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**Missouri Public
Service Commission**

Exhibit No.:

Issue: Stipulation and
Agreement; Merger
Standard

Witness: Greg A. Greenwood

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Westar Energy, Inc.

Case No.: EM-2018-0012

Date Testimony Prepared: February 21, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-2018-0012

SURREBUTTAL TESTIMONY

OF

GREG A. GREENWOOD

ON BEHALF OF

WESTAR ENERGY, INC.

February 2018

Applicant Exhibit No. 7
Date 3/12/18 Reporter [Signature]
File No. EM-2018-0012

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SURREBUTTAL TESTIMONY

OF

GREG A. GREENWOOD

Case No. EM-2018-0012

1

I. INTRODUCTION AND PURPOSE

2 **Q: Please state your name and business address.**

3 A: My name is Greg A. Greenwood. My business address is 818 South Kansas Avenue,
4 Topeka, Kansas 66612.

5 **Q: On whose behalf are you testifying?**

6 A: I am testifying on behalf of Westar Energy, Inc. and Kansas Gas and Electric Company
7 (collectively referred to herein as “Westar”) in this proceeding requesting Missouri Public
8 Service Commission (“Commission”) approval of the amended transaction providing for
9 the merger of Westar and Great Plains Energy Incorporated (“GPE”) (“Merger”). Kansas
10 City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations
11 Company (“GMO”) are also applicants and with Westar and GPE are collectively referred
12 to herein as “Applicants.” In this testimony, the company formed by the Merger will be
13 referred to as “the combined company” or “Holdco.”

14 **Q: Are you the same Greg A. Greenwood who filed Direct Testimony in this proceeding?**

15 A: Yes, I am.

16 **Q: What is the purpose of your Surrebuttal Testimony?**

17 A: The purpose of my testimony is to:

- 1 1) Provide context for Applicants’ Surrebuttal Testimony by generally describing the
2 Stipulation and Agreement filed on January 12, 2018 (“Stipulation”) and
3 introducing the topics that other witnesses for Applicants will be addressing in their
4 surrebuttal testimonies;
- 5 2) Respond to the testimony of witness Karl R. Rábago on behalf of Renew Missouri
6 regarding the standard the Commission should apply in reviewing the Merger and
7 describe how the Merger and Stipulation clearly satisfy the Commission’s standard
8 for approval of mergers that are “not detrimental to the public interest”; and
- 9 3) Address other issues that have been raised by Mr. Rábago (clean energy) and
10 witness Martin R. Hyman (employment) on behalf of the Division of Energy, a unit
11 within the Missouri Department of Economic Development (“MDED”).

12 **Q: How is the balance of your testimony organized?**

13 A: The remaining three sections of my testimony are:

- 14 ▪ **Section II** introduces the Stipulation and identifies Applicants’ other witnesses and
15 the topics they address;
- 16 ▪ **Section III** describes how the Merger satisfies the Commission’s not detrimental
17 to the public interest merger standard; and
- 18 ▪ **Section IV** addresses two policy issues that have been raised by intervenors that
19 relate to clean energy and employment.

1 **Q. Did other parties have an opportunity to review and either comment or sign on to the**
2 **Stipulation?**

3 A. Yes. Applicants had multiple meetings and communications with all the parties who each
4 received a copy of the draft Stipulation to review and comment upon, and who had the
5 option to join the Stipulation.

6 **Q. Please briefly summarize the Rebuttal Testimony of the parties that expressed**
7 **concerns with particular aspects of the Stipulation.**

8 A. MDED (Mr. Hyman) proposes two commitments that would require three additional years
9 of future reporting of employment levels and employment-related savings, respectively,
10 and a third commitment that would require Applicants to coordinate with the Missouri
11 Division of Workforce Development to support retraining and job placement services for
12 Missouri workers that are adversely impacted by the Merger. I will respond to MDED's
13 proposals in Section IV.

14 Renew Missouri (Mr. Rábago) proposes conditions that would effectively change
15 the merger standard in Missouri and require a dramatic expansion of Applicants'
16 development of clean energy resources, energy efficiency programs and a grid
17 modernization program, despite Applicants' existing industry leading efforts in clean
18 energy. In short, Renew Missouri seeks to leverage the opportunity provided by a merger
19 to pursue policy objectives that serve its specific and special interests and not interests
20 appropriate to this proceeding. I will explain how his proposals modify or expand the
21 merger standard in Section III and to the broader regulatory policy implications in Section
22 IV. Mr. Burton Crawford responds to these proposals from a resource planning
23 perspective.

1 The Midwest Energy Consumers Group (“MECG”) (Michael Brosch) proposes to
 2 modify the definition and recovery of transition costs provided for in the Stipulation and
 3 to change the Tax Allocation Agreement and associated ratemaking treatment for taxes that
 4 has been in place for many years. Mr. Ives responds to the transition cost testimony and
 5 Ms. Melissa Hardesty addresses the tax allocation testimony. Finally, MECG (Steve
 6 Chriss) addresses the allocation of bill credits and seeks commitments that would expand
 7 the availability of clean energy tariffs to Missouri customers. Mr. Ives addresses bill
 8 credits and the proposal to offer new clean energy tariffs in his Surrebuttal Testimony.

9 **Q. Does your testimony respond to each and every aspect of these rebuttal testimonies?**

10 A. No. I am focusing only on the most salient points that relate to whether the Stipulation
 11 satisfies the merger standard. Failure to respond to a particular point does not indicate
 12 agreement.

13 **Q. Please summarize the topics that will be addressed by witnesses for Applicants.**

14 A. The topics to be addressed by Applicants’ witnesses are summarized in the following table.

Table 1: Applicants’ Witnesses

Witness	Topics
Greg Greenwood, SVP, Strategy, Westar	Merger Standard, Policy Considerations
Darrin Ives, VP, Regulatory, KCP&L and GMO	Regulatory Commitments and Conditions, Customer Benefits from Merger Savings, and Clean Energy Tariffs
Burton Crawford, Director, Energy Resource Management, KCP&L	Demonstrated Commitment to Clean Energy and Renewables
Melissa Hardesty, Senior Director, Tax, KCP&L	Tax Allocation Agreements
John Reed, CEO, Concentric Energy Advisors, Inc.	National Perspectives

1 on changes to status quo tax allocation methods is not necessary for the Merger to satisfy
2 the “not detrimental to the public interest” standard.

3 While MECG witness Mr. Rábago agrees that the merger standard “is not
4 detrimental to the public interest”⁷ and asserts that he is “absolutely not” proposing a new
5 or different merger standard,⁸ his testimony as to how the standard should be applied
6 certainly implies a new and more rigorous standard. His application of the “no detriment”
7 standard would require Applicants to implement a long list of new clean energy conditions
8 to address issues that are neither created by nor related to the Merger. I will address these
9 conditions proposed by Renew Missouri from a regulatory policy perspective in the next
10 section of my testimony. However, his proposals, if adopted by the Commission, would
11 clearly change the existing merger standard.

12 **Q. Why is that?**

13 A. Essentially, Renew Missouri is asking for conditions that would advance its special interest
14 in renewable and clean energy. These proposals are not related to the Merger and, in fact,
15 are more appropriately addressed in other regulatory proceedings, such as general rate
16 proceedings or integrated resource plan (“IRP”) dockets, that focus on the merits of such
17 matters, where all affected stakeholders have appropriate notice and an opportunity to
18 participate. If the Commission were to order Applicants to adopt these proposals in this
19 Merger proceeding, it would encourage intervenors to vigorously pursue their particular
20 self-interests, regardless of whether those interests are relevant to the Merger. Requiring
21 Applicants to meet the unnecessary conditions proposed by Renew Missouri would

⁷ Rebuttal Testimony of Karl Rábago, at 7.

⁸ *Id.*, at 12.

1 fundamentally alter the balancing test the Commission performs to determine whether the
2 merger meets Missouri's "not detrimental to the public interest" standard.

3 **Q. Does the Merger satisfy the Commission's merger standard?**

4 A. Yes. In my Direct Testimony, I discussed several potential effects of the Merger before
5 concluding that Applicants' proposal satisfied the "not detrimental to the public interest
6 standard." I examined the Merger from various perspectives including financial results,
7 savings attributable to the Merger and the favorable effect on the rates that will be paid by
8 customers of the merged company, positive impacts on the Missouri economy, and
9 maintenance of service quality and safety. This assessment, when combined with the
10 proposed Commitments and Conditions, ensure, that the Merger, as conditioned by the
11 Stipulation, satisfies the Commission's standard. The Merger will create no detriment to
12 the public interest, a conclusion that is affirmed by Staff's agreement to the Stipulation.
13 To the contrary, the Merger will benefit customers, the communities we serve, and the
14 economies of both Missouri and Kansas.

15 **IV. POLICY ISSUES**

16 **Q. What do you address in this section of your Surrebuttal Testimony?**

17 A. I address four policy issues: (1) the effect of the Merger on the Commission's regulatory
18 oversight responsibilities, (2) conditions proposed by Renew Missouri that are intended to
19 result in increased clean energy development, (3) a mischaracterization of Mr. Busser's
20 statements that appear to challenge the validity of his Merger savings analyses, and (4) a
21 proposed condition by MDED that Applicants collaborate to support job training programs
22 for Missouri employees that are adversely impacted by the Merger.

1 **Q. Mr. Rábago alleges that the Merger result in an increase in regulatory oversight**
2 **responsibilities by the Commission. Do you agree?**

3 A. No. Mr. Rábago alleges that interactions among affiliates raises questions about cross-
4 subsidies, noting that Applicants have sought a waiver from the Commission's Affiliate
5 Transaction Rule (4 CSR § 240-20.015). He also suggests that Applicants' commitment
6 to maintain separate books and records for KCP&L and GMO will increase the burden of
7 performing audits.⁹ The Commission has a long history of appropriately granting waivers
8 from the Affiliate Transaction Rules. Granting such a waiver in this case would simply
9 allow the combined companies to provide service to each other at cost and should be
10 undisputed in this case. However, the GPE companies have long operated under a
11 straightforward utility holding company structure with two operating utilities in just two
12 states. The addition of Westar to this holding company structure, simply adds another
13 utility in a state where GPE's subsidiaries KCP&L and GMO already operate.
14 Consequently, the Merger will neither complicate regulation of Holdco's operating utilities
15 nor change the responsibilities of the Commission to any meaningful degree. Cost
16 allocations among utilities within this holding company structure will require a similar
17 level of scrutiny by the Commission as they do today, and the fundamental regulatory
18 oversight will be similar to what exists today.

19 **Q. Mr. Rábago alleges that bigger companies challenge regulatory oversight due to their**
20 **"complexity."¹⁰ Do you agree?**

21 A. No. This is a merger between two companies that are focused on the utility business that
22 will operate under a straightforward utility holding company structure. All capital

⁹ Rebuttal Testimony of Karl Rábago, at 10-11.

¹⁰ *Id.*, at 13.

1 investments remain subject to Commission prudence reviews before they impact customer
2 base rates, a conclusion that is supported by the Surrebuttal Testimony of John Reed.
3 Applicants have committed to provide detailed reports regarding their ability to realize
4 Merger savings, and the Merger transition costs that they will incur. KCP&L and Westar
5 are public companies that routinely report through SEC filings actual capital investments,
6 as well as projected capital investments for the next three years. This information is readily
7 available. Further, Applicants will continue to make annual FERC Form 1 filings and
8 earnings surveillance report submissions that also provide detailed financial information
9 which the Staff or other parties can analyze to determine how both utilities are performing,
10 and assess the fundamental revenue and cost drivers of financial results. The operating
11 utilities of both Westar and GPE have demonstrated their commitment and focus to serving
12 customers safely and reliably, and to maintaining effective operations since the initial
13 transaction was announced in May 2016. The Commission's ability to effectively regulate
14 utilities within its jurisdiction will not be adversely affected by the Merger. For all of these
15 reasons, the Commission will remain an effective, competent regulator.

16 **Q. Turning to the second issue, how would you characterize the proposals of Mr. Rábago**
17 **on behalf of Renew Missouri?**

18 A. Essentially, Mr. Rábago is asking for conditions that would advance Renew Missouri's
19 special interests in renewable and clean energy. Mr. Rábago proposes nine clean energy
20 development commitments as conditions to approval of the Merger. These include
21 commitments to construct additional renewable energy generation and make other changes
22 to the resource portfolio that would impose clean energy requirements on Applicants that
23 are not required under Missouri's "not detrimental to the public interest" merger standard.

1 These proposals are not related to the Merger and are more appropriately addressed in other
2 regulatory proceedings, such as general rate proceedings or dockets that focus on the merits
3 of such matters, where all affected stakeholders have appropriate notice and an opportunity
4 to participate. Moreover, as Applicant witness Burton Crawford describes in his
5 Surrebuttal Testimony, Applicants are demonstrated leaders in clean and renewable energy
6 initiatives.

7 **Q: Is Mr. Rábago regarded as an advocate for clean energy development?**

8 A: Yes, he is, by virtue of his position as Executive Director of Pace Energy and Climate
9 Center (“Pace”), an organization that advocates for clean energy development in regulatory
10 proceedings throughout the United States. As described on the Pace website, the
11 organization’s mission is “to protect the earth’s environment through solutions that
12 transform the ways that society supplies and consumes energy.”¹¹ While that is a worthy
13 mission, it differs from the obligations of the Commission and the utilities under its
14 jurisdiction in matters of utility mergers.

15 **Q. Are any of Mr. Rábago’s proposed conditions necessary to ensure that the Merger is
16 not detrimental to the public interest?**

17 A. No. They serve his organization’s special interests and are not related to the Merger or
18 relevant to the Commission’s merger standard. As noted by Mr. Burton Crawford, the
19 companies will conduct a combined KCP&L/GMO/Westar IRP analysis as part of the
20 KCP&L and GMO 2019 IRP Update. The Merger will not negatively affect KCP&L’s,
21 GMO’s or Westar’s clean energy initiatives. In fact, Applicants will accelerate retirement
22 of certain of Westar’s fossil-fuel generating plants.

¹¹ Pace Energy and Climate Center, About Us, <http://energy.pace.edu/about-us>.

1 **Q. Is the Merger the appropriate forum to consider requiring Westar and KCP&L to**
2 **make the commitments proposed by Mr. Rábago?**

3 A. No. Applicants are already leaders in this area and support these objectives, as Mr.
4 Crawford's Surrebuttal Testimony highlights. Pace's mission is to influence clean energy
5 development, but it should pursue this mission by advocating for its positions in
6 proceedings where all stakeholders can participate and consider the costs, benefits, and
7 risks of alternative policies and strategies. In fact, Pace and Mr. Rábago have offered
8 similar proposals, on behalf of Renew Missouri, in the Commission's Working Case to
9 Explore Emerging Issues in Utility Regulation, No. EW-2017-0245, cited on page 4 of
10 Exhibit KRR-2 to his rebuttal testimony. This is an existing and more appropriate venue
11 for a discussion of his clean energy interests. The Merger may be a convenient forum for
12 Renew Missouri, but it is not the appropriate forum to address the costs, benefits and risks
13 of further expanding Applicants' existing and planned clean energy initiatives.

14 **Q. Is there any evidence to suggest that Applicants require prodding to pursue clean**
15 **energy development?**

16 A. No. Renew Missouri's objective is to promote energy efficiency and renewable energy.
17 As discussed by Mr. Crawford in his Surrebuttal Testimony, KCP&L and Westar are each
18 leaders in the development of clean energy, have continued their efforts since the Merger
19 was announced, and have no plans to discontinue these efforts after the transaction closes,
20 as such actions are consistent with their customers' interests. Applicants will continue to
21 bring new clean energy development opportunities, contracts, and programs to the
22 Commission to be thoroughly vetted in a process where all interested stakeholders
23 participate. For example, as discussed by Applicants' witness Mr. Darrin Ives, KCP&L

1 and GMO have each included tariff proposals in their January 2018 general rate cases to
2 provide greater customer access to renewable energy and to promote efficient use of
3 electricity. Mr. Crawford notes that GPE placed a 300 MW wind facility in service in
4 December 2017 and recently executed two additional wind energy PPAs totaling 444 MW
5 that are expected to provide energy by the end of 2019. Westar added 480 MW of wind
6 energy in late 2016 and early 2017, and it recently issued an RFP seeking proposals for
7 additional wind energy that remain under review. These actions are unrelated to the
8 Merger, are based on detailed planning studies, and are reviewed by the Commission in
9 appropriate forums. Even before considering these recent expansions of wind resources,
10 the combined company's wind resources would make it one of the top five wind producers
11 in the nation.

12 **Q. Turning to the third issue, please respond to Mr. Rábago's attempt to discredit**
13 **Applicants' Merger savings analyses.**

14 A. Mr. Rábago shares broad-ranging opinions of utility mergers and their ability to realize
15 estimated merger savings, presumably based on prior experience.¹² His comments do not
16 reference the Applicants detailed Merger savings analyses as described in the Direct
17 Testimony of Mr. Busser. Mr. Rábago also does not present any detailed analysis of the
18 Merger that he has completed and does not state any specific disagreement with the Merger
19 savings estimates made by Applicants. Instead, he simply identifies a few business risks
20 related to Merger savings discussed by Mr. Busser, and concludes there are risks to
21 achieving all the Merger savings. Mr. Rábago relies on this testimony to support his
22 opinion that the Commission "take the widest possible perspective of the public interest,"

¹² Rebuttal Testimony of Karl Rábago, at 12.

1 presumably to justify his clean energy proposals which, as I discussed earlier, are not
2 related to the Merger.¹³

3 Mr. Rábago goes on to criticize Applicants' Merger Integration Plan by listing
4 snippets taken out of context from Mr. Busser's Direct Testimony that mischaracterize Mr.
5 Busser's analyses and testimony by implying that Mr. Busser views the realization of
6 savings on a line-by-line basis as a certain outcome.¹⁴

7 **Q. Have you reviewed Mr. Busser's savings analyses?**

8 A. Yes. I would note that Mr. Busser is currently Vice President – Risk Management and
9 Controller of GPE, and risk assessment and mitigation as part of his responsibilities. He
10 applied his expertise and experience as leader of the effort to estimate Merger savings.
11 Risk and risk mitigation have been reflected in the estimates and this context contributes
12 to the conclusions that he presents in his direct testimony. As the Executive Vice President
13 who will be responsible for the Integration Success ("IS") group and the individual
14 responsible for overseeing the execution of the Merger integration plan and the Merger
15 savings achievement, my team and I met with Mr. Busser's team on a weekly basis for
16 months and reviewed all of the Merger savings in detail. The IS group responsibilities are
17 presented in my Direct Testimony where I describe the actions we are taking that reinforce
18 our confidence in the ability to realize the estimates of Merger savings.¹⁵

¹³ *Id.*, at 13.

¹⁴ *Id.*, at 15-16.

¹⁵ Direct Testimony of Greg A. Greenwood, at 19-26.

1 **Q: Are Applicants confident that the Merger Integration Plan produced valid estimates**
2 **of savings and that they will be able to execute this plan to realize total savings that**
3 **approximate these estimates?**

4 A: Yes. While we expect that individual line-item estimates will be higher or lower than the
5 pre-closing estimates, we remain confident that we will be able to realize the estimated
6 savings presented in our Application.

7 **Q. Turning to the fourth and final issue that you are addressing, please respond to**
8 **MDED's proposal that Applicants coordinate with the Division of Workforce**
9 **Development to support training and job placement activities for Missouri workers**
10 **that are adversely impacted by the Merger.**

11 A. Applicants have gone to extraordinary lengths to ensure that existing employees who desire
12 to continue their careers with the company can do just that. There will be no Merger-
13 related layoffs. Further, Applicants will maintain current wages and substantially
14 comparable benefits for at least two years. These commitments are discussed in the direct
15 testimonies of Messrs. Bassham and Ives. Mr. Hyman's concern seems to lie with
16 employees who may voluntarily decide to leave the combined company after the Merger.
17 I do not believe it is necessary for Applicants to support and for customers to fund
18 retraining and job placement services for employees who choose to end their employment.

19 **Q. Does this conclude your Surrebuttal Testimony?**

20 A. Yes.

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

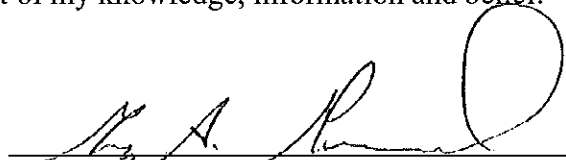
In the Matter of the Application of Great Plains)
Energy Incorporated for Approval of its Merger) Docket No. EM-2018-0012
with Westar Energy, Inc.)

AFFIDAVIT OF GREG A. GREENWOOD

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

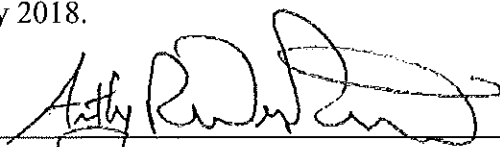
Greg A. Greenwood, being first duly sworn on his oath, states:

1. My name is Greg A. Greenwood. I work in Topeka, Kansas, and I am employed by Westar Energy, Inc. as Senior Vice President, Strategy.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Westar Energy, Inc. consisting of fifteen (15) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Greg A. Greenwood

Subscribed and sworn before me this 21st day of February 2018.



Notary Public

My commission expires: 4/26/2021

