

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

In the Matter of the Joint Application of)
Great Plains Energy Incorporated, Kansas)
City Power & Light Company and Westar) Docket No. 16-KCPE-593-ACQ
Energy, Inc. for Approval of the)
Acquisition of Westar Energy, Inc. by)
Great Plains Energy Incorporated.)

**POST-HEARING BRIEF OF
WALMART STORES, INC.**

Walmart Stores, Inc. respectfully provides its post-hearing brief in the above-captioned matter. In its prefiled testimony, Walmart addresses both the financial and environmental concerns underlying GPE's acquisition of Westar. Through this brief, Walmart requests that the Commission, in the event that it approves this acquisition, attach conditions to address Walmart's financial and environmental concerns.

I. RATEPAYER BENEFITS / FINANCIAL CONCERNS

In its testimony, GPE proposes to "share" ratepayer benefits between shareholders and customers. Specifically, GPE proposes that the shareholders to keep all net savings between rate cases. As such, savings will only inure to customers to the extent that a rate case is initiated.¹ As Mr. Chriss points out, "the proposed mechanism does not provide for the full and timely passing of transaction-related savings to customers and instead unreasonably holds those benefits for the utility and its shareholders."² The inequitable nature of GPE's proposal to share benefits is reflected in the attached:

The use of rate cases to pass through savings will delay, and potentially quite significantly, the benefit of those savings to customers. For instance, the estimated net savings for 2020 is \$199 million, but under traditional Kansas test year ratemaking those savings could not be realized by customers until the utilities were able to file 2020 test year rate cases, which would likely be in 2021

¹ Chriss Direct, page 8 (citing to Ives Direct, page 18).

² *Id.* at page 9

with rates effective near or in 2022. The entire time that those savings are not reflected in rates those benefits are only accruing to the utility and its shareholders.³

While both KCPL and Westar are projected to have rate cases in 2018, those rate cases would only return those savings which occur prior to that rate case. Recognizing that the vast majority of merger savings are projected to occur after those rate cases, the return of those savings are entirely dependent on KCPL and Westar filing subsequent cases. In contrast, Walmart is concerned that while savings are kept entirely for shareholders, KCPL and Westar will have an incentive to front-load any transition costs for recovery in the 2018 rate cases. Thus, customers may be immediately responsible for transition costs, but will have to wait for the return of any merger benefits.⁴

Given the inequitable nature of GPE's methodology for flowing merger savings to customers, Walmart proposes that the Commission implement the following conditions to provide for a timely return of merger savings to customers.

- 1) The utilities should be required, in their 2018 rate case filings, to include in revenue requirement the actual savings realized in the test year and actual transition costs incurred, subject to amortization provisions to be determined in those cases, allocated to the respective utility jurisdiction;
- 2) Savings and approved transition costs that occur before the beginning of the test year should be included in the revenue requirement;
- 3) The Commission should approve a rider for each utility in their respective rate cases for the recovery of approved transition costs and crediting of savings for the following rider periods: post-test year 2018; 2019; and 2020;

³ *Id.* at page 9.

⁴ *Id.* at page 10.

- 4) Transition costs for each rider period to be recovered should be set in the instant docket and be capped at the Joint Applicant's cost to achieve levels presented in Schedule WJK-3;
- 5) Savings should be set in the instant docket and be set no lower than the Joint Applicant's estimated savings levels presented in Schedule WJK-3; and
- 6) The rider should expire on the rate effective date of the utility's next rate case with rates effective after January 1, 2021.

II. ENVIRONMENTAL CONCERNS

In its previous orders, the Commission has established standards by which it assesses a utility merger. Included in these standards are: (1) the effect of the transaction on the environment and (2) whether the transaction maximizes the use of Kansas energy resources.⁵ In its prefiled testimony, Walmart notes that Westar currently offers certain programs designed to assist customers in accessing renewable energy, thus maximizing Kansas' energy resources.

Westar offers the Wind Generation Service tariff ("WGS"), which allows customers 200 kW or larger to purchase the utility's wind power in lieu of the Retail Energy Cost Adjustment rate. While the economics of the tariff, due to low fuel costs, are currently not favorable for customer usage, Walmart appreciates the foresight and recognition of customer demand for renewables of Westar and the Commission in the development and implementation of the WGS tariff.⁶

In contrast, KCPL-Kansas does not offer programs to maximize the extensive Kansas wind energy resources.⁷

Kansas has tremendous renewable energy potential and Walmart recognizes that the combined financial strength and customer footprint of KCP&L and Westar can drive better resource economics than either utility on its own. Walmart strongly encourages the Commission to consider how the creation and expansion of renewable offerings for KCP&L and Westar customers can (1) take advantage of the state's renewable energy potential; (2) address customer demand for

⁵ *Id.* at page 4 (citing to Commission's August 8, 2016 order on merger standards).

⁶ Chriss Direct, pages 15-16.

⁷ *Id.* at page 16.

renewable energy and increase the state's profile as a desirable location for business; and (3) satisfy the Commission's merger requirements that the transaction not have any detrimental effect on the environment and maximizes the use of Kansas energy resources.⁸

With this in mind, Walmart proposes that the Commission condition its approval of the GPE / Westar transaction on the establishment of a stakeholder process, to be conducted within 60 days of the close of the transaction. This stakeholder process should be designed to lead to the Commission approval of renewable energy offerings within one year of the close of the transaction.⁹

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on this 13th day of March, 2017, I electronically filed via the Kansas Corporation Commission's Electronic Filing System, a true and correct copy of the above and foregoing Walmart, Inc. Post-Hearing Brief with a copy emailed to all parties of record.

/s/ David Woodsmall
David Woodsmall

⁸ *Id.* at page 16.

⁹ *Id.* at page 17.