KCP&L regulated customers to comply with the affiliate transaction rules?		X		X		X		X		X		X		X		X		X		X		X		X
20 Was a variance requested from the MoPSC & OPC for non-complying transactions within 10 days of occurance?		X		X		X		X		X		X		X		X		X		X		X		X
21 Any revisions, additions or deletions to be reported to MoPSC and OPS within 10 days of the occurance		X		X		X		X		X		X		X		X		X		X		X		X
22 Any changes to the organizational structure	X (1)			X		X		X		X	X (2)			X		X		X	X (6)			X		X

(1) Go Electric, Inc.
(2) Westar affiliates added and GPE replaced with Evergy.
(3) New Westar agreements & prior agreements replaced with new agreement.
(4) Great Plains Energy was deleted and replaced with Evergy.
(5) One CIS software allocator changed to number of custmers.
(6) GP Star, Inc. was dissolved.

Source: Information Response 38

The CAM Team's annual checklist is illustrated in *Exhibit III-8*.

Exhibit III-8
Annual Checklist
2018

	Yes	No	
1 Were there any marketing materials or advertisements for unregulated affiliates with similar names, logos or trademarks to KCP&L regulated? If so provide copies.		X	
2 Were there any marketing materials or advertisements for unregulated affiliates with similar names, logos or trademarks to GMO regulated? If so provide copies.		X	
3 KCP&L Annual Affiliate Report will include:			
* List of affiliate entities.	X		
* Description & dollar amount of all affiliate transactions	X		
* List of all contracts between affiliates.	X		
* List of affiliate transactions without written contract	X		
* Basis used for pricing affiliate transactions	X		
* Cost of Conduct	X		
* Cost Allocation Manual.	X		
* List of all revisions, additions or deletions to the CAM	X		
* Summary of affiliate transaction charges	X		
* Listing of all changes & changes not approved by MoPSC	X		
* Controller sign-off	X		
* Audits completed, pending or planned	X		
4 GMO Annual Affiliate Report will include:			
* List of affiliate entities.	X		
* Description & dollar amount of all affiliate transactions	X		
* List of all contracts between affiliates.	X		
* List of affiliate transactions without written contract	X		
* Basis used for pricing affiliate transactions	X		
* Cost of Conduct	X		
* Cost Allocation Manual.	X		
* List of all revisions, additions or deletions to the CAM	X		
* Summary of affiliate transaction charges	X		
* Listing of all changes & changes not approved by MoPSC	X		
* Controller sign-off	X		
* Audits completed, pending or planned	X		
5 Were there any audits of affiliate transactions or any pending or planned?	X		(a)
6 KCP&L employees training material will include (1) goods, services, information or assets that may be provided to affiliates and (2) the goods, services, information or assets are not to be provided without a service agreement.	X		
7 KCP&L employees will certify if they have knowledge of any affiliate transaction abuses.	X		
8 If employees noted any abuses were they reported to the CAM team in writing?	n/a		(b)
9 IRS Form 7004-Request copy and any material changes from prior year return	X		(c)

(a) An audit that will include the CAM is projected to be scheduled in 2019.
(b) No abuses reported.
(c) Changes related to the merger with Westar.

Source: Information Response 38

Cost Allocation Manual Documentation

This section describes any accounting manuals and other documentation describing methodologies, bases, and factors used for direct billings and/or cost allocations, and/or segregating regulated and unregulated costs, including (but not limited to): finance manuals - assignment policies - cost allocation manuals.

The Cost Allocation Manuals (CAMs) for KCP&L and GMO are 99% the same. Westar has a very similar CAM. The KCP&L and GMO CAMs mention Westar as an affiliate.

The CAM documentation is updated at least annually, and filed with the Missouri Public Service Commission (MoPSC) on or before March 15 each year based on the preceding year's data. A list of significant changes to the CAM are included in the CAM that is filed with the MoPSC. Westar's CAM processes are the same as KCP&L's, although allocation percentages are different. The CAM is approved by the Missouri Public Service Commission, which is included with the Affiliate Transaction Report provided yearly.

The CAMs for KCP&L and GMO were reviewed by the Schumaker & Company auditors, as well as the Westar CAM. Following the merger with Westar Energy, Inc. in 2018, KCP&L implemented two sets of allocation factors, depending on the business units the cost related to – one excluding Westar and one including Westar. The allocation factors used include:

- *General Allocator* – Ratio of entities direct and indirect expenses to total company direct and indirect expenses.
- *Utility Massachusetts Formula* – Utility companies average of 1) operating revenues 2) labor charged to O&M (payroll) and 3) Net plant.
- *Plant Capacity* – Jurisdictional plant capacity as a percent of total plant capacity.
- *Number of Customers* – Jurisdictional retail customers as a percent of total retail customers.
- *Transmission Miles* – Jurisdictional transmission pole miles as a percent of total pole miles.
- *Number of Customers/Transmission Miles* – Company/business unit average of jurisdictional retail customers and transmission pole miles as a percent of total.

A schedule listing each shared service cost allocation factor, as well as the calculations for each factor, are summarized in *Exhibit III-9* and *Exhibit III-10*.

Exhibit III-9
Allocation Factors Used
Excluding Westar
2018

Entity	Percentage (%)
General Allocator*	
Great Plains Energy, Inc. (HLDCO)	0.98%
Great Plains Energy Services (GPES)	0.00%
Great Plains Transmission HLDG (GPTHC)	0.05%
PARNT	0.05%
KLT	0.07%
KCP&L Solar, Inc. (SOLAR)	0.01%
KCP&L Receivables Company (KCREC)	0.55%
GMO Receivables (GREC)	0.25%
KCP&L Owned Subsidiaries (KCSUB)	0.00%
KCP&L Non Regulated Activity (NREG)	0.04%
Combo Exploide BU (XPLOD)	0.00%
Electric Utilities Elimination (ELELM)	0.00%
GMO Utilities (ECORP)	0.00%
Great Missouri Operations (GMO)	29.85%
Kansas City Power & Light Utility (KCP&L)	68.15%
	100.00%
Utility Massachusetts Formula**	
KCP&L	71.69%
GMO	28.31%
	100.00%
Plant Capacity Factor***	
KCP&L	73.06%
GMO	26.94%
	100.00%
# of Customers Factor****	
KCP&L	62.51%
GMO	37.49%
	100.00%
Transmission Miles Factor*****	
KCP&L******	49.92%
GMO	45.51%
Transource	4.57%
	100.00%
Customers/Transmission Miles Factor	
KCP&L	57.41%
GMO	42.59%
Transource	0.00%
	100.00%

Source: Information Response 9
* Total Direct and Causal Allocated Expenses
** Operating Revenues, O&M Payroll, and Net Plant
*** # of Megawatts
**** Average # of Customers
***** Pole Miles
****** Average # of Customers/Pole Miles

Exhibit III-10
Allocation Factors Used
Including Westar
2018

Entity	Percentage (%)
General Allocator*	
Great Plains Energy, Inc. (HLDCO)	0.52%
Great Plains Energy Services (GPES)	0.00%
Great Plains Transmission HLDG (GPTHC)	0.03%
PARNT	0.03%
KLT	0.04%
KCP&L Solar, Inc. (SOLAR)	0.01%
KCP&L Receivables Company (KCREC)	0.30%
GMO Receivables (GREC)	0.13%
KCP&L Owned Subsidiaries (KCSUB)	0.00%
KCP&L Non Regulated Activity (NREG)	0.02%
Combo Exploide BU (XPLOD)	0.00%
Electric Utilities Elimination (ELELM)	0.00%
GMO Utilities (ECORP)	0.00%
Great Missouri Operations (GMO)	16.04%
Kansas City Power & Light Utility (KCP&L)	36.61%
Prairie Wind Transmission, LLC	0.26%
Westear Generating	0.81%
Kansas Gas and Electric	17.20%
Westar	28.00%
	100.00%
Utility Massachusetts Formula**	
KCP&L	39.36%
GMO	15.47%
Westar/KGE	45.17%
	100.00%
Plant Capacity Factor***	
KCP&L	43.72%
GMO	16.11%
Westar/KGE	40.17%
	100.00%
# of Customers Factor****	
KCP&L	34.37%
GMO	20.61%
Westar/KGE	45.02%
	100.00%
Transmission Miles Factor*****	
KCP&L	18.39%
GMO	16.76%
Transource	1.68%
Westar	63.17%
	100.00%
Customers/Transmission Miles Factor******	
KCP&L	26.53%
GMO	18.83%
Transource	0.00%
Westar	54.64%
	100.00%

Source: Information Response 9 Based on 2017 Data
* Total Direct and Causal Allocated Expenses
** Operating Revenues, O&M Payroll, and Net Plant
*** # of Megawatts
**** Average # of Customers
***** Pole Miles
****** Average # of Customers/Pole Miles

All allocation factors used for the past six years were reviewed for accuracy and consistency.

Procurement & Purchasing

It's is Evergy policy that procurement and the authorized business unit representative should jointly develop and agree upon a list of qualified bidders for the products or services to be purchased. Evergy's goal is to purchase the products and services required by its business in a manner that creates optimal value for its shareholders, customers and other stakeholders. In addition, all procurement transactions are subject to prudency review by public utility commissions holding jurisdiction over Evergy service territories, as well as other various state and federal regulatory authorities.

In the procurement and purchasing function, which is the Supply Chain Department, there is approximately 40 staff; almost all which are buyers, separated by category specialties. The services includes provision of purchasing for all Evergy companies. This group will try to use master purchasing agreements for all companies whenever possible. They will write purchase orders for each Evergy company. The Standards group under Engineering is working on standardizing purchase items.

All vendors will have a master service agreement (MSA), usually good for a five-year or 10-year period. Purchases under $100K can be sole source, which have reviews of purchases to look for anomalies. Purchases for $100k or greater must be bid with external vendors. They are now just getting into combined vendor usage, now that the merger recently occurred. There are approximately 1,000 MSAs for KCP&L.

The bidders selection criteria includes a number of things, including schedule, technology, and cost. All factors are considered in selecting a vendor from those bidding on the purchase. Evergy would like to get at least three bidders for each purchase. The Supply Chain Department will try to send out RFPs to five or six potential vendors; it has sent out RFPs to as many as 30 or more potential vendors for some purchase opportunities. Evaluation is based on requirements, plus costs, but not necessarily cost/benefit analyses, because this department looks at technical and cost evaluation. If there is bidding, there is no sole source justification. However, if one vendor responds and is greater than $100,000, then a sole source justification (using a sole source justification form) is required by operations or the work group wanting to use a specific vendor.

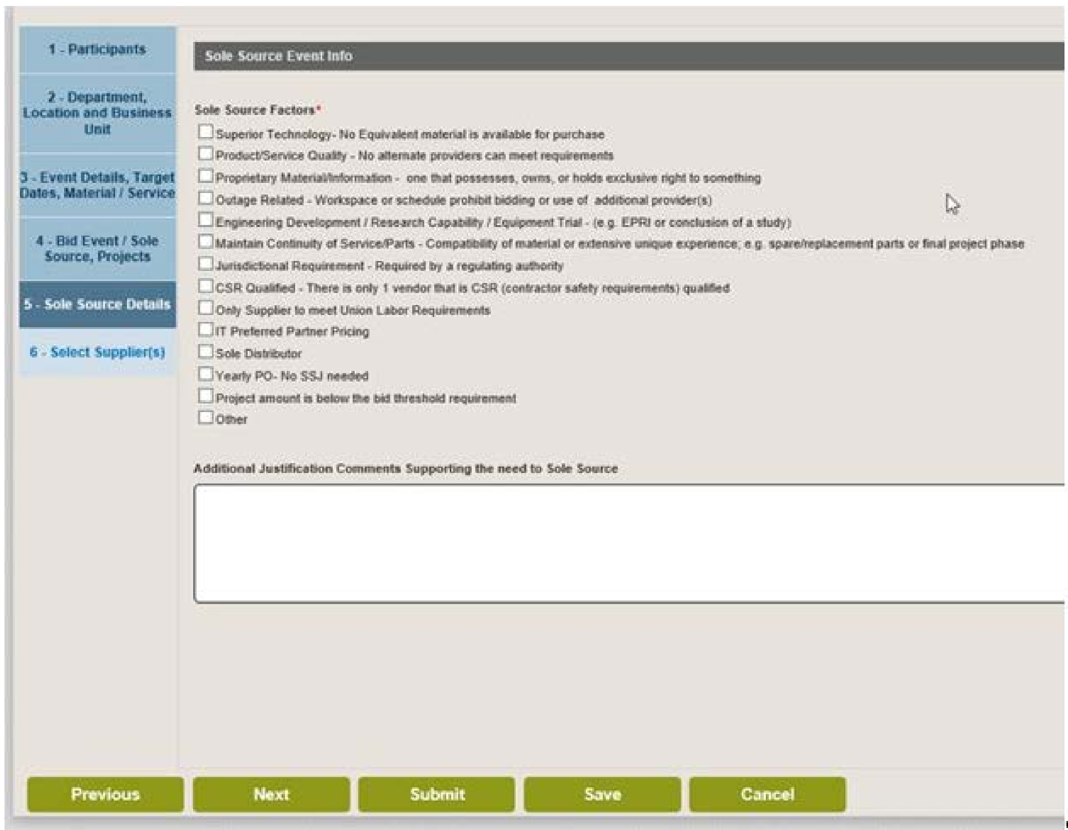
Project Start is an automated workflow and routing system used for contract management. It is used by supply requestors and approvers for the following types of acquisitions:

- Any bid event that is over $100,000.00
- Any bid event that has drawings or specifications (regardless of dollar amount)
- All "non-yearly," (aka "blanket PO"), Sole Source events over $100,000.00
- Any time there is a statement of work (SOW) – or an amendment to a SOW; SOW amendments are known as change orders in Project Start

Project Start includes workflows for authoring, reviewing, approving, signing, and filing. Anyone in the company can enter a Project Start event request (and can refer to the Project Start Requester Guide for more information). Project Start offers a personalized dashboard where users can see their events-in-progress, check status, and review related event documents.

Exhibit III-11 illustrates a sole source justification form that Evergy company users can use.

Exhibit III-11
Sole Source Justification Form


1 - Participants
2 - Department, Location and Business Unit
3 - Event Details, Target Dates, Material / Service
4 - Bid Event / Sole Source, Projects
5 - Sole Source Details
6 - Select Supplier(s)

Sole Source Event Info

Sole Source Factors*

- ☐ Superior Technology- No Equivalent material is available for purchase
- ☐ Product/Service Quality - No alternate providers can meet requirements
- ☐ Proprietary Material/Information - one that possesses, owns, or holds exclusive right to something
- ☐ Outage Related - Workspace or schedule prohibit bidding or use of additional provider(s)
- ☐ Engineering Development / Research Capability / Equipment Trial - (e.g. EPRI or conclusion of a study)
- ☐ Maintain Continuity of Service/Parts - Compatibility of material or extensive unique experience; e.g. spare/replacement parts or final project phase
- ☐ Jurisdictional Requirement - Required by a regulating authority
- ☐ CSR Qualified - There is only 1 vendor that is CSR (contractor safety requirements) qualified
- ☐ Only Supplier to meet Union Labor Requirements
- ☐ IT Preferred Partner Pricing
- ☐ Sole Distributor
- ☐ Yearly PO- No SSJ needed
- ☐ Project amount is below the bid threshold requirement
- ☐ Other

Additional Justification Comments Supporting the need to Sole Source

Previous | Next | Submit | Save | Cancel

Source: Information Response 53

There are requestor and approver training manuals for Project Start and information on the sole source justification form that includes the process flow and screen shots of the Sole Source Justification form that the project requestor completes and then is routed for approvals.

The Evergy companies have mutual assistance agreements (MAAs), but they don't come through the Supply Chain Department. A MAA is an arrangement between two or more companies such that each will assist the other in the event of a disaster, typically by sharing maintenance and repair resources.

Systems used for purchasing and procurement include:

- Project Start - a home-grown system based on AgilePoint (Workflow part of SharePoint)
- PeopleSoft Supply Chain module

Comparison of Affiliate Charges versus Usage of External Vendors

Analyses Regarding Use of External Vendors for the Development and Delivery of Services to Evergy Companies and Its Operations

The Supply Chain Department performs request for proposals (RFPs) for services as requested by internal business units; however, it has not participated in analyses for the business unit regarding the use of internal or external suppliers for those services.

Description of Market Prices of Electricity or Gas Compared to the Cost of Electricity or Gas Purchased by Evergy Companies

According to Evergy management, releasing operational information that is not universally disclosed by other market participants may open the company to manipulation by vendors or other market participants resulting in loss and/or higher costs to the company.

Evergy's electric utilities are participants in the SPP Integrated Marketplace (SPP), which determines which generating units among market participants should run, within the operating constraints of a unit, at any given time for maximum cost-effectiveness. Evergy's electric utilities sell all of their electric generation into this marketplace and then purchases the generation needed to serve its native load at the market price. It includes a day-ahead market and other types of markets. However, SPP does not have a capacity market. Therefore market participates must make arrangements to procure their own capacity needs. GMO is typically short on capacity and, therefore, must enter bilateral contracts for that capacity. When GMO needs to procure capacity, it issues a request for proposals and receives bids from interested counterparties. GMO reviews the bids and selects the winners. KCP&L participates in the RFP process to sell capacity to GMO. KCP&L was deemed the winner for the three contracts that are currently in effect.

SPP runs through the marketplace daily and Evergy gets information every five (5) minutes about what should be done. Items are settled even (7) days later. SPP is similar, but not exactly, to Midcontinent Independent System Operator (MISO).

Copies of Any Lease Arrangements between Evergy Companies and its Affiliates

The definition of a lease changed earlier in 2019. The following leases were entered into before these companies were affiliates.

- KCP&L from KGE (1984-transmission line), in which KCP&L leases a transmission line from KGE.

- KCP&L from GMO (2008-facilities), in which KCP&L leases certain facilities from GMO in St. Joseph.

As the leases had been entered into before these companies were affiliates, the lease prices are not based on being affiliates.

Controls over Asset Transfers & Services/How Asset Transfers and Services Controls Are Done Within Evergy by Companies

Asset Transfers

Asset transfers cannot be sold without approval by a public utility commission, therefore KCP&L and GMO don't do many asset transfers. When they are trying to effect an asset transfer, KCP&L and GMO will involve legal and accounting functions going up to the Vice President (VP level) and have to set up a contract to give to the Commission, so that the contract can be signed once approved by the Commission. Sales tax issues may also exist, with Missouri more difficult.

Services

Evergy companies are not going to Commissions for services controls; however, Commissions get informed of new affiliates, if added.

Other

Affiliates are paid within 30 days via Treasuring using wire transfers. Also Deloitte gives $ invoices to Evergy, KCP&L, and Westar.

Monthly CAM Team meetings occur, including a Regulatory Attorney. Besides the three Regulatory persons in the CAM Team, there is a total of 45 in the Regulatory group.

Quarterly and annual surveillance reports showing income and expenses are filed with the Missouri Public Service Commission for KCP&L and GMO, plus monthly for GMO. For example, KCP&L's *Missouri Revenue Requirement Public Surveillance Report,* which was provided at the end of 2018, includes various sections, such as:

- *Schedule 1 – Revenue Requirement* (Earned Return on Equity 7.9627%)
- *Schedule 2 – Rate Base* (Total Rate Base: $5,201,990,048/Electric Retail Rate Base $2,633,328,863)
- *Schedule 3 – Total Plant in Service* (Total Company Plant $10,324,320,635/Electric Jurisdiction Adjusted Plant $5,483,078,717)
- *Schedule 4* – Not Included.

- *Schedule 5 – Depreciation Expense* (Depreciation Expense per Financial Books $ 233,741,959/Depreciation Expense per MO Jurisdiction Books $233,531,572/Total Company Expense $83,051,629/Electric Jurisdiction Depreciation Expense $124,016,837)
- *Schedule 6 – Depreciation Reserve* (Company Reserve per MO Jurisdiction Books $3,821,168,364/Electric Jurisdiction Adjusted Plant $2,136,715,190)
- *Schedule 7* – Not Included.
- *Schedule 8 – Cash Working Capital* (Jurisdictional Adjusted 12 Month-end (12ME) Dec 18 Expenses $863,869,001) and (CWC Requirements $60,796,747)
- *Schedule 9 – 12 Month Revenues and O&M Expenses*
  - (Total Electric Operating Revenue Per Books 12ME Dec18 and Adjusted Balance $1,818,557,791/Electric Jurisdiction Adjusted Balance $1,008,929,110)
  - (Total Operating Expenses Per Books 12ME Dec18 $1,432,339,390/Adjusted Balance $1,448,162,020/Electric Jurisdiction Adjusted Balance $812,388,358)
  - (Net Operating Income Per Books 12ME Dec18 $295,782,235/Adjusted Balance $320,085,232/Electric Jurisdiction Adjusted Balance $162,205,298)
- Other Non Schedules:
  - Detail of Revenue Adjustments
  - Detail of Cost of Service Adjustments
- *Schedule 10* – Not Included.
- *Schedule 11 – Income Tax* (Total Company Balance $50,310,539/Jurisdiction Adjusted with 7.186% Return ($27,335,454)
- *Schedule 12 – Working Capital Excluding Cash* (Adjusted Balance $263,407,842/Jurisdiction Adjusted Balance $141,558,959/Total Working Capital Minus Schedule Cash Working Capital $81,062,212)
- *Schedule 13 – Accumulated Deferred Income Tax Reserves* (Total Company Financial $1,431,143,591/Total Company Jurisdiction $1,488,305,610/Jurisdiction Adjusted Balance $778,649,976)
- Other Non Schedules:
  - Capital Structure
  - Rate Case Utility Allocation Factors
  - Current Authorized Depreciation Rates - Missouri

Starting in March 2020 will be the first Kansas surveillance report.

Internal and External Audits and Other Reviews

The current Director of Internal Audit for Evergy; prior to the merger, he was in charge of internal audit for KCP&L. His department has 20 FTE auditors, including himself. There are four IT auditors. His staff is located in Kansas City, MO and Topeka, KS. He will use outside help on occasion, especially for specialized areas, such as IT security. One outside company mentioned was Proviti.

Allocations work differently for KCP&L and Westar, as Westar is more manually reviewed, which is just done a little, so the Director of Internal Audit would like consistently done.

The schedule of authorizations are the responsibility of the Controller. This used to be under the Corporate Compliance Officer. There are tables in PeopleSoft and other systems that enforce the dictates of this document. The tables are controlled by the system managers. Internal Audit looked at this last year at the time the organization was being changed.

The corporate policies are available on the Intranet. This is the responsibility of the Corporate Compliance Officer and her staff, which includes a person in Topeka, KS. Policies are typically reviewed annually by management and also reviewed by IA. Any changes to policies would go to CEOs.

Of the internal audits involving affiliate relationships and/or transactions, only the first one, the 2015 audit of the KCP&L Cost Allocation Manual, were the Director of Internal Audit's work. Others were done by the Internal Auditor at Westar at the time or by an outside consulting company. Details on the Cost Allocation Manual audit were provided in a two-page report, the deliverable in this audit. Another audit of the CAM is planned for the fourth quarter of 2019, which includes all areas, including KCP&L, GMO, and Westar. Since the merger, the CAM carries more risk than before, so this audit will look at the quality of information available for budget review.

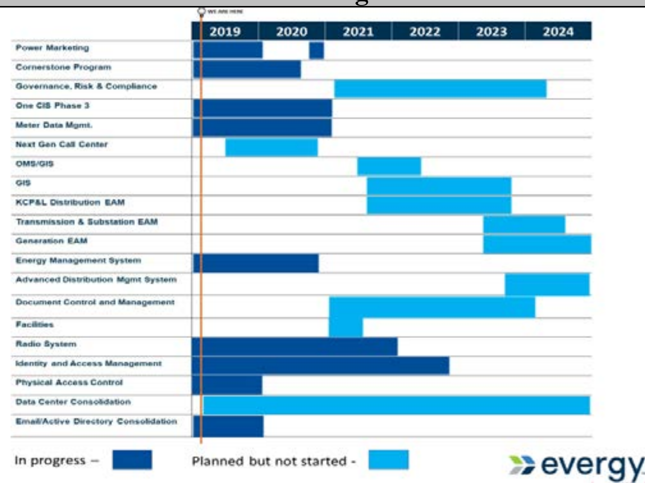
Audits are included in the internal audit plan based on a perception of risk, or their risk profile. Every audit year is different; will work with Regulatory Accounting to identify risk and areas that require auditing. Input to the planning process includes:

- Enterprise Risk Management – The Enterprise Risk Management (ERM) group holds risk summits for each area of the Company; the Internal Audit Department attends and get information on risk from this source
- Prior work – The Internal Audit Department IA will look at issues identified in previous audits
- External sources – Best practices, benchmarking studies, hot spots in the company (for example: cyber security)
- Surveys and interviews within the company; these include officers and the management team, Board of Directors, other employees, and interested parties

The Internal Audit Department will be involved in the information technology (IT) planning process, so they know what to expect and where there are areas of risk and concern. This department has a manager who performs IT audits, although sometimes it relies on external audits. This department has been involved in the planning of Cornerstone and the integration of CIS systems. The Cornerstone program's vision is to drive the best energy company, by designing and implementing a robust enterprise resource planning (ERP) solution that is focused on delivering long-term, sustainable value, and best in class processes and practices that embody and support Evergy's mission, vision, and values. A summary of actions is shown in *Exhibit III-12*.

Exhibit III-12
Cornerstone Program Philosophy & Actions

What's The Big Picture?

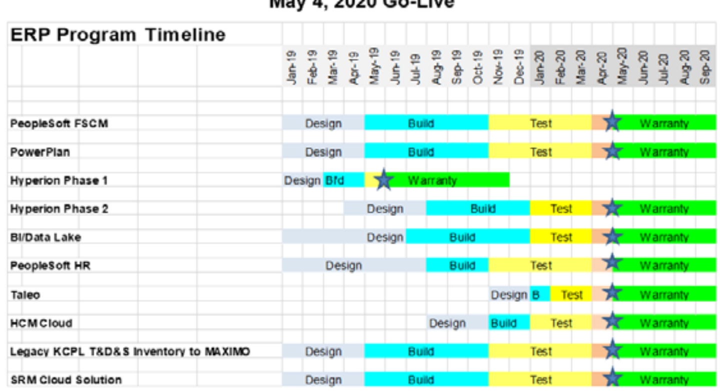


Where is Evergy Going?

How is Evergy Going to Get There?

How is Evergy Going to Get There?

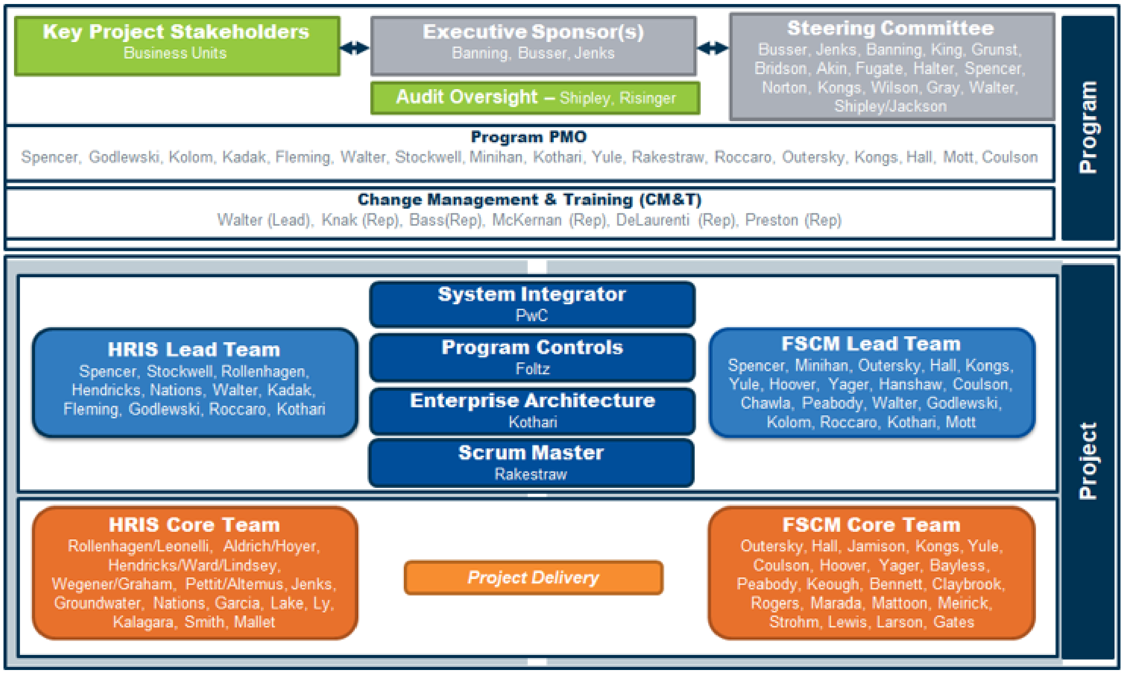
May 4, 2020 Go-Live



Source: Information Response 41

Exhibit III-13 illustrates the program's governance structure.

Exhibit III-13
Cornerstone Program Governance Structure



Information Response 66
Source:

The Internal Audit Department uses audit software to contain their audit workpapers and to manage audits; this will provide information on the owners of the audit area, completion date of the audit, follow-up required. Quarterly this department reports to the Audit Committee information on all audits – open, issued, closed, past due action items.

Internal SOx Controls

Internal controls based on Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework with five components include:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Internal Audit will look at processes trying to capture transactions that put dollars into the financial statements. There are approximately 350 – 450 SOx controls. The Internal Audit Department does the

SOx testing. This will take approximately 40% of the Director's budgeted hours. Four of the auditors are involved primarily in SOx testing, led by an Audit Manager from Topeka, KS, who is a Westar employee. There are three to four staff auditors working on SOx tests, but other Internal Audit staff also help. SOx controls were set up mostly with internal resources. The number of SOx controls has decreased over the years since the inception of SOx.

SOx controls for all Evergy entities as of 7/1/2019, including those in scope for 2018, requiring SOx attestation include approximately 761 tests regarding 464 Evergy, KCP&L, and Westar controls. GMO does not have SOx requirements, as it does not file reports with the Securities and Exchange Commission; however, internal controls are included within the KCP&L and Evergy controls where applicable. There may be multiple lines for a control if it was tested more than once in the year. Also included were the 2018 testing results for all controls and notes associated with SOx changes in controls.

SOx controls directly and indirectly related to affiliate transactions are highlighted in the following exhibits - *Exhibit III-14* (Evergy), *Exhibit III-15* (KCP&L), and *Exhibit III-16* (Westar).

Exhibit III-14
Affiliate Transaction SOx Controls
Evergy 2018 Results

Business Area	Control Title	Control Description	Test Cycle	Test Conclusions
Entity Level Controls	Director/ Officer Related Person Review	Each member of the BOD and each executive officer is required to complete an annual questionnaire that addresses related person transactions. The Corp Counsel & Assistant Secretary reviews to ensure that all required questionnaires have been completed and advises the Nominating, Governance and Corporate Responsibility Committee of the BOD, or the BOD, of any information from the questionnaires relevant to assessing any related person transactions and any applicable disclosures.	Year-end	Pass
Entity Level Controls	Schedule of Authorization Limits	The Board of Director's has delegated authority to company management, as documented in policy E050. This delegated authority is enforced via the company established schedule of authorization levels set in policies E200. Any exceptions to this authority schedule require VP or CEO approval.	Year-end	Pass

Source: Information Response 50

Exhibit III-15
Affiliate Transaction SOx Controls
KCP&L 2018 Results

Business Area	Control Title	Control Description	Test Cycle	Test Conclusions
Accounts Payable	(AP-CA11) Invoice-PO-Receipt Match	Prior to an invoice being paid, PeopleSoft (PS) performs a 2-way match, 3-way match or 4-way match as dictated by the existing match rules in PS. The match is performed to ensure that all specified criteria agree between the invoice, purchase order and receiving docs (if any) prior to payment. PeopleSoft application does not pay the vendor if these terms do not agree. As a result, the system generates a match exception report that includes invoices that were not successfully matched; the Manager, Supply Chain Analytics is responsible for ensuring that all exceptions are researched and resolved timely.	Interim /Year-end	Pass
Accounts Payable	(AP-CA13) System Check Approval	Check request form, containing approvals, is systematically reviewed by PeopleSoft against the corporate approval limits (same as in PS). AP associate only approves the check request payment in Readsoft if the approver is appropriate.	Interim /Year-end	Pass
Accounts Payable	(AP-CA03) Balance Sheet Reconciliation	Monthly, an AP Supervisor prepares the reconciliation of the Outstanding Voucher Report to the Trial Balance. All reconciling items are researched and explained. The reconciliation is reviewed by AP Director for clerical accuracy and reasonableness by the end of the following month.	Interim /Year-end	Pass
Financial Reporting	(CA-CA03) GL Close – Allocations (CIT109575)	All requests for a new or adjustment to an existing system allocation require written approval by the Manager, Corporate Accounting prior to being submitted to the Accounting Systems Analyst, Corporate Accounting for implementation.	Interim /Year-end	Pass/ Fail
Accounts Payable	(AP-CA12) Matching Overrides	Director, Supply Chain Management reviews AP match overrides > $25K on a Quarterly basis for reasonableness.	Interim /Year-end	Pass
Accounts Payable	(AP-CA01) Non-PO Invoice Approval (CIT109565)	Non-PO invoices are reviewed per the delegation of authority policy for completeness and accuracy.	Interim /Year-end	Pass/ Fail
Financial Reporting	Cross Charging	During the processing of cross charged transactions between the Westar and KCP&L PeopleSoft systems, queries are run from the PeopleSoft source system and are tied out against the receiving entity's journals. Transactions containing coding that isn't mapped or fail combo edits will either book to the suspense account or cause the journal entry to go to an error status. All transactions will be cleared from the suspense account and errors will be corrected before completing month end close.	Interim /Year-end	Pass

Source: Information Response 50

Exhibit III-16
Affiliate Transaction SOx Controls
Westar
2018 Results
Page 1 of 2

Business Area	Control Title	Control Description	Test Cycle	Test Conclusions
Accounts Payable	AP Adjustments	Adjustments are made via journal vouchers, and are approved for reasonableness by a member of the Accounts Payable group according to the Schedule of Authorizations.	Interim /Year-end	Pass
Business System Support	Allocation Process	The monthly allocations are ran manually or through a batch job based on the accounting close schedule. After the allocation process, the EBSS Department uses a checklist to ensure allocations are complete and accurate.	Interim /Year-end	Pass
Accounts Payable	Match Exceptions	Items that fall out of the 3-way match process are researched, corrected and re-processed for payment. Changes go back through the matching process for validation.	Interim /Year-end	Pass
Accounts Payable	NPO Approvals	NPO invoices are reviewed and approved through workflow based upon HR hierarchy, and according to the Schedule of Authorizations. The only exception are those included in the Static Workflow which is based on specific Business Unit, Account, or Origin.	Interim /Year-end	Pass
Accounts Payable	PayCycle Manager	PeopleSoft Financials ensures that only approved vouchers can be run through the PayCycle Manager.	Interim	Pass
Accounts Payable	Voucher Override Query	Query WE_AP_VOUCHER_MATCH_OVERRIDE2 is generated and reviewed at least quarterly by the Assistant Controller or Director Financial Accounting to determine if any invoices were overridden during the match process. Follow-up is to be performed as needed. This query is saved as private, resulting in the need for the Assistant Controller to submit a request for changes to the Business System Support group.	Interim /Year-end	Pass
Accounts Payable	Changes to the Approved Vendor Master File	New vendors and updates to the vendor master file require review and approval by the AP manager, or by someone other than the person creating the vendor in the system.	Interim /Year-end	Pass
Procurement Services	3-Way Match	Line items which do not satisfy 3-way match for price and quantity among receiving documents, purchase order, and invoice, are held in a system mismatch queue until resolved. Items will be resolved through system controls when all three elements necessary for the match are present in the system.	Interim	Pass
Procurement Services	PSFIN Authorized Requisition SOA Approvals	Purchase commitments for goods and/or services are initiated from purchase requisitions which are routed for approval via workflow, within PeopleSoft-Financials, in accordance with the Schedule of Authorization. The only exception, are those included in the Static Workflow which is based on specific Business Unit or Account.	Interim /Year-end	Pass
Procurement Services	Change Orders (CIT110945)	Monthly, Procurement Services will review a report identifying purchase orders that have a total merchandise amount greater than the requisition(s) merchandise amount. Follow-up will be performed on all instances where the difference between the purchase order and requisition is greater than $5,000.	Remediation/ Remediation/ Year-end	Fail/ Pass/ Pass

Source: Information Response 50

Exhibit III-13
Affiliate Transaction SOx Controls
Westar
2018 Results
Page 2 of 2

Business Area	Control Title	Control Description	Test Cycle	Test Conclusions
Procurement Services	Contract/ Purchase Orders without Requisitions	On a monthly basis, the Manager, Procurement Services reviews a report of purchase orders issued without a requisition for appropriateness.	Interim /Year-end	Pass
Procurement Services	Purchase Orders with Negative Amounts Applied	On a monthly basis, the Manager, Procurement Services reviews a report of purchase orders issued with negative amounts applied to the purchase order.	Interim /Year-end	Pass
Procurement Services	Receipt Not Required Query	Query WE_PO_RECP_OPT_NOT_REQUIRED identifying any POs or PO line items that were matched with the receipt optional or receipt not required is generated and provided to the Director, Supply Chain for review. Follow-up is to be performed as needed.	Interim /Year-end	Pass
Procurement Services	Self Approved Requisitions	On a monthly basis, the Manager, Procurement Services reviews a report of self-approved requisitions for appropriateness.	Interim /Year-end	Pass
Procurement Services	Standard Match Query	Query WE_PO_MATCH_NOT_STANDARD2 identifying any instances where the basic match principles were selected is generated and provided to Director, Supply Chain for review. Follow-up is to be performed as needed.	Interim /Year-end	Pass
Procurement Services	Tolerance Query	Query WE_PO_VCHR_TOLERANCE identifying all voucher lines paid outside of the 15% tolerance level is generated and provided to the Director, Supply Chain for review. Follow-up is to be performed as needed.	Interim /Year-end	Pass
Procurement Services	Maximo Authorized Requisition SOA Approvals	Purchase commitments for goods and/or services are initiated from purchase requisitions which are routed for approval via workflow, within Maximo, in accordance with the Schedule of Authorization.	Interim /Year-end	Pass
Business System Support	Cross Charging	During the processing of cross charged transactions between the Westar and KCP&L PeopleSoft systems, queries are run from the PeopleSoft source system and are tied out against the receiving entity's journals. Transactions containing coding that isn't mapped or fail combo edits will either book to the suspense account or cause the journal entry to go to an error status.	Interim /Year-end	Pass

Source: Information Response 50

According to management, SOx processes and controls change from year to year; therefore, providing a reconciliation between controls and associated testing over multiple years is a complicated, highly manual process under the separate (unmerged) entities. Additional historical test result data can be provided/reconciled on an individual control basis, as necessary.

Tests that have failures are designated as one of the following:

- Deficiency, which most tests are, with low risk
- Significant Deficiency, which must also be reported to the BOD Audit Committee
- Material Weaknesses, which are not expected very often

Three controls in the exhibits above had failures in 2018, including:

- *KCP&L: CA-CA03* (*Deficiency*) – Failure occurred at year-end after passing in the interim test; it failed when KCP&L didn't have approval attached. The interim test for 2019 has not yet occurred, as they're just beginning. This action plan in September 2019 shows it in progress because the Internal Audit Department has not yet completed its interim testing (scheduled from August-October 2019) where the remediation will be tested and closed out. The management has taken the action, it just has not been confirmed through testing.
- *KCP&L: AP-CA01* (*Significant Deficiency*) – Failure occurred at year-end after passing in the interim test; it failed due to a system limitation that didn't run it through workflow. The interim test for 2019 occurred in April 2019, when it was passed. The associated action plan has been closed.
- *Westar Change Orders* (*Deficiency*) – Failure occurred for the first remediation test, then passed in the second remediation test and the year-end test. Since this was a remediation test, there is not a deficiency or action plan resulting from this failed test. This test was attempting to test the remediation (or action plan) from a previous deficiency (or issue) resulting from a prior year failed test. Based on conversation in the SOx detailed interview related to subsequent data requests, the Internal Audit Department attached the action plan associated with the original deficiency (or issue) that the requested test ID was testing. The action plan shows complete and closed, as it was tested and passed during normal cycle testing in 2018.

Action plans were developed for these three failed SOx control results, which included the following sections:

- *Action Plan Information* – Contains the information on what action will be taken to remediate the deficiency (or issue) and notes on the remediation follow up/testing activities.
- *Action Plan Coordinators* – Contains information on the last auditors assigned to follow up on the action plan and the status of the plan.
- *Origination Information* – Contains system information/links on the parent documents associated with this action plan.
- *Supporting Files* – Generally not used for an action plan document as supporting files showing the remediation would be saved in the test form.
- *Links* – Not applicable
- *Information* – Contains system information about the document.

Generally, there are roughly 10 to 20 control failures yearly. A lot has changed regarding SOx controls over the past 15 years. The number of Sox controls has decreased since the inception of SOx , although 2018 was impacted by the Evergy merger, which required a doubling of effort for most controls.

All SOx reports, plus action plans if test failures exist, must be provided to the SOx Steering Committee of executive officers, including:

- Senior Director Audit Services
- Corporate Counsel and Assistance Secretary
- VP and Controller
- VP and Chief Information Officer (CIO)
- VP Supply Chain
- VP Customer Operations
- VP and Chief Compliance Officer (CCO)

These SOx presentations are point in time communications to the SOx Steering Committee to facilitate discussion around the Internal Control over Financial Reporting (ICFR) current activities; therefore, there are some items represented in these quarterly presentations that were not final at the time of the update. The typical agenda includes some of the following topics, which management considers to make sense:

- Safety topic
- Committee roles and responsibilities
- Overview of SOx approach
- Current year update:
  - Materiality level review and/or calculation
  - SOx plan
  - Risk assessment results
  - Deficiency review
  - Current activities impacting SOx

Also a summary of findings must be provided to the Board of Directors (BOD) Audit Committee.

Internal Audits

The Internal Audit function has performed many audits in the past five years, including approximately:

- 2014: 36 involving KCP&L and 30 involving Westar
- 2015: 21 involving KCP&L and 33 involving Westar
- 2016: 17 involving KCP&L and 35 involving Westar
- 2017: 14 involving KCP&L and 25 involving Westar
- 2018: 15 involving KCP&L, 13 involving Westar, and 21 involving Evergy

The number currently scheduled for 2019 include 32 involving Evergy.

In the past five years, the following internal audits have been conducted, in which the overall assessments based on affiliate relationships and/or transactions was provided as follows:

- *KCP&L: Cost Allocation Manual Agreed Upon Procedures* (January 20, 2015) – Based on the evaluation of the Affiliate Transaction Reporting process (specifically rules found in 4 CSR 240-20.015 to prevent regulated utilities from subsidizing their non-regulated operations), information reported as part of the 2013 Affiliate Transaction Reports for both KCP&L and GMO appeared to be complete and accurate. Additionally, the affiliate transactions under review appear to be in compliance with the current Cost Allocation Manual's documented policies and procedures. One process improvement opportunity was verbally communicated to process owners related to formalizing the review and approval of the annual compliance review of transactions between the regulated utility and affiliates performed by Accounting. Procedures performed by Audit Services as of 12/19/14 included:
    - Validated 2013 Affiliate Transaction Reporting by tracing costs to the system of record.
    - Verified compliance with the December 2013 CAM for selected affiliate transactions during January 1, 2013 through June 30, 2014 through review of allocation factors, annual evaluation of transactions between affiliates and a reasonableness review of affiliate transaction balances.
- *Westar: Overhead Costs and Allocations* (May 14, 2015) – This audit was conducted to evaluate processes and controls for establishing and updating Westar Energy overhead allocation rates, running monthly overhead allocations, and assessing the appropriateness of overhead costs. Testing was performed for the period of January 1, 2014 through February 28, 2015 unless otherwise noted. The processes for assigning fixed distribution of labor, which determine the fixed account and business unit allocations for certain labor classes, were not included within the scope of this audit. Overall, processes for monitoring overhead allocation rates, adjusting overhead rates, and confirming completeness of the monthly overhead allocation processes were effective. Quarterly account reconciliations were being performed for overhead cost accounts, but the current reconciliation processes were not performed in a manner that allows management to consistently assess if transactions recorded to the overhead accounts are appropriate and in accordance with established overhead cost criteria. Therefore two major recommendations were made:
    - Management should develop a process for performing an analysis of each overhead account. Individuals responsible for performing account analysis should work in partnership with individuals that have knowledge of the related business processes (i.e. fleet, inventory, etc.) to establish criteria for reviewing and assessing appropriateness of costs recorded to the overhead accounts. Management's response indicated that a process will be developed to analyze each overhead account on a monthly basis in conjunction with the subject matter experts (SME) for each of the business processes (i.e. fleet, inventory, etc.) and it will include developing a trending analysis and a monthly review of the overhead account data based on established thresholds.

- Management should communicate overhead cost criteria, specifically for Stores Issues, to individuals with responsibility for recording overhead cost transactions to confirm the existing criteria is being applied correctly. Management's response indicated that it will communicate the cost criteria to the Storeroom Supervision who will then communicate to the Stores personnel. The communication will be in the form of a review of the definitions for each charge as well as the importance of why the charges need to be correctly applied.

♦ *Westar: Labor Allocations* (July 18, 2016) – This audit was conducted to evaluate processes for reviewing and updating fixed labor distributions and to assess the overall reasonableness of fixed labor distributions. Testing was completed for the time period of July 2015 through March 2016, unless otherwise noted. Through testing and data analysis, it was determined that processes for reviewing and updating fixed labor distributions are in place. However, Internal Audit identified areas where those processes should be enhanced to increase efficiency and provide further assurance that fixed labor distributions are complete and accurate. Therefore three major recommendation was made:

- Budget should implement controls and/or validation checks to ensure completeness and accuracy of the fixed labor distribution source file. Management's response indicated that Budget will perform spot checks and count the number of employees on the distribution source file and compare to current records. We will track transfers on daily reports during that time to make sure they match the report until such time the report is given to Human Resources for upload.
- Budget should implement a process for performing a review of fixed labor distributions after they are updated in PeopleSoft HR (PSHR) to ensure the distributions were populated correctly. Management's response indicated that Budget will spot check the changes and compare the number of lines submitted to the number of lines actually uploaded to PSHR.
- Budget should ensure that management performs an annual review of fixed labor distributions and provides confirmation that the review has been completed. Management's response indicated that Budget will account for every review letter sent out by either obtaining a signed copy or an e-mail confirming the approval of the distributions.

External Audits

As of June 8, 2017, BKD, LLP (CPAs and Advisors) conducted a fair market price study. The purpose for the valuation was to determine fair market price rates of selected services requested in connection with the implementation of the allocation of costs among the company's regulated and non-regulated affiliates under KCP&L's Coat Allocation Manual (CAM), in which "fair market price" is considered "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date," as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*.

There are no other external audits or studies for the past five years regarding affiliate relationships or transactions.

Other Reviews

There has been no formal review of the allocation processes by KCP&L, GMO, or Westar conducted by the Budgeting group over the past five years. Allocations are done on a monthly basis and the results of the system process are reviewed by the Accounting group to ensure the system process performed as expected. The allocation factors are updated on an annual basis and the Budgeting and Accounting groups review for reasonableness. The Accounting and Regulatory groups also do an annual informal review of the CAM and affiliate transactions that are provided in the year-end filings for KCP&L and GMO.

For example, the following files make up the 2018 Affiliate Transactions Report that was lately filed on March 15, 2019 to the Missouri Public Service Commission:

- KCP&L
  - _1. KCPL Affiliate Transaction Filing 2018
  - _2. KCPL Add'l Affiliate Transaction Information 2018
  - _3. KCPL Add'l CAM Information 2018
  - _Exh 1 KCPL 2018 CAM
  - _Exh 1A KCPL CAM Changes
  - _Exh 2A – Other Goods and Services Provided to Affiliates 2018
  - _Exh 2A – Goods and Services Provided to Affiliates 2018
  - _Exh 2A Summary of Goods and Services Provided to Affiliates
  - _Exh 2B – Other Goods and Services Provided From Affiliates 2018
  - _Exh 2B – Goods and Services Provided From Affiliates 2018
  - _Exh 2C – 2018 KCPL Money Pool
  - _Exh 3 KCPL Contracts 2019.02.28
  - _Exh 4A Code of Ethical Business Conduct 2018
  - _Exh 4B Code Revision History 2018
  - _Exh 5A – TOC Org Chart 2019-02
  - _Exh 5B – Org Chart 2019-02
  - _Exh 5C – Org Chart Employee Counts 022619
  - _Exh 6 Controller Affirmation – Affiliate Transaction Report – KCPL 2018
- GMO
  - 1. GMO Affiliate Transaction Filing 2018
  - 2. GMO Add'l Affiliate Transaction Information 2018
  - 3. GMO Add'l CAM Information 2018
  - Exh 1 GMO 2018 CAM
  - Exh 1A GMO CAM Changes
  - Exh 2A – Other Goods and Services Provided to Affiliates 2018
  - Exh 2B – Other Goods and Services Provided From Affiliates 2018
  - Exh 2B – Goods and Services Provided From Affiliates 2018
  - Exh 2C – 2018 GMO Money Pool

- Exh 3 GMO Contracts 2019.02.28
- Exh 4A Code of Ethical Business Conduct 2018
- Exh 4B Code Revision History 2018
- Exh 5A – TOC Org Chart 2019-02
- Exh 5B – Org Chart 2019-02
- Exh 5C – Org Chart Empl Counts 022619
- Exh 6 Controller Affirmation – Affiliate Transaction Report – GMO 2018

Records Retention

Evergy maintains a corporate records preservation policy that requires all records, both physical and electronic, be retained as required by business necessity and consistent with legal and regulatory requirements. Every employee has the responsibility to ensure the protection and preservation of records for their full life cycle, and for reviewing and ensuring appropriate disposition and retention. The Evergy Records Management Department maintains the records retention schedules and periodically distributes awareness and training communications to employees regarding complying with the records management policy and schedules.

The overview of the Policy on Enterprise Information Governance: Preservation of Records is: "All records, both physical and electronic, will be retained as required by business necessity and consistent with legal and regulatory requirements. Every employee has the responsibility to ensure the protection and preservation of records for reviewing and ensuring appropriate disposition and retention." It is also the policy of Evergy and its subsidiaries to have in place a records retention schedule defining retention periods for all corporate records Company records are managed to:

- Ensure that records are retained for appropriate periods of time as specified in applicable laws, regulations, contracts and Records Retention Schedule.
- Meet the business needs of the Company for protection, control, and availability of records.
- Provide for the appropriate disposition of records no longer required to be retained for legal compliance or business needs.
- Provide that records to be retained are stored methodically and economically.
- Preserve records that may be relevant to ongoing or expected litigation, audits, or governmental investigations.
- Ensure that vital records will be identified and safeguarded appropriately.
- Maintain records to be secure and private with access provided to internal departments and to external entities, as appropriate.

The Vice President Chief Compliance Officer and the Director and Senior Counsel with oversight of the Records Management Department are responsible for implementation and oversight of this Policy. The Law Department oversees the process of issuing and releasing Legal Holds. Legal Holds are issued to preserve records that are known or reasonably should be known to be relevant to expected or pending litigation (whether initiated internally or by a third party), or an audit or governmental investigation. Such records are not to be destroyed, even if permitted by the Records Retention Schedules. The Law Department will notify all branches or divisions in possession of potentially relevant documents as promptly as practicable and direct them to cease the destruction of any relevant documents, pending further notice that the investigation or litigation has been concluded. The general categories of the Records Retention Schedule include:

- Advertising
- Auditing
- Bulk Power Marketing
- Construction
- Contracts
- Corporate
- Customer Relations
- Employment
- Engineering
- Environmental
- Finance & Accounting
- Governmental Relations
- Information Technology
- Intellectual Property
- Laboratory
- Litigation & Claims
- Operations
- Regulatory
- Taxation
- Transfer Agent & Register
- Transportation

The Records Management Department and the General Counsel's office will periodically assess the implementation of policies, promote continuous improvement, and take steps to see that any corrective actions are appropriately resolved. They will also conduct periodic compliance assessments of the policy and report results to the appropriate executives.

All employees are responsible for understanding and complying with the Corporate Policy on Information Governance. Every employee has the potential to generate records and must understand the proper retention of such records. The Records Management Department provides appropriate training for employees. The business files of employees who are terminating their employment or transferring within the Company will be reviewed by the employee or their supervisor concurrent with the employee's departure. These files will then be retained in accordance with the Records Retention Schedules.

Cash Transactions

There are three companies that are registered with the Securities Exchange Commission (SEC), including:

- Evergy
- KCP&L
- Westar

Each of these, plus GMO and KG&E, has its own bank account, receive payments through different PO boxes, and pays each other for services provided through a monthly billing process. Physical monthly intercompany bills are prepared and submitted; payments are made within the terms of the Accounts Payable (A/P) process (due within 30 days). There is true cash movement among all affiliate companies. Payroll for employees working for several different companies is billed among the companies.

Tax Sharing Agreements

The federal tax allocation agreement and the state tax allocation agreement was entered into as of June 4, 2018 with Evergy by Evergy subsidiaries. The consolidated tax is to be allocated among the members of the Federal Group or State Group members as shown in *Exhibit III-17*.

Exhibit III-17
Consolidated Tax Allocation Methodology and Payments

Methodology	Payment of Taxes
a. The regular federal consolidated tax before tax credits of the Federal Group will be allocated to each member of the Federal Group based on each member's corporate taxable income or corporate taxable loss to total corporate taxable income. Any member's consolidated adjustments allowed on the federal consolidated return that reduce corporate taxable income will be combined with that member's corporate taxable income or loss in allocating the regular federal consolidated tax.	a. Payment of taxes for the period by each member of the Federal Group or State Group will represent the total taxes, net of credits and other taxes, allocated to such member under the principles described above. These payments will be made in conformity with the Internal Revenue Code and in conformity with the laws of any state or local taxing jurisdiction where consolidated or combined reporting has been elected, required by law, or required pursuant to an audit.
b. An allocation of the Alternative Minimum Tax ("AMT"), will only be performed when the federal consolidated return reflects an AMT liability. In computing the allocation of the AMT, the same computation methodology utilized in allocating the regular federal income tax will be utilized, but will be based on Alternative Minimum Taxable Income ("AMTI").	b. A member of the Federal Group or State Group with a net positive allocation shall pay Evergy or other designated member the net amount allocated. A member of the Federal Group or State Group with a net negative allocation shall receive payment from Evergy or other designated member in the amount of the net negative allocation. Evergy or other designated member will only pay loss companies for their losses to the extent that the losses result in a reduction for the period of consolidated tax.
c. The regular state consolidated tax before tax credits of the State Group will be allocated to each member of the State Group based on each member's corporate taxable income or corporate taxable loss modified by appropriate state tax adjustments and allocations to total corporate taxable income modified by appropriate state tax adjustments and allocations. Any member's consolidated adjustments that increase or reduce corporate taxable income will be combined with that member's corporate taxable income or loss in allocating regular state consolidated tax.	c. Evergy or other designated member shall pay or cause to be paid to the Internal Revenue Service or any state or local taxing jurisdiction the net current tax liability from the net of the receipts and payments to and from members of the Federal Group or State Group.
d. An allocation of the state alternative minimum tax ("state AMT") will only be performed when the state consolidated tax return reflects a state AMT liability. In computing the allocation of the state AMT, the same computation methodology utilized in allocating the regular state tax will be utilized, but will be based on State Alternative Minimum Taxable Income ("state AMTI").	d. The Tax Department will make any calculations on behalf of the members of the Federal Group or State Group necessary to comply with the tax provisions of the Internal Revenue Code or to comply with the laws of any state or local taxing jurisdiction. Based on such calculations, Evergy or other designated member shall charge and pay members the appropriate amounts at intervals consistent with the due dates of such payments as determined by the Tax Department.
e. Any tax credits (or other taxes identified by the Tax Department that are properly allocable to a specific member) shall be allocated directly to the members of the Federal Group or State Group giving rise to them. If the credit or benefit cannot be entirely utilized to offset consolidated tax, the credit carry back or carry forward shall be apportioned to those members of the Federal Group or State Group giving rise to them in proportion to the relative amounts of credits or benefits generated by each such member of the Federal Group or State Group.	
f. Any federal or state alternative minimum tax credits available for use in future periods will be allocated to the members of the Federal Group or State Group in the same ratio as the taxes which gave rise to the credits. Federal or State alternative minimum tax credits will be deemed to have been utilized on a first-in, first-out basis.	
g. In the event a member leaves the Federal Group or State Group because of less than 80% ownership or 50% ownership in the case of a state unitary combined return, it shall immediately cease being a party to this Agreement and shall also not be entitled to any further payments or other benefits pursuant to this Agreement. In the event a member leaves the Federal Group, but is still included in the State Group, the member will only be allocated a state tax liability or benefit.	

Source: Information Response 83

B. Findings & Conclusions

Finding III-1 A formal request for proposal process has been used to solicit the needed capacity for GMO.

As previously discussed, GMO is typically short the native required capacity within the Southwest Power Pool and, therefore, needs to meet its requirements by procuring capacity through a formal RFP process. GMO is unable to procure this capacity through the SPP, since the SPP does not make a market for capacity. KCP&L has developed an RFP each year for the last and received bids for the last five years. Different bidders have been awarded the capacity contracts each year. KCP&L has been awarded the contract for some of the years but other vendors won other years. Schumaker & Company consultants have reviewed the bid evaluations for some of the years and noted that:

- Different individuals within KCP&L prepare the RFP from those KCP&L personnel that evaluate the responses.
- The vendors are permitted to offer their best proposal – meaning there is some variation in the amount and terms(including duration) for the capacity each vendor offers

In short the overall RFP process and evaluation process is reasonable.

Finding III-2 KCP&L and GMO have well-defined policies and procedures to accumulate and assign costs to affiliates.

Affiliated transactions among KCP&L and GMO and their affiliates are governed by their respective Cost Allocation Manual (CAM), which are essentially identical. The primary purpose and objective of both of these CAMs is to provide assurance that neither KCP&L nor GMO are subsidizing their affiliated activities or non-regulated operations at the expense of their Missouri rate-payers. These documents provide details and instructions related to cost allocation methodologies, service agreements, shared service billings, clearings and loadings, assignment methods, transfer pricing, marketing materials, record keeping requirements, training, variances, reporting periods, terminology, tests, and protection of customer information. Appendices will cover the Evergy organizational structure, description of services provided by the utility and the allocation factors, underlying regulatory authority for the CAM, and operating agreements.

Finding III-3 The goods and services charged or allocated among KCP&L, GMO, and their affiliates are based on fully distributed cost (FDC).

The costs of goods and services direct charged or allocated to affiliates include all direct and indirect costs. Overhead, or indirect costs which cannot be directly attributed to a specific business activity, product, or service are added to, or loaded on direct cost before ultimate allocations are made. Overhead loadings included in charges to or from affiliates include: Paid Absence Loading, Payroll, Tax Loading, Pensions and Other Benefits Loading, Material and Tool Loading, Administration and General (A&G)

Loading, T&D Division Overhead, Generation Division Clearing, Flyash Clearings, Unit Train Maintenance Clearing, Combustion Turbine (CY) Clearing, Fuel clearing, and Fleet Clearings. In this manner the charges eventually distributed to all affiliates includes the fully-distributed cost of goods or services.

Finding III-4 Affiliated transactions among KCP&L, GMO, and their affiliates are appropriately supported by automated systems.

The functions of identifying, calculating, accounting, processing, and recording affiliate transactions between KCP&L, GMO, and their affiliates are well supported by automated systems. The primary systems in place include PeopleSoft modules (General Ledger, Accounts Payable, Inventory, Purchasing, Billing, Accounts Receivable, Projects, Treasury, Travel and Expenses, Human Resources, and Security), Oracle Customer Information System (CIS), as well as typical utility work management, operations, planning, payroll/time reporting, and treasury/cash management systems. The systems used provide Evergy, KCP&L, and GMO management with the necessary information and data needed to record and manage affiliate transactions in an effective manner.

Finding III-5 Allocation factors were accurately derived from financial data and fairly applied in allocating costs to affiliates.

Six allocation factors are used to allocate indirect costs from Evergy affiliates to other Evergy affiliates. These include: 1) General Allocator, 2) Utility Massachusetts Formula, 3) Plant Capacity Factor, 4) Number of Customer Factor, 5) Transmission Miles Factor, and 6) Customers/Transmission Miles Factor. All of these formulas or allocation factors for KCP&L and GMO are derived directly from data on the KCP&L and GMO FERC Form 1s, with the exception of the General Allocator. The source of the data used to calculate the General Allocator are the Evergy companies financial statements (O&M, nonoperating expense, interest, and tax expense) and the Causal Allocated Expenses generated from the other allocation factors (Utility Massachusetts Formula, Plant Capacity Factor, Number of Customers Factor, Transmission Miles Factor, and Customer/Transmission Miles Factor).

The source data used in the six allocation factors were traced back to KCP&L's and GMO's FERC Form 1s, financial statements, and causal allocations for the past five years. The calculations were computed correctly, and the allocation factors were accurately used to allocate costs among KCP&L, GMO, and their affiliates.

Finding III-6 Insufficient analysis has been conducted concerning the use of internal or external suppliers.

Evergy's Supply Chain Department has not analyzed the alternative use of internal or external suppliers for development and delivery of services to KCP&L or GMO. This department performs request for proposals for services requested by internal business units of KCP&L, GMO, and their affiliates. Analysis concerning the advisability of using external or internal vendors for the development and delivery of services to the Evergy companies has not taken place. Likewise, no cost/benefit analysis has been performed during the last five years concerning the provision of services to KCP&L or GMO.

Finding III-7 Code of conduct and ethics training for employees is reasonably done.

All new employees attend a new employee orientation session, which includes a compliance presentation. Also, all new employees are required to attend code of conduct training, which is done yearly, which includes that employees should never provide false or misleading information in any documents, including time sheets, expense reports, and similar documents that they handle every day.

These following 10 certification questions are asked at the completion of the annual training, but employees are told that if the employee is aware of a situation that is already under investigation or has already been investigated, it does not need to be disclosed in the response to these survey questions.

1. Are you aware of any possible unsafe or unhealthy environmental conditions that needs to be corrected? This could relate to our employees, customers and members of the public.
2. The Company does not tolerate harassment or discrimination of any type. Are you aware of any possible harassment or discriminatory practices?
3. Except as authorized or required by law, you must protect information, including customer, technical, commercial and financial information, that is restricted, privileged or of competitive value to the Company. These same protections also apply to information that customers, vendors and other third parties give us. Are you aware of any instances where protection of the Company's restricted, privileged or information of competitive value appears lacking?
4. Are you aware of any situation where the Company is not acting in an environmentally responsible manner and in compliance with all environmental requirements?
5. All Company accounting entries, books, accounts and records must properly and fairly reflect its assets, liabilities and results of operations. It is unacceptable to falsify or direct someone else to falsify any Company books, records or accounts. In addition, affiliate transactions rules must be followed to prevent regulated utilities from subsidizing their non-regulated affiliates.
   Based on your understanding of accounting transactions and entries, are you aware of any possible violations?
6. Although incidental and occasional personal use of the computer resources of the Company is permitted, it is a revocable privilege. The Company entrusts you with computer resources for legitimate business purposes only; these resources may not be used for personal gain or other inappropriate uses, such as accessing pornographic material, hate group information, gambling material or any other violation of Company policy.
   Are you aware of any possible violations of the use of the Company's computer resources?
7. Conflicts of interest occur when our personal interests, position or relationships influence us or could be perceived to influence us to take actions or make decisions that are not in the best interests of the Company. Whether actual or perceived, potential conflicts of interest must be

evaluated because even the appearance of a conflict can erode trust and confidence.
Are you aware of any possible conflicts of interest?

8. We may never participate in the request or acceptance of a gift or gratuity from a Stakeholder Group (vendors, suppliers, competition) if the situation could limit us from acting in the best interest of the Company. The same principle applies when offering a gift or gratuity to a Stakeholder Group. We may only participate in the practice of giving and receiving occasional and modest gifts, meals, services or entertainment as a way to promote goodwill and help build positive business relationships.
Are you aware of any possible violations of the gift and gratuity requirements?
9. It is a violation of the Code for anyone to retaliate against an employee who speaks up in good faith. Are you aware of any situation of possible retaliation for an employee who speaks out?
10. Are you aware of any other possible violations of any laws or regulations, or possible violations of other Company policies and procedures including the Code of Ethical Business Conduct?

An example of the communication of awareness training sent out to employees is the following 2019 first quarter message regarding records destruction requests provided to employees:

> "When you receive a request for records destruction approval, it is your responsibility to verify the records can be destroyed. When you sign a request, you are in fact stating that you've viewed the summary of the box or file contents and have determined the document no longer needs to be maintained pursuant to the Company's Records Retention Schedule. You are also stating to proceed with final disposition which is the destruction of the record. In the event there are questions about the records, ask the Records Department to retrieve the file or box so that you can view its entire contents. If a record has reached the end of its retention period, but is still needed for a business purpose; notify the Records Department to remove that item from the destruction list and provide an updated disposition date."

Finding III-8 Allocation factors are reviewed and updated annually.

The KCP&L and GMO CAMs are updated annually, or sooner if a significant change has occurred and submitted to the Missouri Public Service Commission. The data to calculate cost allocation factors comes from published financial data from the previous year end and from the previous year's FERC Form 1s submitted to FERC by KCP&L and GMO. In addition to the updated CAM, KCP&L and GMO submit an Affiliate Transaction Report along with Additional Affiliate Transaction Information, a schedule listing all changes from the prior CAM filing, and a listing of all CAM changes that have not been approved by MoPSC. The results of tests conducted regarding affiliate transactions and the existence or plans for audits concerning affiliate transactions are also reported, and an affirmation is made by the KCP&L and GMO controller that the Affiliate Transactions Report has been examined and considered complete and correct in compliance with MoPSC requirements.

Additionally, there is an annual review and approval of the summary of allocations by the Accounting Department.

Finding III-9 Areas that received Internal Audit findings and recommendations at one Evergy affiliate may not have been examined at other Evergy affiliates.

Audit recommendations regarding overhead costs and allocations and labor allocations for one Evergy affiliate may not have been referred back to KCP&L and GMO to determine if similar findings and recommendations were required. Over the past five years (specifically in 2015 and 2016 before the June 4, 2018 merger) there have been several internal audits of Westar concerning overhead allocation rates, allocations, overhead costs, and labor allocations that resulted in recommendations for corrective action. Documentation did not exist to determine whether these types of findings would also apply to the KCP&L and GMO affiliate operations and whether recommendations were also necessary.

C. Recommendations

Recommendation III-1 Detailed analysis should be conducted concerning the use of internal or external suppliers. (Refer to Finding III-6.)

No analysis concerning the advisability of using external or internal vendors for the development and delivery of services to the Evergy companies has been conducted by the Supply Chain Department. A cost/benefit analysis concerning the provision of services to KCP&L or GMO has likewise not been performed during the last five years. In order to ensure that goods and services are acquired in a cost effective manner and at the lowest possible cost to rate payers it is important that all supply sources be considered and evaluated. Analysis should be performed by the Supply Chain Department concerning the acquisition of goods and services from available external and internal sources.

Recommendation III-2 Areas, functions, or departments that receive Internal Audit findings and recommendations at one Evergy affiliate should be reviewed at all Evergy affiliates. (Refer to Finding III-9.)

Evergy has similar utility operations in two states with four regulated utilities. There are centralized functions that provide goods and services for multiple operations. Because of similar operations served by centralized service functions Internal Audit findings at one affiliate could also apply to the other affiliates. Therefore, if there is an Internal Audit finding at one affiliate, it would behoove Internal Audit to verify that the same condition or situation that caused the finding is not also present at the other affiliates.

IV. Capital Allocation among Subsidiaries

A. Background & Perspective

The work steps, information required, and key indicators for this chapter are as follows:

Capital Allocation among Subsidiaries		
Typical Work Steps	**Information Required**	**Key Indicators**
Identify and describe the manner in which capital is allocated among all the holding company or affiliates units, and also provide any associated policies and procedures documentation. Identify and describe how Evergy Companies' needs for capital are evaluated relative to the other the holding company or affiliates regulated subsidiaries and the holding company or affiliates' unregulated subsidiaries	Policies and procedures for allocating capital among the holding company or affiliates units Policies and procedures for identifying Evergy Companies' needs for capital, and how they are evaluated relative to the other the holding company or affiliates regulated subsidiaries and the holding company or affiliates' unregulated subsidiaries	Capital items are appropriately allocated among the holding company or affiliates units and Evergy Companies receives a fair share of the allocations. Evergy Companies' allocations of the holding company or affiliates' capital investment, given Evergy Companies' strong performance and returns, are appropriate.

Capital Allocation Policies and Procedures

Regarding policies and procedures for allocating capital among the holding company or affiliate units, none exists, as capital is not allocated. Each affiliate has its own source and uses or cash.

Identifying Needs for Capital

Evergy, KCP&L, and GMO do not have written policies or procedures for identifying capital needs, but capital needs are determined in the corporate planning process, which culminates in the approval of the one-year budget and development of the long-term plan. The management of each company utilizes management oversight and experience to determine funding requirements, which includes the amount, type, and timing of capital. Capital needs are influenced by many factors, including but not limited to, the amount of capital expenditures and net cash flow projections. The management uses budgets and various forecasts to provide guidance.

Each company has various alternatives for debt financing. However, as wholly-owned subsidiaries of Evergy, Inc., the common stock of KCP&L and GMO is entirely owned by Evergy. In general, Evergy has a goal of maintaining a capital structure at the holding company that is similar to its regulated subsidiaries, including KCP&L, GMO, and Westar.

Financing

Short-Term Debt & Receivables

Short-Term Debt

Short-term debt is defined as debt due within one year. There is an external line of credit from 15 lenders. Each company's share of the total $2.5 billion is displayed in *Exhibit IV-1* as follows:

Exhibit IV-1
Short-Term Debt by Company

KCP&L	$600 Million
GMO	$450 Million
Westar	1 Billion
Evergy	$450 Million
Total	**$2.5 Billion**

Source: Interview 5

KCP&L and Westar debt includes commercial paper programs, but Evergy doesn't have commercial paper programs. There is an accordion feature that allows each company to increase or decrease their amount by $250 million, as long as the total does not exceed $2.5 billion. Each company stands alone in its obligation to repay its loan. No Evergy company is responsible for the debt of an affiliate. In September 2018 a five-year agreement was made.

Receivables

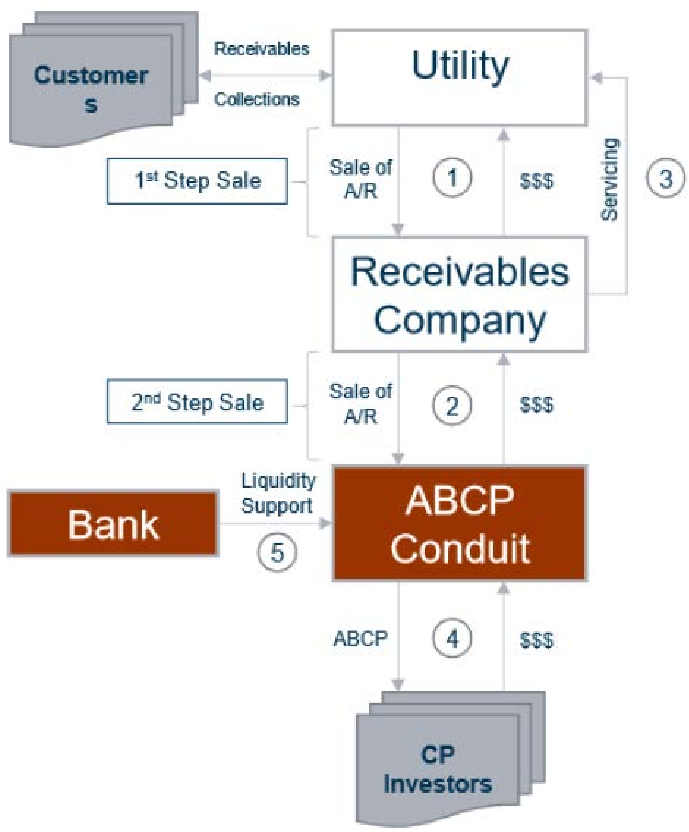
There are three receivable companies serving the Evergy utility companies, one for KCP&L (Kansas City Power & Light Receivables Company), one for GMO (GMO Receivables Company), and one for Westar (Evergy Kansas Central Receivables Company). The three utility companies sell 100% of their accounts receivable to their respective receivables company at a discount, usually 1.5% to 2.0%. The receivables companies will then sell an undivided interest (not 100%) in the accounts receivable to an affiliate of MUFG Bank Ltd. (MUFG). MUFG, headquartered in Tokyo, Japan, is the retail, corporate, and investment bank of Mitsubishi UFJ Financial Group. Each receivables company pays a fee to the Evergy utility companies to service the receivables as well as makes a loan back to the utilities for the receivables not purchased by the MUFG affiliate. The MUFG affiliate issues asset-backed commercial paper to investors to pay for the undivided interest. This is typically at a lower cost than what the Evergy utilities can issue commercial paper.

Description of receivables, as illustrated in *Exhibit IV-2*, is as follows:

1. Utilities sell all of their receivables at a discount on a daily basis to a wholly-owned special purpose entity (receivables company.)

2. Each receivables company (Kansas City Power & Light Receivables Company, GMO Receivables Company, and Evergy Kansas Central Receivables Company) sells an undivided ownership interest in the receivables to an Asset Backed Commercial Paper (ABCP) conduit (conduit) affiliated with a relationship bank.
3. A receivables company enters into a contract with original utility to service the receivables purchased, including (a) keeping records relating to the receivables, (b) reporting of the receivables to purchasers, and (c) origination and collection of receivables in accordance with normal procedures and credit and collection policies.
4. Conduit issues commercial paper (CP) into the market and uses the proceeds from the CP sale to pay the receivables company for the receivables purchased.
5. CP issued by a conduit is rated higher than utilities' CP, because it is collateralized by receivables and the relationship bank provides liquidity support.

Exhibit IV-2
Receivables Securitization



Source: Information Response 57

Money Pool

Evergy, Inc. has a money pool that is an internal financing arrangement in which funds may be lent on a short-term basis to KCP&L and GMO from Evergy, Inc. and between KCP&L and GMO. A description of how the money pool operates is as follows:

- Evergy, KCP&L, and GMO participate in a money pool arrangement, the Evergy Money Pool, which allows cash to be borrowed and lent among these Evergy entities. Westar and KG&E do not belong to a money pool but are parties to common cash management policies and procedures, the Westar Energy Cash Management Policy, which provides guidelines for management of funds in excess of their daily needs. Transactions between Westar and KG&E only occur in Kansas and, therefore, are not within the scope of this audit.
- An amended Money Pool Agreement regarding the operation of, and participation in, the Evergy Money Pool was entered into on June 4, 2018, by Evergy, KCP&L, and GMO. The Money Pool replaced the Great Plains Energy Money Pool, dated March 3, 2009. In accordance with Federal Energy Regulatory Commission (FERC) Order No. 634-A, Evergy filed the 2018 Amended and Restated Money Pool Agreement with FERC on June 14, 2018. The stated purpose of the Evergy Money Pool is to arrange for and coordinate the short-term cash borrowing needs of KCP&L and GMO and investment of excess short-term cash reserves on an intercompany pooled basis through the Evergy Money Pool.
- KCP&L is the administrator of the Evergy Money Pool, and Evergy, KCP&L, and GMO are participants. Upon payment of all outstanding loans from, or deposits of surplus cash to, the Evergy Money Pool, accrued interest, and its allocable share of fees to KCP&L, any participant may terminate its participation in the Evergy Money Pool at any time.
- Only KCP&L and GMO are entitled to borrow from the Money Pool. All three participants can loan money to the Evergy Money Pool. The maximum length of loans is one year and may be prepaid at any time without premium or penalty. Interest accrues monthly. The borrowing rate is equal to the external rate at which either company could borrow at the time of the transaction. Interest rates on loans from participants' surplus cash is the publicly available daily Commercial Paper rate applicable to the borrower. Interest rates on loans from external funds is the net weighted daily average cost of the external funds. Interest rates on loans comprised of both surplus funds and external funds will be an average based on the proportion of the source of the borrowed funds.
- Any participant can invest surplus funds or proceeds from debt issuance and long and short-term debt and bank borrowings in the Evergy Money Pool. If there is more surplus cash deposited by Participants in the Evergy Money Pool than is needed by other participants, KCP&L, as agent for the participants shall invest such available surplus cash in short-term investments. Short-term investments may include:
  - Interest-bearing accounts with banks

- Obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities
- Obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency
- Commercial paper rated not less than A-1/P-1 or their equivalent by a nationally recognized statistical rating organization
- Money market funds
- Bank certificates of deposit
- Eurodollar Funds

Interest income earned on loans and other investment income earned is allocated among the participants in accordance with each participant's proportion of funds in the Evergy Money Pool.

There were no money pool transactions among Evergy, KCP&L, and GMO in 2018 and year-to-date June 2019. A monthly statement from the Vice President of Corporate Planning, Investor Relations and Treasurer of both Kansas City Power & Light Company and GMO certified that no loans were made to either KCP&L or GMO pursuant to the agreement regarding the operation of, and participation in, the Evergy Money Pool.

Long-Term Debt

The long-term debt of KCP&L and GMO are shown in the following table in *Exhibit IV-3*.

Exhibit IV-3
Long-term Debt
December 31, 2018
($ Millions)

Description	Rates	Year Due	Amount
KCP&L			
Mortgage Bonds	2.95%	2023	79.5
Mortgage Bonds	7.15%	2019	400.0
Pollution Control Bonds	1.865%	2035	146.5
Pollution Control Bonds	2.75%	2038	23.4
Senior Notes	3.15%	2023	300.0
Senior Notes	3.65%	2025	350.0
Senior Notes	6.05%	2035	250.0
Senior Notes	5.30%	2041	400.0
Senior Notes	4.20%	2047	300.0
Senior Notes	4.20%	2048	300.0
Total KCP&L			**2.549.4**
GMO			
Mortgage Bonds	9.44%	2019-2021	3.4
Senior Notes	8.27%	2021	80.9
Senior Notes	3.49%	2025	36.0
Senior Notes	4.06%	2033	60.0
Senior Notes	4.74%	2043	150.0
Medium Term Notes	7.33%	2023	3.0
Medium Term Notes	7.17%	2023	7.0
Total GMO			**340.3**

Source: Evergy Form 10-K for fiscal year ended December 31, 2018

Credit Ratings

Exhibit IV-4 illustrates the current (July, 2019) credit ratings for various Evergy companies, including KCP&L and GMO.

Exhibit IV-4
Current Credit Ratings
July 2019

Company/Type Rating	Moody's	S&P
KCP&L		
Outlook	Stable	Stable
Corporate Credit Rating	Baa1	A-
Senior Secured Debt	A2	A
Senior Unsecured Debt	Baa1	A-
Commercial Paper	P-2	A-2
GMO		
Outlook	Stable	Stable
Corporate Credit Rating	Baa2	A-
Senior Unsecured Debt	Baa2	A-
Commercial Paper	P-2	A-2
Evergy		
Outlook	Stable	Stable
Corporate Credit Rating	-	A-
Senior Unsecured Debt	Baa2	BBB+
Westar Energy		
Outlook	Stable	Stable
Corporate Credit Rating	Baa1	A-
Senior Secured Debt	A2	A
Commercial Paper	P-2	A-2
KGE		
Outlook	Stable	Stable
Corporate Credit Rating	Baa1	A-
Senior Secured Debt	A2	A
Short-term Ratings	P-2	A-2

Source: Information Response 56

Over the past five years, from 2014 to the present, the credit ratings for KCP&L, GMO, and the other affiliates have remained stable or improved by one or two levels.

Capital Structure

The target capital structure for Evergy is 50% debt and 50% equity; the same target is used for all of the utility operating companies. Capital Budgeting is input into this desired structure.

Equity

Evergy Corporation issues common stock to public stockholders. The other affiliated companies' (including KCP&L and GMO) stock is 100% owned by Evergy. Evergy receives cash via dividends paid by the other affiliated companies.

B. Findings & Conclusions

Finding IV-1 Neither KCP&L or GMO receive capital allocations from Evergy.

Capital is not allocated from Evergy to its affiliates. Each affiliate has its own sources and uses of cash. Borrowing among KCP&L, GMO, and Evergy is available for short-term cash needs through the Evergy Money Pool, although there have been no borrowings in 2018 and year-to-date June 2019. Both KCP&L and GMO also have the access to the Commercial Paper market for short-term needs. Long-term needs are met through the bond market for both firms. As of the end of 2018, KCP&L had $2.5 billion in long-term debt though the bond market, and GMO had $340 million in long-term debt.

Finding IV-2 Short-term borrowing is available to KCP&L and GMO through an internal and an external borrowing system.

Both KCP&L and GMO are participants in the Evergy Money Pool, along with Evergy. This money pool allows KCP&L and GMO to borrow cash on a short-term basis and lend or invest excess cash also on a short-term basis (one year or less). Although Evergy can invest excess cash, the corporate parent cannot borrow from the Evergy Money Pool. Policies governing the Evergy Money Pool ensure that the cost of borrowing is comparable to that of borrowing through outside markets.

The external short-term borrowing system consist of an external line of credit from 15 lenders. KCP&L has access to $600 million from this source, and GMO has access to $450 million. Additionally, KCP&L and GMO both have commercial paper programs that can be used for short-term borrowing.

Finding IV-3 Necessary working capital is provided to KCP&L and GMO by factoring receivables with an outside bank.

KCP&L and GMO sell their accounts receivable at discounts of 1.5% to 2.0% to affiliated companies. KCP&L sells its receivables to a subsidiary, KCP&L Receivables Company, and GMO sells its receivables to a subsidiary, GMO Receivables Company. The receivables companies sell undivided interests in the accounts receivable to an affiliate of MUFG Bank which then issues commercial paper backed by the accounts receivable. Since the commercial paper is collateralized by the accounts receivable it is rated higher than the commercial paper that could be issued by KC&L or GMO.

By utilizing this series of transactions, KCP&L and GMO are able to acquire working capital at reasonable costs.

C. Recommendations

None