

Exhibit No.:
Issue: Affiliate Transactions Rule Variance
Request; Regulatory Commitments
Witness: Darrin R. Ives
Type of Exhibit: Supplemental Direct Testimony
Sponsoring Party: Great Plains Energy Incorporated;
Kansas City Power & Light
Company; and KCP&L Greater
Missouri Operations Company
Case No.: EE-2017-0113
Date Testimony Prepared: December 9, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EE-2017-0113

SUPPLEMENTAL DIRECT TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

**GREAT PLAINS ENERGY INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri
December 2016**

SUPPLEMENTAL DIRECT TESTIMONY

OF

DARRIN R. IVES

Case No. EE-2017-0113

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

2 A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

4 **Q: Are you the same Darrin R. Ives that provided Direct Testimony on behalf of Great**
5 **Plains Energy Incorporated (“GPE” or “Great Plains Energy”), Kansas City Power**
6 **& Light Company (“KCP&L”) and KCP&L Greater Missouri Operations**
7 **Company (“GMO”) (collectively, “Joint Applicants”) in this case?**

8 A: Yes, I am.

9 **Q: What is the purpose of your supplemental direct testimony?**

10 A: The purpose of my supplemental direct testimony is to offer additional support for the
11 Joint Applicants’ application for a limited variance from Commission Rule 4 CSR 240-
12 20.015 on affiliate transactions (“Application for Variance”) in connection with GPE’s
13 acquisition of Westar Energy, Inc. (the “Transaction”), and specifically to support the
14 Stipulation and Agreement filed by the Joint Applicants and the Office of the Public
15 Counsel on October 26, 2016 (“OPC Stipulation”). I have previously provided direct
16 testimony which addressed the various regulatory conditions that were included in the
17 Application for Variance, as well as the Stipulation and Agreement between Joint
18 Applicants and Staff, both of which were filed on October 12, 2016 (“Staff Stipulation”).

1 **Q: Please describe the additional provisions that were subsequently included in the**
2 **OPC Stipulation.**

3 A: The OPC Stipulation incorporated by reference the provisions of the Staff Stipulation
4 filed on October 12, 2016. In addition, the OPC Stipulation addressed the following
5 areas: (1) Employment in the State of Missouri; (2) Independent Third Party
6 Management Audit of Affiliate Transactions and Corporate Allocations; and (3)
7 Corporate Social Responsibility.

8 **Q: Please explain the provisions included in the section addressing employment in the**
9 **State of Missouri.**

10 A: In Paragraph 2 of the OPC Stipulation, the Joint Applicants agreed that in the first general
11 rate case filed after the closing of the Transaction, KCP&L and GMO will provide direct
12 testimony explaining the employment metrics related to the number of full time
13 employees and the average turnover rate along with any material changes to those metrics
14 since the closing of the Transaction. This direct testimony will include a complete
15 description, supported by schedules or work papers as appropriate, of the Transaction-
16 related labor and all labor related efficiency savings that KCP&L and GMO propose to
17 flow through to the benefit of customers in the form of rates that are lower than they
18 would have been in the absence of the Transaction.

19 KCP&L also agreed that it would not affect an involuntary reduction in the
20 workforce or involuntary retirement program due to the Transaction which results in a
21 reduction in its Missouri-based workforce of greater than 20% for a period of three years
22 after the date of the closing of the Transaction.

1 GPE also committed to maintain its corporate headquarters in Kansas City,
2 Missouri, and honor all terms and conditions of the existing lease for its headquarters
3 office located at 1200 Main Street in Kansas City, Missouri which expires in October
4 2032.

5 The Joint Applicants believe these provisions are reasonable and should be
6 approved by the Commission. The provision of direct testimony explaining the
7 employment metrics and labor-related efficiency savings will facilitate the ratemaking
8 process and explain the benefits of labor-related savings to the Commission,
9 stakeholders, and our customers. We believe this is important, and should be completed
10 by KCP&L and GMO. In addition, while it is expected that the total number of
11 employees of the new combined company will be lower in both states than the sum of the
12 two companies' employees on a stand-alone basis, it is not our intent to reduce employee
13 headcount disproportionately in either Missouri or Kansas. Consistent with this intent
14 and as can be seen in Schedule DRI-2, GPE just recently announced its executive
15 management team that will be put in place upon the closing of the Transaction and, as
16 can be seen on Schedule DRI-3, executive management will be located in both Kansas
17 and Missouri. The provisions regarding Missouri-based workforce after the date of the
18 closing of the Transaction provide reasonable flexibility to the Joint Applicants while
19 also permitting the attainment of savings that will ultimately benefit customers in the
20 form of rates that will be lower than they would have been absent the Transaction.
21 Finally, GPE has a strong commitment to the Kansas City, Missouri area, and has always
22 intended to maintain its corporate headquarters there.

1 **Q: Please explain the provisions included in the section addressing independent third**
2 **party management audit of affiliate transactions and corporate allocations.**

3 A: In Paragraph 5 of the OPC Stipulation, the Joint Applicants have agreed to an
4 independent third party management audit of GPE, KCP&L and GMO corporate cost
5 allocations and affiliate transaction protocols, as more fully described in Paragraph 5 of
6 the OPC Stipulation. A Request For Proposal (“RFP”) will be developed within six
7 months of the closing of the Transaction by a committee of personnel from the Company,
8 Staff and OPC to solicit bids for the third party auditor. The selection of a successful
9 bidder will be conducted by the same committee and will be made by unanimous vote. If
10 the vote is not unanimous, then the Commission will be requested to determine the
11 successful bidder. The Joint Applicants collectively will provide \$500,000 for purposes
12 of funding the independent third party management audit which will be funded “below-
13 the-line” (and not recovered in rates). Any additional expense beyond \$500,000 required
14 by the Commission will be split 50/50 between ratepayers and shareholders. Any excess
15 amount above \$500,000 shall be deferred to Account 182.3 for recovery in the future,
16 subject to the 50/50 split discussed above.

17 The Joint Applicants believe these provisions are reasonable and should be
18 approved by the Commission. While the Joint Applicants believe that their procedures
19 associated with affiliated transactions and corporate allocations are appropriate, we
20 always look for ways to improve our processes, including affiliated transaction-related
21 procedures and corporate allocations. A third party management audit may yield
22 suggested improvements that would be helpful and appropriate to the Joint Applicants

1 and the regulatory process, and we welcome this opportunity to review the existing
2 procedures in more depth.

3 **Q: Please explain the provisions included in the section addressing corporate social**
4 **responsibility.**

5 A: In Paragraph 6 of the OPC Stipulation, the Joint Applicants have agreed that GPE will
6 provide \$50,000 to each of six (6) specific Community Action Agencies (“CAP
7 Agencies”) annually beginning no later than thirty days after of the closing of the
8 Transaction, and in each of the succeeding nine years. The funds will be provided to
9 each agency with the express purpose of the creation of an additional position(s) to
10 enable further low-income weatherization deployment at a recommended spend level of
11 \$50,000 per year over a ten-year period (for a total contribution of \$3,000,000 over that
12 period). The funds will be recorded below-the-line and not recovered in rates. Each
13 agency will be required to provide documentation to KCP&L and GMO to verify how
14 expenditures were incurred, and required to file annual reports with KCP&L and GMO
15 on how funds were expended. KCP&L and GMO will file a condensed report of the
16 agencies’ individual annual reports with the Commission, Staff, and OPC. KCP&L and
17 GMO will also schedule annual in-person meetings with each of the local CAP Agencies
18 for the next five years at GPE’s headquarters in Kansas City, with invitations to the
19 Commission Staff and OPC to discuss the progress to date and opportunities for
20 improvement in the programs for the benefit of the low-income population.

21 The Joint Applicants believe these provisions are reasonable and should be
22 approved by the Commission. We believe that low-income weatherization programs are
23 important to our customers, and the provision of money to facilitate the employment of

1 additional personnel in the CAP Agencies to promote such programs will be helpful in
2 ensuring that these programs meet their potential for assisting low-income customers
3 with their weatherization needs. We also believe that annual reports and in-person
4 meetings will improve the communication among KCP&L, GMO, Staff, OPC and the
5 CAP Agencies as we seek to improve the utilization of weatherization funds in our
6 service areas. Moreover, since the monies contributed by Joint Applicants to the CAP
7 Agencies will be recorded “below-the-line”_ and not recovered in rates, other customers
8 will not be negatively impacted by these contributions in any way.

9 **Q: Does that conclude your supplemental direct testimony?**

10 **A:** Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

IN THE MATTER OF THE VERIFIED JOINT)
APPLICATION OF GREAT PLAINS ENERGY)
INCORPORATED, KANSAS CITY POWER & LIGHT) Docket No. EE-2017-0113
COMPANY AND KCP&L GREATER MISSOURI)
OPERATIONS COMPANY FOR A VARIANCE)
FROM THE COMMISSION'S AFFILIATE)
TRANSACTIONS RULE, 4 CSR 240-20.015)

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony on behalf of Great Plains Energy Incorporated, Kansas City Power & Light Company, and KCP&L Greater Missouri Operations Company consisting of seven (7) 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.



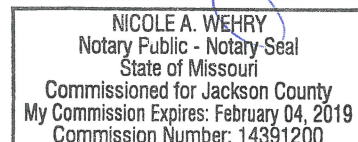
Darrin R. Ives

Subscribed and sworn before me this 9th day of December 2016.



Notary Public

My commission expires: Feb. 4, 2019





Page 1 of 4

FOR IMMEDIATE RELEASE

**Great Plains Energy Announces Leadership Team
of Combined Company**

***Westar Leaders to Join Company
Upon Transaction Close in Spring of 2017***

KANSAS CITY, Mo.— Dec. 8, 2016 – Great Plains Energy Incorporated (NYSE: GXP), the parent company of Kansas City Power & Light Company (KCP&L), today announced the executive officer team that will lead the combined company once Great Plains Energy's acquisition of Westar Energy, Inc. (NYSE: WR) is complete in Spring 2017. Once approved by the Great Plains Energy Board of Directors when the transaction closes, the new team will have 19 executive officers with an average of more than two decades of utility experience.

"As KCP&L and Westar become one company, we are combining our strengths and expertise to realize our shared vision for the future of energy in the region," said Terry Bassham, chairman and chief executive officer of Great Plains Energy and KCP&L. "I'm excited that eight Westar leaders will be in a position to join our team as we expand the geography we serve. Together, we are forging a new path that offers customers more savings and greater reliability, all from a local, trusted team."

Senior leadership team members reporting directly to Bassham will include:

- Vice President and Chief People Officer Jerl Banning
- Senior Vice President, Finance and Strategy and Chief Financial Officer Kevin Bryant
- Senior Vice President, Marketing and Public Affairs and Chief Customer Officer Chuck Caisley
- Vice President and Chief Compliance Officer Ellen Fairchild
- Executive Vice President and Chief Operating Officer Scott Heidtbrink
- Senior Vice President, General Counsel, Corporate Secretary and Corporate Services Heather Humphrey
- Vice President and Chief Information Officer Charles King

More than half of Westar's current executive officer team are being offered positions in the combined company and will serve in key operations, customer experience and culture roles. The new positions of Chief People Officer and Chief Customer Officer were created in recognition of the importance people and culture play in building a high performing company that provides an exceptional customer experience, while delivering consistent and reliable customer service and shareholder returns.



Page 2 of 4

“People are the heart and soul of a successful company, and that starts with its leaders,” said Bassham. “Westar and KCP&L’s strengths and expertise are mirrored in this team, and our commitment to the communities we serve.”

Westar’s presence in Kansas, like KCP&L’s in Missouri, is an integral part of the communities it serves. While the corporate headquarters for Great Plains Energy will remain in Kansas City, Missouri, leadership team members will be located in Topeka and Wichita, as well as Kansas City, and spend time in communities throughout the combined territory. “We are focused on maintaining a strong Kansas presence and having people in roles where they can help the communities we serve be successful,” said Bassham.

As a combined company, leadership team members and employees serve on more than 315 community, charitable and volunteer boards. In addition, team members have donated more than 35,000 hours and more than \$4 million to community and charitable organizations. Further, the combined company invests more than a billion dollars in infrastructure annually to improve reliability and in economic development programs to help attract businesses and jobs to improve the communities it serves.

For more information and an organization chart, please visit www.kcpl.com/westaracquisition.

About Great Plains Energy:

Headquartered in Kansas City, Mo., Great Plains Energy Incorporated (NYSE: GXP) is the holding company of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company, two of the leading regulated providers of electricity in the Midwest. Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company use KCP&L as a brand name. More information about the companies is available on the Internet at: www.greatplainsenergy.com or www.kcpl.com.

Forward-Looking Statements:

Statements made in this release that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. Forward-looking statements include, but are not limited to, statements relating to Great Plains Energy’s proposed acquisition of Westar Energy, Inc. (Westar), the outcome of regulatory proceedings, cost estimates of capital projects, and other matters affecting future operations. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Great Plains Energy and KCP&L are providing a number of important factors that could cause actual results to differ materially from the provided forward-looking information. These important factors include: future economic conditions in regional, national and international markets and



Page 3 of 4

their effects on sales, prices and costs; prices and availability of electricity in regional and national wholesale markets; market perception of the energy industry, Great Plains Energy and KCP&L; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including, but not limited to, deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates the Companies can charge for electricity; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters including, but not limited to, air and water quality; financial market conditions and performance including, but not limited to, changes in interest rates and credit spreads and in availability and cost of capital and the effects on derivatives and hedges, nuclear decommissioning trust and pension plan assets and costs; impairments of long-lived assets or goodwill; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including, but not limited to, cyber terrorism; ability to carry out marketing and sales plans; weather conditions including, but not limited to, weather-related damage and their effects on sales, prices and costs; cost, availability, quality and deliverability of fuel; the inherent uncertainties in estimating the effects of weather, economic conditions and other factors on customer consumption and financial results; ability to achieve generation goals and the occurrence and duration of planned and unplanned generation outages; delays in the anticipated in-service dates and cost increases of generation, transmission, distribution or other projects; Great Plains Energy's ability to successfully manage its transmission joint venture or to integrate the transmission joint ventures of Westar; the inherent risks associated with the ownership and operation of a nuclear facility including, but not limited to, environmental, health, safety, regulatory and financial risks; workforce risks, including, but not limited to, increased costs of retirement, health care and other benefits; the ability of Great Plains Energy to obtain the regulatory approvals necessary to complete the anticipated acquisition of Westar; the risk that a condition to the closing of the anticipated acquisition of Westar or the committed debt or equity financing may not be satisfied or that the anticipated acquisition may fail to close; the failure to obtain, or to obtain on favorable terms, any financings necessary to complete or permanently finance the anticipated acquisition of Westar and the costs of such financing; the outcome of any legal proceedings, regulatory proceedings or enforcement matters that may be instituted relating to the anticipated acquisition of Westar; the costs incurred to consummate the anticipated acquisition of Westar; the possibility that the expected value creation from the anticipated acquisition of Westar will not be realized, or will not be realized within the expected time period; the credit ratings of Great Plains Energy following the anticipated acquisition of Westar; disruption from the anticipated acquisition of Westar making it more difficult to maintain relationships with customers,



Page 4 of 4

employees, regulators or suppliers; the diversion of management time and attention on the proposed transactions; and other risks and uncertainties.

Great Plains Energy Incorporated

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EXECUTIVE OFFICER TEAM

