

**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) File No. EM-2018-0012
With Westar Energy, Inc.)

**APPLICANTS’ NOTICE TO COMMISSION
REGARDING MERGER CONDITION 31**

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively, the “Company”), and for their *Notice Regarding Merger Condition 31* (“Notice”) to the Missouri Public Service Commission (“Commission”), state as follows:

1. Pursuant to Condition 31 of the Merger Commitments and Conditions identified in Exhibit A to the *Stipulation and Agreement* filed in this docket on January 12, 2018 (approved by the Commission’s *Report and Order* issued May 24, 2018), the Company committed to the following:

Independent Third-Party Management Audit of Affiliate Transactions and Corporate Cost Allocations Report: Holdco, KCP&L and GMO shall agree to an independent third-party management audit report of new holding company, KCP&L and GMO corporate cost allocations and affiliate transaction protocols. **A committee, which shall be comprised of an equal number of Staff, OPC, and Applicant representatives, shall develop a Request for Proposal (“RFP”) with input from all committee members on the scope of work, and this RFP shall be submitted to the Commission for approval within six months after the closing of the Merger. The selection of a successful bidder shall be conducted by the same committee and shall be made by unanimous vote.** If the vote is not unanimous, the Commission will determine the successful bidder and scope of work. The independent third-party management auditor’s contract shall preserve the auditor’s independence by precluding Staff, OPC, Holdco, KCP&L, and GMO representatives from directing or influencing the report’s conclusions. Upon completion, the report of the audit shall be filed with the Commission.

a. The audit will examine Holdco, KCP&L, and GMO’s corporate cost allocations, affiliate transaction protocols, and ensure that the existing CAM fully documents newly formed operations, or to make recommendations to revise the CAM to address newly formed

operations. The audit shall be designed to assess compliance with the Commission's Affiliate Transactions Rule (4 CSR 240-20.015) as well as the appropriateness of the allocation of corporate costs among Holdco, KCP&L, GMO, and all affiliates. Holdco, KCP&L, GMO, and all (regulated and non-regulated) affiliates shall cooperate fully with the auditor by timely providing all information requested to complete the audit including, but not limited to, informal and interactive interviews followed up with formal discovery.

- b. The audit report shall express an independent opinion on the degree and extent of KCP&L and GMO's compliance with the Commission's Affiliate Transactions Rule (4 CSR 240-20.015) and shall provide recommendations, if appropriate, regarding procedures and methodologies used by Holdco, KCP&L and GMO in allocating corporate costs and complying with the Commission's Affiliate Transactions Rule (4 CSR 240-20.015).
- c. It is expressly acknowledged that Holdco, KCP&L and GMO shall collectively provide \$500,000, funded below the line (and not recovered in rates), for purposes of funding the independent third-party management audit. Any additional expense beyond \$500,000, required by the Commission, will be split 50/50 between ratepayers and shareholders.
- d. Any cost in excess of \$500,000 shall be deferred to account 182.3 (other regulatory assets) and recovered through amortization, subject to the 50/50 split provided immediately above, in retail rates and cost of service in the first KCP&L and GMO general rate cases subsequent to the completion of the audit.

2. On December 4, 2018, the Company filed its *Notice of Compliance* ("Compliance Notice") in this docket, informing the Commission that it had worked with input from Staff for the Commission ("Staff") and the Office of the Public Counsel ("OPC") to develop an RFP as contemplated in Condition 31. The RFP was included as an exhibit to the Compliance Notice.

3. On January 16, 2019, the Commission issued its *Order Approving Request for Proposal*.

4. The Company wishes to inform the Commission that the committee (as defined in Condition 31 above) has reached unanimous consensus on a third-party management auditor and proposes to award the contract to Schumaker & Company, Inc. (“Schumaker”).

5. The Company further wishes to inform the Commission that it intends to execute the contract with Schumaker to conduct the third-party management audit in time for work to begin in June 2019.

6. The contents of this pleading have been provided to counsel for Staff and OPC and the undersigned counsel has been authorized to represent that neither Staff nor OPC objects to its contents.

WHEREFORE, KCP&L and GMO request that the Commission take notice of information provided above.

Respectfully submitted,

/s/ Robert J. Hack

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**Attorneys for Kansas City Power & Light
Company, and KCP&L Greater Missouri
Operations Company**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed or mailed, postage prepaid, this 10th day of May 2019, to all counsel of record.

/s/ Robert J. Hack

Attorney for Kansas City Power & Light
Company and KCP&L Greater Missouri
Operations Company