FILED[2]

MAR 19 2018

Missouri Public Service Commission

Exhibit No.:
Issue: Application for Merger
Witness: Michael L. Brosch
Type of Exhibit: Direct Testimony
Sponsoring Party: Midwest Energy Consumer's Group
Case No.: EM-2018-0012
Date Testimony Prepared: January 16, 2018

**BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI**

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| **In the Matter of the Application of Great Plains Energy Incorporated for Approval of its Merger with Westar Energy, Inc.** | ) | **Case No. EM-2018-0012** |

Rebuttal Testimony and Schedules of

**Michael L. Brosch**

**Revenue Requirement**

On behalf of

**Midwest Energy Consumers' Group**

MECG Exhibit No. 400
3/12/18 Reporter AB
EM-2018-0012

January 16, 2018

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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| **STATE OF MISSOURI** | ) | |
| | ) | **SS** |
| **COUNTY OF JACKSON** | ) | |

**Affidavit of Michael L. Brosch**

Michael L. Brosch, being first duly sworn, on his oath states:

1. My name is Michael L. Brosch. I am President of Utilitech, Inc., having its principal place of business at PO Box 481934, Kansas City, Missouri 64148. We have been retained by the Midwest Energy Consumer's Group in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. EM-2018-0012.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.

Michael L. Brosch

Michael L. Brosch

Subscribed and sworn to before me this 16th day of January 2018.

Ali Riggs

Notary Public

ALI RIGGS
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission Expires Oct. 5, 2019
Commission # 15250518

**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF MISSOURI**

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Appendix A: Qualifications of Michael L. Brosch and Summary of Previously Filed Testimony

Schedule MLB-1: KCPL response to MECG Data Request 1-1, with Attachments.

Schedule MLB-2: KCPL response to MECG Data Requests 5-1 with HC Attachments.

Schedule MLB-3: KCPL response to MECG Data Request 5-2.

**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF MISSOURI**

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## Rebuttal Testimony of Michael L. Brosch

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Michael L. Brosch. My business address is PO Box 481934, Kansas City, Missouri 64148.

**Q. WHAT IS YOUR PRESENT OCCUPATION?**

A. I am the President of the firm Utilitech, Inc., a consulting firm engaged primarily in utility rate and regulation work. The firm's business and my responsibilities are related to special services work for utility regulatory clients. These services include rate case reviews, cost of service analyses, jurisdictional and class cost allocations, financial studies, rate design analyses, utility merger and business combination studies and other focused investigations related to utility operations and ratemaking issues.

**Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

A. I am appearing on behalf of the Midwest Energy Consumer's Group ("MECG"). Utilitech, Inc. was engaged by MECG to review and address certain financial and ratemaking policy issues raised by the proposed merger between Great Plains Energy Incorporated ("Great Plains" or "GPE"), that is the parent company of Kansas City Power & Light Company ("KCPL") and KCP&L Greater Missouri Operations Company

("GMO") and Westar Energy, Inc. ("Westar")(collectively referred to herein as "Applicants").

**Q. ARE OTHER WITNESSES FILING TESTIMONY ON BEHALF OF MECG?**

A. Yes. In addition to myself, Steve Chriss is filing testimony on the subject of non-residential access to renewable energy.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. My testimony is responsive to Applicants' proposal for regulatory treatment of expected merger efficiencies and savings and Applicants' proposed future rate recovery of merger transition costs, as described in Applicants' witness Messrs. Darrin Ives and Steven P. Busser. I also describe important income tax accounting issues raised by differences in the form of the existing Tax Allocation Agreement ("TAA") at Great Plains versus Westar that are not discussed by any Applicant witness. The TAA's are affiliate agreements that are used to apportion income tax liabilities and tax loss carryforwards among regulated and non-regulated subsidiaries of Great Plains and Westar, with important impacts upon utility revenue requirements in Missouri and Kansas. My testimony explains how the proposed merger could adversely impact such allocations. My testimony presents and explains proposed conditions that should be imposed by the Commission to address concerns regarding Applicants' proposed merger transition cost recovery approach and the TAA differences, in order to avoid detrimental impacts that are otherwise caused by the merger if it is approved and consummated. Additionally, I file testimony and propose a condition to ensure that this Commission continues to have jurisdiction over future mergers and acquisition made by the combined company. Finally, I propose a condition regarding the clear labeling on customer bills of the electric service provider. This condition ensures that customers know the identity of their service provider as well as being able to access the applicable tariff and rates.

**Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE JOINT APPLICANTS INDICATE MECG'S SUPPORT?**

A. No. The fact that an issue is not addressed herein or in related filings should not be construed as an endorsement of any filed position.

## EDUCATION AND EXPERIENCE

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. Appendix A to this testimony is a summary of my education and professional qualifications that also contains a listing of my previous testimonies in regulatory proceedings in Missouri and other states.

**Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE IN THE FIELD OF UTILITY REGULATION.**

A. My professional career began in 1978, when I was employed by the Missouri Public Service Commission as part of the accounting department audit staff. While with the Staff from 1978 to 1981, I participated in rate cases involving Kansas City Power & Light Company, Missouri Public Service Company, Southwestern Bell and several smaller Missouri utilities. Since leaving the Commission Staff, I have worked as an independent consultant and have testified before utility regulatory agencies in Arizona, Arkansas, California, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Michigan, Missouri, New Mexico, Ohio, Oklahoma, Texas, Utah, Washington, and Wisconsin in regulatory proceedings involving electric, gas, telephone, water, sewer, transit, water carrier and steam utilities. I have participated in many electric, gas and telephone utility regulatory proceedings, as listed and described in Appendix A. I testified for MECG in the most recent KCPL Missouri rate cases, Case Numbers ER-2014-0370 and ER-2016-0285.

## EXECUTIVE SUMMARY

**Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

A My testimony explains why Applicants proposed Regulatory Commitment 1(c) regarding "Transition Costs" should be modified to preclude deferral and amortization of Applicants' historically incurred Transition Costs.[1] I describe why Applicants do not need and should not be allowed retroactive accounting deferral and potential future rate case recovery of their already incurred and expensed merger transition costs. Applicants' witness Mr. Ives states that "[i]n future rate cases, the Applicants expect to request Commission authorization to defer any transition costs incurred to that point and to recover an amortized amount of such transition costs over an appropriate period, provided that demonstrated Merger savings (i.e., revenue requirement reductions) exceed the requested recovery of transition costs."[2] My testimony shows that labor-related savings have already been achieved by Applicants and retained for the sole benefit of shareholders. These savings are in amounts that exceed incurred merger transition costs incurred to date, such that future recovery of such historically incurred transition costs is redundant and inappropriate. Additionally, I explain how future deferral and rate recovery of historically incurred transition costs, that were already expensed on Great Plains' books, will produce a mismatching of costs and benefits and a windfall to the Applicants at ratepayers' expense. To address these

1 See Application Exhibit F where "Regulatory Commitments" are summarized.
2 Direct Testimony of Darrin Ives, page 11, line 17.

problems, I propose a modified Regulatory Condition 1(c) regarding merger savings and transition costs.

My testimony also addresses income taxes and differences in the pre-merger Tax Allocation Agreements ("TAAs") now effective at Great Plains in contrast to Westar. I explain how the fundamental difference between the methods now used within these affiliated agreements to allocate consolidated income tax expenses at Westar, compared to the Great Plains TAA, impact utility rate base valuation. I recommend that Applicants' proffered merger commitments and conditions associated with affiliate transactions audits and the affiliate Cost Allocation Manual ("CAM") be expanded to evaluate and address the new affiliate TAA that may be implemented, if the proposed merger is approved and consummated.

I also address concerns regarding the Commission's future jurisdiction over business combinations that may occur subsequent to the pending transaction and the need for clear identification of the entity providing utility service whenever any future name changes are implemented by Great Plains.

## MERGER OVERVIEW.

**Q. HOW WAS THIS TRANSACTION INITIALLY STRUCTURED?**

A. The transaction was initially announced in late May, 2016, as the acquisition of Westar by Great Plains Energy. As such, Westar would have been a wholly-owned subsidiary of Great Plains Energy, much like KCPL and GMO are currently. In April 2017, the Kansas Corporation Commission rejected the proposed acquisition. The Kansas decision focused on the detriment to customers associated with the acquisition premium, highly leveraged combined company, and potential credit downgrade associated with the original transaction. In July 2019, the companies announced a different transaction. Under the new transaction, Great Plains Energy and Westar would engage in a merger of equals. As such, issues such as the acquisition premium are no longer a concern.

**Q. WHAT STANDARD HAVE YOU APPLIED TO YOUR REVIEW OF THE MERGER?**

A. Based upon conversations with counsel, it is my understanding that Missouri law requires a "not detrimental to the public interest" standard be applied to the review of utility mergers.

## MERGER TRANSITION COSTS.

**Q. WHAT ARE THE TYPES OF EXPENSES THAT ARE INCURRED IN UTILITY BUSINESS COMBINATIONS, SUCH AS THE SUBJECT MERGER IN THIS PROCEEDING?**

A. Merger-related expenses can be classified into two broad categories, merger "transaction" and "transition" expenses. Applicants' witness Mr. Ives applies this distinction and defines each of these categories in his testimony as follows:

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

> financing from the Initial Transaction are also transaction costs.[3] [emphasis added]
>
> **Transition costs** are costs necessary to integrate Westar and Great Plains. These costs are necessary to create the Merger efficiencies and savings and ensure that the post-Merger integration process is effective. Transition costs unlock the savings of the Merger. Examples of transition costs include voluntary severance, other than change-in-control severance, costs incurred in integration planning as well as costs incurred to enable network connectivity for the merged company and allow for a more efficient combined company. Transition costs are netted against gross savings to calculate and present net savings.[4] [emphasis added]

This cost classification distinction is important to Applicants because the latter category of "Transition" costs are proposed to be treated as eligible for recovery from utility ratepayers, while the "Transaction" costs are proposed to be borne entirely by shareholders. Mr. Ives clearly states in his testimony, "[t]he Applicants will not seek recovery of transaction costs in rates. The Applicants will have the burden of proof to clearly identify where all transaction costs related to this Merger are recorded and will be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates."[5] No such commitment to "not seek" recovery of transition costs is offered by Applicants.

**Q. DO YOU AGREE WITH THE PROPOSED TREATMENT OF TRANSACTION COSTS?**

A. Yes. Historically, transaction costs are looked upon as simply the costs required to change ownership of the company. In this regard, customers do not receive any benefit whether the owner of their service provider is Westar or Great Plains. Since transaction costs provide little benefit to customers, it is appropriate that customers not

3 Direct Testimony of Darrin Ives, pages 10-11.
4 *Id.* page 10.
5 *Id.* page 11.

be required to bear any of these costs. The fact that transaction costs should not be recovered from ratepayers has been recognized in numerous decisions not only in Missouri, but in other states.

**Q. DO YOU AGREE WITH APPLICANTS' PROPOSED DEFINITION OF TRANSITION COSTS?**

A. Not entirely. Applicants have defined transition costs too broadly, as if all of the integration activities and costs to date have been incurred on a discretionary basis for the sole purpose of achieving merger savings. Applicants' definition of "transition costs" admits that such costs are, "...necessary to integrate Westar and Great Plains." The cost of business integration is necessary and unavoidable when large and complex business entities are merged, without regard to whether such integration ultimately creates any operational synergies or cost savings.

In reality, a significant portion of Applicants' so-called "transition" costs are <u>not</u> discretionary and must be incurred simply to successfully integrate and operate the combined businesses on Day 1, after closing the transaction. Immediately after closing a merger, sufficient planning and integration activities must have been completed to enable the merged companies to continue to run smoothly and without interruption of utility services and without disruption of interactions with customer, vendors and employees. These essential integration activities include all of the necessary financial, legal, managerial, information technology and regulatory compliance adjustments needed to operate on a merged basis in a seamless manner. Installing functional post-merger corporate governance structures, consolidated financial reporting, vendor management systems, compliance, human resources, security, communications networks and the myriad of other integrated systems needed for Day 1 success is not discretionary. However, after Day 1 integration is accomplished, post-closing merger integration activities can then continue and focus more intensely upon information systems migration and/or integration, internal process design and re-engineering, coordinated procurement program changes and other efforts to streamline the operations to achieve cost savings.

**Q. WHAT IS PROPOSED BY APPLICANTS WITH RESPECT TO MERGER TRANSITION COSTS?**

A. According to Mr. Ives, "In future rate cases, the Applicants expect to request Commission authorization to defer any transition costs incurred to that point and to recover an amortized amount of such transition costs over an appropriate period, provided that demonstrated Merger savings (i.e., revenue requirement reductions) exceed the requested recovery of transition costs." Mr. Ives argues that rate recovery of all transition costs "incurred to that point" is appropriate because, "[t]hese transition costs are necessary to produce the realized Merger savings which will benefit customers in the form of lower revenue requirements and lower rates in future rate cases than would be the case absent the Merger."[6]

**Q. DO MERGER SAVINGS ONLY BENEFIT CUSTOMERS?**

A. No. Any merger savings that are realized outside of a rate case test year will benefit utility shareholders directly. Such savings will only benefit customers to the extent that the utility's rates are subsequently reviewed by the Commission. Until such time, shareholders keep all merger savings and should bear all merger-related costs.

**Q. HOW DO APPLICANTS PROPOSE TO LINK ESTIMATED MERGER SAVINGS TO THE REQUEST TO DEFER AND RECOVER MERGER TRANSITION COSTS?**

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6 *Id.* pages 11-12.

A. Applicants' witness Mr. Busser provides a "Savings Summary by type and year" in Table 2 of his testimony. His Table 2 compares "Gross Efficiencies" that are expected to ramp from $49.7 million in 2018 to $162 million in 2022, reduced by "Transition Costs" of $35.6 million incurred in 2016-2017, with another $21.9 million in 2018 and much smaller "Transition Costs" amounts in 2019 through 2022.[7] Mr. Busser also provides a more detailed breakdown of Transition Costs in Table 3 of his testimony.[8]

**Q. HOW MUCH MERGER TRANSACTION AND TRANSITION COST HAS BEEN ACCUMULATED BY APPLICANTS TO DATE?**

A. Through September of 2017, cumulative merger "Transaction" costs total about $207 million and cumulative "Transition" costs total about $32 million. A copy of Applicants' response to Data Request MECG 1-1 setting forth the details of such costs is included in Schedule MLB-1.

**Q. HAVE ANY OF THE MERGER TRANSITION COSTS, FOR WHICH APPLICANTS PROPOSE FUTURE RATE RECOVERY, BEEN DEFERRED ON THE BOOKS OF THE REGULATED UTILITIES?**

A. No. All of the charges have been recorded as expenses on the books of the parent company, Great Plains Energy, Incorporated, and none of these amounts were charged to the books of the operating utility subsidiaries.[9]

**Q. IF TRANSITION COSTS HAVE ALREADY BEEN EXPENSED ON THE PARENT COMPANY'S BOOKS, WHAT HAPPENS IF AND WHEN FUTURE RATE RECOVERY IS SOUGHT OR APPROVED FOR THESE PRIOR PERIOD COSTS?**

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7 Direct Testimony of Steven P Busser, page 14.
8 *Id.* page 36.
9 Applicants' response to MECG Request 1-1 and Attachments. See Schedule MLB-1.

A. Under Applicants' proposal, "[i]t is anticipated that in KCP&L's and GMO's upcoming rate cases that actual transition costs that have occurred through the update/true-up period in those cases will be requested for deferral treatment and subsequently amortized over a period of time (example: 4 or 5 years). Future transition costs after the update period will be requested for deferral and amortization treatment in future rate cases. The annual amount requested for transition cost amortization will be compared to annual efficiency savings included in the revenue requirement calculations to ensure efficiency savings exceed transition cost amortization."[10] For the transition costs that have been already expensed on the parent company's books, the creation of a new regulatory asset on the regulated utility books would create a windfall income credit for the utilities at the time of Commission approval of such deferral and amortization recovery from ratepayers.

**Q. DO THE ITEMIZED TRANSITION COSTS ALREADY INCURRED BY APPLICANTS INCLUDE SIGNIFICANT AMOUNTS FOR DAY 1 POST-MERGER INTEGRATION REQUIREMENTS, RATHER THAN COSTS INCURRED PRIMARILY TO UNLOCK OR ACHIEVE MERGER SAVINGS?**

A. Yes. Many of the itemized charges incurred to date and classified as merger transition costs were clearly required to integrate the previously separate companies, rather than to achieve merger savings, including:

- Contract personnel engaged to assist in implementation of Microsoft Office 365 to enable employee email and calendar sharing between GPE and Westar.
- Consultation on internal employee communications regarding merger and integration matters.

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10 *Id.*

- Costs to upgrade certain physical security badge readers to enable access of GPE and Westar employees on merger Day 1.
- Design and engineering services to install upgraded physical security badge readers to enable access of GPE and Westar employees on merger Day 1.
- Contract personnel engaged to facilitate integration of GPE and Westar HR systems.
- Consultation on the integration of GPE/Westar executive compensation policies.
- Contract personnel engaged to assist in the preparation of Human Resources systems of GPE and Westar for merger Day 1.
- Contract personnel engaged to assist in the preparation of Finance & Accounting systems of GPE and Westar for merger Day 1.
- Contract personnel engaged to assist in the preparation of server management and end user access to GPE and Westar systems for merger Day 1.
- Contract personnel engaged to assist in the preparation of GPE and Westar network systems for merger Day 1.
- Contract personnel engaged to assist in the integration of GPE and Westar Supply Chain Management Oracle Business Intelligence systems for Day 1.
- Consultation on integration process and readiness for merger Day 1.
- Software, installation and support to enable Active Directory integration between GPE and Westar.
- Consultation on cyber security assessment related to the integration of GPE and Westar networks.
- Private data network links for integration of GPE and Westar networks.
- Enterprise cloud security platform for integration of GPE and Westar systems.

- Contract personnel engaged to assist in the enablement GPE and Westar application access across the organizations for merger Day 1.[11]

Activities and costs that were incurred in 2016 and 2017 to integrate Great Plains and Westar business processes and automated systems in anticipation of Day 1 merged operations should not be deferred on the utilities' books and charged to ratepayers. Much like transaction costs, customers do not receive any benefit from these Day 1 integration costs. These activities and costs are not directly associated with the achievement of future merger savings that could one day be beneficial to ratepayers, but rather are essential costs required to integrate the newly merged businesses.

**Q. IS THERE ANOTHER REASON WHY MERGER TRANSITION COSTS INCURRED TO DATE BY THE APPLICANTS SHOULD NOT BE TREATED AS RECOVERABLE FROM RATEPAYERS IN FUTURE RATE CASES?**

A. Yes. In late May of 2016, Great Plains Energy and Westar announced the initial definitive agreement through which Great Plains was to acquire Westar Energy, Inc. In its announcement of that transaction, Great Plains Chief Executive Officer Mr. Bassham stated, "Our acquisition of Westar will create operational efficiencies and future cost savings that will benefit all involved – customers, shareholders, employees and the communities we serve. These savings also will help reduce future rate increase requests. Combining our two companies will result in cost savings and operational benefits for our more than 900,000 Kansas and 600,000 Missouri customers."[12] Since the time of the initial merger announcement, Applicants, have filled open employee positions in a selective manner in anticipation of integrating GPE and Westar and

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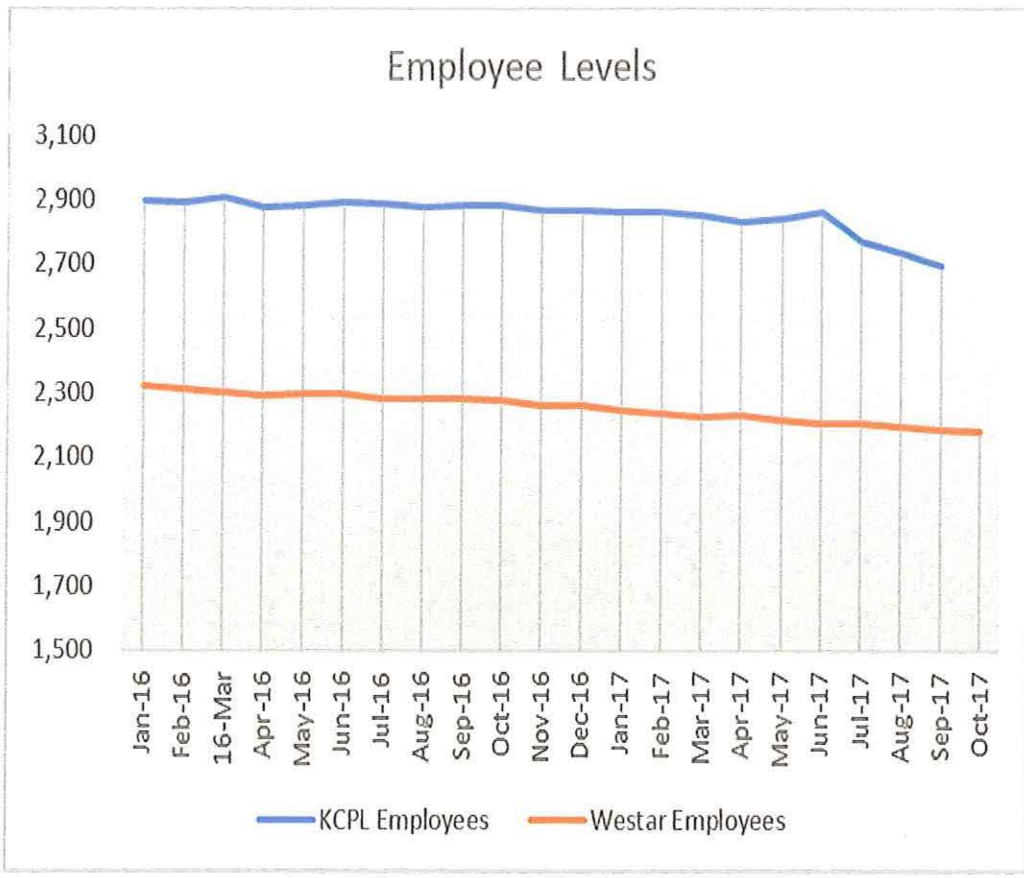
11 *Id.* See Schedule MLB-1Attachment "Description" column.

12 See Westar Energy News Release dated May 31, 2016. Available at: https://www.westarenergy.com/content/about-us/news/2016-news-releases/great-plains-energy-to-acquire-westar-energy

attaining merger efficiencies with the goal of minimizing employee severance. Moreover, since the announcement of the revised merger in July 2017, Applicants have committed that no involuntary severance will result from the revised merger.[13]

Actual employee headcounts at KCPL[14] and Westar have been reduced significantly since 2016, as a result of selective hiring to fill vacant positions and management's attention to reducing staffing levels while minimizing future severance costs. The following graph illustrates Great Plains/KCPL and Westar staffing trends since January 2016:

Table 1: KCPL and Westar Employee Levels[15]

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13 Applicants' response to MECG Data Request 3-2.

14 The following chart lists KCPL employee levels. Notice, there is not a listing of GMO employee levels. GMO does not have any employees. Instead, all employees are KCPL employees that perform work for GMO and then allocate costs to GMO.

15 Derived from Applicants' response to MECG 1-4.

The last KCPL Missouri rate case employed a true-up date of December 2016 while the most recent GMO rate case true-up was at July 31, 2016. Thus, all of the downward trend in KCPL staffing and related cost savings after these dates has been retained for the sole benefit of shareholders. The date of the payroll cost true-up in the most recent Westar Energy rate case in Kansas was as of April 30, 2015.[16] Thus, most of the labor cost savings for KCPL and all of the labor cost savings at Westar due to staffing reductions has been retained for shareholder benefit. Importantly, these retained labor-related cost savings since the last rate cases of each utility exceed the transition costs that have been incurred by Applicants, to date. Thus, the Applicants have already "recovered" the transition costs.

**Q. HAVE APPLICANTS PREPARED ANY CALCULATIONS THAT COMPARE CUMULATIVE LABOR COST SAVINGS TO TOTAL INCURRED MERGER TRANSITION COSTS?**

A. Yes. The Applicants response to Data Request MECG 1-4 at page 2 states:

> Savings to both companies are difficult to quantify. However, using a conservative average loaded annual rate of $129,000/employee ($86,000 average base salary for all employees of KCP&L/Westar as of July 2016 * a 1.50 benefits loading rate), we could estimate a savings of approximately $29.5 million based on the average of 211 unfilled positions over the 13-month period of June 1, 2016 – June 31, [sic] 2017. An additional savings for the 3-month period of July 1 – September 30, 2017 can be estimated at another $11.5 million based on the average 244 vacancies for KCP&L and 112 for Westar.[17]

Thus, by the Applicants' own calculations through the end of September of 2017, conservatively quantified labor related savings within only the sixteen-month period described in this response are estimated at about $41 million.[18] In comparison, the

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16 Applicants' response to MECG 2-3 and Attachments.
17 A complete copy of this response is contained in Schedule MLB-1.
18 Sum of $29.5 million plus $11.5 million.

cumulative Transition Costs accumulated by Applicants as of September 30, 2017 totaled about $32 million. Importantly, however, these labor savings would not cease as of the end of September. If the rate of savings quantified for the third quarter of 2017, at $11.5 million, continues until the utilities complete new rate cases the end of 2018,[19] multiples of Applicants' cumulative incurred merger Transition costs may have been offset by retained labor cost savings. As mentioned previously, these labor savings have inured exclusively to the benefit of shareholders.

**Q. IS YOUR CONCLUSION AFFECTED BY THE JOINT APPLICANTS' PROPOSAL TO PROVIDE $50 MILLION IN BILL CREDITS TO CUSTOMERS?**

A. No. Recognizing that merger savings will continue to inure solely to the benefit of shareholders through the effective date of rates in the next rate case (approximately December 31, 2018), merger savings less the bill credits will likely exceed the level of transition costs that have been incurred. Therefore, my conclusion that the Joint Applicants have already recovered the transition costs will still be applicable.

**Q. ACCORDING TO MR. IVES, "TRANSITION COSTS UNLOCK THE SAVINGS OF THE MERGER. EXAMPLES OF TRANSITION COSTS INCLUDE VOLUNTARY SEVERANCE, OTHER THAN CHANGE-IN-CONTROL SEVERANCE, COSTS INCURRED IN INTEGRATION PLANNING AS WELL AS COSTS INCURRED TO ENABLE NETWORK CONNECTIVITY FOR THE MERGED COMPANY AND ALLOW FOR A MORE EFFICIENT COMBINED COMPANY."[20] SHOULDN'T RATEPAYERS PAY FOR ALL OF THE TRANSITION COSTS INCURRED TO "UNLOCK" THESE**

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[19] In November of 2017, KCPL and GMO filed 60-day notices of upcoming rate cases. These rate cases are expected to be filed by the end of January 2018. Therefore, the rate cases will likely be completed in December of 2018.

[20] Direct Testimony of Darrin Ives, page 10.

**SAVINGS, SINCE RATEPAYERS STAND TO RECEIVE THE SAVINGS THROUGH LOWER FUTURE RATES?**

A. No. As noted in this testimony, Applicants have broadly classified all merger transition costs to include many different activities and costs that were incurred to integrate and operate the combined businesses on Day 1, after the merger is closed. There has been no effort by Applicants to carefully analyze and isolate transition costs associated with any particular savings that have already been, or may one day be, "unlocked" as a result of the specific cost incurred. While it seems intuitively appealing to "match" the ratemaking treatment of merger costs to merger-enabled savings as Applicants suggest, in practice it is extremely difficult to identify and quantify savings that were realized as the sole result of the merger and that could not have been achieved in the absence of the merger. It is equally difficult to isolate and provide recovery for specific activities and costs incurred in transition that are directly attributable to cost savings where such savings were not achievable but for the merger event.

Additionally, as noted above, Applicants have already recovered most or all of the incurred Transition costs through staffing level reductions already achieved between rate cases. Thus, allowing prospective deferral and rate recovery of costs already recovered by the utilities through retained labor cost savings would be inequitable to ratepayers, while resulting in a financial windfall to shareholders for these already expensed costs.

**Q. DO APPLICANTS' ESTIMATED MERGER SAVINGS RAMP UP QUICKLY IN THE YEARS 2018, 2019 AND 2020, IN A MANNER THAT WILL BE DIFFICULT TO "CAPTURE" IN RATE CASE PROCEEDINGS?**

A. Yes. According to Table 1 at page 10 of Mr. Busser's testimony, the expected merger-related savings more than double from $49.7 million in 2018 to $116.9 million in 2019 and then increase by another $29.8 million in 2020. Unless rate cases occur continuously in every year throughout this period, most of the expected growth in merger savings from year to year would be retained for the benefit of shareholders and would be more than sufficient to fully offset the Applicants' claimed need to defer and recovery merger transition costs.

**Q. HAVE YOU INDEPENDENTLY ANALYZED THE APPLICANTS' QUANTIFICATION OF MERGER SAVINGS?**

A. No. My position regarding transition costs is independent of the level of merger savings. The important part is that, regardless of the level, merger savings inure solely to the benefit of shareholders until a future rate case. At this time, the Applicants' realized merger savings have already exceeded the transition costs incurred to date. Whether future savings are higher or lower, the Applicants have already fully "recovered" their transition costs.

**Q. WHAT IS YOUR RECOMMENDATION REGARDING THE TREATMENT OF MERGER TRANSITION COSTS IN THIS PROCEEDING?**

A. In order for the merger to meet the "not detrimental" standard, I propose a condition regarding the recovery of transition costs. Specifically, Appendix H to the Application in this proceeding contains a listing of "Applicants' Proffered Merger Commitments and Conditions" and number 19 addresses merger transition costs as follows:

> 19 *Transition Costs*: Neither GMO nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that are in excess of the benefits that these transition costs are intended to attain.
>
> Transition costs are those costs incurred to integrate Westar and GPE, and include integration planning, execution, and "costs to achieve".

> Non-capital transition costs can be ongoing costs or one-time costs. KCP&L's and GMO's non-capital transition costs, which shall include but not be limited to severance payments made to employees other than those required to be made under change of control agreements, can be deferred on the books of either KCP&L or GMO to be considered for recovery in KCP&L and GMO future rate cases. If subsequent rate recovery is sought, KCP&L and GMO will have the burden of proof to clearly identify where all transition costs are recorded and of proving that the recoveries of any transition costs are just and reasonable as their incurrence facilitated the ability to provide benefits in excess of those costs to its Missouri customers. Such benefits may be the result of avoiding or shifting costs and activities.
>
> KCP&L and GMO shall be required to attest in all future rate proceedings before the Commission that no transition costs in excess of their corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be required until all transition costs are fully amortized.
>
> KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits. Such benefits may be the result of avoiding or shifting costs and activities

I recommend that this commitment proffered by Applicants be eliminated and replaced by the following much simpler alternative commitment:

> 19 <u>*Transition Costs*</u>: Neither GMO nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that were incurred prior to the test year in each future general rate case proceeding, or that are in excess of the benefits that these transition costs have attained, as recognized within such future general rate case proceedings.
>
> KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits.

This approach does not preclude Applicants' from incurring costs to initiate new cost savings initiatives that can be demonstrated in future rate cases to be cost-effective relative to savings that are recognized in such cases. Similarly, this approach does not preclude Applicants from receiving some recovery of discrete new costs they might incur in the future to secure cost savings. As with all other costs, recovery is limited to those costs incurred during the test year. Simplification of the Transition Costs commitment in this way would serve to preclude the retroactive reclassification of Applicants' previously incurred transition expenses as regulatory assets, for the reasons explained in my testimony.

## INCOME TAX ALLOCATION AGREEMENTS.

**Q. PLEASE EXPLAIN WHAT NET OPERATING TAX LOSSES ARE.**

A. Applicants are subject to income taxation and are allowed to recover Federal and State income tax expense as part of the overall revenue requirement. Federal tax laws permitted the greatly accelerated deduction of tax depreciation on long-lived utility plant, including so-called "bonus" tax depreciation in recent years. These depreciation deductions, on top of other significant book/tax differences in income and expense recognition, have caused Great Plains and Westar to file consolidated tax returns reflective negative taxable income, resulting in what are referred to as Net Operating Losses ("NOLs"). When a utility taxpayer experiences an NOL on its tax return, these losses are generally allowed to be carried back to the two previous tax years and then, once taxable income in the carryback years is exhausted, the balance of NOL's can be carried forward for up to 20 years to offset future taxable income.

**Q. PLEASE EXPLAIN HOW NET OPERATING LOSSES EFFECT A REGULATED UTILITY'S REVENUE REQUIREMENT.**

A. NOLs that have been carried forward on the utility's books are recorded within Accumulated Deferred Income Tax ("ADIT") accounts as a deferred tax asset ("DTA"). This NOL/DTA represents the tax "value" the utility expects to realize in future tax years when the accumulated tax losses can actually be used to reduce income taxes otherwise payable in those future years. Because the bonus and accelerated depreciation deductions that contributed to the NOLs create an ADIT credit balance that reduces utility rate base, the resulting NOL/DTA debit balances must also be included in rate base. Net Operating Loss deferred tax assets increase utility rate base and, in turn, increase the utility's revenue requirement.

**Q. PLEASE DESCRIBE HOW THE PROPOSED MERGER WILL IMPACT INCOME TAX EXPENSE ALLOCATIONS RECORDED BY THE REGULATED UTILITY BUSINESSES WITHIN GREAT PLAINS ENERGY AND WESTAR.**

A. At the present time, Great Plains Energy has in place a Tax Allocation Agreement ("TAA") that is an affiliated interest contract between the parent company and each subsidiary, including KCP&L and GMO. The Great Plains TAA allocates federal income tax liabilities using what Applicants call the "benefits for losses" methodology. Under this approach, any consolidated tax losses for the overall consolidated group taxpayer (Great Plains Energy) each year are allocated pro-rata among the subsidiary entities that contributed stand-alone tax losses in that tax year, based upon the relative size of such losses. This approach has historically resulted in the regulated KCP&L unit of Great Plains being assigned a larger share of consolidated Net Operating Loss ("NOL") deferred tax asset balances that increase utility rate base, than would occur if such NOL balances were instead computed for KCP&L on a stand-alone basis.

In contrast, Westar presently has a different form of TAA in place. Under the existing Westar TAA, federal income tax liabilities are assigned among subsidiary companies based using the "separate return" method. When the "separate return" method is employed, each subsidiary company records federal income tax liabilities and any NOL deferred tax assets as if a separate return were filed by each entity. Any consolidation benefits realized by the holding company, in this case Westar Energy, by combining together the "loss" companies with subsidiaries having positive taxable income, are retained by the holding company and are not attributed to the utility subsidiaries.

The merger will result in the adoption of one of the two existing general TAA methodologies for utilization by the larger, post-merger consolidated group taxpayer. The post-merger consolidated entity will be required to allocate the overall income tax liability for financial reporting purposes. The decision regarding how Tax Allocations will work in the post-merger environment will, in turn, have potentially large impacts upon the NOL deferred tax asset balances includable in rate base for the regulated utility subsidiaries of the consolidated post-merger taxpayer.

**Q. HAVE APPLICANTS DECIDED HOW THE DIFFERENCE IN CONSOLIDATED TAX ALLOCATION METHODS WILL BE RESOLVED UPON COMPLETION OF THE MERGER?**

A. No. According to Applicants' response to MECG Data Request 5-2, "[w]e have not made a final determination of which tax allocation methodology will be adopted at the time of the merger for financial statement purposes. If we adopt a method similar to the Great Plains Energy's [sic] current tax allocation agreement, we would expect that the deferred tax assets related to NOLs on Westar's financial books would be greater for a period of time until all of the remaining non-regulated Aquila's NOLs are used. However, all deferred tax assets for NOLs and tax credits will still be computed using a separate return method for Westar <u>for setting rates</u> unless a different method is approved by the Commission." [emphasis added]

**Q. DOES USE OF THE "SEPARATE RETURN" METHOD AT WESTAR HAVE THE EFFECT OF INCREASING UTILITY RATE BASE FOR LARGER NOL DEFERRED**

**TAX CARRYFORWARD AMOUNTS THAN WOULD RESULT FROM USE OF THE GREAT PLAINS ENERGY TAA APPROACH?**

A. Yes. The Highly Confidential Attachment to Applicants' response to Data Request MECG 5-1 for Westar and KGE show that the deferred tax asset added to rate base at year-end 2017 would be approximately **___________** larger by retaining the Separate Return method, than would result from adoption of the Great Plains TAA approach.[21] This is probably why Applicants would prefer to continue computing NOLs and tax credits using a separate return method for Westar <u>for setting rates</u> unless a different method is approved by the Commission, even if the Great Plains approach is adopted for accounting and financial reporting purposes post-merger.

**Q. IF THE GREAT PLAINS FORM OF TAA IS ADOPTED AFTER MERGER CONSUMMATION, SHOULD THE WESTAR COMPANIES REMAIN ON A SEPARATE RETURN METHOD FOR RATEMAKING PURPOSES?**

A. No. However, Applicants appear ready to let this condition continue. If the Great Plains form of TAA is adopted for accounting and financial reporting purposes after merger consummation, it would apparently be necessary for the Kansas Corporation Commission to insist upon adoption of the new and more favorable Great Plains TAA approach, in order to have Kansas ratepayers not be disadvantaged by excessive deferred tax assets arising from NOLs in rate base.

**Q. IF WE EXAMINE THIS ISSUE FROM THE PERSPECTIVE OF MISSOURI RATEPAYERS, ARE UTILITY REVENUE REQUIREMENTS LOWER UNDER THE EXISTING WESTAR TAA OR UNDER THE GREAT PLAINS FORM OF TAA?**

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[21] See Applicants' confidential response to Data Request MECG 6-1, Attachment "Westar and KGE" difference at "ESTIMATED FEDERAL AND KS STATED DEFERRED TAXES @ 39.55%".

A. The Great Plains form of TAA is detrimental to Missouri KCPL ratepayers, relative to use of the separate return TAA approach that is presently employed by Westar. The Highly Confidential Attachment to Applicants' response to Data Request MECG 5-1 for KCPL shows that the deferred tax asset added to rate base at year-end 2017 would be approximately **_____** million larger by retaining the Great Plains TAA method, than would result from adoption of Westar's Separate Return TAA approach. This negative impact is offset somewhat by GMO results that are **_____** million smaller using the Great Plains TAA method. In overall terms, the Great Plains TAA method is disadvantageous to Missouri ratepayers and to KCPL ratepayers in Kansas, while the Westar "separate return" approach would benefit Missouri ratepayers if adopted for ratemaking purposes.

**Q. IF THE EXISTING WESTAR "SEPARATE RETURN" FORM OF TAA IS ADOPTED AFTER MERGER CONSUMMATION, SHOULD KCPL AND GMO BE REQUIRED TO EMPLOY THE SEPARATE RETURN TAX ALLOCATION METHOD FOR RATEMAKING PURPOSES?**

A. Yes. However, Applicants appear unwilling to allow this benefit to flow to Missouri ratepayers. In response to MECG Data Request 5-2, Applicants stated, "If we adopt a method similar to the Westar's current tax allocation agreement, we would expect that the deferred tax assets related to NOLs on KCPL and GMO's financial books would be different. However, all deferred tax assets for NOLs and tax credits will still be computed using our current method for KCPL and GMO <u>for setting rates</u> unless a different method is approved by the Commission."[emphasis added] Once again, it appears to be "heads – shareholders win...tails – ratepayers lose" approach by Applicants on this matter.

If the Westar form of TAA is adopted for accounting purposes after merger consummation, it would apparently be necessary for the Missouri Commission to insist upon adoption of the new Westar "separate return" approach in order to have Missouri ratepayers not be disadvantaged by excessive deferred tax assets arising from NOLs in rate base.

**Q. HAVE YOU INCLUDED COPIES OF THE RESPONSES TO MECG DATA REQUESTS 5-1 AND 5-2 ADDRESSING THE TAX ALLOCATION AGREEMENT IMPACTS AND MERGER PROPOSALS WITH YOUR TESTIMONY?**

A. Yes. These documents are contained within Schedules MLB-2 and MLB-3, respectively. The Highly Confidential Attachments to MECG 5-1 that contain the NOL deferred tax asset calculations comparing the two different TAA approaches now being utilized by the merger parties are included within Schedule MLB-2

**Q. HAVE THE APPLICANTS INCLUDED ANY PROFFERED MERGER COMMITMENTS AND CONDITIONS ADDRESSING TAX ALLOCATION AGREEMENT MATTERS?**

A. No. Commitments numbered 27 through 33 generally provide for access to information, no preferential treatment of affiliates, limits on intercompany charges and the sharing of customer information, the funding and performance of a third-party management audit of affiliate transactions and updating of Cost Allocation Manual provisions.[22] However, there is no specific reference to TAA matters within this broader discussion of commitments responsive to affiliate concerns arising from the merger.

**Q. WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE TAX ALLOCATION AGREEMENT CONCERNS YOU HAVE DESCRIBED?**

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22 Application Appendix H, pages 10-12.

A. With regard to Applicants' Proffered Merger Commitments and Conditions number 28, and as part of my "not detrimental" review, I recommend that a sentence be added to this commitment/condition stating, "No preferential treatment of Affiliated entities shall occur as a result of Tax Allocation Agreement terms or procedures." With regard to Applicants' Proffered Merger Commitments and Conditions number 31(a), I recommend that a sentence be added to indicate that "The new holding company's adopted Tax Allocation Agreement shall be included among the corporate cost allocations and affiliate transaction protocols included in the audit." Finally, with regard to Applicants' Proffered Merger Commitments and Conditions number 33, I recommend that the scope of the meetings and filed updates to the Cost Allocation Manual include documentation and quantification of allocations and transactions arising from the affiliate Tax Allocation Agreements effected by the new holding company.

## FUTURE MERGER AUTHORITY

**Q. PLEASE DESCRIBE YOUR CONCERN WITH FUTURE MERGERS AND ACQUISITIONS.**

A. As the Commission is aware, MECG filed a Complaint (Case No. EC-2017-0107) alleging that the Commission had authority to approve the initial transaction by way of a commitment made when KCPL was reorganized into a holding company structure (Case No. EM-2001-464). That commitment stated:

> GPE agrees that it will not, directly or indirectly, acquire or merge with a public utility or the affiliate of a public utility, where such affiliate has a controlling interest in a public utility unless GPE has request prior approval for such a transaction from the Commission and the Commission has found that no detriment to the public would result from the transaction.

Ultimately, the Commission agreed with MECG's Complaint and ordered Great Plains to seek approval of the initial transaction.[23]

**Q. HOW IS THIS COMMITMENT AFFECTED BY THE RESTRUCTURED ACQUISITION?**

A. Under the restructured agreement, Great Plains Energy and Westar Energy would merge into a new consolidated company. As such, Great Plains Energy would cease to exist. As such, concerns exist that the commitment to seek Missouri Commission approval for future mergers and acquisitions may also cease to exist. In order to continue this customer protection, MECG seeks a condition in this case that the new consolidated company will seek Commission approval for future mergers and acquisitions.

**Q. DOES THE MERGER CONDITIONS PROVIDED BY THE APPLICANTS ADDRESS THIS CONCERN?**

A. Possibly, but it should be made explicit. Applicants' Proffered Merger Commitment #47 provides:

> Prior Commitments of, and Orders Applicable to, GPE, KCP&L and GMO: Holdco, KCP&L and GMO commit to reaffirm and honor any prior commitments made by GPE, KCP&L or GMO to the Commission to comply with any previously issued Commission orders applicable to KCP&L or GMO or their previous owners except as otherwise provided for herein.[24]

Given the importance of the commitment from the reorganization, MECG wants to make it clear that future mergers and acquisitions of the combined company will necessitate Missouri Commission approval.

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[23] Report and Order issued February 22, 2017; Case No. EC-2017-0107 at 21-22.

[24] Application Exhibit H, page 16.

## CLEARLY LABELED CUSTOMER BILLS.

**Q. WHAT IS MECG'S CONCERN WITH CUSTOMER BILLS?**

A. Currently, KCPL and GMO are branded, for customer purposes, as KCPL. Therefore, trucks and employee uniforms indicate that the service provider is KCPL. For virtually all purposes, all customers, even GMO customers, believe that their electric service provider is KCPL. This has the potential of creating customer confusion. For instance, GMO customers may not realize that their service provider is GMO. As such, GMO customers may not be able to find the applicable tariff and understand their rates. This takes away one of the primary customer protections provided by regulation – publicly available rate schedules.

**Q. HOW HAS THIS ISSUE BEEN ADDRESSED TO DATE?**

A. Currently, GMO bills clearly indicate that the electric service provider is KCPL – Greater Missouri Operations Company. Thus, customers should be able to deduce their true electric service provider by looking at their electric bill.

**Q. HOW WILL THIS CHANGE AS A RESULT OF THE MERGER OF GREAT PLAINS ENERGY AND WESTAR?**

A. It is likely that the combined company will be re-branded with a new name – retaining neither Great Plains Energy or Westar.[25] At the same time or shortly thereafter, the combined company may seek to engage in common branding across the subsidiary operating companies. As such, customers' perception may be that their electric service provider is no longer KCPL or GMO, but rather some other company. In order to ensure that customers are able to identify their

[25] See: Application Appendix G, page 77; AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER, page 66, "Name. GPE and Westar agree to use their commercially reasonable efforts acting in good faith to agree on a new name and ticker symbol for Holdco prior to the Closing."

electric service provider as well as being able to access the appropriate rate schedules, there should be a commitment for KCPL and GMO to clearly identify the electric service provider on customer bills. As such, MECG proposes the following condition:

> KCPL and GMO agree, prior to implementing any name change, that customer billing systems will be able to clearly designate on the customer's bill the customer's electric service provider in a manner that customers will be able to access the appropriate rate schedules.

**Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

A. It is my recommendation that, to make the merger comply with the "not detrimental to the public" standard, the Commission should impose, in addition to those recommended by Mr. Chriss, the following conditions:

1. *Transition Costs*: Neither GMO nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that were incurred prior to the test year in each future general rate case proceeding, or that are in excess of the benefits that these transition costs have attained, as recognized within such future general rate case proceedings.

KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits.

2. *Tax Allocation Agreement*: "No preferential treatment of Affiliated entities shall occur as a result of Tax Allocation Agreement terms or procedures." With regard to Applicants' Proffered Merger Commitments and Conditions number 31(a), I also recommend that a sentence be added to indicate that "The new holding company's adopted Tax Allocation Agreement shall be included among the corporate cost allocations and affiliate transaction protocols included in the audit." Finally, with regard to Applicants' Proffered Merger Commitments and Conditions number 33, I recommend that the scope of the meetings and filed updates to the Cost Allocation Manual include documentation and quantification of allocations and transactions arising from the affiliate Tax Allocation Agreements effected by the new holding company

3. *Future Corporate Transactions*: The consolidated parent company agrees that it will not, directly or indirectly, acquire or merge with a public utility or the affiliate of a public utility, where such affiliate has a controlling interest in a public utility unless the consolidated parent company has requested prior approval for such a transaction from the Commission and the Commission has found that no detriment to the public would result from the transaction.

4. *Customer Bills*: KCPL and GMO agree, prior to implementing any name change, that customer billing systems will be able to clearly designate on the customer's bill the customer's electric service provider in a manner that customers will be able to access the appropriate rate schedules.

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

A. Yes.

**Michael L. Brosch**
Utilitech, Inc. – President
Bachelor of Business Administration (Accounting)
University of Missouri-Kansas City (1978)
Certified Public Accountant Examination (1979)

**GENERAL**

Mr. Brosch serves as the director of regulatory projects for the firm and is responsible for the planning, supervision and conduct of firm engagements. His academic background is in business administration and accounting and he holds CPA certificates in Kansas and Missouri. Expertise is concentrated within regulatory policy, financial and accounting areas with an emphasis in public utility revenue requirements, cost allocations, rate design, business reorganization and alternative regulation.

**EXPERIENCE**

Mr. Brosch has supervised and conducted the preparation of rate case exhibits and testimony in support of revenue requirements and regulatory policy issues involving more than 100 electric, gas, telephone, water, and sewer proceeding across the United States. Responsible for virtually all facets of revenue requirement determination, cost of service allocations and tariff implementation in addition to involvement in numerous utility merger, alternative regulation, utility merger proceedings and other special project investigations.

Industry restructuring analysis for gas utility rate unbundling, electric deregulation, competitive bidding and strategic planning, with testimony on regulatory processes, asset identification and classification, revenue requirement and unbundled rate designs and class cost of service studies.

Analyzed and presented testimony regarding income tax related issues within ratemaking proceedings involving interpretation of relevant Internal Revenue Code provisions, accounting for income taxes and applicable regulatory restrictions.

Conducted extensive review of the economic impact upon regulated utility companies of various transactions involving affiliated companies. Reviewed the parent-subsidiary relationships of integrated electric and telephone utility holding companies to determine appropriate treatment of consolidated tax benefits and capital costs. Sponsored testimony on affiliated interests in numerous Bell and major independent telephone company rate proceedings.

Has substantial experience in the application of lead-lag study concepts and methodologies in determination of working capital investment to be included in rate base.

Conducted alternative regulation analyses for clients in Arizona, California, Hawaii, Oklahoma and Texas, focused upon challenges introduced by cost-based regulation, incentive effects available through alternative regulation and balancing of risks, opportunities and benefits among stakeholders.

Mr. Brosch managed the detailed regulatory review of utility mergers and acquisitions, diversification studies and holding company formation issues in energy and telecommunications transactions in multiple states. Sponsored testimony regarding merger synergies, merger accounting and tax implications, regulatory planning and price path strategies. Traditional horizontal utility mergers as well as leveraged buyouts of utility properties by private equity investors were addressed in several states.

Analyzed the utilization of alternative forms of regulation for energy and telecommunications utilities, including formula ratemaking, deferral/amortization accounting, rate adjustment riders and revenue decoupling methodologies. Mr. Brosch has been involved in the design of alternative regulation structures and tariffs and has addressed the attrition considerations and management efficiency incentive impacts arising from alternative regulation. Has been responsible for administration of alternative regulation filings in multiple jurisdictions.

## WORK HISTORY

| | |
|---|---|
| 1985 - Present | **Principal** - Utilitech, Inc. |
| 1983 - 1985: | **Project manager** - Lubow McKay Stevens and Lewis. Responsible for supervision and conduct of utility regulatory projects on behalf of industry and regulatory agency clients. |
| 1982 - 1983: | **Regulatory consultant** - Troupe Kehoe Whiteaker and Kent. Responsible for management of rate case activities involving analysis of utility operations and results, preparation of expert testimony and exhibits, and issue development including research and legal briefs. Also involved in numerous special projects including financial analysis and utility systems planning. Taught firm's professional education course on "utility income taxation - ratemaking and accounting considerations" in 1982. |
| 1978 - 1982: | **Senior Regulatory Accountant** - Missouri Public Service Commission. Supervised and conducted rate case investigations of utilities subject to PSC jurisdiction in response to applications for tariff changes. Responsibilities included development of staff policy on ratemaking issues, planning and evaluating work of outside consultants, and the production of comprehensive testimony and exhibits in support of rate case positions taken. |

## OTHER QUALIFICATIONS

Bachelor of Business Administration - Accounting, 1978
University of Missouri - Kansas City "with distinction"

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|---|---|
| Member | American Institute of Certified Public Accountants<br>Missouri Society of Certified Public Accountants<br>Kansas Society of Certified Public Accountants |
| Attended | Iowa State Regulatory Conference 1981, 1985<br>Regulated Industries Symposium 1979, 1980<br>Michigan State Regulatory Conference 1981<br>United States Telephone Association Round Table 1984<br>NARUC/NASUCA Annual Meeting 1988, Speaker<br>NARUC/NASUCA Annual Meeting 2000, Speaker<br>NASUCA Regional Consumer Protection Meeting 2007, Speaker |
| Instructor | INFOCAST Ratemaking Courses<br>Arizona Staff Training<br>Hawaii Staff Training |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Green Hills Telephone Company | Missouri | PSC | TR-78-282 | Staff | 1978 | Rate Base, Operating Income |
| Kansas City Power and Light Co. | Missouri | PSC | ER-78-252 | Staff | 1978 | Rate Base, Operating Income |
| Missouri Public Service Company | Missouri | PSC | ER-79-59 | Staff | 1979 | Rate Base, Operating Income |
| Nodaway Valley Telephone Company | Missouri | PSC | 16,567 | Staff | 1979 | Rate Base, Operating Income |
| Gas Service Company | Missouri | PSC | GR-79-114 | Staff | 1979 | Rate Base, Operating Income |
| United Telephone Company | Missouri | PSC | TO-79-227 | Staff | 1979 | Rate Base, Operating Income |
| Southwestern Bell Telephone Co. | Missouri | PSC | TR-79-213 | Staff | 1979 | Rate Base, Operating Income |
| Missouri Public Service Company | Missouri | PSC | ER-80-118<br>GR-80-117 | Staff | 1980 | Rate Base, Operating Income |
| Southwestern Bell Telephone Co. | Missouri | PSC | TR-80-256 | Staff | 1980 | Affiliate Transactions |
| United Telephone Company | Missouri | PSC | TR-80-235 | Staff | 1980 | Affiliate Transactions, Cost Allocations |
| Kansas City Power and Light Co. | Missouri | PSC | ER-81-42 | Staff | 1981 | Rate Base, Operating Income |
| Southwestern Bell Telephone | Missouri | PSC | TR-81-208 | Staff | 1981 | Rate Base, Operating Income, Affiliated Interest |
| Northern Indiana Public Service | Indiana | PSC | 36689 | Consumers Counsel | 1982 | Rate Base, Operating Income |
| Northern Indiana Public Service | Indiana | URC | 37023 | Consumers Counsel | 1983 | Rate Base, Operating Income, Cost Allocations |
| Mountain Bell Telephone | Arizona | ACC | 9981-E1051-81-406 | Staff | 1982 | Affiliated Interest |
| Sun City Water | Arizona | ACC | U-1656-81-332 | Staff | 1982 | Rate Base, Operating Income |
| Sun City Sewer | Arizona | ACC | U-1656-81-331 | Staff | 1982 | Rate Base, Operating Income |
| El Paso Water | Kansas | City Counsel | Unknown | Company | 1982 | Rate Base, Operating Income, Rate of Return |
| Ohio Power Company | Ohio | PUCO | 83-98-EL-AIR | Consumer Counsel | 1983 | Operating Income, Rate Design, Cost Allocations |
| Dayton Power & Light Company | Ohio | PUCO | 83-777-GA-AIR | Consumer Counsel | 1983 | Rate Base |
| Walnut Hill Telephone | Arkansas | PSC | 83-010-U | Company | 1983 | Operating Income, Rate Base |
| Cleveland Electric Illum. | Ohio | PUCO | 84-188-EL-AIR | Consumer Counsel | 1984 | Rate Base, Operating Income, Cost Allocations |
| Cincinnati Gas & Electric | Ohio | PUCO | 84-13-EL-EFC | Consumer Counsel | 1984 | Fuel Clause |
| Cincinnati Gas & Electric | Ohio | PUCO | 84-13-EL-EFC (Subfile A) | Consumer Counsel | 1984 | Fuel Clause |
| General Telephone - Ohio | Ohio | PUCO | 84-1026-TP-AIR | Consumer Counsel | 1984 | Rate Base |
| Cincinnati Bell Telephone | Ohio | PUCO | 84-1272-TP-AIR | Consumer Counsel | 1985 | Rate Base |
| Ohio Bell Telephone | Ohio | PUCO | 84-1535-TP-AIR | Consumer Counsel | 1985 | Rate Base |
| United Telephone - Missouri | Missouri | PSC | TR-85-179 | Staff | 1985 | Rate Base, Operating Income |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Wisconsin Gas | Wisconsin | PSC | 05-UI-18 | Staff | 1985 | Diversification-Restructuring |
| United Telephone - Indiana | Indiana | URC | 37927 | Consumer Counsel | 1986 | Rate Base, Affiliated Interest |
| Indianapolis Power & Light | Indiana | URC | 37837 | Consumer Counsel | 1986 | Rate Base |
| Northern Indiana Public Service | Indiana | URC | 37972 | Consumer Counsel | 1986 | Plant Cancellation Costs |
| Northern Indiana Public Service | Indiana | URC | 38045 | Consumer Counsel | 1986 | Rate Base, Operating Income, Cost Allocations, Capital Costs |
| Arizona Public Service | Arizona | ACC | U-1435-85-367 | Staff | 1987 | Rate Base, Operating Income, Cost Allocations |
| Kansas City, KS Board of Public Utilities | Kansas | BPU | 87-1 | Municipal Utility | 1987 | Operating Income, Capital Costs |
| Detroit Edison | Michigan | PSC | U-8683 | Industrial Customers | 1987 | Income Taxes |
| Consumers Power | Michigan | PSC | U-8681 | Industrial Customers | 1987 | Income Taxes |
| Consumers Power | Michigan | PSC | U-8680 | Industrial Customers | 1987 | Income Taxes |
| Northern Indiana Public Service | Indiana | URC | 38365 | Consumer Counsel | 1987 | Rate Design |
| Indiana Gas | Indiana | URC | 38080 | Consumer Counsel | 1987 | Rate Base |
| Northern Indiana Public Service | Indiana | URC | 38380 | Consumers Counsel | 1988 | Rate Base, Operating Income, Rate Design, Capital Costs |
| Terre Haute Gas | Indiana | URC | 38515 | Consumers Counsel | 1988 | Rate Base, Operating Income, Capital Costs |
| United Telephone -Kansas | Kansas | KCC | 162,044-U | Consumers Counsel | 1989 | Rate Base, Capital Costs, Affiliated Interest |
| US West Communications | Arizona | ACC | E-1051-88-146 | Staff | 1989 | Rate Base, Operating Income, Affiliate Interest |
| All Kansas Electrics | Kansas | KCC | 140,718-U | Consumers Counsel | 1989 | Generic Fuel Adjustment Hearing |
| Southwest Gas | Arizona | ACC | E-1551-89-102 E-1551-89-103 | Staff | 1989 | Rate Base, Operating Income, Affiliated Interest |
| American Telephone and Telegraph | Kansas | KCC | 167,493-U | Consumers Counsel | 1990 | Price/Flexible Regulation, Competition, Revenue Requirements |
| Indiana Michigan Power | Indiana | URC | 38728 | Consumer Counsel | 1989 | Rate Base, Operating Income, Rate Design |
| People Gas, Light and Coke Company | Illinois | ICC | 90-0007 | Public Counsel | 1990 | Rate Base, Operating Income |
| United Telephone Company | Florida | PSC | 891239-TL | Public Counsel | 1990 | Affiliated Interest |
| Southwestern Bell Telephone Company | Oklahoma | OCC | PUD-000662 | Attorney General | 1990 | Rate Base, Operating Income (Testimony not admitted) |
| Arizona Public Service Company | Arizona | ACC | U-1345-90-007 | Staff | 1991 | Rate Base, Operating Income |
| Indiana Bell Telephone Company | Indiana | URC | 39017 | Consumer Counsel | 1991 | Test Year, Discovery, Schedule |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Southwestern Bell Telephone Company | Oklahoma | OCC | 39321 | Attorney General | 1991 | Remand Issues |
| UtiliCorp United/ Centel | Kansas | KCC | 175,476-U | Consumer Counsel | 1991 | Merger/Acquisition |
| Southwestern Bell Telephone Company | Oklahoma | OCC | PUD-000662 | Attorney General | 1991 | Rate Base, Operating Income |
| United Telephone - Florida | Florida | PSC | 910980-TL | Public Counsel | 1992 | Affiliated Interest |
| Hawaii Electric Light Company | Hawaii | PUC | 6999 | Consumer Advocate | 1992 | Rate Base, Operating Income, Budgets/Forecasts |
| Maui Electric Company | Hawaii | PUC | 7000 | Consumer Advocate | 1992 | Rate Base, Operating Income, Budgets/Forecasts |
| Southern Bell Telephone Company | Florida | PSC | 920260-TL | Public Counsel | 1992 | Affiliated Interest |
| US West Communications | Washington | WUTC | U-89-3245-P | Attorney General | 1992 | Alternative Regulation |
| UtiliCorp United/ MPS | Missouri | PSC | ER-93-37 | Staff | 1993 | Affiliated Interest |
| Oklahoma Natural Gas Company | Oklahoma | OCC | PUD-1151, 1144, 1190 | Attorney General | 1993 | Rate Base, Operating Income, Take or Pay, Rate Design |
| Public Service Company of Oklahoma | Oklahoma | OCC | PUD-1342 | Staff | 1993 | Rate Base, Operating Income, Affiliated Interest |
| Illinois Bell Telephone | Illinois | ICC | 92-0448<br>92-0239 | Citizens Board | 1993 | Rate Base, Operating Income, Alt. Regulation, Forecasts, Affiliated Interest |
| Hawaii Electric Company | Hawaii | PUC | 7700 | Consumer Advocate | 1993 | Rate Base, Operating Income |
| US West Communications | Arizona | ACC | E-1051-93-183 | Staff | 1994 | Rate Base, Operating Income |
| PSI Energy, Inc. | Indiana | URC | 39584 | Consumer Counselor | 1994 | Rate Base, Operating Income, Alt. Regulation, Forecasts, Affiliated Interest |
| Arkla, a Division of NORAM Energy | Oklahoma | OCC | PUD-940000354 | Attorney General | 1994 | Cost Allocations, Rate Design |
| PSI Energy, Inc. | Indiana | URC | 39584-S2 | Consumer Counselor | 1994 | Merger Costs and Cost Savings, Non-Traditional Ratemaking |
| Transok, Inc. | Oklahoma | OCC | PUD-1342 | Staff | 1994 | Rate Base, Operating Income, Affiliated Interest, Allocations |
| Oklahoma Natural Gas Company | Oklahoma | OCC | PUD-940000477 | Attorney General | 1995 | Rate Base, Operating Income, Cost of Service, Rate Design |
| US West Communications | Washington | WUTC | UT-950200 | Attorney General/ TRACER | 1995 | Operating Income, Affiliate Interest, Service Quality |
| PSI Energy, Inc. | Indiana | URC | 40003 | Consumer Counselor | 1995 | Rate Base, Operating Income |
| Oklahoma Natural Gas Company | Oklahoma | OCC | PUD-880000598 | Attorney General | 1995 | Stand-by Tariff |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| GTE Hawaiian Telephone Co., Inc. | Hawaii | PUC | PUC 94-0298 | Consumer Advocate | 1996 | Rate Base, Operating Income, Affiliate Interest, Cost Allocations |
| Mid-American Energy Company | Iowa | ICC | APP-96-1 | Consumer Advocate | 1996 | Non-Traditional Ratemaking |
| Oklahoma Gas and Electric Company | Oklahoma | OCC | PUD-960000116 | Attorney General | 1996 | Rate Base, Operating Income, Rate Design, Non-Traditional Ratemaking |
| Southwest Gas Corporation | Arizona | ACC | U-1551-96-596 | Staff | 1997 | Operating Income, Affiliated Interest, Gas Supply |
| Utilicorp United - Missouri Public Service Division | Missouri | PSC | EO-97-144 | Staff | 1997 | Operating Income |
| US West Communications | Utah | PSC | 97-049-08 | Consumer Advocate | 1997 | Rate Base, Operating Income, Affiliate Interest, Cost Allocations |
| US West Communications | Washington | WUTC | UT-970766 | Attorney General | 1997 | Rate Base, Operating Income |
| Missouri Gas Energy | Missouri | PSC | GR 98-140 | Public Counsel | 1998 | Affiliated Interest |
| ONEOK | Oklahoma | OCC | PUD980000177 | Attorney General | 1998 | Gas Restructuring, rate Design, Unbundling |
| Nevada Power/Sierra Pacific Power Merger | Nevada | PSC | 98-7023 | Consumer Advocate | 1998 | Merger Savings, Rate Plan and Accounting |
| PacifiCorp / Utah Power | Utah | PSC | 97-035-1 | Consumer Advocate | 1998 | Affiliated Interest |
| MidAmerican Energy / CalEnergy Merger | Iowa | PUB | SPU-98-8 | Consumer Advocate | 1998 | Merger Savings, Rate Plan and Accounting |
| American Electric Power / Central and South West Merger | Oklahoma | OCC | 980000444 | Attorney General | 1998 | Merger Savings, Rate Plan and Accounting |
| ONEOK Gas Transportation | Oklahoma | OCC | 970000088 | Attorney General | 1998 | Cost of Service, Rate Design, Special Contract |
| U S West Communications | Washington | WUTC | UT-98048 | Attorney General | 1999 | Directory Imputation and Business Valuation |
| U S West / Qwest Merger | Iowa | PUB | SPU 99-27 | Consumer Advocate | 1999 | Merger Impacts, Service Quality and Accounting |
| U S West / Qwest Merger | Washington | WUTC | UT-991358 | Attorney General | 2000 | Merger Impacts, Service Quality and Accounting |
| U S West / Qwest Merger | Utah | PSC | 99-049-41 | Consumer Advocate | 2000 | Merger Impacts, Service Quality and Accounting |
| PacifiCorp / Utah Power | Utah | PSC | 99-035-10 | Consumer Advocate | 2000 | Affiliated Interest |
| Oklahoma Natural Gas, ONEOK Gas Transportation | Oklahoma | OCC | 980000683, 980000570, 990000166 | Attorney General | 2000 | Operating Income, Rate Base, Cost of Service, Rate Design, Special Contract |
| U S West Communications | New Mexico | PRC | 3008 | Staff | 2000 | Operating Income, Directory Imputation |
| U S West Communications | Arizona | ACC | T-0105B-99-0105 | Staff | 2000 | Operating Income, Rate Base, Directory Imputation |
| Northern Indiana Public Service Company | Indiana | IURC | 41746 | Consumer Counsel | 2001 | Operating Income, Rate Base, Affiliate Transactions |
| Nevada Power Company | Nevada | PUCN | 01-10001 | Attorney General-BCP | 2001 | Operating Income, Rate Base, Merger Costs, Affiliates |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Sierra Pacific Power Company | Nevada | PUCN | 01-11030 | Attorney General-BCP | 2002 | Operating Income, Rate Base, Merger Costs, Affiliates |
| The Gas Company, Division of Citizens Communications | Hawaii | PUC | 00-0309 | Consumer Advocate | 2001 | Operating Income, Rate Base, Cost of Service, Rate Design |
| SBC Pacific Bell | California | PUC | I.01-09-002<br>R.01-09-001 | Office of Ratepayer Advocate | 2002 | Depreciation, Income Taxes and Affiliates |
| Midwest Energy, Inc. | Kansas | KCC | 02-MDWG-922-RTS | Agriculture Customers | 2002 | Rate Design, Cost of Capital |
| Qwest Communications – Dex Sale | Utah | PSC | 02-049-76 | Consumer Advocate | 2003 | Directory Publishing |
| Qwest Communications – Dex Sale | Washington | WUTC | UT-021120 | Attorney General | 2003 | Directory Publishing |
| Qwest Communications – Dex Sale | Arizona | ACC | T-0105B-02-0666 | Staff | 2003 | Directory Publishing |
| PSI Energy, Inc. | Indiana | IURC | 42359 | Consumer Counsel | 2003 | Operating Income, Rate Trackers, Cost of Service, Rate Design |
| Qwest Communications – Price Cap Review | Arizona | ACC | T-0105B-03-0454 | Staff | 2004 | Operating Income, Rate Base, Fair Value, Alternative Regulation |
| Verizon Northwest Corp | Washington | WUTC | UT-040788 | Public Counsel | 2004 | Directory Publishing, Rate Base, Operating Income |
| Citizens Gas & Coke Utility | Indiana | IURC | 42767 | Consumer Counsel | 2005 | Operating Income, Debt Service, Working Capital, Affiliate Transactions, Alternative Regulation |
| Hawaiian Electric Company | Hawaii | HPUC | 04-0113 | Consumer Advocate | 2005 | Operating Income, Rate Base, Cost of Service, Rate Design |
| Sprint/Nextel Corporation | Washington | WUTC | UT-051291 | Public Counsel | 2006 | Directory Publishing, Corporate Reorganization |
| Puget Sound Energy, Inc. | Washington | WUTC | UE-060266 and UG-060267 | Public Counsel | 2006 | Alternative Regulation |
| Hawaiian Electric Company | Hawaii | HPUC | 05-0146 | Consumer Advocate | 2006 | Community Benefits / Rate Discounts |
| Cascade Natural Gas Company | Washington | WUTC | UG-060259 | Public Counsel | 2006 | Alternative Regulation |
| Arizona Public Service Company | Arizona | ACC | E-01345A-05-0816 | Staff | 2006 | Cost of Service Allocations |
| Hawaiian Electric Company | Hawaii | HPUC | 05-0146 | Consumer Advocate | 2006 | Capital Improvements and Discounted Rates |
| Hawaii Electric Light Company | Hawaii | HPUC | 05-0315 | Consumer Advocate | 2006 | Operating Income, Rate Base, Cost of Service, Rate Design |
| Union Electric Company d/b/a AmerenUE | Missouri | PSC | 2007-0002 | Attorney General | 2007 | Operating Income, Rate Base, Fuel Adjustment Clause |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Hawaiian Electric Company | Hawaii | PUC | 2006-0386 | Consumer Advocate | 2007 | Operating Income, Cost of Service, Rate Design |
| Maui Electric Company | Hawaii | PUC | 2006-0387 | Consumer Advocate | 2007 | Operating Income, Cost of Service, Rate Design |
| The Peoples Gas Light & Coke Company / North Shore Gas Company | Illinois | ICC | 07-0241<br>07-0242 | Attorney General | 2007 | Rate Adjustment Clauses |
| Commonwealth Edison | Illinois | ICC | 07-0566 | Attorney General, City | 2008 | Ratemaking Policy, Rate Trackers |
| Illinois Power Company, Illinois Public Service Co., Central Illinois Public Service Co. | Illinois | ICC | 07-0585 cons. | Attorney General/CUB | 2008 | Rate Adjustment Clauses |
| Southwestern Public Service Company | Texas | PUCT | 35763 | Municipalities | 2008 | Operating Income, Rate Base, Affiliate Transactions |
| The Gas Company | Hawaii | PUC | 2008-0081 | Consumer Advocate | 2009 | Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design |
| Hawaiian Electric Company | Hawaii | PUC | 2008-0083 | Consumer Advocate | 2009 | Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design |
| Commonwealth Edison Company | Illinois | ICC | 09-0263 | Attorney General | 2009 | Rate Adjustment Clauses |
| Avista Corporation Washington WUTC | Washington | WUTC | UG-060518 | Attorney General | 2009 | Rate Adjustment Clauses |
| Kauai Island Utility Cooperative | Hawaii | PUC | 2009-0050 | Consumer Advocate | 2009 | Operating Income, Cooperative Ratemaking Policies, Cost of Service |
| Maui Electric Company | Hawaii | PUC | 2009-0163 | Consumer Advocate | 2010 | Operating Income, Rate Base, Cost of Service, Rate Design |
| Hawaii Electric Light Company | Hawaii | PUC | 2009-0164 | Consumer Advocate | 2010 | Operating Income, Rate Base, Cost of Service, Rate Design |
| Commonwealth Edison Company | Illinois | ICC | 10-0467 | AG / CUB | 2010 | Operating Income, Rate Base |
| Commonwealth Edison Company | Illinois | ICC | 10-0527 | Attorney General | 2010 | Alternative Regulation |
| Atmos Pipeline - Texas | Texas | RCT | GUD 10000 | ATM Cities | 2010 | Operating Income, Rate Base, Cost of Service, Rate Adjustment Clause |
| Ameren Missouri | Missouri | PSC | 2011-0028 | Industrial Customers | 2011 | Operating Income, Rate Base |
| Hawaiian Electric Company | Hawaii | PUC | 2010-0080 | Consumer Advocate | 2011 | Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Utilities, Inc. | Illinois | ICC | 11-0561..0566 | Attorney General | 2011 | Operating Income, Rate Base, Rate Design |
| Commonwealth Edison Company | Illinois | ICC | 11-0721 | AG / CUB | 2011 | Alternative Regulation |
| Utilities, Inc. | Illinois | ICC | 11-0059 RH | AG | 2012 | Rate Design |
| Maui Electric, Ltd. | Hawaii | PUC | 2011-0092 | Consumer Advocate | 2012 | Operating Income, Rate Base, Cost of Service, Rate Design |
| Ameren Illinois Company | Illinois | ICC | 12-0001 | AG/AARP | 2012 | Alternative Regulation |
| Commonwealth Edison Company | Illinois | ICC | 12-0321 | AG | 2012 | Alternative Regulation |
| Ameren Illinois Company | Illinois | ICC | 12-0293 | AG | 2012 | Alternative Regulation |
| Ameren Missouri | Missouri | PSC | ER2012-0166 | Industrials | 2012 | Income Taxes, Alternative Reg |
| Atmos Energy | Texas | RCT | 10170 | Municipals | 2012 | Operating Income, Rate Base |
| The Peoples Gas Light & Coke Company / North Shore Gas Company | Illinois | ICC | 12-0511/0512 | AG | 2012 | Operating Income, Rate Base |
| Ameren Illinois Company | Illinois | ICC | 13-0192 | AG | 2013 | Operating Income, Rate Base |
| Ameren Illinois Company | Illinois | ICC | 13-0301 | AG | 2013 | Alternative Regulation |
| Commonwealth Edison Company | Illinois | ICC | 13-0318 | AG | 2013 | Alternative Regulation |
| Commonwealth Edison Company | Illinois | ICC | 13-0553 | AG | 2013 | Alternative Regulation |
| Commonwealth Edison Company | Illinois | ICC | 13-0589 | AG | 2014 | Refund of Rider Revenues |
| Commonwealth Edison Company | Illinois | ICC | 14-0312 | AG | 2014 | Alternative Regulation |
| Ameren Illinois Company | Illinois | ICC | 14-0317 | AG | 2014 | Alternative Regulation |
| Southwestern Public Service Company | Texas | PUCT | 43695 | Municipals | 2015 | Operating Income, Rate Base |
| Ameren Missouri | Missouri | PSC | 2014-0258 | Industrials | 2015 | Income Taxes |
| Kansas City Power & Light Company | Missouri | PSC | 2014-0370 | Industrials | 2015 | Alternative Regulation, Taxes |
| Commonwealth Edison Company | Illinois | ICC | 15-0287 | AG | 2015 | Alternative Regulation |
| Ameren Illinois Company | Illinois | ICC | 15-0305 | AG | 2015 | Alternative Regulation |
| Hawaiian Electric Companies and NextEra Energy Inc. | Hawaii | PUC | 2015-0022 | Consumer Advocate | 2015 | Merger Issues |
| Florida Power & Light Company | Florida | FPSC | 160021-EI | AARP | 2016 | Regulatory Policy, Rate of Return, Forecast Test Years |
| Southwestern Public Service Company | Texas | PUCT | 45524 | Municipals | 2016 | Operating Income, Rate Base |
| Commonwealth Edison Company | Illinois | ICC | 16-0259 | AG | 2016 | Alternative Regulation |

| Utility Company | State | Tribunal | Case Number | Client | Year | Issues Addressed |
|---|---|---|---|---|---|---|
| Ameren Illinois Company | Illinois | ICC | 16-0262 | AG | 2016 | Alternative Regulation |
| Texas-Kansas-Oklahoma Gas, LLC. | Kansas | KCC | 15-TKOG-236-COM | Farmers | 2016 | Billing Dispute |
| Young Brothers, Ltd. | Hawaii | PUC | 2016-0014 | Consumer Advocate | 2016 | Revenue Requirement, Jurisdictional Allocations |
| Kansas City Power & Light Company | Missouri | PSC | 2016-0285 | Industrials | 2016 | Alternative Regulation |
| Hawaii Electric Light Company | Hawaii | PUC | 2015-0170 | Consumer Advocate | 2017 | Revenue Requirement, Class Allocations, Rate Design |
| Commonwealth Edison Company | Illinois | ICC | 17-0196 | AG | 2017 | Alternative Regulation |
| Puget Sound Energy | Washington | WUTC | UE-170022/UG-170034 | AG | 2017 | Alternative Regulation |
| Hawaiian Electric Company | Hawaii | PUC | 2016-0328 | Consumer Advocate | 2017 | Revenue Requirement, Class Allocations, Rate Design |
| Southwestern Public Service Company | Texas | PUCT | 46936 | Municipals | 2016 | Regulatory Policy, Resource Plans |

# SCHEDULE MLB-1

KCPL and KCPL GMO
Case Name: Application for Approval of Merger
Case Number: EM-2018-0012

Response to Woodsmall David Interrogatories - MECG_20171003
Date of Response: 10/23/2017

Question: 1/1/2017

**[Merger Related Costs].** Please provide the following information with respect to costs incurred by Great Plains Energy, KCP&L and GMO to date in connection with Westar merger-related activities (pending and previously announced transaction):

a) Definitions and work order numbers being used to identify, isolate and track merger transaction, transition, integration and other categories of costs associated with merger-related activities within each entity recording such costs.

b) Monthly and cumulative charges, by payee (where any individual monthly charges exceed $10,000), by month and FERC Account, of all recorded charges in each category of costs included in your response to part (a), since January 1, 2016 to date, recorded on the books of: i) Great Plains Energy, Inc.

ii) KCP&L

iii) KCP&L GMO

c) For each major payee identified in your response to part (b), please provide a concise statement of the nature of services provided, with reference to specimen work product(s) resulting from the vendor's services (e.g., appraisal reports, actuarial studies, fairness opinions, etc.)

d) Explain the Company's proposed ratemaking treatment for each category of costs included in your response to part (a) in future KCP&L and GMO rate cases.

e) Describe each form of accounting authority order, deferral/amortization or other atypical accounting procedure, if any, that is expected to be proposed for utilization by KCP&L or GMO in connection with each category of costs included in your response to part (a).

Response:

a) See attachment Q_MECG_1-1_Westar acquisition final.ppt which outlines the accounting distribution used to identify and track transaction and transition costs associated with merger-related activities.

b) See attachment Q_MECG_1-1 Transaction-Transition Costs 092017.xlsx for a detail of monthly and cumulative transition and transaction costs by FERC account and by payee since January 1, 2016. As described in the accounting guidelines described in the attachment provided above in response to question a) all charges are recorded on the books of Great Plains Energy Incorporated. None of such charges are coded directly to the books of the operating utilities, Kansas City Power & Light Company or KCP&L Greater Missouri Operations Company.

c) See the response provided in question b) above for descriptions of the nature of services or charges by major payee.

d & e) Costs identified as transaction costs and their ultimate exclusion from retail rates is described in Mr. Darrin Ives Direct Testimony beginning on page 11, line 5 and ending on page 12, line 6. Great Plains Energy has internal processes in place to ensure transaction costs are recorded properly in accordance with FERC and GAAP reporting and to ensure they will be excluded from GMO and KCP&L's cost of service.

Regarding transition costs identified in Mr. Steve Busser's Direct Testimony on page 36, Table 3, ultimately, all of the $71.8 million in transition costs listed will be requested for deferral. It is anticipated that in KCP&L's and GMO's upcoming rate cases that actual transition costs that have occurred through the update/true-up period in those cases will be requested for deferral treatment and subsequently amortized over a period of time (example: 4 or 5 years). Future transition costs after the update period will be requested for deferral and amortization treatment in future rate cases. The annual amount requested for transition cost amortization will be compared to annual efficiency savings included in the revenue requirement calculations to ensure efficiency savings exceed transition cost amortization.

The anticipated date when transition costs will begin to be amortized will coincide with the rate effective date of each rate case. Transition costs that have actually occurred through the update/true-up period in the rate cases will be requested for deferral and will begin to be amortized beginning with the effective date of rates for each jurisdictional rate case filed.

**Response Provided By:** Ron Klote, Regulatory Affairs and Mark Foltz, Accounting

**Attachments:**
Q1-1 Transaction-Transaction Costs 092017.xlsx
Q1-1_Accounting Distribution - Westar acquisition final.xlsx
Q1-1_Verification.pdf

Great Plains Energy Incorporated
Case No. EM-2018-0012
Merger Related Costs - Transition Costs
Q: MECG 1-1

| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| 2017 OFFICE 365 EXCH MIGRATION | 921000 | (blank) | 214.20 | |
| | 921000 Total | | 214.20 | |
| | 923000 | DCR WORKFORCE INC | 71,921.88 | Contract personnel engaged to assist in implementation of Microsoft Office 365 to enable employee email and calendar sharing between GPE and Westar. |
| | | HORIZONS CONSULTING INC | 118,337.50 | Consultant engaged to assist in implementation of Microsoft Office 365 to enable employee email and calendar sharing between GPE and Westar. |
| | | INSIGHT GLOBAL LLC | 4,176.00 | |
| | | (blank) | 51,439.00 | Accrual to be reversed in October. |
| | 923000 Total | | 245,874.38 | |
| | 935000 | (blank) | 550.00 | |
| | 935000 Total | | 550.00 | |
| 2017 OFFICE 365 EXCH MIGRATION Total | | | 246,638.58 | |
| Compliance | 921000 | (blank) | 3,317.10 | |
| | 921000 Total | | 3,317.10 | |
| | 923000 | TOWERS WATSON DELAWARE INC | 46,423.02 | Consultation on the integration of GPE and Westar executive compensation policies. |
| | | (blank) | - | |
| | 923000 Total | | 46,423.02 | |
| | 930201 | ANN D MURTLOW | 12,000.00 | Director fees for special meetings. Transferred to Transaction Costs. |
| | | JOHN J SHERMAN | 10,500.00 | Director fees for special meetings. Transferred to Transaction Costs. |
| | | RANDALL C FERGUSON JR | 10,500.00 | Director fees for special meetings. Transferred to Transaction Costs. |
| | | SANDRA J PRICE | 13,500.00 | Director fees for special meetings. Transferred to Transaction Costs. |
| | | SCOTT D GRIMES | 9,000.00 | Director fees for special meetings. Transferred to Transaction Costs. |
| | | (blank) | (55,500.00) | Director fees for special meetings. Transferred to Transaction Costs. |
| | 930201 Total | | - | |
| Compliance Total | | | 49,740.12 | |
| Corporate Communications | 417100 | (blank) | 5,027.82 | |
| | 417100 Total | | 5,027.82 | |
| | 426500 | (blank) | 1,317.24 | |
| | 426500 Total | | 1,317.24 | |
| | 921000 | 1200 CHIEFS OWNER LLC | 180 | |
| | | (blank) | 3,712 | |
| | 921000 Total | | 3,892 | |
| | 923000 | BUSINESS WIRE INC | 6,136 | |
| | | GLOBAL PRAIRIE LLC | 636,794 | Consultation on internal employee communications regarding merger and integration matters. |
| | | J FRANK ASSOCIATES LLC | 91,521 | Consultation on public and investor relations matters. Identified for transfer to Transaction Costs. |
| | | PARALLEL STRATEGIES | 47,473 | Identified for transfer to Transaction Costs. |
| | | (blank) | (3,399) | |
| | 923000 Total | | 778,524 | |
| Corporate Communications Total | | | 788,761 | |
| Corporate Security | 921000 | ANIXTER INC | 78,303 | Cost to upgrade certain physical security badge readers to enable access of GPE and Westar employees on merger Day 1. |
| | | C&C SALES INC | 45,412 | Installation of upgraded physical security badge readers to enable access of GPE and Westar employees on merger Day 1. |
| | | (blank) | 3,224 | |
| | 921000 Total | | 126,939 | |
| | 923000 | JACKSON MAIN ARCHITECTURE PS | 30,000 | Design and engineering services to install upgraded physical security badge readers to enable access of GPE and Westar employees on merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 30,000 | |
| Corporate Security Total | | | 156,939 | |

Great Plains Energy Incorporated
Case No. EM-2018-0012
Merger Related Costs - Transition Costs
Q: MECG 1-1

| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| Culture | 426500 | (blank) | 680 | |
| | 426500 Total | | 680 | |
| | 921000 | (blank) | 1,068 | |
| | 921000 Total | | 1,068 | |
| | 923000 | STRATEGIC TALENT SOLUTIONS | 465,478 | Consultation on organization assessment and design. |
| | | (blank) | - | |
| | 923000 Total | | 465,478 | |
| Culture Total | | | 467,226 | |
| DEFAULT | 186200 | (blank) | (15,000,000) | Reclassified to Transaction Costs. |
| | 186200 Total | | (15,000,000) | |
| | 214800 | (blank) | - | |
| | 214800 Total | | - | |
| | 417100 | BRACEWELL & GIULIANI LLP | 1,850,154 | Reclassified to Transaction Costs. |
| | | BUSINESS WIRE INC | 5,839 | Reclassified to Transaction Costs. |
| | | (blank) | (1,855,993) | Reclassified to Transaction Costs. |
| | 417100 Total | | 0 | |
| | 426500 | (blank) | 15,000,000 | |
| | 426500 Total | | 15,000,000 | Reclassified to Transaction Costs. |
| | 431015 | (blank) | - | |
| | 431015 Total | | - | |
| | 921000 | OFFICEMAX | 45 | Reclassified to Transaction Costs. |
| | | STL COMMUNICATIONS INC | 1,095 | Reclassified to Transaction Costs. |
| | | THE PITNEY BOWES BANK INC | 1,269 | Reclassified to Transaction Costs. |
| | | ZONES INC | 681 | Reclassified to Transaction Costs. |
| | | (blank) | (3,091) | Reclassified to Transaction Costs. |
| | 921000 Total | | (0) | |
| | 923000 | BRACEWELL & GIULIANI LLP | 1,635 | Reclassified to Transaction Costs. |
| | | DENTON US LLP | 65,461 | Reclassified to Transaction Costs. |
| | | ENOVATION PARTNERS LLC | 470,040 | Reclassified to Transaction Costs. |
| | | FISCHER & DORITY | 74,035 | Reclassified to Transaction Costs. |
| | | GOODMANS LLP | 5,536 | Reclassified to Transaction Costs. |
| | | INNISFREE M&A INCORPORATED | 17,500 | Reclassified to Transaction Costs. |
| | | MORGAN LEWIS & BOCKIUS LLP | 3,096 | Reclassified to Transaction Costs. |
| | | (blank) | (637,303) | Reclassified to Transaction Costs. |
| | 923000 Total | | (0) | |
| | 928000 | (blank) | - | |
| | 928000 Total | | - | |
| | 930200 | (blank) | - | |
| | 930200 Total | | - | |
| DEFAULT Total | | | (0) | |
| Environmental | 921000 | (blank) | 1,185 | |
| | 921000 Total | | 1,185 | |
| Environmental Total | | | 1,185 | |
| Facilities | 921000 | 1200 CHIEFS OWNER LLC | 12,102 | |
| | | THE WINBURY GROUP OF KC INC | 500 | |
| | | XPEDX | 36 | |
| | | (blank) | 164 | |
| | 921000 Total | | 12,802 | |
| Facilities Total | | | 12,802 | |
| FERC Compliance | 921000 | (blank) | 3,981 | |
| | 921000 Total | | 3,981 | |
| | 928000 | (blank) | (0) | |
| | 928000 Total | | (0) | |
| | 930200 | (blank) | 53 | |
| | 930200 Total | | 53 | |
| FERC Compliance Total | | | 4,035 | |
| Finance & Accounting | 426500 | (blank) | 17 | |
| | 426500 Total | | 17 | |
| | 921000 | (blank) | 14,564 | |
| | 921000 Total | | 14,564 | |
| | 923000 | DELOITTE TAX LLP | 206,407 | Tax consulting services regarding Foreign Investment in Real Property Tax Act compliance. |
| | | EMTEC CONSULTING SERVICES LLC | 172 | |
| | | ERNST & YOUNG LLP | 2,559 | |
| | | (blank) | - | |
| | 923000 Total | | 209,138 | |
| Finance & Accounting Total | | | 223,719 | |

Great Plains Energy Incorporated
Case No. EM-2018-0012
Merger Related Costs - Transition Costs
Q: MECG 1-1

| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| HR | 417100 | (blank) | 5 | |
| | 417100 Total | | 5 | |
| | 426500 | (blank) | 611 | |
| | 426500 Total | | 611 | |
| | 921000 | MIDWEST BINDING SYSTEMS | 40 | |
| | | (blank) | 15,728 | |
| | 921000 Total | | 15,768 | |
| | 923000 | DCR WORKFORCE INC | 74,028 | Contract personnel engaged to facilitate integration of GPE and Westar HR systems. |
| | | MERCER | 69,912 | Consultation on the integration of GPE and Westar executive compensation policies. |
| | | SPENCER FANE BRITT & BROWNE LLP | 4,176 | |
| | | STRATEGIC TALENT SOLUTIONS | 75,750 | Consultation regarding HR Operating model including Capability & Interest Survey and Culture Assessment. |
| | | TALENTWISE INC | 3,978 | |
| | | TOWERS WATSON DELAWARE INC | 62,074 | Consultation on the integration of GPE and Westar executive compensation policies. |
| | | (blank) | (0) | |
| | 923000 Total | | 289,918 | |
| HR Total | | | 306,301 | |
| INT - 62000R F&A DAY 1 SUPPORT | 923000 | DCR WORKFORCE INC | 85,371 | Contract personnel engaged to assist in the preparation of Finance & Accounting systems of GPE and Westar for merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 85,371 | |
| INT - 62000R F&A DAY 1 SUPPORT Total | | | 85,371 | |
| INT - 62006R HR DAY 1 SUPPORT | 923000 | DCR WORKFORCE INC | 82,817 | Contract personnel engaged to assist in the preparation of Human Resources systems of GPE and Westar for merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 82,817 | |
| INT - 62006R HR DAY 1 SUPPORT Total | | | 82,817 | |
| INT - 62049R - SAFETY SOLUTION | 923000 | DCR WORKFORCE INC | 3,995 | |
| | | (blank) | - | |
| | 923000 Total | | 3,995 | |
| INT - 62049R - SAFETY SOLUTION Total | | | 3,995 | |
| INT-61940R IT GOVERNANCE/PROC | 923000 | DCR WORKFORCE INC | 9,318 | |
| | | (blank) | - | |
| | 923000 Total | | 9,318 | |
| INT-61940R IT GOVERNANCE/PROC Total | | | 9,318 | |
| INT-61942R SERV MGMT/END USER | 923000 | DCR WORKFORCE INC | 47,447 | Contract personnel engaged to assist in the preparation of server management and end user access to GPE and Westar systems for merger Day 1. |
| | | (blank) | 6,492 | |
| | 923000 Total | | 53,939 | |
| INT-61942R SERV MGMT/END USER Total | | | 53,939 | |
| INT-61943R INTEGRATED EMAIL | 923000 | DCR WORKFORCE INC | 4,656 | |
| | | (blank) | - | |
| | 923000 Total | | 4,656 | |
| INT-61943R INTEGRATED EMAIL Total | | | 4,656 | |
| INT-61944R SECURITY | 921000 | (blank) | 150 | |
| | 921000 Total | | 150 | |
| | 923000 | DCR WORKFORCE INC | 1,078 | |
| | | FORSYTHE SOLUTION GROUP INC | 190 | |
| | | (blank) | - | |
| | 923000 Total | | 1,268 | |
| INT-61944R SECURITY Total | | | 1,418 | |
| INT-61945R NETWORK SYSTEM | 923000 | DCR WORKFORCE INC | 83,274 | Contract personnel engaged to assist in the preparation of GPE and Westar network systems for merger Day 1. |
| | | (blank) | 0 | |
| | 923000 Total | | 83,274 | |
| INT-61945R NETWORK SYSTEM Total | | | 83,274 | |
| INT-61946R NTWK CONNECTIVITY | 921000 | INSIGHT DIRECT USA INC | 23,162 | Contract personnel engaged to assist in the enablement of GPE and Westar network systems connectivity for merger Day 1. |

Great Plains Energy Incorporated
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| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | accoun | vendor_name | Grand Total | Description |
| | | (blank) | 566 | |
| | 921000 Total | | 23,729 | |
| | 923000 | BURNS & MC DONNELL ENGINEERING CO I | 11,860 | Consultants engaged to assist in the enablement of GPE and Westar network systems connectivity for merger Day 1. |
| | | DCR WORKFORCE INC | 86,553 | Contract personnel engaged to assist in the enablement of GPE and Westar network systems connectivity for merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 98,412 | |
| INT-61946R NTWK CONNECTIVITY Total | | | 122,141 | |
| INT-61947R SUPPLY CHAIN-PORTAL | 923000 | DCR WORKFORCE INC | 2,925 | |
| | | (blank) | - | |
| | 923000 Total | | 2,925 | |
| INT-61947R SUPPLY CHAIN-PORTAL Total | | | 2,925 | |
| INT-61948R CENTRAL COMMUN | 923000 | DCR WORKFORCE INC | 59,762 | Contract personnel engaged to assist in the preparation of GPE and Westar central communications systems for merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 59,762 | |
| INT-61948R CENTRAL COMMUN Total | | | 59,762 | |
| INT-61949R CUSTOMER SERV EXP | 921000 | (blank) | 588 | |
| | 921000 Total | | 588 | |
| | 923000 | DCR WORKFORCE INC | 340 | |
| | | ECCO SELECT | 680 | |
| | | (blank) | - | |
| | 923000 Total | | 1,020 | |
| INT-61949R CUSTOMER SERV EXP Total | | | 1,608 | |
| INT-61959R SCM/OBI REPORTING | 923000 | DCR WORKFORCE INC | 46,413 | Contract personnel engaged to assist in the integration of GPE and Westar Supply Chain Management Oracle Business Intelligence systems for merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 46,413 | |
| INT-61959R SCM/OBI REPORTING Total | | | 46,413 | |
| INT-61960R INV VISIBILITY | 923000 | DCR WORKFORCE INC | 19,473 | Contract personnel engaged to assist in the enablement GPE and Westar Supply Chain Management to have visibility to inventory across the organizations for merger Day 1. |
| | | (blank) | - | |
| | 923000 Total | | 19,473 | |
| INT-61960R INV VISIBILITY Total | | | 19,473 | |
| Integration Planning & Support | 417100 | EXECUTIVE FLIGHT SERVICES INC | 37,889 | Transportation for investor meetings after merger announcement. Identfied for transfer to Transaction Costs. |
| | | (blank) | (37,465) | |
| | 417100 Total | | 424 | |
| | 426500 | (blank) | 3,035 | |
| | 426500 Total | | 3,035 | |
| | 588000 | (blank) | (19) | |
| | 588000 Total | | (19) | |
| | 921000 | 1200 CHIEFS OWNER LLC | 12,008 | |
| | | INTRALINKS INC | 19,113 | Secure data room services to enable data sharing between GPE and Westar. |
| | | OFFICEMAX | 4,083 | |
| | | PITNEY BOWES PRESORT SERVICES INC | 13 | |
| | | TELECOM TECHNOLOGIES INC | 260 | |
| | | VERITIV OPERATING COMPANY | 7 | |
| | | (blank) | 87,181 | Executive Flight Services Invoice $37,889.09 identified for transfer to Transaction Costs. |
| | 921000 Total | | 122,664 | |
| | 923000 | ENOVATION PARTNERS LLC | 1,302,776 | Consultation on intitial efficency study. |
| | | INTRALINKS INC | 53,632 | Secure data room services to enable data sharing between GPE and Westar. |
| | | LITTLER MENDELSON PC | 14,200 | Legal services regarding labor integration and voluntary severance program. |
| | | OBJECT TECHNOLOGY SOLUTIONS INC | 318 | |

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| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| | | PRICEWATERHOUSE COOPERS LLP | 6,100,750 | Consultation on integration process and readiness for merger Day 1. |
| | | STRATEGIC TALENT SOLUTIONS | - | |
| | | (blank) | 333,500 | Accrual to be reversed in October. |
| | 923000 Total | | 7,805,176 | |
| | 930200 | (blank) | 188 | |
| | 930200 Total | | 188 | |
| Integration Planning & Support Total | | | 7,931,469 | |
| IT | 214800 | DELOITTE & TOUCHE LLP | 10,000 | Transferred to Transaction Costs. |
| | | (blank) | (10,000) | Transferred to Transaction Costs. |
| | 214800 Total | | - | |
| | 566000 | (blank) | 67 | |
| | 566000 Total | | 67 | |
| | 920000 | ECCO SELECT | 2,040 | |
| | 920000 Total | | 2,040 | |
| | 921000 | BINARY TREE COM INC | 95,100 | Software, installation and support to enable Active Directory integration between GPE and Westar. |
| | | FORSYTHE SOLUTION GROUP INC | 19,817 | Consultation on cyber security assessment related to the integration of GPE and Westar networks. |
| | | OFFICEMAX | 1,036 | |
| | | TECHNOLOGY GROUP SOLUTIONS LLC | 1,406 | |
| | | TELECOM TECHNOLOGIES INC | 527 | |
| | | TR BURKE CO | 215 | |
| | | UNITE PRIVATE NETWORKS LLC | 40,835 | Private data network links for integration of GPE and Westar networks. |
| | | XEROX CORPORATION | 334 | |
| | | ZONES INC | 2,630 | |
| | | (blank) | 22,670 | |
| | 921000 Total | | 184,570 | |
| | 923000 | AVANAN INC | 32,863 | Enterprise cloud security platform for integration of GPE and Westar systems. |
| | | BINARY TREE COM INC | 6,600 | |
| | | BURNS & MC DONNELL ENGINEERING CO I | 5,305 | |
| | | DCR WORKFORCE INC | 324,206 | Contract personnel engaged to assist in the integration of GPE and Westar systems for merger Day 1. |
| | | ECCO SELECT | 9,180 | |
| | | FORSYTHE SOLUTION GROUP INC | 106,651 | Consultation on cyber security assessment related to the integration of GPE and Westar networks. |
| | | HORIZONS CONSULTING INC | 64,862 | Consultant engaged to assist in implementation of Microsoft Office 365 to enable employee email and calendar sharing between GPE and Westar. |
| | | INSIGHT DIRECT USA INC | 64,392 | Hardware for network connectivity. |
| | | OBJECT TECHNOLOGY SOLUTIONS INC | 15,791 | Contract personnel engaged to assist in the enablement GPE and Westar application access across the organizations for merger Day 1. |
| | | POWER I T LLC | 7,448 | |
| | | PRICEWATERHOUSE COOPERS LLP | 8,355,090 | Consultation on planning, preparation and design in the planned IT integration of GPE and Westar. |
| | | SIRIUS COMPUTER SOLUTIONS INC | 1,206 | |
| | | UTILICAST LLC | 129,768 | Consultant for required Enterprise Architect personnel services to support GPE and Westar Energy integration. |
| | | VERACITY CONSULTING INC | 33,536 | Consultant for required Enterprise Architect personnel services to support GPE and Westar Energy integration. |
| | | (blank) | 0 | |
| | 923000 Total | | 9,156,897 | |
| | 928000 | (blank) | - | |
| | 928000 Total | | - | |
| | 930200 | (blank) | 49 | |
| | 930200 Total | | 49 | |
| | 935000 | (blank) | 375 | |
| | 935000 Total | | 375 | |
| IT Total | | | 9,343,999 | |

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| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| Legal | 921000 | (blank) | 758 | |
| | 921000 Total | | 758 | |
| | 923000 | BLOCK & LEVITON LLP | 175,000 | Reclassified to Transaction Costs. |
| | | CAFER LAW OFFICE LLC | 144,669 | Reclassified to Transaction Costs. |
| | | CRA INTRNATIONAL INC | 38,930 | Reclassified to Transaction Costs. |
| | | DENTON US LLP | 83,917 | Reclassified to Transaction Costs. |
| | | FISCHER & DORITY | 116,870 | Reclassified to Transaction Costs. |
| | | HUSCH BLACKWELL SANDERS LLP | 3,327 | Reclassified to Transaction Costs. |
| | | MORGAN LEWIS & BOCKIUS LLP | 249 | Reclassified to Transaction Costs. |
| | | PIERCE ATWOOD LLP | 672 | Reclassified to Transaction Costs. |
| | | STINSON LEONARD STREET LLP | 10,827 | Reclassified to Transaction Costs. |
| | | (blank) | (857,089) | Reclassified to Transaction Costs. |
| | 923000 Total | | (282,629) | Net correction identified for transfer to Transaction Costs |
| | 930200 | (blank) | 1,520 | |
| | 930200 Total | | 1,520 | |
| Legal Total | | | (280,351) | |
| Marketing & Public Affairs | 426500 | (blank) | 177 | |
| | 426500 Total | | 177 | |
| | 921000 | PITNEY BOWES PRESORT SERVICES INC | 11 | |
| | | (blank) | 10,639 | |
| | 921000 Total | | 10,649 | |
| Marketing & Public Affairs Total | | | 10,827 | |
| Organizational Design & Develo | 417100 | (blank) | - | |
| | 417100 Total | | - | |
| | 426500 | (blank) | 842 | |
| | 426500 Total | | 842 | |
| | 921000 | (blank) | 2,581 | |
| | 921000 Total | | 2,581 | |
| | 923000 | STRATEGIC TALENT SOLUTIONS | 196,475 | Consultation on organization assessment and design, including Organization Design Toolkit. |
| | | (blank) | - | |
| | 923000 Total | | 196,475 | |
| Organizational Design & Develo Total | | | 199,897 | |
| Power Supply & Marketing | 426500 | (blank) | 117 | |
| | 426500 Total | | 117 | |
| | 506000 | (blank) | 40 | |
| | 506000 Total | | 40 | |
| | 557000 | (blank) | 77 | |
| | 557000 Total | | 77 | |
| | 921000 | (blank) | 26,813 | |
| | 921000 Total | | 26,813 | |
| | 930200 | (blank) | 953 | |
| | 930200 Total | | 953 | |
| Power Supply & Marketing Total | | | 28,000 | |
| Regulatory | 426500 | (blank) | 111 | |
| | 426500 Total | | 111 | |
| | 921000 | (blank) | 7,725 | |
| | 921000 Total | | 7,725 | |
| | 923000 | (blank) | - | |
| | 923000 Total | | - | |
| | 928000 | (blank) | 70 | |
| | 928000 Total | | 70 | |
| | 930200 | (blank) | 84 | |
| | 930200 Total | | 84 | |
| Regulatory Total | | | 7,990 | |
| Safety | 921000 | AMERICAN MICRO COMPANY | 5,207 | |
| | | SUMNER GROUP INC | 533 | |
| | | (blank) | 6,356 | |
| | 921000 Total | | 12,096 | |
| Safety Total | | | 12,096 | |
| Sched/conduct Safety mtgs | 921000 | (blank) | - | |
| | 921000 Total | | - | |
| Sched/conduct Safety mtgs Total | | | - | |
| Severance | 921000 | (blank) | 5,981,182 | Severance costs incurred and/or accrued related to GPE Voluntary Employee Exit Program. |
| | 921000 Total | | 5,981,182 | |
| Severance Total | | | 5,981,182 | |

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|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| Sourcing/Supply Chain | 417100 | (blank) | - | |
| | 417100 Total | | - | |
| | 921000 | GAINSYSTEMS INC | 35,730 | Software license and implementation for supply chain planning and inventory optimization. |
| | | INTRALINKS INC | 6,312 | |
| | | MIDWEST BINDING SYSTEMS | 40 | |
| | | OFFICEMAX | 65 | |
| | | (blank) | 28,221 | |
| | 921000 Total | | 70,368 | |
| | 923000 | ALEXANDER OPEN SYSTEMS INC | 21,295 | Modification of purchasing system to enable requisition and purchase order management through Great Plains Energy holding company. |
| | | DCR WORKFORCE INC | 116,638 | Contract labor supporting supply chain savings analysis and planning. |
| | | GAINSYSTEMS INC | 65,017 | Software license and implementation for supply chain planning and inventory optimization. |
| | | POWER ADVOCATE INC | 1,212,557 | Consultant required to assist in spend data cleanse, sourcing support and benchmarking to achieve Supply Chain Management savings. |
| | | PRICEWATERHOUSE COOPERS LLP | 4,378,548 | Consulting support in the execution of Supply Chain Management savings opportunity identification, strategy development and project management. |
| | | SPARESFINDER LIMITED | 25,800 | Consulting on inventory master and taxonomy cleanse to enable inventory savings through the merger. |
| | | (blank) | (16,764) | |
| | 923000 Total | | 5,803,092 | |
| Sourcing/Supply Chain Total | | | 5,873,461 | |
| Steering Team | 417100 | (blank) | 433 | |
| | 417100 Total | | 433 | |
| | 921000 | COMMERCIAL INSTALLATION & CONSTRUC | 358 | |
| | | GSC REMODEL & CONSTRUCTION LLC | 100 | |
| | | WW GRAINGER INC | 2,116 | |
| | | (blank) | 1,023 | |
| | 921000 Total | | 3,596 | |
| Steering Team Total | | | 4,029 | |
| Support Services - overall | 923000 | NASDAQ INC | 735 | |
| | | (blank) | - | |
| | 923000 Total | | 735 | |
| Support Services - overall Total | | | 735 | |
| T&D/Customer Service | 560000 | (blank) | 149 | |
| | 560000 Total | | 149 | |
| | 920000 | (blank) | 12 | |
| | 920000 Total | | 12 | |
| | 921000 | (blank) | 22,864 | |
| | 921000 Total | | 22,864 | |
| | 923000 | JOHN D SCOTT | 4,862 | |
| | | (blank) | - | |
| | 923000 Total | | 4,862 | |
| | 928000 | (blank) | - | |
| | 928000 Total | | - | |
| T&D/Customer Service Total | | | 27,887 | |
| Wolf Creek Integration team | 921000 | (blank) | 49 | |
| | 921000 Total | | 49 | |
| Wolf Creek Integration team Total | | | 49 | |
| Grand Total | | | 31,975,724 | |

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| Sum of amount | | | | |
|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| Branding & Communications | 417100 | (blank) | 47.62 | |
| | 417100 Total | | 47.62 | |
| | 426500 | GLOBAL PRAIRIE LLC | 21,685.00 | Communication consulting regarding merger. |
| | | (blank) | (20,944.64) | Transfer to Close transaction fees. |
| | 426500 Total | | 740.36 | |
| | 921000 | ARTERRA EVENT GALLERY | 1,456.52 | |
| | | CAIN HUMPHREY | 200.00 | |
| | | HARVEST GRAPHICS LLC | 34,538.17 | Communication consulting regarding merger. |
| | | JANELLE GOINS | 108.75 | |
| | | VERITIV OPERATING COMPANY | 106.36 | |
| | | (blank) | 7,601.54 | |
| | 921000 Total | | 44,011.34 | |
| | 923000 | DCR WORKFORCE INC | - | |
| | | GLOBAL PRAIRIE LLC | 450,435.93 | Consulting regarding combined company branding. |
| | | (blank) | 11.90 | |
| | 923000 Total | | 450,447.83 | |
| | 928000 | (blank) | 0.00 | |
| | 928000 Total | | 0.00 | |
| Branding & Communications Total | | | 495,247.15 | |
| BRIDGE FEES | 165008 | (blank) | 0.00 | Bridge financing costs. |
| | 165008 Total | | 0.00 | |
| | 181001 | WEIL GOTSHAL & MANGES LLP | 534,285.59 | Legal fees for bridge financing. |
| | | (blank) | (534,285.59) | Transfer to account 165008 above. |
| | 181001 Total | | (0.00) | |
| | 428000 | (blank) | 53,153,285.59 | Amortization of bridge financing costs. |
| | 428000 Total | | 53,153,285.59 | |
| | 431015 | (blank) | 8,849,983.13 | Interest on bridge financing. |
| | 431015 Total | | 8,849,983.13 | |
| BRIDGE FEES Total | | | 62,003,268.72 | |
| Close transaction | 417100 | BRACEWELL LLP | 0.00 | |
| | | (blank) | 11,679.96 | |
| | 417100 Total | | 11,679.96 | |
| | 426500 | (blank) | 21,685.00 | GLOBAL PRAIRIE LLC fees transferred from Branding transaction fees. |
| | 426500 Total | | 21,685.00 | |
| | 921000 | BROADRIDGE INVESTOR COMMUNICATION | 10,936.92 | |
| | | BUSINESS WIRE INC | 8,154.25 | |
| | | CLAYMAN PROMOTIONAL GROUP INC | 8,033.34 | |
| | | ICE SYSTEMS INC | 2,090.80 | |
| | | INDEPENDENCE COMMUNITY COLLEGE | 125.00 | |
| | | UNDERGROUND VAULTS & STORAGE INC | 60.00 | |
| | | VERITIV OPERATING COMPANY | 10.09 | |
| | | (blank) | 39,445.00 | |
| | 921000 Total | | 68,855.40 | |
| | 923000 | ANN D MURTLOW | 12,000.00 | Director fees for special meetings. Transferred from Transition Costs. |
| | | BERKOWITZ OLIVER LLP | 135,689.05 | Legal fees for merger transaction |
| | | BLOCK & LEVITON LLP | 175,000.00 | Legal fees for merger transaction |
| | | BRACEWELL & GIULIANI LLP | 1,536,741.08 | Legal fees for merger transaction |
| | | BRACEWELL LLP | 4,807,884.26 | Legal fees for merger transaction |
| | | BROADRIDGE INVESTOR COMMUNICATION | 619,145.79 | Communication consulting regarding merger. |
| | | BUSINESS WIRE INC | 3,225.25 | |
| | | CLAYMAN PROMOTIONAL GROUP INC | 77,834.93 | Communication consulting regarding merger. |
| | | COLETTES CATERING LLC | 968.00 | |
| | | COMPUTERSHARE HOLDINGS INC | 40,265.99 | Fee to register shares issued pending merger. |
| | | CORPORATION SERVICE COMPANY | 74.29 | |
| | | DELOITTE & TOUCHE LLP | 357,100.00 | Accounting consultation regarding special proxy |
| | | DENTON US LLP | 12,452.50 | Legal fees for merger transaction |
| | | DONNELLEY FINANCIAL LLC | 669,610.02 | Printing of special proxy. |
| | | DONNELLEY FINANCIAL LLCs | 23,887.50 | Printing of special proxy. |
| | | ENOVATION PARTNERS LLC | 470,039.82 | |
| | | GLOBAL PRAIRIE LLC | 831,101.22 | Communication consulting regarding merger. |
| | | GOLDMAN SACHS & CO | 7,726,506.45 | Investment banking fees for merger, including fairness |
| | | HUSCH BLACKWELL SANDERS LLP | 967.58 | |
| | | INDEPENDENCE COMMUNITY COLLEGE | - | |
| | | INNISFREE M&A INCORPORATED | 173,653.18 | Proxy solicitation fees for merger transaction |
| | | INVESHARE INC | 169.10 | |
| | | J FRANK ASSOCIATES LLC | 203,405.75 | Consultation on public and investor relations matters. |
| | | JOHN J SHERMAN | 10,500.00 | Director fees for special meetings. Transferred from Transition Costs. |

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|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| | | KANSAS CITY AREA DEVELOPMENT COUNCI | 525.00 | |
| | | KANSAS ECONOMIC DEVELOPMENT ALLIANC | 1,953.85 | |
| | | LEVI THORNTON | 150.00 | |
| | | MEDIANT COMMUNICATIONS INC | 8,024.55 | |
| | | PARALLEL STRATEGIES | 59,000.00 | |
| | | PRICEWATERHOUSE COOPERS LLP | 246,000.00 | Accounjting consulting regarding merger valuation |
| | | RANDALL C FERGUSON JR | 10,500.00 | Director fees for special meetings. Transferred from Transition Costs. |
| | | SANDRA J PRICE | 13,500.00 | Director fees for special meetings. Transferred from Transition Costs. |
| | | SCOTT D GRIMES | 9,000.00 | Director fees for special meetings. Transferred from Transition Costs. |
| | | STINSON LEONARD STREET LLP | 10,826.50 | Legal fees for merger transaction |
| | | STRATEGIC TALENT SOLUTIONS | 3,867.24 | |
| | | TOWERS WATSON DELAWARE INC | 10,536.82 | |
| | | WEIL GOTSHAL & MANGES LLP | 47,026.00 | Legal fees for merger transaction |
| | | (blank) | 1,228,189.17 | Various legal fees for merger transferred from |
| | 923000 Total | | 19,537,320.89 | |
| | 930200 | (blank) | 700.00 | |
| | 930200 Total | | 700.00 | |
| | 930201 | (blank) | 34,500.00 | Director fees deferred compensation. |
| | 930201 Total | | 34,500.00 | |
| | 930242 | (blank) | 880,000.00 | Standard & Poors and Moody's credit rating agency |
| | 930242 Total | | 880,000.00 | |
| Close transaction Total | | | 20,554,741.25 | |
| Financing | 165008 | GOLDMAN SACHS BANK USA | 16,913,250.00 | Bridge financing upfront fee. Transferred to Bridge |
| | | SECURITIES & EXCHANGE COMMISSION | 247,970.00 | SEC filing fee on common and preferred stock |
| | | (blank) | (16,913,250.00) | Bridge financing upfront fee. Transferred to Bridge |
| | 165008 Total | | 247,970.00 | |
| | 186200 | (blank) | 15,000,000.00 | Reclass of Bridge financing upfront fee from Transition Costs to Transaction Costs. |
| | 186200 Total | | 15,000,000.00 | |
| | 214800 | DELOITTE & TOUCHE LLP | 35,000.00 | Accounting fees on preferred stock issuance. |
| | | NEW YORK STOCK EXCHANGE | 48,963.00 | NYSE fees for preferred stock issuance |
| | | (blank) | (83,963.00) | Expense deferred fees on redemption. |
| | 214800 Total | | - | |
| | 214900 | DELOITTE & TOUCHE LLP | 75,000.00 | Accounting fees on common stock issuance |
| | | DONNELLEY FINANCIAL LLC | 94,981.50 | Printing of common stock registration statement. |
| | | NEW YORK STOCK EXCHANGE | 226,838.00 | NYSE fees for common stock issuance |
| | | SECURITIES & EXCHANGE COMMISSION | 76,900.00 | SEC registration fee on common stock issuance. |
| | | (blank) | 328,573.62 | |
| | 214900 Total | | 802,293.12 | |
| | 419003 | (blank) | (22,191,780.55) | Interest earned on proceeds of financing |
| | 419003 Total | | (22,191,780.55) | |
| | 426500 | EXECUTIVE FLIGHT SERVICES INC | 17,995.56 | Transportation for investor meetings regarding the |
| | 426500 Total | | 17,995.56 | |
| | 426520 | (blank) | 124,751,423.86 | Preferred stock dividends and redemption fees. |
| | 426520 Total | | 124,751,423.86 | |
| | 427000 | (blank) | - | |
| | 427000 Total | | - | |
| | 431015 | (blank) | - | |
| | 431015 Total | | - | |
| | 921000 | BUSINESS WIRE INC | 2,281.75 | |
| | | COMPUTERSHARE HOLDINGS INC | 2,361.00 | |
| | | DONNELLEY FINANCIAL LLC | 5,136.50 | |
| | | EXECUTIVE FLIGHT SERVICES INC | 44,958.56 | Transportation for investor meetings regarding the |
| | | SANDRA J PRICE | 21.93 | |
| | | (blank) | 379,810.18 | Transfer of Standard & Poors credit review fees from account 930242 below. |
| | 921000 Total | | 434,569.92 | |
| | 923000 | BROADRIDGE INVESTOR COMMUNICATION | 30,521.55 | |
| | | COMPUTERSHARE HOLDINGS INC | 169,011.36 | |
| | | DELOITTE & TOUCHE LLP | 160,125.00 | |
| | | FOLIO FN INVESTMENTS, INC. | 304.28 | |
| | | GOLDMAN SACHS & CO | 5,201,007.40 | Investment banking fees for merger, including fairness opinion. Transferred to Close costs. |
| | | GOLDMAN SACHS BANK USA | 8,849,983.13 | Payment of Bridge financing costs. |
| | | HUNTON & WILLIAMS LLP | 877,911.87 | Legal fees for financing transaction |
| | | J FRANK ASSOCIATES LLC | 139,790.79 | Consulting on communications for merger financing |
| | | PRICEWATERHOUSE COOPERS LLP | 20,000.00 | Accounting consultation regarding financing |

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|---|---|---|---|---|
| work_id_description | account | vendor_name | Grand Total | Description |
| | | WEIL GOTSHAL & MANGES LLP | 55,064.40 | Legal fees for financing transaction |
| | | WESTAR ENERGY | 135,000.00 | Reimburse Westar for audit services related to |
| | | (blank) | (14,884,263.67) | Reclass of Goldman Sachs investment banking fees to Close Costs and payment of Goldman Sachs |
| | 923000 Total | | 754,456.11 | |
| | 930242 | BANK OF AMERICA | 375,000.00 | Standard & Poors credit rating agency review fee. |
| | | MOODYS INVESTORS SERVICE | 835,000.00 | Credit rating review of initial merger and current |
| | | STANDARDS & POOR FINANCIAL SERVICES L | 515,000.00 | Credit rating review of initial merger and current |
| | | STATE OF MISSOURI | 175,025.00 | Filing fee for Articles of Incorporation amendment |
| | | (blank) | (1,395,000.00) | |
| | 930242 Total | | 505,025.00 | |
| Financing Total | | | 120,321,953.02 | |
| Regulatory Approval | 417100 | (blank) | - | |
| | 417100 Total | | - | |
| | 921000 | FEDERAL TRADE COMMISSION | 280,000.00 | FTC fees for merger application |
| | | HAMPTON INN | 14,313.94 | Lodging for regulatory hearings |
| | | MIDWEST BINDING SYSTEMS | 67.89 | |
| | | STATE OF KANSAS | 530,643.21 | Regulatory Assessments for Kansas merger |
| | | SUMNER GROUP INC | 637.96 | |
| | | XEROX CORPORATION | 1,066.64 | |
| | | ZONES INC | 802.00 | |
| | | (blank) | (466,168.18) | Primarily reimbursement from Westar for regulatory assessments from the State of Kansas. |
| | 921000 Total | | 361,363.46 | |
| | 923000 | ARTHUR P HALL | 12,500.00 | |
| | | CAFER LAW OFFICE LLC | 406,796.32 | Legal fees for regulatory process |
| | | CONCENTRIC ENERGY ADVISORS | 937,994.91 | Consulting for regulatory applications. |
| | | CRA INTRNATIONAL INC | 329,743.17 | Consulting for regulatory applications. |
| | | DENTON US LLP | 129,209.77 | Legal fees for regulatory process |
| | | ENOVATION PARTNERS LLC | 574,435.68 | Consulting for regulatory applications. |
| | | FISCHER & DORITY | 171,003.12 | Legal fees for regulatory process |
| | | JAMES PROCTOR CONSULTING | 136,912.50 | Consulting for regulatory applications. |
| | | PIERCE ATWOOD LLP | 1,428.00 | |
| | | PRICEWATERHOUSE COOPERS LLP | 136,057.00 | Consulting for regulatory applications. |
| | | SCOTTMADDEN INC | 80,476.87 | Consulting for regulatory applications. |
| | | STATE OF KANSAS | 31,168.92 | Regulatory Assessments for Kansas merger |
| | | (blank) | 98,707.65 | Various legal fees for regulatory process. Transferred from Transition Costs. |
| | 923000 Total | | 3,046,433.91 | |
| | 928000 | MIDWEST BINDING SYSTEMS | 224.44 | |
| | | PITNEY BOWES INC | 6.60 | |
| | | STATE OF KANSAS | 425,125.73 | Regulatory Assessments for Kansas merger |
| | | SUMNER GROUP INC | 6,216.71 | |
| | | VERITIV OPERATING COMPANY | 352.18 | |
| | | (blank) | (4,434.20) | |
| | 928000 Total | | 427,491.46 | |
| Regulatory Approval Total | | | 3,835,288.83 | |
| Grand Total | | | 207,210,498.97 | |

SCHEDULE MLB-2

IS CONFIDENTIAL

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# SCHEDULE MLB-3

KCPL and KCPL GMO
Case Name: Application for Approval of Merger
Case Number: EM-2018-0012

Response to Woodsmall David Interrogatories - MECG_20171222
Date of Response: 1/11/2018

Question:5-2

**[Tax Allocation Agreement Differences].** In response to KCC Staff Question 52, Applicants state they, "...expect to create a new tax sharing agreement with all entities under the new holding company included [sic] (including all Great Plains Energy and Westar Energy subsidiaries) and that the new agreement is "likely" to be "similar to the existing Great Plains Energy tax allocation agreement" wherein the "deferred tax assets related to net operating losses and tax credits follow the allocation used by the IRS under the IRC Section 1502 consolidated return regulations." Please respond to the following:

a) Confirm that Westar's existing "separate return" basis of accounting for consolidated tax liabilities, NOLs and tax credits is permitted under GAAP and FERC accounting rules and does not violate any IRS regulations, or explain any inability to provide such confirmation and provide citation to accounting or tax rules being violated by Westar.

b) Explain whether and why Great Plains Energy should not adopt the existing Westar TAA "separate return" approach, given the expectation that future regulated KCPL and GMO rate base would likely be lower under the Westar approach because of the attribution of Aquila tax losses to entities other than the regulated utilities under that approach.

c) Do Applicants expect that Westar's future deferred tax assets includable in rate base in 2018 through 2020, upon adoption of the Great Plains Energy form of TAA after the merger, would be larger or smaller when compared to continued utilization of the "separate return" method?

d) Please explain and provide calculations supportive of your response to part (c).

e) Do Applicants expect that KCPL and GMO deferred tax assets includable in rate base in 2018 through 2020, if the existing Westar "separate return" form of TAA were adopted for the consolidated group after the merger, would be larger or smaller than would result from continued utilization of Great Plains' current "benefits for losses" TAA method?

f) Please explain and provide calculations supportive of your response to part (e).

g) If the Great Plains Energy form of TAA is adopted after the merger, would Westar propose ratemaking adjustments be applied in future rate cases to the recorded deferred tax assets for NOL and tax credit carryforward amounts attributed to Westar regulated business units, in order to "continue to calculate its deferred tax assets consistent with how they have been calculated in prior rates cases" under Westar's pre-merger "separate return" method of TAA?

Response:

a) Yes. We believe Westar's separate return method is permitted by GAAP and FERC and does not violate any IRS normalization rules.
b) The current NOL allocation method used by GPE was approved by the Missouri Public Service Commission in the last rate case approved of in Missouri. We do not believe it would be appropriate to change this method for setting rates without seeking approval.
c) We have not made a final determination of which tax allocation methodology will be adopted at the time of the merger for financial statement purposes. If we adopt a method similar to the Great Plains Energy's current tax allocation agreement, we would expect that the deferred tax assets related to NOLs on Westar's financial books would be greater for a period of time until all of the remaining non-regulated Aquila's NOLs are used. However, all deferred tax assets for NOLs and tax credits will still be computed using a separate return method for Westar for setting rates unless a different method is approved by the Commission.
d) No calculations were done since it should not impact the amount of deferred tax assets for NOLs and tax credits that will be included for setting rates for Westar.
e) If we adopt a method similar to the Westar's current tax allocation agreement, we would expect that the deferred tax assets related to NOLs on KCPL and GMO's financial books would be different. However, all deferred tax assets for NOLs and tax credits will still be computed using our current method for KCPL and GMO for setting rates unless a different method is approved by the Commission.
f) No calculations were done since it should not impact the amount of deferred tax assets for NOLs and tax credits that will be included for setting rates for KCPL and GMO.
g) Yes. Westar would make any necessary adjustments needed to continue to compute its deferred tax assets for rate case purposes for NOLs and tax credits using the same method it has consistently used for setting rates in the past.

Response prepared by: Melissa Hardesty, Tax

Attachment: Q5-2_Verification.pdf