

interest” (emphasis added) (4 CSR 240-3.115(1)(D), 4 CSR 240-3.215(1)(D), and 4 CSR 240-3.610(1)(D)).²

DE supports merger conditions that would avoid a net detriment to the public interest as a result of Great Plains Energy Incorporated’s (collectively with Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”), “GPE”) and Westar Energy, Inc.’s (collectively with its subsidiary Kansas Gas and Electric Company, “Westar”, and together with GPE, “Applicants”) proposed merger and, where possible, create benefits for the public.³ As noted in the Surrebuttal Testimony of Commission Staff witness Ms. Natelle Dietrich:

... the private proprietors of a Missouri regulated utility have the right to pursue a merger unless it can be shown that the proposed transaction is detrimental to the public interest; the “public interest” being primarily defined as the continuation of adequate service to the public served by the utility. **In making its determination, the Commission uses a cost benefit analysis.** Unless the detriments outweigh the benefits, the Commission must approve the transaction. (Emphasis added; citations omitted).⁴

Consequently, the “no detriment” standard is best met by the guarantee of ratepayer protections and public benefits such that any potential costs are offset and, on the whole, there is no *net* detriment to ratepayers or the public. The recommendations put forth by DE in this case would significantly advance Applicants’ ability to provide such a guarantee.

² Hyman Rebuttal, p.3, ll. 3-11.

³ *Id.*, ll. 14-16.

⁴ Dietrich Surrebuttal, p. 7, ll. 23-29.

II. Should the Commission condition its approval of GPE’s merger with Westar and, if so, how?

Yes. The Commission should condition its approval of the merger based on the recommendations of DE, as presented in the Rebuttal and Surrebuttal Testimonies of DE witness Mr. Martin R. Hyman. In his Rebuttal Testimony, Mr. Hyman presented the following conditions:

1. The holding company resulting from the proposed merger (“Holdco”) shall extend its post-merger quarterly reporting as to employee headcounts and changes in employment from a period of two years to a period of five years;
2. Holdco shall provide Direct Testimony in each general rate case within five years of the closing of the merger to describe changes in employment and the merger-related employment savings; and
3. Holdco shall support job retraining programs and job placement in its service territories for displaced Missouri employees. Holdco could accomplish this by providing affected employees with tuition reimbursement for a degree program at a Missouri community college and by working with local organizations and the Missouri Department of Economic Development – Division of Workforce Development, which offers training and job placement assistance for workers.⁵

These conditions are intended to ensure that: 1) Holdco extends its commitment #37(b) of the Non-Unanimous Stipulation and Agreement filed on January 12, 2018 by Applicants,

⁵ Hyman Rebuttal, p. 5, ll. 8-19.

Commission Staff, Brightergy, LLC, and the Missouri Joint Electric Utility Commission (the “Non-Unanimous Stipulation and Agreement”), which provides for adequate reporting on employment changes, for a period of time that matches the period during which Applicants claim transition costs would be incurred, which is when merger-related displacements would be most likely to occur; 2) Applicants’ commitment #45 of the Non-Unanimous Stipulation and Agreement, under which Holdco would provide direct testimony explaining changes in employment and merger-related savings, has a clear, defined reporting period;⁶ and 3) Missouri-based workers are adequately protected in the unforeseen event of any involuntary severance from the new Holdco as a result of the merger. In their Non-Unanimous Stipulation and Agreement, Applicants signal their commitment to prevent involuntary severance as a result of the proposed merger. Applicants’ stated commitment to its workers is laudable, but does not provide adequate safeguards in the event of unforeseen changes in economic conditions, business plans, or other factors. Applicants’ commitment to support worker retraining and job placement assistance would help meet the “no detriment” standard by protecting against unexpected detriments if the proposed merger unexpectedly results in involuntary severance.

Based on the recommendations of other parties to this case, DE offered additional recommended conditions discussed in Mr. Hyman’s Surrebuttal Testimony related to:

1. An “equal outcome” provision requiring implementation of terms at least as favorable as those approved in Kansas;

⁶ *Id.*, pp. 4-5, ll. 17-18 and 1-5.

2. Using Missouri-based generation facilities and with terms acceptable to the Commission, Holdco working with stakeholders to develop and file one or more green tariff options for customers of both KCP&L and GMO (in the event that the green tariffs offered by KCP&L and GMO in their current rate cases are not approved);
3. Using Missouri-based generation facilities and with terms acceptable to the Commission, Holdco working with stakeholders to develop and file one or more community, shared, and/or subscriber renewable energy programs for residential and small commercial customers of both KCP&L and GMO (in the event that the shared solar programs offered by KCP&L and GMO in their current rate cases are not approved); and,
4. Holdco continuing the pursuit of all cost-effective demand-side savings under the Missouri Energy Efficiency Investment Act (“MEEIA”).⁷

These conditions would further the case that the merger would not be detrimental to the public interest.

Lastly, DE recommends that KCP&L and GMO pursue retraining opportunities in the renewable energy and energy efficiency fields, which already support tens of thousands of jobs for Missourians. Opportunities to do so are discussed in Mr. Hyman’s Rebuttal Testimony regarding renewable and energy efficiency initiatives⁸ and related Surrebuttal Testimony.⁹

⁷ Hyman Surrebuttal, p. 2, ll. 1-19.

⁸ Hyman Rebuttal, pp. 6-7.

⁹ Hyman Surrebuttal, pp.12-14..

III. Should the Commission grant the limited request for variance of the affiliate transaction rule requested by Applicants?

DE takes no position on this issue at this time, but reserves the right to do so following a presentation of the evidence at the hearing.

IV. How should the bill credits proposed by Applicants be allocated between and within the various KCP&L and GMO rate classes?

DE takes no position on this issue at this time, but reserves the right to do so following a presentation of the evidence at the hearing.

WHEREFORE, the Missouri Department of Economic Development – Division of Energy respectfully submits its *Statement of Positions*.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 5th day of March, 2018.

/s/ Michael Lanahan
Michael Lanahan