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Witness: Michael L. Brosch  
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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 ) Case No. EM-2018-0012  
Approval of its Merger with )  
Westar Energy, Inc. )**

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Rebuttal Testimony and Schedules of

**Michael L. Brosch**

**Revenue Requirement**

On behalf of

**Midwest Energy Consumers' Group**

January 16, 2018



**BEFORE THE PUBLIC SERVICE COMMISSION  
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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.

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**Rebuttal Testimony of Michael L. Brosch**

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

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

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

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

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

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

1 (“GMO”) and Westar Energy, Inc. (“Westar”)(collectively referred to herein as  
2 “Applicants”).

3  
4 **Q. ARE OTHER WITNESSES FILING TESTIMONY ON BEHALF OF MECG?**

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

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

8 A. My testimony is responsive to Applicants’ proposal for regulatory treatment of expected  
9 merger efficiencies and savings and Applicants’ proposed future rate recovery of  
10 merger transition costs, as described in Applicants’ witness Messrs. Darrin Ives and  
11 Steven P. Busser. I also describe important income tax accounting issues raised by  
12 differences in the form of the existing Tax Allocation Agreement (“TAA”) at Great Plains  
13 versus Westar that are not discussed by any Applicant witness. The TAA’s are affiliate  
14 agreements that are used to apportion income tax liabilities and tax loss carryforwards  
15 among regulated and non-regulated subsidiaries of Great Plains and Westar, with  
16 important impacts upon utility revenue requirements in Missouri and Kansas. My  
17 testimony explains how the proposed merger could adversely impact such allocations.  
18 My testimony presents and explains proposed conditions that should be imposed by the  
19 Commission to address concerns regarding Applicants’ proposed merger transition cost  
20 recovery approach and the TAA differences, in order to avoid detrimental impacts that  
21 are otherwise caused by the merger if it is approved and consummated. Additionally, I  
22 file testimony and propose a condition to ensure that this Commission continues to  
23 have jurisdiction over future mergers and acquisition made by the combined company.  
24 Finally, I propose a condition regarding the clear labeling on customer bills of the

1 electric service provider. This condition ensures that customers know the identity of  
2 their service provider as well as being able to access the applicable tariff and rates.

3  
4 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION**  
5 **ADVOCATED BY THE JOINT APPLICANTS INDICATE MECG'S SUPPORT?**

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

8  
9 **EDUCATION AND EXPERIENCE**

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

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

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

16 A. My professional career began in 1978, when I was employed by the Missouri Public  
17 Service Commission as part of the accounting department audit staff. While with the  
18 Staff from 1978 to 1981, I participated in rate cases involving Kansas City Power &  
19 Light Company, Missouri Public Service Company, Southwestern Bell and several  
20 smaller Missouri utilities. Since leaving the Commission Staff, I have worked as an  
21 independent consultant and have testified before utility regulatory agencies in Arizona,  
22 Arkansas, California, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Michigan,  
23 Missouri, New Mexico, Ohio, Oklahoma, Texas, Utah, Washington, and Wisconsin in  
24 regulatory proceedings involving electric, gas, telephone, water, sewer, transit, water

1 carrier and steam utilities. I have participated in many electric, gas and telephone  
2 utility regulatory proceedings, as listed and described in Appendix A. I testified for  
3 MEGG in the most recent KCPL Missouri rate cases, Case Numbers ER-2014-0370  
4 and ER-2016-0285.

## 5 6 **EXECUTIVE SUMMARY**

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

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

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<sup>1</sup> See Application Exhibit F where "Regulatory Commitments" are summarized.

<sup>2</sup> Direct Testimony of Darrin Ives, page 11, line 17.

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

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

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

16  
17 **MERGER OVERVIEW.**

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

19  
20 A. The transaction was initially announced in late May, 2016, as the acquisition of Westar  
21 by Great Plains Energy. As such, Westar would have been a wholly-owned subsidiary  
22 of Great Plains Energy, much like KCPL and GMO are currently. In April 2017, the  
23 Kansas Corporation Commission rejected the proposed acquisition. The Kansas  
24 decision focused on the detriment to customers associated with the acquisition  
25 premium, highly leveraged combined company, and potential credit downgrade  
26 associated with the original transaction. In July 2019, the companies announced a



1 different transaction. Under the new transaction, Great Plains Energy and Westar  
2 would engage in a merger of equals. As such, issues such as the acquisition premium  
3 are no longer a concern.

4  
5 **Q. WHAT STANDARD HAVE YOU APPLIED TO YOUR REVIEW OF THE MERGER?**

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

9  
10 **MERGER TRANSITION COSTS.**

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

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

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

1 financing from the Initial Transaction are also transaction costs.<sup>3</sup> [emphasis  
2 added]  
3

4 **Transition costs** are costs necessary to integrate Westar and Great Plains.  
5 These costs are necessary to create the Merger efficiencies and savings and  
6 ensure that the post-Merger integration process is effective. Transition costs  
7 unlock the savings of the Merger. Examples of transition costs include  
8 voluntary severance, other than change-in-control severance, costs incurred  
9 in integration planning as well as costs incurred to enable network  
10 connectivity for the merged company and allow for a more efficient combined  
11 company. Transition costs are netted against gross savings to calculate and  
12 present net savings.<sup>4</sup> [emphasis added]  
13  
14

15 This cost classification distinction is important to Applicants because the latter category  
16 of “Transition” costs are proposed to be treated as eligible for recovery from utility  
17 ratepayers, while the “Transaction” costs are proposed to be borne entirely by  
18 shareholders. Mr. Ives clearly states in his testimony, “[t]he Applicants will not seek  
19 recovery of transaction costs in rates. The Applicants will have the burden of proof to  
20 clearly identify where all transaction costs related to this Merger are recorded and will  
21 be required to attest in all future rate proceedings before the Commission that none of  
22 these costs are included in cost of service and rates.”<sup>5</sup> No such commitment to “not  
23 seek” recovery of transition costs is offered by Applicants.  
24

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

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

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<sup>3</sup> Direct Testimony of Darrin Ives, pages 10-11.

<sup>4</sup> *Id.* page 10.

<sup>5</sup> *Id.* page 11.

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

4  
5 **Q. DO YOU AGREE WITH APPLICANTS' PROPOSED DEFINITION OF TRANSITION**  
6 **COSTS?**

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

14 In reality, a significant portion of Applicants' so-called "transition" costs are not  
15 discretionary and must be incurred simply to successfully integrate and operate the  
16 combined businesses on Day 1, after closing the transaction. Immediately after closing  
17 a merger, sufficient planning and integration activities must have been completed to  
18 enable the merged companies to continue to run smoothly and without interruption of  
19 utility services and without disruption of interactions with customer, vendors and  
20 employees. These essential integration activities include all of the necessary financial,  
21 legal, managerial, information technology and regulatory compliance adjustments  
22 needed to operate on a merged basis in a seamless manner. Installing functional post-  
23 merger corporate governance structures, consolidated financial reporting, vendor  
24 management systems, compliance, human resources, security, communications  
25 networks and the myriad of other integrated systems needed for Day 1 success is not  
26 discretionary. However, after Day 1 integration is accomplished, post-closing merger

1 integration activities can then continue and focus more intensely upon information  
2 systems migration and/or integration, internal process design and re-engineering,  
3 coordinated procurement program changes and other efforts to streamline the  
4 operations to achieve cost savings.

5  
6 **Q. WHAT IS PROPOSED BY APPLICANTS WITH RESPECT TO MERGER**  
7 **TRANSITION COSTS?**

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

17  
18 **Q. DO MERGER SAVINGS ONLY BENEFIT CUSTOMERS?**

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

23  
24 **Q. HOW DO APPLICANTS PROPOSE TO LINK ESTIMATED MERGER SAVINGS TO**  
25 **THE REQUEST TO DEFER AND RECOVER MERGER TRANSITION COSTS?**

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<sup>6</sup> *Id.* pages 11-12.

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

7

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

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

14

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

18 A. No. All of the charges have been recorded as expenses on the books of the parent  
19 company, Great Plains Energy, Incorporated, and none of these amounts were charged  
20 to the books of the operating utility subsidiaries.<sup>9</sup>

21

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

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<sup>7</sup> Direct Testimony of Steven P Busser, page 14.

<sup>8</sup> *Id.* page 36.

<sup>9</sup> Applicants' response to MCEG Request 1-1 and Attachments. See Schedule MLB-1.

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

13  
14 **Q. DO THE ITEMIZED TRANSITION COSTS ALREADY INCURRED BY APPLICANTS**  
15 **INCLUDE SIGNIFICANT AMOUNTS FOR DAY 1 POST-MERGER INTEGRATION**  
16 **REQUIREMENTS, RATHER THAN COSTS INCURRED PRIMARILY TO UNLOCK**  
17 **OR ACHIEVE MERGER SAVINGS?**

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

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

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<sup>10</sup> *Id.*

- 1 • Costs to upgrade certain physical security badge readers to enable access of  
2 GPE and Westar employees on merger Day 1.
- 3 • Design and engineering services to install upgraded physical security badge  
4 readers to enable access of GPE and Westar employees on merger Day 1.
- 5 • Contract personnel engaged to facilitate integration of GPE and Westar HR  
6 systems.
- 7 • Consultation on the integration of GPE/Westar executive compensation policies.
- 8 • Contract personnel engaged to assist in the preparation of Human Resources  
9 systems of GPE and Westar for merger Day 1.
- 10 • Contract personnel engaged to assist in the preparation of Finance &  
11 Accounting systems of GPE and Westar for merger Day 1.
- 12 • Contract personnel engaged to assist in the preparation of server management  
13 and end user access to GPE and Westar systems for merger Day 1.
- 14 • Contract personnel engaged to assist in the preparation of GPE and Westar  
15 network systems for merger Day 1.
- 16 • Contract personnel engaged to assist in the integration of GPE and Westar  
17 Supply Chain Management Oracle Business Intelligence systems for Day 1.
- 18 • Consultation on integration process and readiness for merger Day 1.
- 19 • Software, installation and support to enable Active Directory integration between  
20 GPE and Westar.
- 21 • Consultation on cyber security assessment related to the integration of GPE  
22 and Westar networks.
- 23 • Private data network links for integration of GPE and Westar networks.
- 24 • Enterprise cloud security platform for integration of GPE and Westar systems.

- 1           • Contract personnel engaged to assist in the enablement GPE and Westar  
2           application access across the organizations for merger Day 1.<sup>11</sup>

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

10  
11   **Q.   IS THERE ANOTHER REASON WHY MERGER TRANSITION COSTS INCURRED**  
12   **TO DATE BY THE APPLICANTS SHOULD NOT BE TREATED AS RECOVERABLE**  
13   **FROM RATEPAYERS IN FUTURE RATE CASES?**

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

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<sup>11</sup>        *Id.* See Schedule MLB-1 Attachment "Description" column.

<sup>12</sup>        See Westar Energy News Release dated May 31, 2016. Available at:

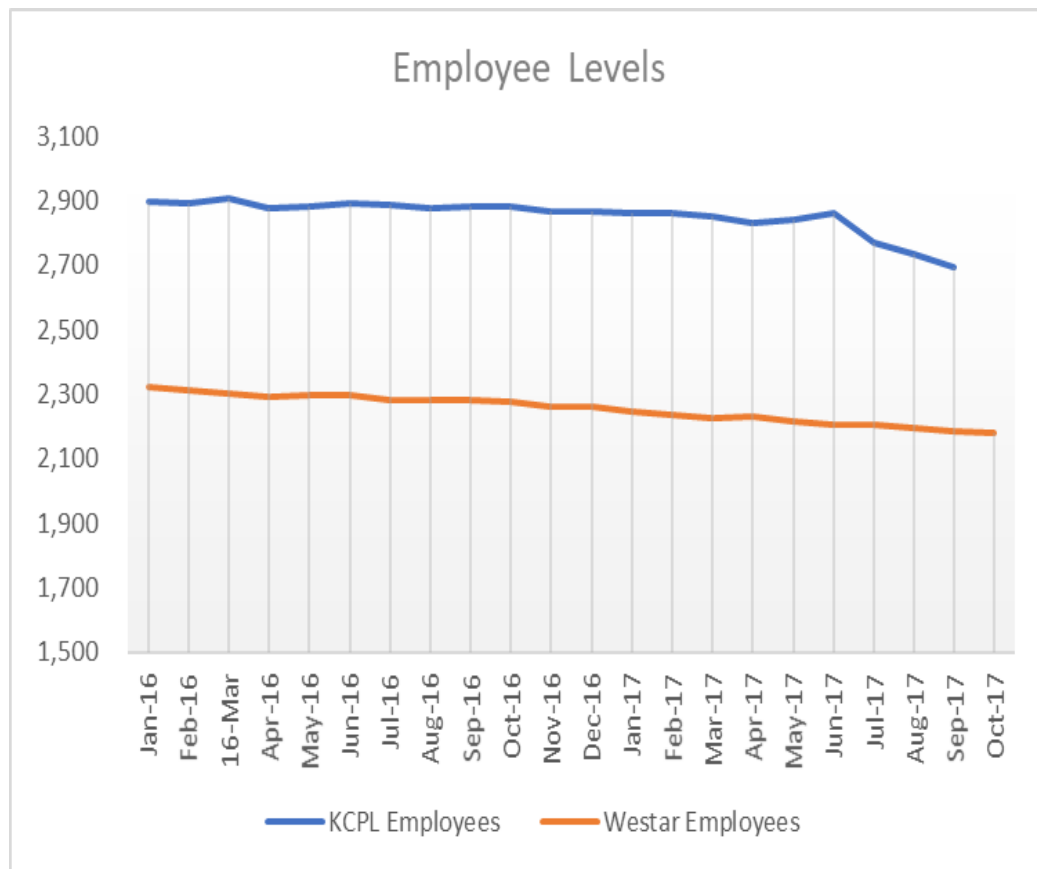
<https://www.westarenergy.com/content/about-us/news/2016-news-releases/great-plains-energy-to-acquire-westar-energy>



1 attaining merger efficiencies with the goal of minimizing employee severance.  
2 Moreover, since the announcement of the revised merger in July 2017, Applicants have  
3 committed that no involuntary severance will result from the revised merger.<sup>13</sup>

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

9 Table 1: KCPL and Westar Employee Levels<sup>15</sup>



10

<sup>13</sup> Applicants' response to MCEG Data Request 3-2.

<sup>14</sup> 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.

<sup>15</sup> Derived from Applicants' response to MCEG 1-4.

1 The last KCPL Missouri rate case employed a true-up date of December 2016 while the  
2 most recent GMO rate case true-up was at July 31, 2016. Thus, all of the downward  
3 trend in KCPL staffing and related cost savings after these dates has been retained for  
4 the sole benefit of shareholders. The date of the payroll cost true-up in the most recent  
5 Westar Energy rate case in Kansas was as of April 30, 2015.<sup>16</sup> Thus, most of the labor  
6 cost savings for KCPL and all of the labor cost savings at Westar due to staffing  
7 reductions has been retained for shareholder benefit. Importantly, these retained labor-  
8 related cost savings since the last rate cases of each utility exceed the transition costs  
9 that have been incurred by Applicants, to date. Thus, the Applicants have already  
10 “recovered” the transition costs.

11  
12 **Q. HAVE APPLICANTS PREPARED ANY CALCULATIONS THAT COMPARE**  
13 **CUMULATIVE LABOR COST SAVINGS TO TOTAL INCURRED MERGER**  
14 **TRANSITION COSTS?**

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

16 Savings to both companies are difficult to quantify. However, using a  
17 conservative average loaded annual rate of \$129,000/employee (\$86,000  
18 average base salary for all employees of KCP&L/Westar as of July 2016 \*  
19 a 1.50 benefits loading rate), we could estimate a savings of  
20 approximately \$29.5 million based on the average of 211 unfilled  
21 positions over the 13-month period of June 1, 2016 – June 31, [sic] 2017.  
22 An additional savings for the 3-month period of July 1 – September 30,  
23 2017 can be estimated at another \$11.5 million based on the average 244  
24 vacancies for KCP&L and 112 for Westar.<sup>17</sup>  
25

26 Thus, by the Applicants’ own calculations through the end of September of 2017,  
27 conservatively quantified labor related savings within only the sixteen-month period  
28 described in this response are estimated at about \$41 million.<sup>18</sup> In comparison, the

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<sup>16</sup> Applicants’ response to MEGC 2-3 and Attachments.

<sup>17</sup> A complete copy of this response is contained in Schedule MLB-1.

<sup>18</sup> Sum of \$29.5 million plus \$11.5 million.

1 cumulative Transition Costs accumulated by Applicants as of September 30, 2017  
2 totaled about \$32 million. Importantly, however, these labor savings would not cease  
3 as of the end of September. If the rate of savings quantified for the third quarter of  
4 2017, at \$11.5 million, continues until the utilities complete new rate cases the end of  
5 2018,<sup>19</sup> multiples of Applicants' cumulative incurred merger Transition costs may have  
6 been offset by retained labor cost savings. As mentioned previously, these labor  
7 savings have inured exclusively to the benefit of shareholders.

8  
9 **Q. IS YOUR CONCLUSION AFFECTED BY THE JOINT APPLICANTS' PROPOSAL TO**  
10 **PROVIDE \$50 MILLION IN BILL CREDITS TO CUSTOMERS?**

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

16  
17 **Q. ACCORDING TO MR. IVES, "TRANSITION COSTS UNLOCK THE SAVINGS OF**  
18 **THE MERGER. EXAMPLES OF TRANSITION COSTS INCLUDE VOLUNTARY**  
19 **SEVERANCE, OTHER THAN CHANGE-IN-CONTROL SEVERANCE, COSTS**  
20 **INCURRED IN INTEGRATION PLANNING AS WELL AS COSTS INCURRED TO**  
21 **ENABLE NETWORK CONNECTIVITY FOR THE MERGED COMPANY AND ALLOW**  
22 **FOR A MORE EFFICIENT COMBINED COMPANY."<sup>20</sup> SHOULDN'T RATEPAYERS**  
23 **PAY FOR ALL OF THE TRANSITION COSTS INCURRED TO "UNLOCK" THESE**

---

<sup>19</sup> 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.

<sup>20</sup> Direct Testimony of Darrin Ives, page 10.

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

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

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

21  
22    **Q.    DO APPLICANTS’ ESTIMATED MERGER SAVINGS RAMP UP QUICKLY IN THE**  
23           **YEARS 2018, 2019 AND 2020, IN A MANNER THAT WILL BE DIFFICULT TO**  
24           **“CAPTURE” IN RATE CASE PROCEEDINGS?**

25    A.    Yes. According to Table 1 at page 10 of Mr. Busser’s testimony, the expected merger-  
26          related savings more than double from \$49.7 million in 2018 to \$116.9 million in 2019

1 and then increase by another \$29.8 million in 2020. Unless rate cases occur  
2 continuously in every year throughout this period, most of the expected growth in  
3 merger savings from year to year would be retained for the benefit of shareholders and  
4 would be more than sufficient to fully offset the Applicants' claimed need to defer and  
5 recovery merger transition costs.

6  
7 **Q. HAVE YOU INDEPENDENTLY ANALYZED THE APPLICANTS' QUANTIFICATION**  
8 **OF MERGER SAVINGS?**

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

15  
16 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE TREATMENT OF**  
17 **MERGER TRANSITION COSTS IN THIS PROCEEDING?**

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

22 19 Transition Costs: Neither GMO nor KCP&L will ever include in cost  
23 of service, and shall never seek to recover in rates, any transition costs  
24 related to this Merger that are in excess of the benefits that these transition  
25 costs are intended to attain.

26  
27 Transition costs are those costs incurred to integrate Westar and GPE, and  
28 include integration planning, execution, and "costs to achieve".  
29

1 Non-capital transition costs can be ongoing costs or one-time costs.  
2 KCP&L's and GMO's non-capital transition costs, which shall include but not  
3 be limited to severance payments made to employees other than those  
4 required to be made under change of control agreements, can be deferred on  
5 the books of either KCP&L or GMO to be considered for recovery in KCP&L  
6 and GMO future rate cases. If subsequent rate recovery is sought, KCP&L  
7 and GMO will have the burden of proof to clearly identify where all transition  
8 costs are recorded and of proving that the recoveries of any transition costs  
9 are just and reasonable as their incurrence facilitated the ability to provide  
10 benefits in excess of those costs to its Missouri customers. Such benefits  
11 may be the result of avoiding or shifting costs and activities.  
12

13 KCP&L and GMO shall be required to attest in all future rate proceedings  
14 before the Commission that no transition costs in excess of their  
15 corresponding benefits are included in cost of service and rates, and to  
16 provide a complete explanation of the procedures used to ensure that  
17 transition costs, in excess of their corresponding benefits, are not included in  
18 cost of service or rates. This commitment shall be required until all transition  
19 costs are fully amortized.  
20

21 KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully  
22 documenting that any transition costs for which rate recovery is sought have  
23 produced net benefits. Such benefits may be the result of avoiding or shifting  
24 costs and activities  
25

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

28 19 Transition Costs: Neither GMO nor KCP&L will ever include in cost  
29 of service, and shall never seek to recover in rates, any transition costs  
30 related to this Merger that were incurred prior to the test year in each future  
31 general rate case proceeding, or that are in excess of the benefits that these  
32 transition costs have attained, as recognized within such future general rate  
33 case proceedings.  
34

35 KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully  
36 documenting that any transition costs for which rate recovery is sought have  
37 produced net benefits.  
38

39 This approach does not preclude Applicants' from incurring costs to initiate new cost  
40 savings initiatives that can be demonstrated in future rate cases to be cost-effective  
41 relative to savings that are recognized in such cases. Similarly, this approach does not  
42 preclude Applicants from receiving some recovery of discrete new costs they might  
43 incur in the future to secure cost savings. As with all other costs, recovery is limited to

1 those costs incurred during the test year. Simplification of the Transition Costs  
2 commitment in this way would serve to preclude the retroactive reclassification of  
3 Applicants' previously incurred transition expenses as regulatory assets, for the reasons  
4 explained in my testimony.

## 5 6 **INCOME TAX ALLOCATION AGREEMENTS.**

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

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

### 19 20 **Q. PLEASE EXPLAIN HOW NET OPERATING LOSSES EFFECT A REGULATED** 21 **UTILITY'S REVENUE REQUIREMENT.**

22 A. NOLs that have been carried forward on the utility's books are recorded within  
23 Accumulated Deferred Income Tax ("ADIT") accounts as a deferred tax asset ("DTA").  
24 This NOL/DTA represents the tax "value" the utility expects to realize in future tax years  
25 when the accumulated tax losses can actually be used to reduce income taxes

1 otherwise payable in those future years. Because the bonus and accelerated  
2 depreciation deductions that contributed to the NOLs create an ADIT credit balance  
3 that reduces utility rate base, the resulting NOL/DTA debit balances must also be  
4 included in rate base. Net Operating Loss deferred tax assets increase utility rate base  
5 and, in turn, increase the utility's revenue requirement.

6  
7 **Q. PLEASE DESCRIBE HOW THE PROPOSED MERGER WILL IMPACT INCOME TAX**  
8 **EXPENSE ALLOCATIONS RECORDED BY THE REGULATED UTILITY**  
9 **BUSINESSES WITHIN GREAT PLAINS ENERGY AND WESTAR.**

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

21 In contrast, Westar presently has a different form of TAA in place. Under the  
22 existing Westar TAA, federal income tax liabilities are assigned among subsidiary  
23 companies based using the "separate return" method. When the "separate return"  
24 method is employed, each subsidiary company records federal income tax liabilities  
25 and any NOL deferred tax assets as if a separate return were filed by each entity. Any  
26 consolidation benefits realized by the holding company, in this case Westar Energy, by



1 combining together the “loss” companies with subsidiaries having positive taxable  
2 income, are retained by the holding company and are not attributed to the utility  
3 subsidiaries.

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

11  
12 **Q. HAVE APPLICANTS DECIDED HOW THE DIFFERENCE IN CONSOLIDATED TAX**  
13 **ALLOCATION METHODS WILL BE RESOLVED UPON COMPLETION OF THE**  
14 **MERGER?**

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

24  
25 **Q. DOES USE OF THE “SEPARATE RETURN” METHOD AT WESTAR HAVE THE**  
26 **EFFECT OF INCREASING UTILITY RATE BASE FOR LARGER NOL DEFERRED**

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

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

11  
12   **Q.    IF THE GREAT PLAINS FORM OF TAA IS ADOPTED AFTER MERGER**  
13           **CONSUMMATION, SHOULD THE WESTAR COMPANIES REMAIN ON A**  
14           **SEPARATE RETURN METHOD FOR RATEMAKING PURPOSES?**

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

21  
22   **Q.    IF WE EXAMINE THIS ISSUE FROM THE PERSPECTIVE OF MISSOURI**  
23           **RATEPAYERS, ARE UTILITY REVENUE REQUIREMENTS LOWER UNDER THE**  
24           **EXISTING WESTAR TAA OR UNDER THE GREAT PLAINS FORM OF TAA?**

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<sup>21</sup>        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%”.

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

12  
13 **Q. IF THE EXISTING WESTAR "SEPARATE RETURN" FORM OF TAA IS ADOPTED**  
14 **AFTER MERGER CONSUMMATION, SHOULD KCPL AND GMO BE REQUIRED TO**  
15 **EMPLOY THE SEPARATE RETURN TAX ALLOCATION METHOD FOR**  
16 **RATEMAKING PURPOSES?**

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

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

6  
7 **Q.   HAVE YOU INCLUDED COPIES OF THE RESPONSES TO MECG DATA**  
8 **REQUESTS 5-1 AND 5-2 ADDRESSING THE TAX ALLOCATION AGREEMENT**  
9 **IMPACTS AND MERGER PROPOSALS WITH YOUR TESTIMONY?**

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

14  
15 **Q.   HAVE THE APPLICANTS INCLUDED ANY PROFFERED MERGER COMMITMENTS**  
16 **AND CONDITIONS ADDRESSING TAX ALLOCATION AGREEMENT MATTERS?**

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

23  
24 **Q.   WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE TAX ALLOCATION**  
25 **AGREEMENT CONCERNS YOU HAVE DESCRIBED?**

---

<sup>22</sup> Application Appendix H, pages 10-12.

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

13

14

### **FUTURE MERGER AUTHORITY**

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

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

21

22

23

24

25

26

27

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.

1 Ultimately, the Commission agreed with MECG's Complaint and ordered Great  
2 Plains to seek approval of the initial transaction.<sup>23</sup>

3  
4 **Q. HOW IS THIS COMMITMENT AFFECTED BY THE RESTRUCTURED**  
5 **ACQUISITION?**

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

13  
14 **Q. DOES THE MERGER CONDITIONS PROVIDED BY THE APPLICANTS**  
15 **ADDRESS THIS CONCERN?**

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

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

24  
25 Given the importance of the commitment from the reorganization, MECG wants  
26 to make it clear that future mergers and acquisitions of the combined company  
27 will necessitate Missouri Commission approval.

28  

---

<sup>23</sup> Report and Order issued February 22, 2017; Case No. EC-2017-0107 at 21-22.

<sup>24</sup> Application Exhibit H, page 16.

1 **CLEARLY LABELED CUSTOMER BILLS.**

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

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

11  
12 **Q. HOW HAS THIS ISSUE BEEN ADDRESSED TO DATE?**

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

16  
17 **Q. HOW WILL THIS CHANGE AS A RESULT OF THE MERGER OF GREAT  
18 PLAINS ENERGY AND WESTAR?**

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

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<sup>25</sup> 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.”

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

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

10 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

11 **A.** It is my recommendation that, to make the merger comply with the "not  
12 detrimental to the public" standard, the Commission should impose, in addition to  
13 those recommended by Mr. Chriss, the following conditions:  
14

15  
16 1. Transition Costs: Neither GMO nor KCP&L will ever include in cost of  
17 service, and shall never seek to recover in rates, any transition costs related to  
18 this Merger that were incurred prior to the test year in each future general rate  
19 case proceeding, or that are in excess of the benefits that these transition costs  
20 have attained, as recognized within such future general rate case proceedings.

21  
22 KCP&L and/or GMO, as applicable, shall bear the burden of proving and  
23 fully documenting that any transition costs for which rate recovery is sought have  
24 produced net benefits.

25  
26 2. Tax Allocation Agreement: "No preferential treatment of Affiliated entities  
27 shall occur as a result of Tax Allocation Agreement terms or procedures." With  
28 regard to Applicants' Proffered Merger Commitments and Conditions number  
29 31(a), I also recommend that a sentence be added to indicate that "The new  
30 holding company's adopted Tax Allocation Agreement shall be included among  
31 the corporate cost allocations and affiliate transaction protocols included in the  
32 audit." Finally, with regard to Applicants' Proffered Merger Commitments and  
33 Conditions number 33, I recommend that the scope of the meetings and filed  
34 updates to the Cost Allocation Manual include documentation and quantification  
35 of allocations and transactions arising from the affiliate Tax Allocation  
36 Agreements effected by the new holding company

37  
38 3. Future Corporate Transactions: The consolidated parent company agrees  
39 that it will not, directly or indirectly, acquire or merge with a public utility or the  
40 affiliate of a public utility, where such affiliate has a controlling interest in a public  
41 utility unless the consolidated parent company has requested prior approval for  
42 such a transaction from the Commission and the Commission has found that no  
43 detriment to the public would result from the transaction.  
44



1           4.       *Customer Bills*: KCPL and GMO agree, prior to implementing any name  
2 change, that customer billing systems will be able to clearly designate on the  
3 customer's bill the customer's electric service provider in a manner that  
4 customers will be able to access the appropriate rate schedules.  
5

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

7   **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"

Member            American Institute of Certified Public Accountants  
Missouri Society of Certified Public Accountants  
Kansas Society of Certified Public Accountants

Attended           Iowa State Regulatory Conference 1981, 1985  
Regulated Industries Symposium 1979, 1980  
Michigan State Regulatory Conference 1981  
United States Telephone Association Round Table 1984  
NARUC/NASUCA Annual Meeting 1988, Speaker  
NARUC/NASUCA Annual Meeting 2000, Speaker  
NASUCA Regional Consumer Protection Meeting 2007, Speaker

Instructor        INFOCAST Ratemaking Courses  
Arizona Staff Training  
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 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 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 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 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

<b>Utility Company</b>	<b>State</b>	<b>Tribunal</b>	<b>Case Number</b>	<b>Client</b>	<b>Year</b>	<b>Issues Addressed</b>
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 - MCEG\_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-Transition 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 MURFLOW	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	

Q1-1 Transaction-Transition Costs 092017 Transition

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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 (blank)	465,478 -	Consultation on organization assessment and design.
		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 BUSINESS WIRE INC (blank)	1,850,154 5,839 (1,855,993)	Reclassified to Transaction Costs. Reclassified to Transaction Costs. 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 STL COMMUNICATIONS INC THE PITNEY BOWES BANK INC ZONES INC (blank)	45 1,095 1,269 681 (3,091)	Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs.
		921000	Total	(0)	
		923000	BRACEWELL & GIULIANI LLP DENTON US LLP ENOVATION PARTNERS LLC FISCHER & DORITY GOODMANS LLP INNISFREE M&A INCORPORATED MORGAN LEWIS & BOCKIUS LLP (blank)	1,635 65,461 470,040 74,035 5,536 17,500 3,096 (637,303)	Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. Reclassified to Transaction Costs. 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 THE WINBURY GROUP OF KC INC XPEDX (blank)	12,102 500 36 164	
		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 EMTEC CONSULTING SERVICES LLC ERNST & YOUNG LLP (blank)	206,407 172 2,559 -	Tax consulting services regarding Foreign Investment in Real Property Tax Act compliance.
		923000	Total	209,138	
Finance & Accounting Total				223,719	



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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 NTKW 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.

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Sum of amount	account	vendor_name	Grand Total	Description
work_id_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. Identified 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 initial efficiency 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	account	vendor_name	Grand Total	Description
work_id_description		PRICEWATERHOUSE COOPERS LLP STRATEGIC TALENT SOLUTIONS	6,100,750	Consultation on integration process and readiness for merger Day 1.
		(blank)	-	
	923000	Total	333,500	Accrual to be reversed in October.
	930200	(blank)	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	Private data network links for integration of GPE and Westar networks.
		UNITE PRIVATE NETWORKS LLC	40,835	
		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	Contract personnel engaged to assist in the integration of GPE and Westar systems for merger Day 1.
		DCR WORKFORCE INC	324,206	
		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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Sum of amount	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	
		GAINSYSTEMS INC			65,017	Contract labor supporting supply chain savings analysis and planning.
		POWER ADVOCATE INC			1,212,557	Software license and implementation for supply chain planning and inventory optimization.
		PRICEWATERHOUSE COOPERS LLP			4,378,548	Consultant required to assist in spend data cleanse, sourcing support and benchmarking to achieve Supply Chain Management savings.
		SPARES FINDER LIMITED			25,800	Consulting support in the execution of Supply Chain Management savings opportunity identification, strategy development and project management.
		(blank)			(16,764)	
	923000	Total			5,803,092	Consulting on inventory master and taxonomy cleanse to enable inventory savings through the merger.
Sourcing/Supply Chain Total					5,873,461	
Steering Team	417100	(blank)			433	
	417100	Total			433	
	921000	COMMERCIAL INSTALLATION & CONSTRUCTION			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 (blank)	21,685.00 (20,944.64)	Communication consulting regarding merger. Transfer to Close transaction fees.
	426500 Total		740.36	
	921000	ARTERRA EVENT GALLERY CAIN HUMPHREY HARVEST GRAPHICS LLC JANELLE GOINS VERITIV OPERATING COMPANY (blank)	1,456.52 200.00 34,538.17 108.75 106.36 7,601.54	Communication consulting regarding merger.
	921000 Total		44,011.34	
	923000	DCR WORKFORCE INC GLOBAL PRAIRIE LLC (blank)	- 450,435.93 11.90	Consulting regarding combined company branding.
	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 (blank)	534,285.59 (534,285.59)	Legal fees for bridge financing. 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 (blank)	0.00 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 BUSINESS WIRE INC CLAYMAN PROMOTIONAL GROUP INC ICE SYSTEMS INC INDEPENDENCE COMMUNITY COLLEGE UNDERGROUND VAULTS & STORAGE INC VERITIV OPERATING COMPANY (blank)	10,936.92 8,154.25 8,033.34 2,090.80 125.00 60.00 10.09 39,445.00	
	921000 Total		68,855.40	
	923000	ANN D MURTLOW BERKOWITZ OLIVER LLP BLOCK & LEVITON LLP BRACEWELL & GIULIANI LLP BRACEWELL LLP BROADRIDGE INVESTOR COMMUNICATION BUSINESS WIRE INC CLAYMAN PROMOTIONAL GROUP INC COLETTES CATERING LLC COMPUTERSHARE HOLDINGS INC CORPORATION SERVICE COMPANY DELOITTE & TOUCHE LLP DENTON US LLP DONNELLEY FINANCIAL LLC DONNELLEY FINANCIAL LLCs ENOVATION PARTNERS LLC GLOBAL PRAIRIE LLC GOLDMAN SACHS & CO HUSCH BLACKWELL SANDERS LLP INDEPENDENCE COMMUNITY COLLEGE INNISFREE M&A INCORPORATED INVESHARE INC J FRANK ASSOCIATES LLC  JOHN J SHERMAN	12,000.00 135,689.05 175,000.00 1,536,741.08 4,807,884.26 619,145.79 3,225.25 77,834.93 968.00 40,265.99 74.29 357,100.00 12,452.50 669,610.02 23,887.50 470,039.82 831,101.22 7,726,506.45 967.58 - 173,653.18 169.10 203,405.75  10,500.00	Director fees for special meetings. Transferred from Transition Costs. Legal fees for merger transaction Legal fees for merger transaction Legal fees for merger transaction Legal fees for merger transaction Communication consulting regarding merger. Communication consulting regarding merger. Fee to register shares issued pending merger. Accounting consultation regarding special proxy Legal fees for merger transaction Printing of special proxy. Printing of special proxy. Communication consulting regarding merger. Investment banking fees for merger, including fairness Proxy solicitation fees for merger transaction Consultation on public and investor relations matters. Director fees for special meetings. Transferred from Transition Costs.

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Sum of amount				
work_id_description	account	vendor_name	Grand Total	Description
		KANSAS CITY AREA DEVELOPMENT COUNCIL	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	Accounting consulting regarding merger valuation
				Director fees for special meetings. Transferred from
		RANDALL C FERGUSON JR	10,500.00	Transition Costs.
				Director fees for special meetings. Transferred from
		SANDRA J PRICE	13,500.00	Transition Costs.
				Director fees for special meetings. Transferred from
		SCOTT D GRIMES	9,000.00	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 SECURITIES & EXCHANGE COMMISSION (blank)	16,913,250.00 247,970.00 (16,913,250.00)	Bridge financing upfront fee. Transferred to Bridge SEC filing fee on common and preferred stock 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 NEW YORK STOCK EXCHANGE (blank)	35,000.00 48,963.00 (83,963.00)	Accounting fees on preferred stock issuance. NYSE fees for preferred stock issuance Expense deferred fees on redemption.
	214800 Total		-	
	214900	DELOITTE & TOUCHE LLP DONNELLEY FINANCIAL LLC NEW YORK STOCK EXCHANGE SECURITIES & EXCHANGE COMMISSION (blank)	75,000.00 94,981.50 226,838.00 76,900.00 328,573.62	Accounting fees on common stock issuance Printing of common stock registration statement. NYSE fees for common stock issuance SEC registration fee on common stock issuance.
	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 COMPUTERSHARE HOLDINGS INC DONNELLEY FINANCIAL LLC EXECUTIVE FLIGHT SERVICES INC SANDRA J PRICE (blank)	2,281.75 2,361.00 5,136.50 44,958.56 21.93 379,810.18	Transportation for investor meetings regarding the Transfer of Standard & Poors credit review fees from account 930242 below.
	921000 Total		434,569.92	
	923000	BROADRIDGE INVESTOR COMMUNICATION COMPUTERSHARE HOLDINGS INC DELOITTE & TOUCHE LLP FOLIO FN INVESTMENTS, INC.  GOLDMAN SACHS & CO GOLDMAN SACHS BANK USA HUNTON & WILLIAMS LLP J FRANK ASSOCIATES LLC PRICEWATERHOUSE COOPERS LLP	30,521.55 169,011.36 160,125.00 304.28  5,201,007.40 8,849,983.13 877,911.87 139,790.79 20,000.00	Investment banking fees for merger, including fairness opinion. Transferred to Close costs. Payment of Bridge financing costs. Legal fees for financing transaction Consulting on communications for merger financing Accounting consultation regarding financing

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

Sum of amount	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.
			MOODY'S 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	Legal fees for regulatory process
			CAFER LAW OFFICE LLC	406,796.32	Consulting for regulatory applications.
			CONCENTRIC ENERGY ADVISORS	937,994.91	Consulting for regulatory applications.
			CRA INTRNATIONAL INC	329,743.17	Legal fees for regulatory process
			DENTON US LLP	129,209.77	Consulting for regulatory applications.
			ENOVATION PARTNERS LLC	574,435.68	Legal fees for regulatory process
			FISCHER & DORITY	171,003.12	Consulting for regulatory applications.
			JAMES PROCTOR CONSULTING	136,912.50	Legal fees for regulatory process
			PIERCE ATWOOD LLP	1,428.00	Consulting for regulatory applications.
			PRICEWATERHOUSE COOPERS LLP	136,057.00	Consulting for regulatory applications.
			SCOTTMADDEN INC	80,476.87	Regulatory Assessments for Kansas merger
			STATE OF KANSAS	31,168.92	Various legal fees for regulatory process. Transferred from Transition Costs.
			(blank)	98,707.65	
		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  
IN ITS ENTIRETY**

# 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