Exhibit No.:	
Issue:	Overview
Witness:	Joseph A. Herz
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	The City of Independence, Missouri
Case No.:	EE-2017-0113
Date Testimony Prepared:	February 14, 2017

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EE-2017-0113

REBUTTAL TESTIMONY OF

JOSEPH A. HERZ

ON BEHALF OF

THE CITY OF INDEPENDENCE, MISSOURI

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF

JOSEPH A. HERZ

ON BEHALF OF
THE CITY OF INDEPENDENCE, MISSOURI

IN THE MATTER OF THE JOINT APPLICATION OF GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY AND KCP&L GREATER MISSOURI OPERATIONS COMPANY FOR A VARIANCE FROM THE COMMISSION'S AFFILIATE TRANSACTIONS RULE, 4 CSR 240-20.015

FILE NO. EE-2017-0113

Q: Please state your name and business address.

A: My name is Joseph A. Herz. My business address is 970 W Road, Burr Oak, Kansas 66936.

Q: By whom and in what capacity are you employed?

A: I am Vice-President of Sawvel and Associates, Inc. ("Sawvel") and a registered Professional Engineer in Kansas. Sawvel is a professional consulting firm founded in 1951. Sawvel serves clients on utility matters throughout the United States, principally in the areas related to electric power supply and transmission arrangements, feasibility studies, rates, and regulatory matters.

Q: What are your responsibilities?

A: My responsibilities include providing a wide range of public utility consulting services, including cost of service and rate studies, economic planning studies, power supply and generation planning, financial planning and analysis, expert testimony, and contract negotiations involving electric, natural gas, water, wastewater, and district heating utility services.

Q: On whose behalf are you appearing in this proceeding?

A: I am appearing on behalf of the City of Independence, Missouri (Independence). Independence owns and operates an electric utility system in the greater Kansas City, Missouri metropolitan area that is largely surrounded by the service territories of KCP&L and KCP&L Greater Missouri Operations (GMO). GMO (formerly Aquila) is a wholly-owned subsidiary of GPE. Independence has some internal generating resources, but is largely dependent on transmission across the Westar Energy, Inc. (Westar) and KCP&L service territories for its power supply from Independence's interest in external generating resources (fueled by coal, natural gas, and wind) located in Kansas, Missouri and Nebraska – as well as various outside resources and competing potential supplies.

TESTIMONY PURPOSE

Q: What is the purpose of your testimony?

A: I have been asked to evaluate the Application for a Limited Variance from the Missouri Public Service Commission's (MPSC or Commission) Affiliate Transactions Rule (Joint Application) filed by Great Plains Energy Incorporated (GPE), Kansas City Power & Light Company (KCP&L) and KCP&L Greater Missouri Operations Company (GMO) (collectively, Joint Applicants), the proposed acquisition of Westar by GPE, and to evaluate testimony filed in this docket by the Joint Applicants.

QUALIFICATIONS

Q: What are your relevant qualifications?

A: I have over forty-five years of experience in the areas of public utility planning, financing, operations, and management for electric, natural gas, district heating, water, and wastewater utility systems. My professional experience includes rate studies, planning and analytical studies, feasibility studies, economic analyses, and contract negotiations. I have conducted detailed cost of service studies involving various investor, municipal, and cooperative-owned utility systems. A summary of my experience is provided as Schedule JAH-1.

Q: Have you previously filed testimony at the MPSC or before any other utility regulatory agency?

A: Yes, I have. I have been involved in assignments, and in some cases filed testimony and testified before the MPSC, in proceedings involving electric rate case applications by KCP&L and district heating rate applications by Veolia Energy Kansas City, Inc. I also recently filed testimony in the Joint Applicants application before the Kansas Corporation Commission for approval of the proposed transaction for GPE to acquire Westar in Docket No. 16-KCPE-593-ACQ. I have been involved in more than 100 regulatory proceedings before the Federal Energy Regulatory Commission (and its predecessor, the Federal Power Commission) and 14 state regulatory bodies including; Colorado Public Utilities Commission, Florida Public Service Commission, Hawaii Public Utilities Commission, Indiana Public Service Commission, Kansas Corporation Commission, Michigan Public Service Commission, Missouri Public Service Commission, Montana Public Service

Commission, New Mexico Public Regulation Commission, Ohio Public Utilities Commission, Texas Public Utility Commission, Utah Public Service Commission, Wisconsin Public Service Commission, and the Wyoming Public Service Commission. A listing of my utility regulatory expert witness experience is provided as Schedule JAH-2.

I have also filed expert reports and testified in federal district court proceedings on utility matters, and I have served as an independent arbitrator on a power supply contract dispute matter in Guam.

Q: Have you included any additional exhibits to your testimony?

A: Yes, as previously indicated, my resume is provided as Schedule JAH-1, and my listing of utility regulatory experience is provided as Schedule JAH-2. Schedule JAH-3 is a matrix illustrating the differences in the hold harmless provisions proposed in a proceeding in Kansas and the hold harmless provisions proposed by GPE in its applications before this Commission and the Federal Energy Regulatory Commission (FERC).

KEY ISSUES AND METHODOLOGY

Q: What are the key issues addressed by your testimony?

A: My testimony will offer conclusions on the following questions:

1. Does the Joint Application provide sufficient information to establish a complete record upon which the Commission can make a determination?
2. Will the proposed transaction be detrimental to the public good, specifically considering the following issues:

a. Is there a documented correlation between the Joint Applicants' proposed integration plans and their development of estimated savings?

b. What are the implications of having these two competing utilities become subject to the single, unified strategy of a common owner?

c. Do the Joint Applicants' commitments in the proposed Stipulations and Agreements provide sufficient protection to ratepayers and wholesale municipal customers from the negative effects of the proposed transaction?

d. What is the Joint Applicants' ultimate recovery plan for the acquisition premium and how will it affect the companies' rates and financial stability?

Q: In preparing your testimony, did you review the Commission's standards for approving mergers and acquisitions?

A: Yes. It is my understanding that the Commission's central concern is whether the acquisition will be detrimental to the public interest. In determining whether the acquisition will be detrimental to the public interest, pages 5and 6 of the January 18, 2017 MPSC Staff report filed in this proceeding states the Commission typically considers:

1. The applicant's experience in the utility industry;
2. The applicant's history of service difficulties, if any;
3. The applicant's general financial health and ability to absorb the proposed transaction; and,

4. The applicant's ability to operate the assets safely and efficiently.

The MPSC Staff Report also states the Commission uses a cost-benefit analysis in making its determination of whether the proposed transaction is detrimental to the public interest.

Q: Please summarize your main findings.

A: As is described in more detail in my testimony below, the Joint Application and proposed transaction raise the following concerns:

1. The Joint Application does not provide sufficient detail to determine what types of transactions will be covered by the proposed variance.
2. There is a need for adequate assurances that retail, wholesale, or transmission customers will not pay higher capital-related costs as a result of the proposed transaction, given that the proposed transaction could impact the ability to raise reasonably-priced capital, particularly due to unforeseen events.
3. There is reason to be concerned that service quality will be put at risk because the companies will be pressured to reduce costs in order to realize the savings necessary to compensate for the significant acquisition premiums and the assumption of debt involved in the transaction. Such savings should not come at the expense of cost-cutting on matters of maintenance, operations, and training that could jeopardize safety, reliability, and overall service quality.
4. The proposed transaction will result in reduced competition. It is not reasonable to believe that Westar and KCPL will continue to compete with each other once they become subject to common ownership and overall

management. This competition includes power supply bidding and contracts, and investment in transmission infrastructure.

5. There is concern that the estimated savings are not realistic and will not be fully realized. There is also concern about the impact on rates flowing from the proposed retention of savings by the Joint Applicants to compensate for acquisition premiums and the assumption of debt. Joint Applicants admit that their claim of savings will not be known or measurable until each makes the future general rates filings to pass such savings on to ratepayers.

ADEQUACY OF THE VARIANCE REQUEST

Q: Have you reviewed the Joint Application?

A: Yes.

Q: Please summarize the Joint Application.

A: Upon closing, the operating utilities of KCP&L, GMO and Westar will begin transactions with each other involving the exchange of goods and services. The Joint Application on page 5 states these transactions may be considered “affiliate transactions” under the Commission’s Affiliate Transactions Rule, 4 CRS 240-20.015; and that as a result, the asymmetric pricing requirements in 4 CSR 240-20.015(2) would be applicable to those transactions – unless a variance is granted by the Commission. The Joint Applicants state the affiliate transaction rule requires the pricing of transactions of goods and services from a public utility to any affiliate at the higher of market value or cost, and the pricing of goods and services provided by any affiliate to a public utility is to be at the lower of market value or cost. (see Direct

Testimony of Darrin Ives, pages 4 – 6) The Joint Application requests the asymmetric pricing provisions of 4 CSR 240-20.015 be waived to allow for the exchange of the goods and services between the regulated operations of KCP&L, GMO and Westar on the basis of cost. (see Direct Testimony of Terry Bassham, page 4)

Q: Have you reviewed the testimony submitted by Joint Applicants, MPSC Staff, and the Office of Public Counsel?

A: Yes.

Q: Does the Joint Application discuss or identify the specific goods or services that will be exchanged between GPE and its subsidiaries post-transaction?

A: No. The Joint Application makes general statements such as: "Upon closing, KCP&L, GMO and Westar will immediately begin providing goods and services to, and receiving goods and services from, one another,"[1] or that the affiliate transaction rule "would prevent the three regulated affiliates from exchanging goods and services at cost" references that GPE and its affiliates "will engage in transactions with each other."[2] It does not provide any detail on the specific types of goods or services that will be exchanged for which the Joint Applicants require a variance.

Q: In your opinion, is that level of detail sufficient to determine the effect of the requested variance on interested stakeholders?

A: No. In order to determine the effect of a potential variance, the Commission should require that Joint Applicants supplement the Joint Application with sufficient detail for interested stakeholders to analyze and evaluate the effects of the variance. Absent

[1] Verified Application of Great Plains Energy Incorporated, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for a Limited Variance from the Commission's Affiliate Transactions Rule, at ¶ 9.
[2] *Id.* at ¶ 11.

that level of detail, the Commission does not have a sufficient record upon which to reach its decision.

Q: Does the Joint Application provide any authority for granting its requested Variance?

A: Yes. The Joint Application briefly discusses the Commission's approval of GPE's acquisition of Aquila, Inc. (the "Aquila Order").

Q: Is the Aquila Order applicable here?

A: No. While the Aquila proceeding included a requested variance, which was granted by the Commission, that request was made in conjunction with an application to the Commission to approve GPE's acquisition of Aquila as a whole. GPE recognized the Commission's jurisdiction over that transaction, and the Commission had the ability to analyze every aspect of that transaction to determine the full effect of the variance. Conversely, the Joint Applicants maintain in this proceeding that the Commission has no jurisdiction over the proposed transaction, and that it only need evaluate the variance request. As such, the Aquila Order is not applicable here.

CORRELATION OF ESTIMATED SAVINGS WITH INTEGRATION PLANS

Q: Is the testimony submitted by Joint Applicants limited to a discussion of the variance request?

A: No, the testimony discusses the Joint Application in general and provides detail on the various aspects of the proposed transaction.

Q: Please summarize the process Joint Applicants used in estimating the savings that would flow from the proposed transaction.

A: GPE indicates that the estimated savings were developed from the "bottom-up" in each of four functional areas (generation, T&D/customer, shared services, and supply chain) for the years 2017 through 2020 using experience from prior mergers and due diligence efforts involving data review, analysis, and interviews. The process is described in the direct testimony of William J. Kemp, Senior Manager with Enovation Partners, LLC – a consulting firm retained by GPE to assist with the process of estimating the savings from the proposed transaction. It should be noted that the results of the process used were to support the target established for the proposed transaction – that is, whether the estimated savings were sufficient to meet the targets for making the final bid for GPE to acquire Westar.

Q: When did Westar begin the competitive process of seeking potential buyers?

A: It is my understanding that Westar decided in late February, 2016 to conduct a competitive process for pursuing the merits of a strategic transaction.

Q: What were the subsequent steps in the process, the end result of which was the agreement with GPE?

A: It is my understanding that after seeding potential interest from a number of companies, non-binding indications of interest were submitted by five companies in April. Following due diligence and inquiry, three companies provided further indications of interest in late May. A definitive agreement was negotiated over Memorial Day weekend (May 27-30) that was then approved by GPE's and Westar's board of directors.

Q: What effect could this expedited timeframe have had on the savings estimates provided by Joint Applicants?

A: This timeframe necessitated an expedited high-level process of whether potential savings from the proposed transaction would meet the targets established to support GPE's final bid to acquire Westar. So, as a result, despite claims that GPE has conducted significant due diligence efforts and identified areas of opportunities for achievement of cost savings with its business integration with Westar for its management and board to pursue the proposed transaction, there is little detail offered at this time regarding specifically how the planned business integration would occur, what actual cost savings may ultimately be achieved, and what costs and risks will be involved in completing business integration efforts to achieve such cost savings. Instead, the timeframe necessitated broad-scale estimates of potential net savings – the process of which was focused on supporting a target that supported the final bid offer. This appears to be a situation where one is provided the answer (i.e., the targeted savings needed to support the bid), and the process is then to arrive at the questions which result in that answer.

Q: How would a company justify the amount of savings that will be realized from an acquisition?

A: A more definite estimate of savings to be realized from the acquisition would involve the development of detailed integration plans such as those described in the direct testimony of Steven P. Busser, GPE's Vice President – Risk Management and Controller. As described in that direct testimony, the Joint Applicants integration teams are currently in the design phase; and that the integration plans phase will develop the integration plans to reach the initial targets and estimated savings from the design phase. (see Direct Testimony of Steven Busser, pages 3 – 4)

Q: Do the Joint Applicants have completed integration plans?

A: No. The Joint Applicants have stated that they are in the process of preparing those integration plans, so they are not yet available to review. Parties impacted by the proposed transaction are therefore unable to scrutinize, evaluate, or challenge the effects of those plans.

Q: If no final integration plans exist, can Joint Applicants clearly indicate where the savings will come from, and what the level of savings might be?

A: No. The estimated savings process was to support the target amount that formed the basis for GPE's final bid. Those estimated savings are now used as targets to be achieved in the integration plans – which raises the question of whether the integration plans will be results driven, knowing the level of savings that must be achieved. This in turn raises the question of whether this will result in pressure to generate targeted savings without adversely impacting security and reliability of operations and staffing.

Q: What are some of the areas of concern where the Joint Applicants have stated estimated savings will be realized?

A: One of the areas that requires close consideration is the nearly 5% estimated savings in O&M and capital improvements at the distribution level. The needs at the distribution level are generally site specific and are independent of whether a utility doubles in size by way of a merger or acquisition.

Q: Regarding the areas of distribution and capital improvements at the distribution level, what are typical reasons a utility would undergo distribution upgrades?

A: Most often capital improvements at the distribution level are for the purpose of maintaining or improving the adequacy, quality, and reliability of service to an acceptable standard.

Q: So what could be the practical effects of savings tied to distribution and capital improvements at the distribution level?

A: The adequacy, quality, and/or reliability of service would decline to less than acceptable standards.

Q: Have Joint Applicants outlined their specific plans regarding savings tied to distribution and capital improvements at the distribution level?

A: No, it is my understanding GPE has not yet completed, and therefore has not released integration plans that explain how those savings will be realized.

Q: Do the above issues imply that the proposed transaction will be detrimental to the public good? Why or why not?

A: Frankly, there is insufficient information to be able to determine whether the transaction will be detrimental to the public good with regard to the estimated savings. As stated above, the estimated savings at this point are speculative, and without established integration action plans I am unable to conclude that the proposed transaction is either detrimental or not detrimental to the public good. To be able to make that determination, the Commission should require that the Joint Applicants supplement their Joint Application once the integration action plans are completed and provide interested parties the opportunity to review and comment on those plans.

COMBINATION OF TWO COMPETITORS

Q: In what capacity do Westar and the GPE companies offer competing services?

A: Westar and KCP&L have historically been competing power suppliers for wholesale customers. The same was true for GMO before it became a subsidiary of GPE and operated independently as Aquila.

Q: What is the practical effect to municipal customers of eliminating one power supplier?

A: KCP&L and Westar are currently two largest electric utilities in the region that often compete for wholesale power supply contracts. Basic principles of supply and demand dictate that elimination of one source of supply without changing demand would cause the price to increase. Therefore there is a significant chance that the price for point-to-point power supply contracts will increase due to the combination of two competitors into one.

HOLD HARMLESS PROVISIONS

Q: Have you reviewed the Stipulation and Agreement between Joint Applicants and MPSC Staff and the Stipulation and Agreement between Joint Applicant and the Office of Public Counsel (OPC)?

A: Yes.

Q: Are you aware of similar commitments made in other regulatory proceedings involving the proposed transaction?

A: Yes. I have reviewed the "hold harmless" commitments made by the Joint Applicants in proceedings in front of the Kansas Corporation Commission and the Federal Energy Regulatory Commission seeking approval of the proposed transaction.

Q: Could you provide a comparison of those provisions?

A: Yes, Schedule JAH-3 provides a comparison of the hold harmless provisions and commitments by GPE in proceedings before the KCC,[3] FERC[4] and the MPSC regulatory agencies. The MPSC hold harmless provisions are the result of Stipulation and Agreement between GPE, KCP&L and GMO, and the MPSC Staff, and a Stipulation and Agreement between GPE, KCP&L and GMO, and the OPC. Those stipulations and agreements have been challenged in the MPSC proceeding, and are at this time only party positions rather than binding commitments. But they are indicative of the commitments Joint Applicants appear to be willing to make to insulate Missouri ratepayers and wholesale customers from the effects of the proposed transaction.

The KCC and FERC hold harmless provisions shown in Schedule JAH-3 are commitments made by GPE in its applications and testimony before those regulatory agencies.

Q: Are there any discrepancies between the provisions in each proceeding?

A: Review of Schedule JAH-3 indicates there are differences in the hold harmless provisions in the KCC, MPSC and FERC proceedings. In some instances, the discrepancies are more a matter of a commitment being included in one proceeding

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[3] KCC Docket No. 16-KCPE-593-ACQ
[4] FERC Docket No. EC16-146.

and omitted in the other. In other instances, the commitments are worded differently so that they provide different levels of protection from one proceeding to the other.

Q: How do could those discrepancies affect wholesale municipal customers?

A: To the extent there are differences, and those differences result in different cost assignments causing rate making disparities between jurisdictions, then competitive disadvantages and subsidies can occur between jurisdictional customers, and between wholesale customers and GPE's operating utility subsidiaries.

Q: What commitments are included in other proceedings regarding separate legal identities, but are not included in the Stipulations and Agreements in this proceeding?

A: In the KCC proceeding, Joint Applicants agree to the use of an actual utility-specific capital structure with an equity share of no less than 45 percent and no more than 53 percent. They also commit that KCP&L and Westar will maintain separate legal identities, conduct business as separate legal entities, and will not comingle assets. Proper accounting procedures will be used to protect against cross-subsidization of non-regulated businesses. Joint Applicants will not include, in any debt or credit instrument of Westar and KCP&L, any financial covenants or default triggers related to GPE or any of its affiliates. While Joint Applicants commit in this proceeding to maintain separate revolving credit facilities and commercial paper, that commitment is expanded in the KCC proceeding to require adequate capacity under revolving credit facilities and commercial paper, which capacity may be administered on a combined basis provided that pricing is separated by entity and there are neither cross-default provisions nor provisions under which KCP&L or Westar guarantee the debt obligations of any GPE affiliate.

Q: How do these commitments protect wholesale customers?

A: These commitments are intended to isolate the regulated utilities from adverse financial difficulties at the parent holding company, GPE, or other affiliates and protect utility customers from adverse impacts that may lead to higher rates.

Q: Are those protections provided to wholesale customers in this proceeding?

A: No.

Q: What commitments are included in other proceedings regarding internal labor costs, but are not included in the Stipulations and Agreements in this proceeding?

A: In the FERC proceeding, Joint Applicants committed that they would isolate out certain internal labor costs related to merger-related activities so that they would not be passed through to customers. Joint Applicants committed to certain procedures to ensure that those costs were isolated, and proposed procedures for potential recovery of those costs in certain circumstances.

Q: Why is it important that internal labor costs related to merger-related activities be omitted from rates?

A: The Joint Applicants have committed to not seek recovery of transaction-related costs from its ratepayers and wholesale customers. Internal labor costs connected to merger-related activities are included in those transaction-related costs that will not be recovered. This commitment ensures that such costs will be accounted for and kept separate from other costs that will flow through to customers' rates.

Q: Is that protection provided to wholesale customers in this proceeding?

A: No.

Q: What commitments are included in other proceedings regarding capital structure, but are not included in the Stipulations and Agreements in this proceeding?

A: In the KCC proceeding, Joint Applicants agree to use reasonable and prudent investment grade capital structures. KCP&L and Westar will be provided with appropriate amounts of equity from GPE to maintain such capital structures. GPE shall maintain consolidated debt of no more than 70 percent of total consolidated capitalization. KCP&L's debt shall be maintained at no more than 65 percent. GPE commits that Westar's debt shall also be maintained at no more than 65 percent. GPE commits that Westar and KCP&L will not make any dividend payments to the parent company to the extent that the payment would result in an increase in either utility's debt level above 65 percent of its total capitalization, unless the Commission authorizes otherwise. Provided the actual utility-specific capital structure is used to set rates for KCP&L and Westar, Joint Applicants commit to uphold the principle that their future costs of service and rates will be set commensurate with the financial and business risks attendant to each affiliate's regulated utility operations and that they will not oppose, in either a regulatory proceeding or by judicial appeal of a Commission decision, the application of this principle.

Q: How do these commitments protect wholesale customers?

A: Again, these commitments are intended to provide customers with merger related savings while providing some protection from adverse outcomes by assurances that future regulation by the KCC will continue to be effective post-transaction.

Q: Is that protection provided to wholesale customers in this proceeding?

A: No.

Q: What commitments are included in other proceedings regarding affiliate transactions, but are not included in the Stipulations and Agreements in this proceeding?

A: While in all three proceedings the Joint Applicants commit to maintaining records supporting affiliate transactions, the Joint Applicants commit in the KCC proceeding to provide to the KCC Staff detailed journal entries recorded to reflect the transaction and the provisions of this Agreement. They also commit to provide the final detailed journal entries to be filed with the KCC no later than 13 months after the date of the closing. Those entries must show, and shall include but not be limited to, the entries made to record or remove from all utility accounts any acquisition premium costs or transaction costs. Joint Applicants also commit to filing within 60 days of closing an executed copy of all additional relevant Affiliate Service Agreements related to the transaction. And Joint Applicants commit to seeking recovery of intercompany charges to their regulated utility affiliates in their first base rate proceedings following the closing of the Transaction at levels equal to the lesser of actual costs or the costs allowed related to such functions in the cost of service of their most recent rate case prior to the closing of the Transaction, as adjusted for inflation measured by the Gross Domestic Product Price Index.

Q: How could the omission of these commitments in this proceeding affect wholesale customers in Missouri?

A: These commitments should help ensure the KCC and its Staff has information needed on a timely basis to perform reviews and audits, to stay abreast of important occurrences at the utilities, and to provide some protection to ratepayers.

Q: What commitment is included in other proceedings regarding fuel and purchased power costs, but are not included in the Stipulations and Agreements in this proceeding?

A: In the KCC proceeding, Joint Applicants commit that KCP&L's and Westar's fuel and purchased power costs shall not be adversely impacted as a result of the Transaction.

Q: How does this commitment provide protection to wholesale customers?

A: Again, this commitment provides protection to wholesale customers from adverse impacts relating to the proposed transaction.

Q: Is that protection provided to wholesale customers in this proceeding?

A: No.

Q: What commitment is included in other proceedings regarding ROE, but is not included in the Stipulations and Agreements in this proceeding?

A: In the KCC proceeding Joint Applicants commit that the ROE as reflected in Westar's and KCP&L's rates will not be adversely affected as a result of the Transaction. GPE agrees the ROE shall be determined in future rate cases, consistent with applicable law, regulations and practices of the Commission.

Q: How does this commitment provide protection to wholesale customers?

A: This commitment assures future regulation by the KCC on a utility specific basis and that customer rates are not increased as a result of the proposed transaction.

Q: Is that protection provided to wholesale customers in this proceeding?

A: No.

Q: What commitment is included in other proceedings regarding the integrated resource plan, but is not included in the Stipulations and Agreements in this proceeding?

A: The Joint Applicants have committed that GPE will provide to the KCC Staff its integrated resource plan (IRP) within 30 days of its filing in Missouri.

Q: Why is that important?

A: The Joint Applicants indicated the benefit of the IRP analysis is that it will identify efficiencies that are attributable to the merged companies operation. (see Rebuttal Testimony of Darrin Ives filed at the KCC in Docket No. 16-KCPE-593-ACQ, page 58)

Q: Is that information provided in this proceeding?

A: No.

<u>ACQUISITION PREMIUM</u>

Q: Have you reviewed the Direct Testimony of Kevin E. Bryant with regards to GPE's financing for the proposed transaction?

A: Yes, I have.

Q: What is the acquisition premium of the proposed transaction?

A: It is my understanding the acquisition premium is approximately $5 billion dollars.

Q: How do Joint Applicants propose to cover the acquisition premium?

A: One is left with the impression that shareholders will cover the acquisition premium in that the Joint Applicants indicate they will not seek recovery of the acquisition premium and transaction costs in general rate case filings. However, the Joint Applicants intend to retain savings generated prior to implementation of new retail rates in Kansas and Missouri in the next general rate case filings of GPE's subsidiaries, and between subsequent future rate case filings, for the benefit of shareholders. The savings estimated by GPE are approximately $65 million, net of transition costs, in 2018 (the first full calendar year following the closing of the proposed transaction), increasing to nearly $200 million annual net savings and benefits in 2020, the third full year after closing.

Q: Does that mean that ratepayers are completely insulated from any of those costs?

A: No, it does not. First, Joint Applicants indicate that post-transaction savings will not be separately identified in the books and records of GPE's regulated utilities, but embedded in the accounts of those records. While GPE has indicated that it will perform calculations and analysis for each general rate case filing to track the actual savings resulting from the transaction, this creates the challenge of quantifying, monitoring, and validating the actual achievement of savings due to the transaction. At this time, the ratepayers are left in the dark regarding the allocation of savings, and the Joint Applicants' process does not provide sufficient transparency to ensure that all savings are appropriately applied to rates while acquisition premiums are kept out.

Second, ratepayers will not benefit from all of the savings realized as a result of the proposed transaction – initially all of the savings will be retained for shareholders until a general rate case filing is made and rates are implemented that have the savings embedded in the Commission approved revenue requirements. The timing of a regulated utilities general rate case filing is normally a function of when the regulated utility believes an increase in rates can be justified and approved for implementation by the Commission. While the Joint Applicants are predicting that savings will be generated by the proposed transaction, they nonetheless anticipate having to file for rate increases in the future and that the post-transaction related savings will serve to reduce the amount of the increase absent the proposed transaction. Post-closing, any transaction-related savings not embedded in GPE's regulated subsidiaries rates will be retained by GPE to cover the acquisition premium.

Third, as previously discussed, there is the exposure that GPE's financial condition could adversely affect the capital costs of the operating subsidiary, resulting in higher rates.This could occur if the estimated savings don't materialize as projected and the amount of savings estimated is not available to cover the acquisition premium. While the Joint Applicants have committed to carry the acquisition premium on GPE's books, there is concern that the difficulty of the parent company to adequately cover the acquisition premium and service transaction related debt would have a direct or indirect impact on the capital cost of GPE's wholly-owned regulated subsidiaries.

Q: Does Joint Applicants' commitment to not seek recovery of acquisition premiums and transaction costs provide protection for ratepayers and wholesale customers in these areas?

A: No, for the reasons stated above it does not.

Q: Are there any potential remedies for the concerns raised in your rebuttal testimony?

A: Yes. Some suggestions to provide safeguards from the proposed transaction for retail, wholesale and transmission customers are:

1. Provide network transmission customers a "self-help" opportunity to participate and fund a portion of GPE and Westar future transmission improvements as a means of addressing the risk of higher capital costs passed through formula transmission rates and the reduced competition for transmission infrastructure improvements. The network transmission customer's level of participation in future transmission projects would be capped at an amount equivalent to its load ratio share of the utility's net transmission plant.
2. Provide mechanisms for the quantification, monitoring, allocation, and verification of savings resulting from the transaction in order to safeguard against the inequitable allocation of savings by GPE.

Q: Does that conclude your testimony?

A: Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

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

AFFIDAVIT OF JOSEPH A. HERZ

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Joseph A. Herz, being first duly sworn on his oath, states:

1. My name is Joseph A. Herz. I work in Burr Oak, Kansas, and I am Vice President of Sawvel and Associates, Inc.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of the City of Independence, Missouri consisting of Twenty-Four (24) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including my attachments thereto, are true and accurate to the best of my knowledge, information and belief.

J. A. Herz
Joseph A. Herz

Subscribed and sworn before me this 10 day of February, 2017.

Jessica Barnes
Notary Public

My commission expires: 11-17-2020

NOTARY PUBLIC - State of Kansas
JESSICA BARNES
My Appt Expires 11-17-2020

JOSEPH A. HERZ, P.E.

Mr. Herz has over 45 years of experience in the areas of public utility planning, financing, operations and management for electric, natural gas, steam, water and wastewater utilities.

Mr. Herz is a registered Professional Engineer. His professional experience includes planning and analytical studies related to electric power supply, transmission arrangements, feasibility studies, economic analyses and rate studies and contract negotiations. He has conducted detailed cost-of-service, rate, financial, power supply and transmission studies involving various investor, municipal and cooperative-owned systems.

Mr. Herz has testified on numerous occasions as an expert witness concerning regulatory matters. He has participated in more than 100 regulatory proceedings and has testified before 14 state regulatory commissions and FERC on electric, gas, steam and water utility services.

Mr. Herz is experienced in long-range planning for acquisition and/or expansion of utility systems, engineering, financial and economic feasibility investigations and analyses. Power supply experience includes evaluating the technical and financial feasibility of transmission and power supply resources and related arrangements; power pooling, including integration of transmission and generating facilities; and, preparation and negotiation of related power supply and transmission contracts. Mr. Herz has served as an independent arbitrator on power supply contract disputes and has served as an expert in federal district court cases.

Education

University of Nebraska
B.S., Electrical Engineering

Registration

Professional Engineer – Kansas

Professional Organizations

American Public Power Association
National Society of Professional Engineers
Kansas Society of Professional Engineers

Utility	Docket No.	Issues and/or Scope	Client	Year
Federal Energy Regulatory Commission				
Kansas City Power & Light	16-KCPE-593-ACQ	Competition and market power issues resulting from KCP&L's acquisition of Westar Energy, Inc.	Kansas Municipal Energy Agency and Independence, Mo.	2016
PacifiCorp	ER11-3643-000, 001	Transmissions Formula Rate Filing	Utah Municipal Power Agency	2011
Westar Energy, Inc.	EL08-31-000	Incentive Rate Treatment for High Voltage Transmission Projects	Kansas Municipal Utilities	2008
Westar Energy, Inc.	ER05-925-000	Open Access Transmission Tariff rate revisions for transmission and ancillary services	Kansas Municipal Utilities, Kansas Power Pool, Unified Government of Wyandotte County/Kansas City, Kansas, Board of Public Utilities and Kansas Municipal Energy Agency	2005
Westar Energy, Inc., Kansas Gas and Electric Company	ER03-9-002, -003, -004, -005 ER98-2157-002, -003, -004 EL05-64-000	Westar Energy and KGE market power mitigation proposal	Kansas Municipal Utilities and Unified Government of Wyandotte County/Kansas City, Kansas, Board of Public Utilities	2005
Kansas City Power & Light, Company and Great Plains Power, Inc.	ER99-1005-000 ER02-725-000 EL05-3-000	Ability of KCP&L to exercise market power	Unified Government of Wyandotte County/Kansas City, Kansas, Board of Public Utilities	2005
Dayton Power & Light Company	EL00-24-000	Contract dispute and interpretation of certain pricing provisions	Arcanum, Eldorado, Jackson Center, Lakeview, Mendon, Minster, New Bremen, Tipp City, Waynesfield and Yellow Springs, Ohio	2000
Western Resources and Kansas City Power & Light	EC97-56-000	Western Resources Merger Intervention and other related relief	Kansas City, Kansas Board of Public Utilities	1999
Western Resources and Kansas City Power & Light	ER97-4669-000	Western Resources Merger Intervention and other related relief	Kansas City, Kansas Board of Public Utilities	1999
FirstEnergy Operating Companies	EC97-5-000	IEU/FirstEnergy Merger Intervention and other related relief	Industrial Energy Users of Ohio	1997
FirstEnergy Operating Companies	EC97-413-000	IEU/FirstEnergy Merger Intervention and other related relief	Industrial Energy Users of Ohio	1997

Public Utility District No. 2 of Grant County Washington	EL95-35-000	Determine appropriate allocation of power from Priest Rapids Project	Kootenai Electric Cooperative, Inc., Clearwater Power Company, Idaho County Light & Power Cooperative Association, Inc., and Northern Lights, Inc.	1995
PacifiCorp	ER96-8-000	Transmission, cost of service and rate design	Utah Municipal Power Agency Deseret Generation and Transmission Cooperative, Inc.	1995
Dayton Power & Light Company	ER95-83-000	Transmission power services and rates	Arcanum, Eldorado, Jackson Center, Lakeview, Mendon, Minster, New Bremen, Tipp City, Waynesfield and Yellow Springs, Ohio	1995
Dayton Power & Light Company	94-1469-000	Transmission/interconnection/power services and rates	City of Piqua, Ohio	1994
Cincinnati Gas & Electric Company	ER94-1637-000	Transmission service and rates	City of Hamilton, Ohio	1994
Public Service Company of New Mexico	EL-94-6-000	Fuel inventory practices and expense accounting	Plains Electric Generation and Transmission Cooperative	1994
CINergy (merger of Cincinnati Gas & Electric Company and PSI Energy, Inc.)	ER93-6-000	Transmission issues, cost of service and rate design	City of Hamilton, Ohio	1993
American Electric Power Company	ER93-540-000	Transmission issues, cost of service and rate design	City of Hamilton, Ohio	1993
Ohio Power Company and Kentucky Power Company	ER93-295-001	Transmission loss factors	City of Hamilton, Ohio	1993
PacifiCorp Electric Operations	ER93-675-0000	Transmission issues, cost of service and rate design	Utah Municipal Power Agency	1993
PacifiCorp Electric Operations	ER91-494-0000	Transmission issues, cost of service and rate design	Utah Municipal Power Agency	1991

PacifiCorp Electric Operations	ER91-471-0000	Transmission issues, cost of service and rate design	Utah Municipal Power Agency	1991
Ohio Power Company	EL91-1-000 and EL90-42-000	Interconnected utility operations and scheduling matters	City of Hamilton, Ohio	1990
Arizona Public Service Company	ER89-265-000	Transmission issues, cost of service and rate design	Plains Electric Generation and Transmission Cooperative	1989
Cincinnati Gas & Electric Company	ER89-17-000 and ER89-19-000	Transmission service, schedule restrictions and billing for transmission service	City of Hamilton, Ohio	1989
Utah Power and Light Company	EL85-12	PURPA wheeling under Sections 210, 211 and 212 of the Federal Power Act	Utah Municipal Power Agency and City of Manti, Utah	1985
Utah Power and Light Company	ER84-571/572	Transmission issues, cost of service and rate design	Utah Municipal Power Agency and the Cities of Manti and Provo, Utah	1985
Northern Indiana Public Service Company	ER83-396-000	Transmission issues, price squeeze, cost of service and rate design	Argos, Bremen, Brookston, Chalmers, Etna Green, Kingsford Heights, Walkerton and Winamac, Indiana	1983
Utah Power and Light Company	ER83-427-000	Transmission issues, revenue requirement, cost of service and rate design	Manti, Utah	1983
Ohio Power Company	ER82-553-000	Engineering issues, cost of service and rate design	Ohio Power Municipals	1982
Arizona Public Service Company	ER82-481-000	Transmission issues, cost of service and rate design	Plains Electric Generation and Transmission Cooperative	1982
Arizona Public Service Company	ER81-179-000	Wholesale and transmission issues, cost of service and rate design	Plains Electric Generation and Transmission Cooperative	1981
Public Service Company of New Mexico	ER80-313	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1981
Public Service Company	ER79-478/479	Engineering issues, cost of service and	The Executive Agencies of the United States	1981

of New Mexico		rate design		
Public Service Company of New Mexico	ER78-337/338	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1980
Northern Indiana Public Service Company	ER78-509	Price squeeze and rate design	Argos, Bremen, Brookston, Chalmers, Etna Green, Kingsford Heights, Walkerton and Winamac, Indiana	1979
Federal Power Commission:				
Ohio Edison Company	E-9497	Engineering issues, cost of service	The Wholesale Consumers of Ohio Edison Company	1976
Colorado Public Utilities Commission:				
Public Service Company of Colorado	1425 Phase II	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1981
Florida Public Service Commission:				
Florida Power Corporation	80119-EU	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1980
Gulf Power	010949-EI	Engineering and cost of service issues that have an actual or potential impact on the FEA	The Executive Agencies of the United States	2001
Hawaii Public Utilities Commission:				
Hawaiian Electric Light Company, Inc.	2014-0130	HELCO 2016 Rate Case – Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, Power Factor Adjustment in Rate Design, Purchased Power Adjustment Clause, Energy Cost Adjustment Clause and Act 162	Division of Consumer Advocacy, State of Hawaii	2016

Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2014-0183	Power Supply Improvement Plans : Long term power supply resource planning, Renewable Generation, Integrated Resource Planning	Divison of Consumer Advocacy, State of Hawaii	2014
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2014-0192	Proceeding to investigate implementation of Distributed Energy Resources	Divison of Consumer Advocacy, Sate of Hawai	2014
Hawaiian Electric Company, Inc.	2014-0113	Schofield Generation Project Evaluation: Need for Schofield Project generating units, type and size of generation, fuel type, consumer cost impacts	Division of Consumer Advocacy, State of Hawaii	2014
Hawaiian Electric Company, Inc.	2013-0373	HECO 2014 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, ACT 162 Considerations and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2013
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2013-0194	Proceeding to Investigate and Reexamine Feed-In-Tariff Program	Division of Consumer Advocacy, State of Hawaii	2013
Hawaiian Electric Light Company, Inc.	2012-099	HELCO 2012 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate),	Division of Consumer Advocacy, State of Hawaii	2012

		Fuel Inventory, Energy Cost Adjustment Factor, Power Factor Adjustment in Rate Design, Purchased Power Adjustment Clause, Energy Cost Adjustment Clause and Act 162		
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2011-0206	Investigation of Reliability Standards	Division of Consumer Advocacy, State of Hawaii	2011
Maui Electric Company, Ltd.	2011-0092	MECO 2011 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, Purchased Power Adjustment Clause and ACT 162	Division of Consumer Advocacy, State of Hawaii	2011
Hawaiian Electric Company, Inc.	2010-0080	HECO 2011 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, ACT 162 Considerations and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2011
Hawaiian Electric Light Company, Inc.	2009-0164	HELCO 2010 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2010
Maui Electric Company, Ltd.	2009-0163	MECO 2010 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate),	Division of Consumer Advocacy, State of Hawaii	2010

		Fuel Inventory, Energy Cost Adjustment Factor and Purchased Power Adjustment Clause		
Kauai Island Utility Cooperative	2009-0050	KIUC 2010 Rate Case: Energy Rate Adjustment Clause versus Cost of Power Adjustment, Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Act 162 Considerations	Division of Consumer Advocacy, State of Hawaii	2010
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2008-0273	Proceeding to investigate the implementation of Feed-In Tariffs	Division of Consumer Advocacy, State of Hawaii	2008
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2008-0274	Proceeding to investigate implementing a decoupling mechanism-rate design matters	Division of Consumer Advocacy, State of Hawaii	2008
Hawaiian Electric Company, Inc.	2008-0083	HECO 2009 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, Power Factor Adjustment in Rate Design, and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2008

Hawaiian Electric Company, Inc. Maui Electric Company, Ltd	2008-0021	UPC Hawaii Holding, LLC (UPC Hawaii) and Kaheawa Wind Power II, LLC (KWPII) Complaint and Petition against HECO and MECO (Wind Complaint)	Division of Consumer Advocacy, State of Hawaii	2008
Maui Electric Company, Ltd	2006-0387	MECO 2007 Rate case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Power Factor Adjustment in Rate Design	Division of Consumer Advocacy, State of Hawaii	2007
Hawaiian Electric Company, Inc.	2006-0386	HECO 2007 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Power Factor Adjustment in Rate Design	Division of Consumer Advocacy, State of Hawaii	2007
Hawaiian Electric Light Company, Inc.	05-0315	HELCO 2005 – 2006 Rate Case: Fuel & Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor & Power Factor Adjustment in Rate Design	Division of Consumer Advocacy, State of Hawaii	2007
Hawaiian Electric Company, Inc.	05-0145	HECO CIP - Need for CIP project generating unit, type and size of generator, generator fuel, need for transmission line, consumer cost impacts and considerations regarding undergrounding of transmission line.	Division of Consumer Advocacy, State of Hawaii	2006
Hawaiian Electric Company, Inc.	7310	HECO Utilities Avoided Cost Investigation	Division of Consumer Advocacy, State of Hawaii	2005
Hawaiian Electric	04-0113	Evaluation of application for an	Division of Consumer Advocacy, State of Hawaii	2004

Company, Inc.		increase in rates using a 2005 test year, cost of service and rate design issues		
Commission Initiated Generic Investigation	03-0371	Commission initiated generic investigation of distributed generation in Hawaii	Division of Consumer Advocacy, State of Hawaii	2004
Kauai Electric Division	01-0005	Avoided energy costs associated with an Energy Purchase Agreement with Kauai Winds Inc. and inclusion in ERAC	Division of Consumer Advocacy, State of Hawaii	2001
Hawaii Electric Light Company, Inc.	99-0355	Transmission system improvements with IPP purchase power addition	Division of Consumer Advocacy, State of Hawaii	2000
Hawaii Electric Light Company, Inc.	99-0207	Generation and purchase power, operation and maintenance expenses, system losses and engineering issues	Division of Consumer Advocacy, State of Hawaii	2000
Hawaii Electric Light Company, Inc.	99-0346	Need for capacity additions/review of IPP Purchase Power Agreement	Division of Consumer Advocacy, State of Hawaii	1999
Hawaii Electric Light Company, Inc.	98-0013	Need for capacity resource additions, IPP purchase power agreement	Division of Consumer Advocacy, State of Hawaii	1999
Hawaii Electric Light Company, Inc	97-0420	Generation and purchase power, operation and maintenance expenses, system losses and engineering issues	Division of Consumer Advocacy, State of Hawaii	1999
Hawaii Electric Light Company, Inc	97-0349	Integrated resource planning	Division of Consumer Advocacy, State of Hawaii	1999
Kauai Electric Division	KE94-0097	Engineering issues, generation and purchase power, operation and maintenance expenses, system losses and cost of service and rate design	Division of Consumer Advocacy, State of Hawaii	1994
Hawaiian Electric	7766	Engineering issues, generation and	Division of Consumer Advocacy, State of Hawaii	1994

Company, Inc.		purchase power, operation and maintenance expenses, system losses and cost of service and rate design		
Hawaii Electric Light Company, Inc.	7623	Need for capacity resource additions and purchase power contracts	Division of Consumer Advocacy, State of Hawaii	1994
Hawaii Electric Light Company, Inc.	7764	Engineering issues, generation and purchase power, operation and maintenance expenses and system losses	Division of Consumer Advocacy, State of Hawaii	1994
Indiana Public Service Commission				
Wayne County Rural Electric Membership Cooperative	39048	Engineering issues, cost of service and rate design	Wayne County Rural Electric Membership Cooperative	1990
New Carlisle, Indiana	Unknown	Engineering issues, revenue requirements, cost of service and rate design	New Carlisle, Indiana	1975
Kansas Corporation Commission:				
Great Plains Energy Inc., Kansas City Power & Light, and Westar Energy, Inc.	16-KCPE-593-ACQ	Joint Application for approval of the acquisition of Westar Energy, Inc.	Kansas Municipal Energy Agency, Kansas Municipal Utilities, and the City of Independence, Missouri	2016
Southwest Power Pool, Inc.	06-SPP-202-COC	Application for the limited purpose of managing and coordinating the use of certain transmission facilities located within the State of Kansas	Kansas Municipal Utilities, Inc., Kansas Municipal Electric Agency, Kansas Corporation Commission, Kansas Public Power,	2006
Westar Energy, Inc. , Kansas Gas and Electric Company, The Empire District Electric,	06-WSEE-203-MIS	Joint Application for authority to transfer functional control of certain transmission facilities to the Southwest Power Pool, Inc.	Kansas Municipal Utilities, Inc., Kansas Municipal Electric Agency, Kansas Corporation Commission, Kansas Public Power	2006

Company, Kansas City Power & Light Company, Aquila, Inc. D/B/A Aquila Networks-WPK Midwest Energy, Inc., Southwestern Public Service Company				
Western Resources and Kansas City Power & Light	97-WSRE-676-MER	Western Resources Merger Intervention and other related relief	Kansas City, Kansas Board of Public Utilities	1999
Kansas Gas and Electric Company	142-098-U	Engineering issues, cost of service and rate design	McConnell Air Force Base	1985
Michigan Public Service Commission:				
Detroit Thermal	Case No. U-13691	Implement initial default tariff rates for steam service	Detroit Thermal	2004
Michigan Consolidated Gas Company	Case No. U-7895	Engineering issues, cost of service and rate design	Traverse City Light and Power Board	1984
Indiana and Michigan Electric Company	Case No. U-7791	Engineering issues, cost of service and rate design	Auto Specialties, Southern Michigan Cold Storage, Waterville Paper Company, and Whirlpool Corporation	1984
Detroit Edison Company	Case No. U-7232	Interconnection agreements and power sales contract	Michigan Attorney General	1983
Consumers Power Company	Case No. U-6923	Cost of service, rate design and price elasticity	Clark Equipment Company	1982
Indiana and Michigan Electric Company	Case No. U-6927	Engineering issues, cost of service and rate design	Auto Specialties, Clark Equipment Company, and Whirlpool Corporation	1981
Upper Peninsula Power Company	Case No. U-6785	Engineering issues, cost of service and rate design	Michigan Technological University	1981

Upper Peninsula Power Company	Case No. U-6485	Engineering issues, cost of service and rate design	Michigan Technological University	1980
Indiana and Michigan Electric Company	Case No. U-6148	Engineering issues, cost of service and rate design	Auto Specialties, Clark Equipment Company, and Whirlpool Corporation	1980
Missouri Public Service Commission:				
Veolia Energy Kansas City, Inc.	HR-2014-0066	Class Cost of Service for district heating steam services	Veolia Energy	2013
Veolia Energy Kansas City, Inc.	HR-2011-0241	Class Cost of Service for district heating steam services	Veolia Energy	2011
Kansas City Power and Light Company	EE-2008-0238	KCP&L Waiver Filing	Trigen-Kansas City Energy Corp.	2008
Kansas City Power and Light Company	ER-2007-0291	Rate Design and Discounted Rates for Space-heating	Trigen-Kansas City Energy Corp.	2007
Kansas City Power and Light Company	ER-2006-0314	Rate Design and special rates for space heating.	Trigen-Kansas City Energy Corp.	2006
Kansas City Power and Light Company	Case No. ER83-49	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1983
Kansas City Power and Light Company	Case No. EO-78-161	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1980
Montana Public Service Commission:				

Malmstrom Air Force Base	D2001.10.144	Rate design for customers receiving default power supply and transmission services, and limitations on the ability of qualified customers to return to the default supply services	The Executive Agencies of the United States	2001
New Mexico Public Regulation Commission:				
Public Service Company of New Mexico	Case No. 15-00261-UT	Class cost of service and rate design	Albuquerque Bernalillo County Water Utility Authority	2015
El Paso Electric Company	Case No. 15-00127-UT	Class cost of service and rate design	Dona Ana County, New Mexico	2015
Public Service Company of New Mexico	Case No. 14-00332-UT	Class cost of service and rate design	Albuquerque Bernalillo County Water Utility Authority	2014
Public Service Company of New Mexico	Case No. 10-00086-UT	Class cost of service and rate design, joint system dispatch.	Albuquerque Bernalillo County Water Utility Authority	2010
Public Service Company Of New Mexico	Case No. 03-00352-UT	Appropriateness of underground projects Rate Rider	Rio Rancho, New Mexico	2004
Otero Electric Cooperative	Case No. 2048	Demand metering and rate design	Otero Electric Cooperative	1987
Gas Company of New Mexico	Case No. 1875	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1984
Gas Company of New Mexico	Case No. 1787	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1983
Gas Company of New Mexico	Case No. 1710	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1982
Gas Company of New Mexico	Case No. 1568	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1982
Ohio Public Utilities				

Commission:

FirstEnergy Operating Companies	Case No. 98-1636-EL-UNC	Transmission system reliability - sale and transfer of generating assets	Industrial Energy Users of Ohio	1999
Ohio Edison Company	Case No. 93-1048-EL-CSS	Cost of service and predatory pricing	Youngstown Thermal, Limited Partnership	1994
Cincinnati Gas & Electric Company	Case No. 87-593-GA-CSS	Metering and billing dispute	Sheraton/Springdale Hotel	1987
Dayton Power and Light Company	Case No. 82-517-EL-AIR	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1983
Dayton Power and Light Company	Case No. 81-1256-EL-AIR	Revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1982
Dayton Power and Light Company	Case No. 81-1237-EL-CSS	Billing procedures and practices	The Dayton Tire and Rubber Company	1982
Toledo Edison Company	Case No. 81-620-EL-AIR	Determination of billing units and rate design	Seaway Food Town, Inc.	1982
Ohio American Water Company	Case Nos. 81-385-WW-AIR and 81-739-WW-CMR	Engineering issues, cost of service and rate design	City of Tiffin, Ohio	1982
Dayton Power and Light Company	Case No. 81-21-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1981
Dayton Power and Light Company	Case No. 80-687-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1981
Ohio American Water Company	Case No. 79-3143-WW-AIR	Engineering issues, revenue requirements, cost of service and rate design	Cities of Marion and Tiffin, Ohio	1980

Dayton Power and Light Company	Case No. 79-510-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1980
Cincinnati Gas & Electric Company	Case No. 79-11-EL-AIR	Cost of service and rate design	The Ohio Council of Retail Merchants	1979
Columbus and Southern Ohio Electric Company	Case No. 78-1438-EL-AIR	Cost of service and rate design	The Ohio Council of Retail Merchants	1979
Seneca Utilities, Inc.	Case No. 78-287-WW-AIR	Engineering issues, revenue requirements, cost of service and rate design	Lake Seneca Property Owners Association	1979
Dayton Power and Light Company	Case No. 78-92-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1979
Texas Public Utility Commission:				
South Western Public Service Company	45524	Jurisdictional allocation factors and class cost of service issues	Alliance of Xcel Municipalities	2016
Houston Lighting & Power Company	5779	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1984
Utah Public Service Commission:				
Hill Air Force Base	01-035-01	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Hill Air Force Base	01-035-23	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Hill Air Force Base	01-035-35	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001

Hill Air Force Base	01-035-36	Evaluate power cost adjustment mechanism to determine if it is non-discriminatory, accurately reflects the actual cost of providing the service, and is necessary under the circumstances	The Executive Agencies of the United States	2001
Hill Air Force Base	00-035-15	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Wisconsin Public Service Commission:				
Barron Electric Cooperative	Case No. 380-EI-1	Transmission wheeling charges	Barron Electric Cooperative	1982
Wyoming Public Service Commission:				
PacifiCorp	2000-ER-95-99	Revenue requirements, cost of service, rate design and jurisdictional allocations	Marathon Oil Company	1996

GPE/Westar Hold Harmless Provisions

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
		No time limit on hold harmless commitments.	
GPE and Westar will proceed to file an abbreviated rate cases no later than Jan. 1, 2019. In those rate cases, will provide: (a) evidence demonstrating that the Transaction has not resulted in a downgrade to that utility's Corporate Credit Rating that exists at the time the general rate case is filed compared to the Corporate Credit Rating of that utility that existed as of May 27, 2016, or (b) if such a Corporate Credit Rating downgrade resulting from the Transaction exists at the time the general rate case is filed, evidence demonstrating that Kansas customers are held harmless from any cost increases resulting from such a downgrade, and (c) evidence supporting the reasonableness of using the utility-specific capital structure of KCP&L or Westar in determining a fair and reasonable rate of return for the applicable utility.			Will proceed with utility-specific rate cases, where Applicants will provide: (1)Evidence demonstrating that the Transaction has not resulted in a downgrade to that utility's corporate credit rating; and (2) If credit rating has been downgraded due to the Transaction, evidence that Missouri ratepayers are held harmless.
KCP&L and Westar will not comingle their assets with the assets of any other person or entity, except as allowed under the Commission's Affiliate Transaction statutes or other Commission order.		The Great Plains Energy regulated companies each will maintain ownership in its own name or the name of its subsidiaries all assets and other interests in property (including leasehold interests, easements, licenses, beneficial interests, and jointly owned assets) used or useful in its transmission and distribution businesses.	

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
For ratemaking purposes, Westar and KCP&L agree to the use of an actual utility-specific capital structure with an equity share of no less than 45 percent and no more than 53 percent; provided, however, that Westar and KCP&L may petition the Commission for relief from this condition for reasons not related to the Transaction and the Commission may grant such relief, to the extent it chooses to do so, based on a finding of good cause.			
KCP&L and Westar will conduct business as separate legal entities and shall hold all of their assets in their own legal entity name unless otherwise authorized by Commission order.			
The present legal entity structure that separates the Joint Applicants' regulated business operations from their unregulated business operations shall be maintained unless express Commission approval is sought to alter any such structure.			
Proper accounting procedures will be employed to protect against cross-subsidization of GPE's, KCP&L's and Westar's non-regulated businesses, or GPE's other regulated businesses in Kansas or its regulated businesses in other jurisdictions by Westar's Kansas customers.			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Great Plains Energy agrees to not seek recovery of the acquisition premium resulting from the Transaction through inclusion of such costs in electric service rates.	Great Plains Energy will agree not to seek rate recovery of any transaction costs (including advisory fees), acquisition premiums, goodwill or control premiums or fees incurred in connection with the transaction."		Acquisition premium will not be recovered in retail sales. Will not seek direct or indirect recovery or recognition in retail sales of any acquisition premium through any purported acquisitions savings sharing adjustment, provided, however, that if any party to any KCP&L or GMO general rate case proposes to impute the cost or proportion of the debt GPE is using to finance the Transaction to either KCP&L or GMO for purposes of determining a fair and reasonable return for either utility, then KCP&L and GMO reserve the right to seek, in any such rate case, recovery and recognition in retail rates of the acquisition premium.
Goodwill shall be maintained on the books, but if goodwill becomes impaired and the impairment negatively affects KCP&L and GMO's cost of capital, then all net costs associated with the decline in the impacted utility's credit quality specifically attributed to the goodwill impairment, shall be excluded from the determination of the impacted utility's rates.			Goodwill shall be maintained on the books, but if goodwill becomes impaired and the impairment negatively affects KCP&L and GMO's cost of capital, then all net costs associated with the decline in the impacted utility's credit quality specifically attributed to the goodwill impairment, shall be excluded from the determination of the impacted utility's rates.
Shall provide an annual goodwill impairment analysis every year for five years.			Shall provide an annual goodwill impairment analysis every year for five years.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Will not seek recovery of transaction costs through inclusion of such costs in electric service rates. Transaction costs shall be recorded on GPE's books. Transaction costs include costs for regulatory approvals, development of transaction documents, investment banking costs, related to raising equity, severance payment agreements, and communications costs. If any party to a general rate case proposes to impute the cost or proportion of the debt GPE is using to finance the Transaction to either KCP&L or Westar for purposes of determining a fair and reasonable return for either utility, then KCP&L and GMO reserve the right to seek, in any such rate case, recovery and recognition in retail rates of transaction costs.	Applicants will not include transaction-related costs in their transmission or in any cost-based wholesale requirements, cost-based wholesale power or cost-based wholesale distribution service rates, except to the extent they can demonstrate that merger-related savings are equal to or in excess of all of the transaction-related costs so included.		Will not seek recovery of transaction costs. Transaction costs include costs for regulatory approvals, development of transaction documents, investment banking costs, related to raising equity, severance payment agreements, and communications costs. If any party to any KCP&L or GMO general rate case proposes to impute the cost or proportion of the debt GPE is using to finance the Transaction to either KCP&L or GMO for purposes of determining a fair and reasonable return for either utility, then KCP&L and GMO reserve the right to seek, in any such rate case, recovery and recognition in retail rates of transaction costs.
	The internal labor costs of the Applicants' public utility salaried employees engaged in merger-related activities, such costs will be charged to non-utility accounts and will not be passed through to customers in FERC-jurisdictional cost-based rates.		
	Certain employees will separately track transaction-related work in addition to utility related work and time for nonutility activities in order to ensure that employees' salary and labor costs attributable to transaction-related activity are not passed through in any of the Applicants' public utility affiliates' FERC-jurisdictional cost-based rates.		

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
	If applicants were to seek to recover transaction-related costs or transition costs through their transmission formula rates or other cost-based rates, they will be required to include in any such Section 205 rate filing support detailing how they are satisfying the hold harmless commitment, and if they attempt to recover such costs through existing fixed-rate contracts, they will make a Section 205 filing that similarly details compliance with the commitment.		
Great Plains Energy will seek recovery of transition costs through inclusion of such costs in electric service rates only to the extent they are incurred in a test year and offset by greater savings. Amortization of certain transition costs may be appropriate given their non-recurring nature and the fact that the associated savings will be recurring. Whether and to what extent transition costs should be amortized would be addressed in the rate case(s) in which rate recovery of such transition costs is being addressed.	Transition costs that the Applicants are committing to exclude from recovery during the hold harmless commitment period unless the Applicants can demonstrate that savings are in excess of such transition costs include certain costs associated with integration of operations: costs of engineering studies before and after the merger, severance payments, operational integration costs, accounting system integration costs, and refinancing costs to achieve synergies		But see the next line re non-capital transition costs.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Non-capital transition costs can be deferred on the books of either KCP&L or Westar to be considered for recovery in KCP&L and Westar future rate cases. If subsequent rate recovery is sought, KCP&L and Westar will have the burden of proof to clearly identify where all transaction costs are recorded and of proving that the recoveries of any transition costs are just and reasonable as their incurrence facilitated the ability to provide benefits to its Kansas customers. Such benefits may be the result of avoiding or shifting costs and activities.			With the specific prior permission of the Commission non-capital transition costs can be deferred on the books of either KCP&L or GMO to be considered for recovery in KCP&L and GMO rate cases.
GPE, KCP&L and Westar shall maintain separate Corporate Credit Ratings, and separate debt so that neither GPE, KCP&L nor Westar will be responsible for the debts of each other or their other affiliated companies.		All GPE subsidiaries will maintain separate corporate credit ratings and separate debt so that neither Great Plains Energy nor its regulated companies will be responsible for the debts of each other or their other affiliated companies.	Maintain separate Corporate Credit Ratings; maintain separate debt. Shall not guarantee the debt of an affiliate.
Neither KCP&L nor Westar shall pledge their respective stock or assets as collateral for obligations of any other entity, unless otherwise authorized by the Commission.			Neither KCP&L nor GMO shall pledge their respective stock or assets as collateral for obligations of any other entity, unless otherwise authorized by the Commission.
Neither KCP&L nor Westar will include, in any debt or credit instrument of Westar and KCP&L, any financial covenants or default triggers related to GPE or any of its affiliates.			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
GPE, KCP&L and Westar shall also maintain adequate capacity under revolving credit facilities and commercial paper, if any, which capacity may be administered on a combined basis provided that pricing is separated by entity and there are neither cross-default provisions nor provisions under which KCP&L or Westar guarantee the debt obligations of any GPE affiliate.			GPE, KCP&L and GMO shall also maintain separate revolving credit facilities and commercial paper, if any, unless the Commission authorizes otherwise.
GPE, KCP&L and Westar shall also maintain separate preferred stock, if any.			GPE, KCP&L and GMO shall also maintain separate preferred stock, if any.
The subsidiary utilities' capital costs used to set rates shall not increase as a result of the transaction. The subsidiaries' utility customers shall not bear any financing costs associated with the Transaction. Any net increase in cost of capital must be supported by documentation that shows increases are not due to Transaction; increases are not due to changes in business, market, economic or other conditions; and increases are not the result of changes in the risk profiles of KCP&L and Westar caused by the Transaction.	Great Plains Energy's utility subsidiaries' capital costs used to set state jurisdictional rates will not increase as a result of the Transaction, nor will the utility customers bear any financing costs associated with the Transaction.		Will not seek to increase cost of capital due to Transaction. Any net increase in cost of capital must be supported by documentation that shows increases are not due to Transaction; increases are not due to changes in business, market, economic or other conditions; and increases are not the result of changes in the risk profiles of KCP&L and Westar caused by the Transaction.
Great Plains Energy has already received assurance from major credit ratings agencies that its financing plans will ensure the maintenance of investment grade credit ratings for GPE and its utility subsidiaries (existing and to be acquired) and that the Transaction will not result in a credit rating downgrade for any of GPE's utility subsidiaries (existing and to be acquired).			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
In the event KCP&L or Westar should have its respective Standard & Poor's ("S&P") or Moody's Corporate Credit Rating downgraded to below BBB- or Baa3, respectively, as a result of the Transaction, KCP&L and/or Westar (the "Impacted Utility") commits to file: (i) Notice with the Commission within five (5) business days of such downgrade; (ii) Pleading w/in 60 days that includes the actions utility may take to raise ratting to BBB- or Baa3; change, if any to its capital costs; documentation detailing how utility will not request higher capital costs from Missouri ratepayers; and (iii) Updated status report every 45 days with respect to credit rating.			If Corporate Credit Rating falls below BBB-, must provide to the Commission: (1)Notice w/in 5 days; (2) Pleading w/in 60 days that includes the actions utility may take to raise ratting to BBB- or Baa3; change, if any to its capital costs; documentation detailing how utility will not request higher capital costs from Missouri ratepayers; and (3) Updated status report every 45 days with respect to credit rating.
If credit rating below BBB- or Baa3 causes service to decline, file plan detailing steps to restore service levels.			If credit rating below BBB- or Baa3 causes service to decline, file plan detailing steps to restore service levels.
If credit rating falls below BBB- or Baa3, pursue additional legal and structural separation from affiliate causing downgrade.			If credit rating falls below BBB- or Baa3, pursue additional legal and structural separation from affiliate causing downgrade.
If credit rating falls below BBB-, file with MPSC comprehensive risk management plan that assures the impacted utility's access to and cost of capital will not be further impaired.			If credit rating falls below BBB-, file with MPSC comprehensive risk management plan that assures the impacted utility's access to and cost of capital will not be further impaired.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Great Plains Energy and its utility subsidiaries will maintain separate capital structures to finance the activities and operations of each entity unless otherwise approved by the Commission.		The Great Plains Energy regulated companies will maintain separate capital structures to finance the activities and operations of each entity unless otherwise ordered by the state commissions or this Commission.	Maintain separate capital structures
KCP&L and Westar plan to use reasonable and prudent investment grade capital structures. KCP&L and Westar will be provided with appropriate amounts of equity from GPE to maintain such capital structures. GPE shall maintain consolidated debt of no more than 70 percent of total consolidated capitalization. KCP&L's debt shall be maintained at no more than 65 percent. GPE commits that Westar's debt shall also be maintained at no more than 65 percent. GPE commits that Westar and KCP&L will not make any dividend payments to the parent company to the extent that the payment would result in an increase in either utility's debt level above 65 percent of its total capitalization, unless the Commission authorizes otherwise.			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Great Plains Energy and its utility subsidiaries will maintain separate books and records, system of accounts, financial statements and bank accounts for Westar and KCP&L. The utility assets of the companies will remain under the jurisdiction of the Commission as they were before the Transaction. The records and books of Westar and KCP&L will be maintained under the FERC Uniform System of Accounts ("USOA") applicable to investor-owned jurisdictional electric utilities, as adopted by the Commission. Access to complete GPE Board meeting minutes. Maintain for 5 years records supporting affiliate transactions. Joint Applicants will provide to the Commission Staff detailed journal entries recorded to reflect the transaction and the provisions of this Agreement. The Joint Applicants shall also provide the final detailed journal entries to be filed with the Commission no later than 13 months after the date of the closing. These entries must show, and shall include but not be limited to, the entries made to record or remove from all utility accounts any acquisition premium costs or transaction costs.		The Great Plains Energy regulated companies will each maintain its own separate books and records. Upon written request, Great Plains Energy will provide to the state commissions and this Commission reasonable access to the books, accounts and other records of other Great Plains Energy affiliates.	Will grant access to all written information provided to common stock, bond or bond rating analysts which directly or indirectly pertains to KCP&L or GMO or any affiliate that exercises influence or control over KCP&L, GMO or GPE. Access to all books, records and employees as may be reasonably required to verify compliance with KCP&L and GMO's CAM and any conditions ordered by the MPSC. Access to complete GPE Board of Directors' meeting minutes. KCP&L and GMO will maintain records supporting its affiliated transactions for at least five years.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
KCP&L and Westar shall provide Staff and CURB with access to all written information provided to common stock, bond or bond rating analysts which directly or indirectly pertains to KCP&L or Westar or any affiliate that exercises influence or control over KCP&L, Westar or GPE. Includes common stock analyst and bond rating analyst reports. "Written" information includes, any written and printed material, audio and video tapes, computer disks, and electronically stored information.			KCP&L and GMO shall provide Staff and the Office of the Public Counsel ("OPC") with access to all written information provided to common stock, bond or bond rating analysts which directly or indirectly pertains to KCP&L or Westar or any affiliate that exercises influence or control over KCP&L, Westar or GPE. Includes common stock analyst and bond rating analyst reports. "Written" information includes, any written and printed material, audio and video tapes, computer disks, and electronically stored information.
Great Plains Energy will comply with the Standards for Affiliate Transactions set forth in K.S.A. 66-1213a, 66-1401, 66-1402, 66-1403 and any Commission order, rule or regulation addressing affiliate transactions and the recovery of costs from affiliates. KCP&L and Westar will be operated after close of the Transaction in compliance with the Commission's affiliate transaction rules as set forth in K.S.A. 66-1401, *et seq.*, and in compliance with the affiliate rules adopted in the Commission's December 3, 2010 Order in Docket No. 06-GIMX-181-GIV ("06-181 Order"), or will obtain any necessary variances from such rules, and the Commission's August 7, 2001 Order in Docket No. 01-KCPE-708-MIS ("01-708 Order").			KCP&L and GMO will be operated after the Transaction in compliance with the Commission's affiliate transaction rule, or will obtain any necessary variances. Except as permitted by the variance, neither KCP&L nor GMO will provide preferential service, information, or treatment to an affiliated entity over another party at any other time.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Shall make available all books, records and employees to verify compliance with CAM and any conditions ordered by this Commission. Shall also provide any other such information relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over KCP&L or Westar.			Shall make available all books, records and employees to verify compliance with CAM and any conditions ordered by this Commission. Shall also provide any other such information relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over KCP&L or Westar.
The Transaction is the subject of a variance request currently before the Missouri Public Service Commission ("MPSC") and an order is expected from the MPSC no later than April 24, 2017. GPE and KCP&L commit to pursue this variance from the provisions of Missouri Affiliate Transaction Rule 4 CSR 240-20.015 and endeavor to have such variance in place by Transaction close. The variance will provide for goods and services transactions between KCP&L, GMO and Westar to occur at cost except for wholesale power transactions, which will be based on rates approved by the Federal Energy Regulatory Commission ("FERC"). Within thirty (30) days of the issuance of a final MPSC order in that proceeding (Case No. EM-2016-0324), KCP&L and Westar will cause to be filed in this docket a copy of the final order.			The Commission shall grant KCP&L and GMO a variance from the provisions of 4 CSR 240-20.015 allowing all transactions between KCP&L, GMO and Westar to occur at cost except for wholesale power transactions, which will be based on rates approved by the Federal Energy Regulatory Commission ("FERC").
KCP&L and Westar commit that they will file with the Commission within sixty (60) days of closing of the Transaction an executed copy of all additional relevant Affiliate Service Agreements related to the Transaction, pursuant to K.S.A. 66-1402.			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
GPE, KCP&L and Westar each expressly recognize that each represents an “Affiliated Interest" under K.S.A. 66-1401, 66-1402, and 66-1403. These statutes confer certain jurisdiction on the Commission regarding access to books and records, submission of contracts, review of affiliate transactions detail, etc.			
GPE and its subsidiaries commit that all information related to an affiliate transaction consistent with the affiliate statutes and the Commission’s 06- 181 and 01-708 Orders in the possession of GPE will be treated in the same manner as if that information is under the control of either KCP&L or Westar.			
Joint Applicants shall seek recovery of intercompany charges to their regulated utility affiliates in their first base rate proceedings following the closing of the Transaction at levels equal to the lesser of actual costs or the costs allowed related to such functions in the cost of service of their most recent rate case prior to the closing of the Transaction, as adjusted for inflation measured by the Gross Domestic Product Price Index. Billings for common-use assets shall be permitted consistent with GPE’s current practices			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
KCP&L and Westar agree to meet with Staff and CURB no later than 60 days after closing to provide a description of its expected impact on the allocation of costs among GPE's utility and non-utility subsidiaries as well as a description of its expected impact on the cost allocation manuals ("CAMs") of KCP&L and Westar. No later than six (6) months after the closing of the Transaction but no less than two (2) months before the filing of a general rate case for either KCP&L or Westar, whichever occurs first, KCP&L and Westar agree to file updates to their existing CAMs reflecting process and recordkeeping changes necessitated by the Transaction.			KCP&L and GMO agree to meet with Staff no later than 60 days after the closing of the Transaction to provide a description of its expected impact on the allocation of costs among GPE's utility and non-utility subsidiaries as well as a description of its expected impact on the cost allocation manuals ("CAMs") of KCP&L and GMO. No later than 6 months after the closing of the Transaction but no less than 2 months before the filing of a general rate case for either KCP&L or GMO, whichever occurs first, KCP&L and GMO agree to file updates to their existing CAMs reflecting process and recordkeeping changes necessitated by the Transaction.
			Agree not to make available, sell or transfer specific Missouri customer information.
			Meet or exceed the customer service and operational levels currently provided to their Missouri retail customers. Provide to MPSC Staff a current organizational chart illustrating positions and names of those who have customer service responsibilities, and provide updates on a monthly basis. Provide responses to all customer survey questions dealing with customer satisfaction
			After closing, continue providing Staff, on a monthly basis, data on contact center service quality.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
KCP&L and Westar will provide electric service reliability and call center service that meets or is better than the performance metric thresholds set forth in the schedules KTN-1, KTN-2, KTN-3.11 If KCP&L or Westar fail to meet a particular performance metric threshold, then penalties will apply in accordance with the these schedules and provisions.12 KCP&L and Westar will report quarterly on its performance relative to these service metrics beginning with the first full calendar quarter following Transaction close. If KCP&L or Westar perform without penalties on any metric for three consecutive years, then the reporting and penalty provisions for that metric for that utility will terminate.			After closing, continue providing Staff, on a monthly basis, with data on service reliability.
			Meet with MPSC Staff Consumer and Management Analysis personnel on a periodic basis.
			Prior to closing: on a monthly basis thereafter until closing, to provide an update on the status of integration planning. Post-closing: on a quarterly basis thereafter for a period of one year after closing, provide an update on the status of integration implementation. On a twice-yearly basis unless otherwise ordered by the Commission, appear and provide an on-the-record update of the status of integration implementation, providing the Commissioners an opportunity to ask questions about the status of integration implementation

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
			Before and after closing, provide a listing of employee headcounts and a complete listing of functions and/or positions that have been either outsourced or converted to contingent labor as a result of the integration
			Provide Staff any reports or presentations made to the GPE board of directors regarding efficiencies attained as a result of the Transaction.
			Maintain or improve current load sampling and research practices
			Within 30 days of issuance of final KCC order, submit supplemental testimony demonstrating that the Transaction will not have a detrimental impact on the Missouri public interest or Missouri operations.
Great Plains Energy will honor all existing collective bargaining agreements.			
KCP&L's and Westar's fuel and purchased power costs shall not be adversely impacted as a result of the Transaction.			
Retail rates for Kansas KCP&L and Westar customers shall not increase as a result of the Transaction.			Retail rates for Missouri KCP&L and GMO customers shall not increase as a result of the Transaction.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
The ROE as reflected in Westar's and KCP&L's rates will not be adversely affected as a result of the Transaction. GPE agrees the ROE shall be determined in future rate cases, consistent with applicable law, regulations and practices of the Commission.			
Provided the actual utility-specific capital structure is used to set rates for KCP&L and Westar, Joint Applicants commit to uphold the principle that their future costs of service and rates will be set commensurate with the financial and business risks attendant to each affiliate's regulated utility operations and that they will not oppose, in either a regulatory proceeding or by judicial appeal of a Commission decision, the application of this principle.			
Great Plains Energy agrees that each of its utility subsidiaries will (1) maintain and promote low-income assistance programs consistent with those in place prior to the transaction, (2) maintain aggregate Kansas charitable contributions and community support equal to or greater than 2015 levels for at least five years after the closing of the Transaction, and (3) continue to maintain Westar's downtown Topeka headquarters as its Kansas headquarters and corporate headquarters in Kansas City, Missouri.			Maintain corporate headquarters in Kansas City and Westar headquarters in Topeka.
			GPE agrees to uphold the conditions agreed to by KCP&L and GMO in the stipulation.

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
Upon completion of the Transaction, GPE will add one current Westar board member to the board of directors of GPE.			
While Transaction-related efficiencies will result in lower employee headcount for the combined organization in both Kansas and Missouri post-closing compared to the two stand-alone organizations prior to closing, GPE expects to achieve such Transaction-related efficiencies in a generally balanced way across both states. Additionally, GPE shall not effect an involuntary reduction in workforce or involuntary retirement program due to the Transaction which results in a reduction in the Kansas-based workforce of KCP&L and Westar of greater than 20 percent for a period of three years after the date of the closing of the Transaction.			KCP&L shall not effect an involuntary reduction in workforce or involuntary retirement program due to the Transaction which results in a reduction in its Missouri based workforce of greater than 20% for a period of three years after the date of the closing of the Transaction.
Make best efforts to achieve desired staffing reductions through natural attrition.			Natural attrition, job assignments outside of current responsibilities, voluntary termination packages and severance will be used to reduce headcount.
Consider targeted voluntary staffing reduction programs if natural attrition is not sufficient. Where severance is unavoidable, honor, and in some cases enhance, Westar's employee severance package.			

KCC Proceeding	FERC Initial Hold Harmless	GPE FERC Response	MPSC Proceeding
GPE commits that in future rate case proceedings, KCP&L and Westar will support their assurances provided in this document with appropriate analysis, testimony, and necessary journal entries fully clarifying and explaining how any such determinations were made.			GPE commits that in future rate case proceedings, KCP&L and Westar will support their assurances provided in this document with appropriate analysis, testimony, and necessary journal entries fully clarifying and explaining how any such determinations were made.
Maintain adequate records to support, demonstrate the reasonableness of, and enable the audit and examination of all centralized corporate costs that are allocated to or directly charged to KCP&L or Westar.			GPE, KCP&L, and GMO shall agree to an independent third party management audit of GPE, KCP&L and GMO corporate cost allocations and affiliate transaction protocols.
GPE will provide to the KCC Staff its integrated resource plan (IRP) within 30 days of its filing in Missouri.			