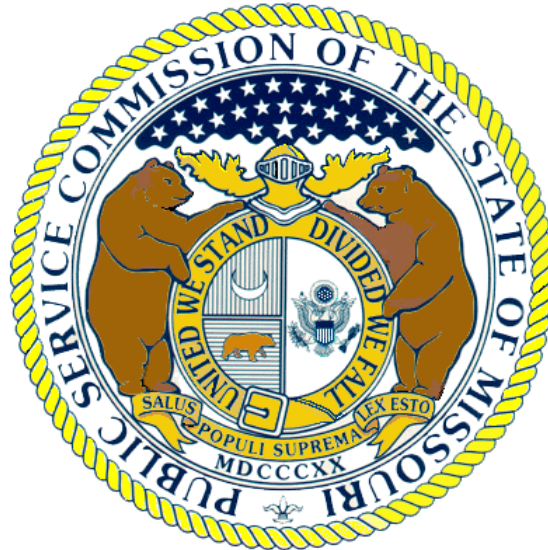


**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**



In the Matter of the Application of Great Plains
Energy Incorporated for Approval of its Merger
with Westar Energy, Inc.

)
) **File No. EM-2018-0012**
)

REPORT AND ORDER

Issue Date: May 24, 2018

Effective Date: June 3, 2018

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OF THE STATE OF MISSOURI**

In the Matter of the Application of Great Plains Energy Incorporated for Approval of its Merger with Westar Energy, Inc.)
) **File No. EM-2018-0012**
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APPEARANCES

GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT COMPANY, AND KCP&L GREATER MISSOURI OPERATIONS COMPANY:

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SENIOR REGULATORY LAW JUDGE: Michael Bushmann

REPORT AND ORDER

I. Procedural History

On August 31, 2017, Great Plains Energy Incorporated (“GPE”), Kansas City Power & Light Company (“KCPL”), KCP&L Greater Missouri Operations Company (“GMO”), and Westar Energy, Inc. (“Westar”) (collectively, “Applicants”) filed a joint application asking the Missouri Public Service Commission (“Commission”) to approve a transaction in which Westar and GPE will merge.

The Commission granted requests to intervene filed by the Missouri Department of Economic Development – Division of Energy (“DE”); Midwest Energy Consumers Group (“MECG”); Renew Missouri Advocates d/b/a Renew Missouri (“Renew Missouri”); Brightergy, LLC; Missouri Industrial Energy Consumers; Missouri Joint Municipal Electric Utility Commission (“MJMEUC”); Kansas Electric Power Cooperative, Inc. (“KEPCo”); Sierra Club; Natural Resources Defense Council; City of Independence, Missouri; Consumers Council of Missouri; and the Federal Executive Agencies.

On January 12, 2018, the Applicants, Commission Staff, Brightergy, LLC, and MJMEUC signed and filed a non-unanimous stipulation and agreement (“1st Agreement”) in which those parties proposed to settle all of the issues related to the merger. The signatory parties recommended that the merger be approved, subject to a number of conditions on a variety of subjects. There were objections filed to the 1st Agreement, so it became a joint position statement of the signatory parties.¹

On March 8, 2018, the Applicants, Staff, Office of the Public Counsel (“OPC”), MECG, Brightergy, LLC, and MJMEUC filed another non-unanimous stipulation and agreement (2nd Agreement), that proposed new conditions to the merger in addition to those in the 1st

¹ Commission Rule 4 CSR 240-2.115(2)(D).

Agreement. Renew Missouri and KEPCo filed objections to the 2nd Agreement, so it also became a joint position statement.²

The Commission held an evidentiary hearing on March 12 and 14, 2018.³ During the evidentiary hearing, the parties presented evidence relating to the following unresolved issues previously identified by the parties:

1. Should the Commission find that GPE's merger with Westar is not detrimental to the public interest, and approve the merger?
2. Should the Commission condition its approval of GPE's merger with Westar and, if so, how?
3. Should the Commission grant the limited request for variance of the affiliate transaction rule requested by Applicants?
4. How should the bill credits proposed by Applicants be allocated between and within the various KCPL and GMO rate classes?

Final post-hearing briefs were filed on April 13, 2018, and the case was deemed submitted for the Commission's decision on that date when the Commission closed the record.⁴

II. Findings of Fact

Any finding of fact for which it appears that the Commission has made a determination between conflicting evidence is indicative that the Commission attributed greater weight to that evidence and found the source of that evidence more credible and more persuasive than that of the conflicting evidence.

² *Id.*

³ Transcript ("Tr."), Vols. 2 and 3. The Commission admitted the testimony of 17 witnesses and 25 exhibits into evidence during the evidentiary hearing. In addition, the Commission took official notice of the following: Stipulation and Agreement dated January 12, 2018 in EM-2018-0012; Stipulation and Agreement dated March 8, 2018 in EM-2018-0012; Mo. PSC Report and Order in EA-2015-0256; Mo. PSC Report and Order in EA-2016-0208; Mo. PSC Report and Order in EC-2017-0107; Mo. PSC Report and Order in EO-2015-0240; Mo. PSC Report and Order in EO-2015-0241; Stipulation and Agreement dated October 26, 2017 in EE-2017-0113.

⁴ "The record of a case shall stand submitted for consideration by the commission after the recording of all evidence or, if applicable, after the filing of briefs or the presentation of oral argument." Commission Rule 4 CSR 240-2.150(1).

1. KCPL and GMO are electrical corporations and public utilities that provide electric service to the public through their tariffs in Missouri. GPE is a Missouri corporation and the holding company for the stock of KCPL and GMO.⁵

2. Westar is a Kansas corporation operating as an electric public utility in Kansas and subject to the jurisdiction, supervision and control of the Kansas Corporation Commission (“KCC”).⁶

3. The Staff of the Missouri Public Service Commission (“Staff”) is a party in all Commission investigations, contested cases, and other proceedings, unless it files a notice of its intention not to participate in the proceeding within the intervention deadline set by the Commission.⁷ Staff participated in this proceeding.

4. The Office of the Public Counsel is a party to this case pursuant to Section 386.710(2), RSMo⁸, and by Commission Rule 4 CSR 240-2.010(10).

5. On October 12, 2016, GPE, KCPL, and GMO filed an application with the Commission requesting a variance from the Commission’s Affiliate Transaction Rule, 4 CSR 240-20.015, which was submitted in connection with the May 29, 2016 Agreement and Plan of Merger (“Initial Transaction”), pursuant to which GPE and GP Star, Inc. would acquire all of the stock of Westar. That application was consolidated with GPE’s subsequent application to the Commission for approval of the Initial Transaction.⁹

6. The Commission took no action regarding the Initial Transaction and dismissed those cases at GPE’s request because the KCC rejected the Initial Transaction by an order issued on April 19, 2016. The primary concerns noted by the KCC related to the financial

⁵ *Application for Approval of Merger; Request for Variance from 4 CSR 240-20.015; and Motion for Expedited Treatment*, p. 1-2, File No. EM-2018-0012, filed August 31, 2017, EFIS Item No. 2.

⁶ *Id.* at p. 3.

⁷ Commission Rules 4 CSR 240-2.010(10) and (21) and 2.040(1).

⁸ Unless otherwise stated, all statutory citations are to the Revised Statutes of Missouri, as codified in the year 2016.

⁹ 1st Agreement, p. 1-2.

condition of the merged company due to the magnitude of the acquisition premium GPE had agreed to pay and the amount of debt GPE had proposed to incur.¹⁰

Merger provisions

7. GPE and Westar negotiated a new merger agreement which successfully resulted in the July 9, 2017 Amended and Restated Agreement and Plan of Merger (“Merger”). On August 31, 2017, the Applicants filed an application in this proceeding seeking approval of GPE’s merger with Westar, pursuant to the terms of the Merger.¹¹

8. The Merger is designed to be a “merger of equals” whereby Westar and GPE will merge through the creation of a new holding company (“Holdco”) and an exchange of common stock. Holdco will be renamed by the close of the merger with a new, yet-to-be-determined name. Holdco will be a publicly-traded, non-utility holding company that will be the parent company owning KCPL, GMO, GPE’s other subsidiaries, and Westar and its subsidiaries.¹²

9. The Merger is structured as a tax-free exchange of stock, with no transaction debt used to finance the Merger, no exchange of cash (or other consideration), and no market or control premium paid to or received by either company. GPE’s shareholders will receive 0.5981 shares in the newly-formed Holdco in exchange for each existing share of GPE stock, currently trading at about \$31 per share. Westar shareholders will receive one share in Holdco in exchange for each share of Westar, which is currently trading at about \$51 per share.¹³ The Merger will have no effect on the assets, liabilities, or outstanding debt of Westar or KPCL.¹⁴

¹⁰ Ex. 13, Ruelle Direct, p. 3; 1st Agreement, p. 2-3.

¹¹ 1st Agreement, p. 3.

¹² Ex. 3, Bryant Direct, p. 6.

¹³ Ex. 3, Bryant Direct, p. 6; Ex. 14, Somma Direct, p. 4-5.

¹⁴ Ex. 3, Bryant Direct, p. 7.

10. After the Merger, Holdco will have an equity value of approximately \$14 billion, which is the sum of the equity market capitalization of GPE and Westar immediately prior to the announcement of the Merger. Since both companies' stocks will continue to trade until closing, the combined actual market capitalization at closing will likely not be exactly equivalent to the sum of the two parts at announcement.¹⁵

11. Holdco's consolidated capital structure immediately following the closing will be approximately 59 percent equity and 41 percent long-term debt. This degree of equity capitalization is due to the equity issued by GPE in connection with the Initial Transaction and is higher than industry norms for utility holding companies. Holdco will rebalance its capital structure over time by repurchasing common stock in order to achieve and maintain a more balanced capital structure typical for utility holding companies and regulated utilities.¹⁶

12. Following the closing of the Merger, Holdco will be owned approximately 52.5 percent by Westar's shareholders and approximately 47.5 percent by GPE's shareholders.¹⁷

13. The Applicants evaluated the expected financial condition of Holdco after the merger by obtaining the assessments of two credit rating agencies, S&P and Moody's. Credit ratings are evaluations by credit rating agencies of the creditworthiness of debt issuing entities and a measure of the probability of default, or the failure to pay interest or principal on a debt security when due.¹⁸

14. After reviewing the Merger and considering both financial and business risk, S&P affirmed the current credit ratings for GPE and Westar and revised the outlook for the companies and their respective operating subsidiaries to Positive from Negative. Moody's upgraded the rating for GPE to Baa2 from Baa3 in recognition that the transaction-related

¹⁵ Ex. 14, Somma Direct, p. 5-6.

¹⁶ Ex. 3 Bryant Direct, p. 9.

¹⁷ Ex. 11, Reed Direct, p. 4.

¹⁸ Ex. 3, Bryant Direct, p. 10-11.

debt used to finance the Initial Transaction had been redeemed and that the Merger would not require additional financings that would put pressure on GPE's credit quality. Moody's also indicated that it viewed the new Holdco as having a stronger credit profile and as benefiting from increased size, scale and diversification.¹⁹

Merger benefits

15. The Merger will create a stronger combined company, with more customers, more geographic diversification, no transaction debt to complete the Merger, and the prospect for higher earnings growth rates than either GPE or Westar would be able to achieve on a stand-alone basis. Improving Holdco's financial condition will enhance its ability to access capital markets and meet the capital requirements of the utility operating subsidiaries. The Merger will also benefit shareholders by improving Holdco's ability to achieve competitive financial returns as the operating utilities are better able to earn near their Commission-authorized returns.²⁰

16. The Merger provides an opportunity to reduce the upward pressure on customers' rates from increasing costs and flat or declining customer usage. A number of characteristics of this combination – including good strategic and cultural fit, joint plant ownership, contiguity of the KCP&L/GMO/Westar service territories, and complementary operational strengths – present opportunities for savings, service enhancements and economic development over the long term. These opportunities are unique to this combination and could not be replicated by either company individually in a transaction with any other entity.²¹

¹⁹ Ex. 3, Bryant Direct, p. 13-14.

²⁰ Ex. 13, Somma Direct p. 14-16, 20.

²¹ Ex. 2, Bassham Direct, p. 5.

17. The Applicants have undertaken an integration planning effort to develop business and implementation plans and efficiency initiatives that have identified over 300 specific efficiencies that would result from the Merger. This integration planning effort has determined that the Applicants' net savings from the Merger over the first five years after closing are projected to be \$555 million, after reflecting transition costs of \$72 million. These savings are estimated to be \$28 million in 2018, increasing to \$160 million per year from 2022 and beyond.²²

18. The Applicants will achieve staff efficiencies from the Merger without involuntary layoffs through natural staff retirements and attrition.²³

19. The Merger is expected to result in significant economic benefits in both Missouri and Kansas. Specifically, the combination of the rate credits, lower future rate increases, and other economic activity generated by the Merger is expected to produce approximately \$331 million in direct local economic activity and \$176 million in incremental gross regional product within those economies between 2018 and 2030. This estimate of economic activity also accounts for the effect of reductions in spending that result from Merger savings.²⁴

20. Customers will also experience little if any change in their day-to-day interactions with their electric service provider as a result of the Merger. Following the Merger, the Applicants will continue to operate the existing Westar contact center in Wichita, Kansas, and the existing contact center in Raytown, Missouri serving KCPL and GMO customers. The

²² Ex. 4, Busser Direct, p. 3, 9-10; Ex. 6, Greenwood Direct, p. 14.

²³ Ex. 4, Busser Direct, p. 17.

²⁴ Ex. 11, Reed Direct, p. 35; Ex 12, Reed Surrebuttal, p. 9-10.

Merger will enable Holdco to maintain or, over the longer term, potentially provide higher customer service quality.²⁵

21. The Merger is expected to maintain, and possibly improve, the public safety. This Merger will not lead to cost cutting for vegetation management, maintenance, system improvements, or other areas of utility operations that would negatively impact the public safety.²⁶

22. The Applicants have created an integration team, consisting of a program director and a staff of three employees, to coordinate and report on achievement of Merger efficiencies and savings after the closing of the Merger. This integration team has been trained to support the development of strategic plans by new combined departments, perform statistical analyses and data mining to identify trends, and provide communication around integration goals. The integration team will focus on the execution of four key objectives: monitor implementation efforts; coordinate interdependent merger activities; provide reporting to company officers and regulatory bodies; and identify and pursue additional savings opportunities.²⁷

23. KCPL, Westar, and GMO will provide upfront bill credits to all retail electric customers totaling \$75 million to be allocated across the Applicants' electric rate jurisdictions in both Kansas and Missouri within 120 days of the closing of the Merger. The bill credits will be allocated among Applicants' electric rate jurisdictions in both Kansas and Missouri based on the proportion of jurisdictional retail megawatt-hour sales for the quarter-ending twelve-month period prior to the closing. The total amount of the bill credit allocation for Missouri results in bill credits to KCPL of \$14,924,840 and GMO of \$14,205,828. The upfront bill

²⁵ Ex. 1, Akin Direct, p. 3.

²⁶ Ex. 1, Akin Direct, p. 6.

²⁷ Ex. 6, Greenwood Direct, p. 19-21.

credits are a separate and additional benefit the Applicants are providing in addition to the net savings that will be reflected in future rate cases.²⁸

24. In addition to the upfront bill credits, all Merger savings serve to reduce the cost of service and to delay rate increases that would be required absent the Merger.²⁹

25. Transaction costs refer to those costs necessary to support efforts to evaluate, negotiate and complete a transaction and the associated transaction agreements through and including approval of the transaction. Transaction costs include, but are not limited to, those costs relating to obtaining regulatory approvals, development of transaction documents, investment banking costs, costs related to raising equity incurred prior to the close of the Merger, change-in-control severance payments, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid solicitation, analyze bids, and conduct due diligence. The Applicants will not seek recovery of transaction costs in rates.³⁰

26. Prior to the Merger, Westar had already planned to retire five coal and gas generating units between 2023 and 2028. In order to determine the impacts of the Merger on those retirements, the Applicants conducted a combined integrated resource plan process, similar to that which KCPL conducts for its individual integrated resource plan filed in Missouri. That analysis demonstrated that these Westar plants can be retired in 2018, in a range of 5-10 years earlier than previously anticipated absent the Merger. The Merger-related savings from accelerating the retirement of the Westar units are forecast to be \$55.4 million over the first five years after the Merger closes. Savings from these retirements will result in

²⁸ Ex. 9, Ives Direct, p. 8; 2nd Agreement, p. 5. The 1st Agreement provided for total bill credits of \$50 million, but under the 2nd Agreement that amount was increased to \$75 million.

²⁹ Ex. 9, Ives Direct, p. 17.

³⁰ Ex. 9, Ives Direct, p. 10-11.

lower revenue requirements and rate requests when KCPL, GMO and Westar file future rate cases than would otherwise be the case.³¹

1st Agreement proposed conditions

27. In the 1st Agreement, the Applicants and other parties agreed on commitments by the Applicants that are grouped into the following categories: General Conditions; Employee Commitments; Financing Conditions; Ratemaking, Accounting and Related Conditions; Affiliate Transactions and Cost Allocations Manual Conditions; Quality of Service Conditions; Reporting and Access to Records Conditions; Other Parent Company Conditions; GPE's Financial Valuation Model; Load Sampling; Sharing of Synergies; and, References to Specific Commission Rules.³² The conditions agreed to in the 1st Agreement consist primarily of commitments proposed by the Applicants in direct testimony.³³ The 1st Agreement is incorporated by reference herein in its entirety, including its Exhibit A, as if fully set forth.

28. Key points of the general conditions include: maintaining the corporate headquarters in Kansas City, Missouri until 2032; continuing charitable giving and community involvement in Missouri for a minimum of five years; maintaining and promoting low income programs for at least five years; and, providing \$50,000 each to several Community Action Agencies.³⁴ These commitments acknowledge that KCPL, GMO and Westar have been and will continue to be major participants in local economies as employers and community leaders that provide meaningful resources.³⁵

29. Key points of the employee commitments include: honoring existing collective bargaining agreements; maintaining substantially comparable employee compensation and

³¹ Ex. 9, Ives Direct, p. 20-21.

³² 1st Agreement; Ex. 200, Dietrich Rebuttal, p. 3.

³³ Ex. 9, Ives Direct, Schedule DRI-1; Ex. 10, Ives Surrebuttal, p. 4-6; 1st Agreement, Exhibit A. The only substantial change between Schedule DRI-1 and the 1st Agreement, Exhibit A, is that the signatories to the 1st Agreement deliberately omitted conditions 10, 11, 12, 14, and 15.

³⁴ Ex. 200, Dietrich Rebuttal, p. 3.

³⁵ Ex. 9, Ives Direct, p. 25.

benefit levels for two years; and no involuntary severance as a result of the merger or closing certain generation facilities.³⁶ The Applicants made these commitments to give their employees important assurances and reflect the important role of KCPL and Westar as large employers in Missouri and Kansas.³⁷

30. Key points of the financing conditions include makeup of the board of directors to include directors predominately from Missouri and Kansas; KCPL and GMO will not commingle assets with any other entity except as allowed by the Commission's affiliate transaction rule or Commission order; KCPL, GMO and Westar will conduct business as separate legal entities; the present legal entity structure for regulated and unregulated business operations shall be maintained; KCPL or GMO commit to various filings and conditions if S&P or Moody's downgrade their corporate credit rate or senior secured or unsecured debt to below investment grade; future cost of service and rates of KCPL and GMO will not be adversely impacted as a result of the merger; the cost of capital and return on equity capital will not be adversely affected as a result of the merger; Applicants agree that all retail electric customers will receive a one-time bill credit within 120 days of closing; neither KCPL nor GMO will seek to recover any transition costs related to the merger in excess of the benefits; goodwill shall not be included in the revenue requirement of KCPL or GMO; customers shall be held harmless from the risk or realization of any merger goodwill impairment; KCPL and GMO will not seek recovery of transaction costs; KCPL's and GMO's fuel and purchased power costs shall not be adversely affected; and, retail rates shall not increase as a result of the merger.³⁸ These financing conditions ensure that the financial condition of Holdco does not have any adverse impact on KCPL, GMO, or Westar, and

³⁶ Ex. 200, Dietrich Rebuttal, p. 3.

³⁷ Ex. 9, Ives Direct, p. 25.

³⁸ Ex. 200, Dietrich Rebuttal, p. 4.

preserves a separation between KCPL, GMO, and Westar for both financial and governance purposes.³⁹ The Applicants have agreed to significant financial protections for customers that go well beyond the commitments typically required in “merger of equals” transactions.⁴⁰

31. The ratemaking, accounting, and related conditions provide customers with Merger savings while protecting them from potential adverse outcomes. They explicitly commit and document that the utility subsidiaries will not recover any Merger goodwill or transaction costs, including change in control severance costs, or termination fees associated with the transaction. These conditions address concerns regarding the impact of the Merger on future rates.⁴¹

32. Key provisions of the conditions relating to affiliate transactions and cost allocations manual are KCPL and GMO will comply with the Commission’s affiliate transaction rule; intercompany charges may be recovered in the first general rate proceeding following closing at levels equal to the lesser of actual costs or the costs allowed in rate cases prior to closing; the Applicants shall maintain separate books and records, systems of accounts, financial statements and bank accounts for KCPL and GMO; Applicants shall maintain adequate records to support centralized corporate costs allocated to KCPL or GMO; Applicants agree to an independent third party management audit of the new holding company, KCPL and GMO corporate cost allocations and affiliate transaction protocols; KCPL and GMO will not make available, sell or transfer specific Missouri customer information consistent with the Commission’s decision in File No. EC-2015-0309; and, KCPL and GMO agree to file a new cost allocations manual reflecting changes necessitated by the merger.⁴² These affiliate transaction and cost allocations manual conditions provide assurances that

³⁹ Ex. 9, Ives Direct, p. 25-26.

⁴⁰ Ex. 11, Reed Direct, p. 32.

⁴¹ Ex. 9, Ives Direct, p. 27.

⁴² Ex. 200, Dietrich Rebuttal, p. 4-5.

future regulation by the Commission will continue to be effective post-Merger and that customer rates will not increase due to intercompany charges after the Merger closes.⁴³

33. Key points of the quality of service conditions include a commitment to meet or exceed the customer service and operational levels currently provided to Missouri retail customers; and, KCPL and GMO will continue to provide various quality of service reports and to meet periodically with Staff.⁴⁴ The service quality conditions reflect the Applicants' commitment that service quality will be maintained or improved as a result of the Merger.⁴⁵

34. The reporting and access to records conditions provide that KCPL and GMO commit to meet with Staff and provide the Commission with merger integration updates and will provide Staff with access to various analyses and materials related to ongoing operations and compliance with merger conditions and commitments.⁴⁶ These conditions help ensure that the Commission and its Staff have the information needed to perform future audits, to stay abreast of important developments at the utilities, and to protect utility customers pursuant to the Commission's statutory charge.⁴⁷

35. Other parent company conditions state that Applicants agree to reaffirm and honor any prior commitments made by GPE, KCPL or GMO and that meeting capital requirements will be considered a high priority.⁴⁸

36. The 1st Agreement also includes two conditions that were previously agreed to by GPE, KCPL, GMO, and Staff in a prior case, but which were inadvertently omitted from the commitments and conditions originally filed by Applicants in direct testimony. These relate to GPE's financial model and to load sampling and research practices at KCPL and GMO. The

⁴³ Ex. 9, Ives Direct, p. 28.

⁴⁴ Ex. 200, Dietrich Rebuttal, p. 5.

⁴⁵ Ex. 9, Ives Direct, p. 29.

⁴⁶ Ex. 200, Dietrich Rebuttal, p. 5.

⁴⁷ Ex. 9, Ives Direct, p. 30.

⁴⁸ Ex. 200, Dietrich Rebuttal, p. 5.

1st Agreement also includes two new conditions. The first prohibits KCPL and GMO from proposing to increase cost of service due to sharing of transaction synergies between customers and shareholders. The second addresses successor Commission's rules with substantially the same content and language as current rules.⁴⁹

37. The provisions of the 1st Agreement provide key protections for Missouri ratepayers to protect against any possible detriments resulting from the Merger.⁵⁰

2nd Agreement proposed conditions

38. In the 2nd Agreement, the Applicants and other parties agreed on commitments by the Applicants that are grouped into the following categories: Transition Costs; Future Mergers; Name Changes; Industrial Customer Meetings; Upfront Bill Credits; and Additional Reporting of Missouri Employment Information. The 2nd Agreement modifies and supplements the 1st Agreement, but does not replace it entirely.⁵¹ The 2nd Agreement is incorporated by reference herein in its entirety as if fully set forth.

39. Transition costs are costs necessary to integrate Westar and GPE by creating the Merger efficiencies and savings and ensure that the post-Merger integration process is effective. Examples of transition costs include voluntary severance, other than change-in-control severance, costs incurred in integration planning, as well as costs incurred to enable network connectivity for the merged company and allow for a more efficient combined company. Transition costs are netted against gross savings to calculate and present net savings. Since transition costs are necessary to produce the realized Merger savings which will benefit customers in the form of lower revenue requirements and lower rates in future rate cases than would be the case absent the Merger, it is appropriate to defer transition costs

⁴⁹ Ex. 10, Ives Surrebuttal, p. 6.

⁵⁰ Ex. 200 Dietrich Rebuttal, p. 5; Tr. Vol. 3, p. 269-270, 286-287.

⁵¹ 2nd Agreement, p. 3-6.

incurred and to recover an amortized amount of such transition costs over an appropriate period, provided that demonstrated Merger savings (i.e., revenue requirement reductions) exceed the requested recovery of transition costs.⁵²

40. In the 2nd Agreement, the Applicants and other parties agreed to defer Merger transition costs of \$7,209,208 for GMO and \$9,725,592 for KCPL's Missouri operations. Those signatories recommend recovery in the respective 2018 rate cases through amortization of such Merger transition costs for approval by the Commission over a 10-year period beginning when such costs have been included in Missouri base rates, with no carrying costs or rate base inclusion allowed for the unamortized portion of such costs at any time. The Applicants have agreed that no other Merger transition costs shall be requested for recovery from Missouri customers in the 2018 rate cases or thereafter.⁵³ This provision benefits ratepayers because it puts a specific dollar amount as a limitation on what KCPL or GMO could recover for Merger transition costs in a rate case.⁵⁴

41. The condition regarding future mergers extends a provision of the 1st Agreement to Holdco and requires that Holdco comply with that provision and obtain Commission approval for any future merger no matter the name or type of business structure anticipated.⁵⁵

42. The condition concerning name changes requires KCPL and GMO to clearly designate on customers' bills the name of the electric service provider so that customers will be able to access the appropriate rate schedules. This condition will benefit customers because it requires clarity as to which entity is providing service.⁵⁶

⁵² Ex. 9, Ives Direct, p. 10-12.

⁵³ 2nd Agreement, p. 4.

⁵⁴ 2nd Agreement, p. 4; Tr. Vol. 3, p. 288.

⁵⁵ 2nd Agreement, p. 4; Tr. Vol. 3, p. 288.

⁵⁶ 2nd Agreement, p. 4; Tr. Vol. 3, p. 288-289.

43. The condition regarding industrial customer meetings requires the establishment of an ongoing dialogue between KCPL and GMO and their industrial customers. Meetings between those customers and senior management will occur outside of regulatory/governmental affairs, every six months during the period of 2019-2023.⁵⁷

44. The provision regarding bill credits increases the total amount of upfront bill credits from \$50 million to \$75 million. The signatories agreed that the total amount of the upfront bill credits are to be allocated by the Applicants which results in allocations of bill credits to KCPL-MO of \$14,924,840 and GMO of \$14,205,828. The sum- total of the bill credit amount will be paid in one lump sum within one hundred and twenty (120) days of the closing of the Merger. The signatories agreed that the bill credits should be allocated between and among KCPL and GMO rate classes as follows:⁵⁸

Allocation of bill credit amounts between rate classes - The Signatories agree that the allocation of the bill credit amounts among the rate classes shall be as follows:

KCPL – Missouri:		Greater Missouri Operations	
Residential:	\$5,116,317.62	Residential:	\$6,627,570.28
Small Gen SVC:	\$869,296.24	SGS:	\$1,811,667.78
Med. Gen SVC:	\$2,131,583.25	LGS:	\$2,260,908.37
Large Gen SVC:	\$3,648,156.67	LPS:	\$3,298,276.57
Large Power:	\$2,990,585.17	Lighting:	\$195,531.49
MO Lighting:	<u>\$168,955.05</u>	Thermal:	\$10,970.24
	\$14,924,894.00	TOD:	<u>\$903.27</u>
			\$14,205,828

⁵⁷ 2nd Agreement, p. 4.

⁵⁸ 2nd Agreement, p. 5-6; Tr. Vol. 3, p. 289-290.

Allocation of bill credit amounts within rate classes - The allocation of the bill credit sums between the customers within the rate classes shall be as follows:

KCPL – Missouri:

Residential:	Divided equally among the customer class by customer account
Small Gen SVC:	Divided equally among the customer class by customer account
Med. Gen SVC:	Divided equally among the customer class by customer account
Large Gen SVC:	Based on each customer's energy usage within the customer class
Large Power:	Based on each customer's energy usage within the customer class
MO Lighting:	Divided equally among the customer class by customer account

Greater Missouri Operations:

Residential:	Divided equally among the customer class by customer account
SGS:	Divided equally among the customer class by customer account
LGS:	Based on each customer's energy usage within the customer class
LPS:	Based on each customer's energy usage within the customer class
Lighting:	Divided equally among the customer class by customer account
Thermal:	Divided equally among the customer class by customer account
TOD:	Divided equally among the customer class by customer account

45. The condition in the 2nd Agreement concerning additional reporting of Missouri employment information states that the Applicants agree to provide reports to DE showing Applicants' year-end Missouri employment levels for each of calendar years 2021, 2022, and 2023 no later than thirty (30) days following the end of each such calendar year. The Applicants also agree to provide direct testimony in each rate case filed during the period 2019-2023 explaining employment metrics related to Missouri-based FTEs, turnover rate, and material changes to each since the closing of the merger.⁵⁹ This condition is beneficial to ensure that any Merger-related savings are not coming at the cost of job losses beyond voluntary severance.⁶⁰

Renew Missouri proposed conditions

46. Renew Missouri witness Karl Rabago recommended that the Commission require the Applicants to develop and adopt Merger conditions in addition to those contained in the 1st Agreement and 2nd Agreement. Those additional conditions include:

⁵⁹ 2nd Agreement, p. 6.

⁶⁰ Tr. Vol. 3, p.337-338.

a. A firm date-certain commitment to close the Westar coal- and gas-fired power plants slated for early retirement, and an additional commitment to review the Applicants' existing generation fleet for more retirement opportunities.

b. A firm date-certain commitment to construct additional renewable energy generation.

c. A commitment to initiate a comprehensive, transparent, parallel integrated resource planning process for the combined companies, in both Missouri and Kansas, and to make provisions for stakeholders to submit a reasonable number of alternative development scenarios for evaluation in the planning effort.

d. A commitment to expand energy efficiency program efforts and customer energy efficiency education, and to develop a plan to cost-effectively achieve efficiency improvement across the combined service territories.

e. A commitment to offer green power programs to customers in all classes.

f. A commitment to develop pilot projects for shared or community generation projects.

g. A commitment to develop and implement a demonstration program for grid-connected energy storage.

h. A commitment to develop and seek regulatory approvals for implementation of a grid modernization plan, and to provide funding for a Value of Solar study to be managed by the Commission staff.

i. A commitment to refrain from implementing any new tariffs or rate designs adversely impacting development and adoption of distributed energy resources, including distributed generation for the next 5 years following approval of the Application.⁶¹

47. GPE owns or has contracted for almost 1,900 MW of renewable supply to serve its customers, exceeding the voluntary Kansas renewable standard and the Missouri

⁶¹ Ex. 450, Rabago Rebuttal, p. 24-25.

renewable requirements. KCPL and GMO additionally plan to retire approximately 850 MW of fossil-fueled generation by the end of 2019.⁶² GPE has publicly stated that it plans to shut down six fossil-fueled generating units by December 31, 2019.⁶³

48. KCPL and GMO are actively pursuing other clean energy initiatives regarding energy efficiency and green power rates.⁶⁴

49. Since 2005, KCPL and GMO have added approximately 15% of renewable capacity to their supply mix and moved toward a cleaner and more diversified supply portfolio. In 2017, approximately 21% of GPE's retail sales were supplied by renewable energy.⁶⁵

50. In KCPL and GMO's Integrated Resource Plan Annual Update filed in June 2017 for years 2017 through 2036, all new generation planned over the twenty-year period is only renewable energy for both companies.⁶⁶

51. Under the Missouri Energy Efficiency Investment Act ("MEEIA"), KCPL and GMO are currently in a second 3-year cycle of demand side management programs and are developing Cycle 3 programs to be in effect beginning in 2019. From 2013 through 2017, KCPL and GMO implemented demand-side programs that have resulted in an approximately 260 MW reduction in retail customer demand.⁶⁷

52. From 2012-2015, KCPL conducted a \$2.3 million SmartGrid demonstration project and operational testing of two forms of lithium-ion battery storage systems. KCPL

⁶² Ex. 5, Crawford Surrebuttal, p. 3.

⁶³ Ex. 5, Crawford Surrebuttal, p. 7-8.

⁶⁴ Ex. 5, Crawford Surrebuttal, p. 3.

⁶⁵ Ex. 5, Crawford Surrebuttal, p. 4-5.

⁶⁶ Ex. 5, Crawford Surrebuttal, p. 6.

⁶⁷ Ex. 5, Crawford Surrebuttal, p. 9.

continues to track the development and costs of storage technologies for future resource and demand-side program planning.⁶⁸

53. KCPL and GMO each filed a renewable energy program tariff in File Nos. ER-2018-0145 and ER-2018-0146, respectively, on January 30, 2018. The Renewable Energy Program is a renewable subscription program where the Company executes one or more Power Purchase Agreements (“PPA”) to supply renewable energy to participating customers. The program will be offered to non-residential customers, and the companies plan to consolidate all subscriptions from its three jurisdictions (KCP&L-MO, KCP&L-KS, and KCP&L-Greater Missouri Operations Company) and serve them through this renewable PPA. KCPL and GMO have also proposed a new Solar Subscription Pilot Rider tariff, which is a community solar offering for residential and non-residential customers.⁶⁹

54. KCPL and GMO have made substantial investment in the installation of Automated Meter Infrastructure (“AMI”), also known as smart meter technology. The AMI installation was completed in the urban portions of both companies at the end of 2016, with over 700,000 meters upgraded, or nearly 80% of all customers. In addition, KCPL and GMO have identified and applied various distribution automation and smart grid technologies on their systems, including automated reclosers with remote operation capabilities, smart switches with coordinated automatic reconfiguration (self-healing) capabilities, and communicating faulted circuit indicators. KCPL and GMO implemented these advancements voluntarily without any mandate imposed on them.⁷⁰

55. The Applicants cannot provide a firm retirement date for the Westar coal and gas-fired power plants slated for retirement until the Southwest Power Pool (“SPP”)

⁶⁸ Ex. 5, Crawford Surrebuttal, p. 9-10.

⁶⁹ Ex. 10, Ives Surrebuttal, p. 27; Ex. 5, Crawford Surrebuttal, p. 10.

⁷⁰ Ex. 5, Crawford Surrebuttal, p. 10-11.

completes the 2018 Integrated Transmission Planning study (“2018 ITP”). Westar has provided the required 6-month notice to the SPP for retirement of Tecumseh 7, Gordon Evans 1 and Gordon Evans 2 steam units which will allow for unit retirements by December 31, 2018. Westar has not yet provided this notice for the Murray Gill 3 or 4 units but intends to do so before summer of 2018 to allow for retirement by December 31, 2018. The SPP is currently conducting the 2018 ITP which includes 0 MW output for all units Westar plans to retire. The study will be finalized and approved by the SPP Board of Directors in July 2018.⁷¹

56. Like GPE, Westar has a strong history of pursuing renewable and clean energy. Westar has approximately more than 1,760 MW of renewable generation in its portfolio, exceeding its voluntary RES requirements. Westar is currently evaluating the addition of renewable generation and plans to retire 781 MW of fossil-fueled generation by the end of 2018. Westar is actively pursuing other clean energy initiatives, including energy storage and green power rates.⁷²

57. After the Merger, the combined wind portfolio of the three Holdco utilities will make it one of the top five largest wind producers in the United States, with renewable energy accounting for approximately 30% of their retail sales.⁷³

58. As part of their 2019 Integrated Resource Plan Update, KCPL and GMO plan on conducting a combined KCPL/GMO/Westar analysis.⁷⁴

59. After the Merger closes, the Commission will continue to have regulatory authority over KCPL and GMO, the Holdco operating utility companies in Missouri, just as it

⁷¹ Ex. 5, Crawford Surrebuttal, p. 14.

⁷² Ex. 5, Crawford Surrebuttal, p. 17.

⁷³ Ex. 5, Crawford Surrebuttal, p. 19; Ex. 7, Greenwood Surrebuttal, p. 13; Tr. Vol. 2, p. 85, 129-130; Ex. 15..

⁷⁴ Ex. 5, Crawford Surrebuttal, p. 20; Tr. Vol. 2, p. 247-249.

did before the Merger. All capital investments remain subject to Commission prudence reviews before affecting customers' base rates, and utility earnings are monitored regularly through the normal regulatory process.⁷⁵

60. The Applicants plan to continue their current policies relating to renewable energy and energy efficiency without written conditions imposed on the Merger relating to those areas.⁷⁶

61. The appropriate process for the Commission to consider policies relating to renewable energy and energy efficiency is through other Commission proceedings such as integrated resource planning and rate cases.⁷⁷

62. The Applicants' policies of increasing the use of renewable energy and decreasing reliance on fossil fuel generation is driven by the market forces of decreasing costs of and increasing demand for renewable energy.⁷⁸

63. It is profitable for KCPL and GMO to participate in demand side energy efficiency programs.⁷⁹

Other proposed conditions

64. The KCC is currently considering approval of the Merger in a Kansas proceeding. OPC was concerned that the KCC could issue an order that had the result of being detrimental to Missouri ratepayers, so OPC proposed that the Commission impose an "equal outcome" provision to hold Missouri ratepayers harmless in that circumstance.⁸⁰ OPC subsequently withdrew that recommendation.⁸¹

⁷⁵ Ex. 12, Reed Surrebuttal, p. 4.

⁷⁶ Tr. Vol. 2, p. 79, 118; Tr. Vol. 3, p. 283-285.

⁷⁷ Ex. 7, Greenwood Surrebutal, p. 7, 10-11; Tr. Vol. 2, p. 90-91, 167-168, 213.

⁷⁸ Tr. Vol. 2, p. 108-111, 126; Tr. Vol. 3, p. 284-285.

⁷⁹ Tr. Vol. 2, p. 109-110; Tr. Vol. 3, p. 284.

⁸⁰ Ex. 350, Marke Rebuttal, p. 6-7.

⁸¹ 2nd Agreement, p. 5; Tr. Vol. 3, p. 315-318.

65. There are significant differences in the ratemaking practices and regulations in Missouri and Kansas such that what is agreed to or ordered in one state may not make sense in the other.⁸²

66. In the KCC proceeding for approval of the Merger, Docket No. 18-KCPE-095-MER, the Applicants and a number of other parties filed a Non-Unanimous Settlement Agreement as a comprehensive settlement of all issues.⁸³ There are no provisions contained in that settlement agreement that would have a negative impact on Missouri ratepayers.⁸⁴

67. DE does not oppose the conditions contained in the 2nd Agreement.⁸⁵ One provision in the 2nd Agreement requires the Applicants to submit annual reports to DE showing Applicants' Missouri employment levels and to provide direct testimony in each rate case during the period of 2019-2023 explaining certain employment metrics since the close of the Merger.⁸⁶

68. DE witness Martin Hyman also supports four additional conditions to the Commission's approval of the Merger:

- a. An equal outcome provision requiring implementation of terms at least as favorable as those approved in Kansas;
- b. 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 KCPL and GMO (in the event that the

⁸² Ex. 10, Ives Surrebuttal, p. 21-23.

⁸³ Ex. 451.

⁸⁴ Tr. Vol. 3, p. 273-274, 313, 331.

⁸⁵ Tr. Vol. 3, p. 624.

⁸⁶ 2nd Agreement, p. 6.

green tariffs offered by KCPL and GMO in their current rate cases are not approved);

- c. 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 KCPL and GMO (in the event that the shared solar programs offered by KCPL and GMO in their current rate cases are not approved); and,
- d. Holdco continuing the pursuit of all cost-effective demand-side savings under MEEIA.⁸⁷

69. DE states that regarding proposed condition a. above it does not oppose withdrawal of the equal outcome provision.⁸⁸

70. DE admits that for the proposed conditions b. and c. above relating to the stakeholder process for the green tariff and shared renewable energy programs, it would be beneficial to consider those issues in separate working dockets apart from this merger approval proceeding.⁸⁹

71. DE admits that regarding proposed condition d. above there is no evidence that KCPL or GMO might be less aggressive on demand side savings after the Merger than they are currently.⁹⁰

72. KEPCo has requested that the Commission impose additional conditions relating to ring fencing and Commission pre-approval before retirement of energy

⁸⁷ Ex. 301, Hyman Surrebuttal, p. 14-15.

⁸⁸ Tr. Vol. 3, p. 330-331.

⁸⁹ Tr. Vol. 3, p. 329.

⁹⁰ Tr. Vol. 3, p. 330.

generation facilities.⁹¹ KEPCo did not submit any witness testimony during the hearing in support of its positions.⁹²

Affiliate Transaction Rule Variance

73. If the merger is approved and closes, KCPL and GMO will begin exchanging good and services with Westar.⁹³

74. Unless a variance is granted by the Commission, the Applicants' three regulated utility affiliates would be prevented from exchanging goods and services at cost post-merger and achieving savings that will ultimately benefit the customers of those utilities.⁹⁴

III. Conclusions of Law and Discussion

KCPL and GMO are both an "electrical corporation"⁹⁵ and "public utility"⁹⁶ and, thus, subject to the supervision of the Commission.⁹⁷ Westar is an electric public utility operating in Kansas under the jurisdiction of the KCC. Under Missouri law, the Applicants need the Commission's approval to complete their merger transaction.⁹⁸ In evaluating the proposed merger, the Commission may only approve the transaction if it is not detrimental to the public interest.⁹⁹ In a previous case, the Commission determined that:

In considering whether or not the proposed transaction is likely to be detrimental to the public interest, the Commission notes that its duty is to ensure that [the utility] provides safe and adequate service to its customers at just and reasonable rates. A detriment, then, is any direct or indirect effect of the transaction that tends to make the power supply less safe or less adequate, or which tends to make rates less just or less reasonable. The

⁹¹ Tr. Vol 2, p. 56.

⁹² Tr. Vol. 2, p. 56-58.

⁹³ Ex. 9, Ives Direct, p. 32.

⁹⁴ Ex. 9, Ives Direct, p. 32, 34-36.

⁹⁵ Section 386.020(15), RSMo.

⁹⁶ Section 386.020(43), RSMo.

⁹⁷ Sections 393.140(1) and 386.250(1), RSMo.

⁹⁸ Section 393.190.1, RSMo.

⁹⁹ *State ex rel. City of St. Louis v. Public Service Com'n of Missouri*, 73 S.W.2d 393, 400 (Mo banc 1934).

presence of detriments, thus defined, is not conclusive to the Commission's ultimate decision because detriments can be offset by attendant benefits. The mere fact that a proposed transaction is not the least cost alternative or will cause rates to increase is not detrimental to the public interest where the transaction will confer a benefit of equal or greater value or remedy a deficiency that threatens the safety or adequacy of the service. In cases brought under Section 393.190.1 and the Commission's implementing regulations, the applicant bears the burden of proof. That burden does not shift. Thus, a failure of proof requires a finding against the applicant.¹⁰⁰

Therefore, the Commission may not withhold its approval of the proposed transaction unless the Applicants fail in their burden to demonstrate that the transaction is not detrimental to the public interest, and detriment is determined by performing a balancing test where benefits are weighed against direct or indirect effects of the transaction that would diminish the provision of safe or adequate of service or that would tend to make rates less just or less reasonable.¹⁰¹

The Applicants argue that the merger of equals should be approved because it will create a larger, stronger combined company that is better positioned to meets the needs of its customers, make a positive effect on the environment, and achieve competitive financial returns. The Applicants state that any potential detriments are mitigated by the conditions contained in the 1st and 2nd Agreements. Staff, OPC, DE, MJMEUC, MECG, and FEA agree that the merger will not be detrimental to the public interest and should be approved if the Commission adopts the conditions set out in the 1st and 2nd Agreements. Renew Missouri and KEPCo do not oppose those conditions, but argue that the merger should not

¹⁰⁰ Report and Order, *In the Matter of the Application of Union Electric Company, d/b/a AmerenUE, for an Order Authorizing the Sale, Transfer and Assignment of Certain Assets, Real Estate, Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company, d/b/a AmerenCIPS, and, in Connection Therewith, Certain Other Related Transactions*, 13 Mo.P.S.C.3d 16, 40, Case No. EO-2004-0108, issued October 6, 2004.

¹⁰¹ Report and Order, *In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc., for Approval of the Merger of Aquila, Inc., with a Subsidiary of Great Plains Energy Incorporated and for Other Related Relief*, 17 Mo.P.S.C.3d 338, 541, Case No. EM-2007-0374, issued July 1, 2008.

be approved unless the Commission also imposes additional conditions that those parties have proposed and that were not included in the two Agreements.

Merger Approval and Proposed Conditions

The Applicants have structured the Merger as a “merger of equals” with a tax-free exchange of stock, no transaction debt used to finance the Merger, no exchange of cash or other consideration, and no market or control premium paid to or received by either company. In that regard, the Merger does not suffer from the problems that caused the KCC to reject the Initial Transaction, such as a large acquisition premium and debt. Instead, the Merger will create a stronger combined company, with more customers, more geographic diversification, no transaction debt to complete the Merger, and the prospect for higher earnings growth rates than either GPE or Westar would be able to achieve on a stand-alone basis.

The undisputed evidence in this case shows that the Merger will benefit shareholders, ratepayers, and the general public. The Merger will benefit shareholders by improving Holdco’s ability to achieve competitive financial returns as the operating utilities are better able to earn near their Commission-authorized returns.

The Merger benefits ratepayers by providing an opportunity to reduce the upward pressure on customers’ rates from increasing costs and flat or declining customer usage. Combining the companies will create operational efficiencies, without involuntary staff layoffs, resulting in net savings from the Merger over the first five years after closing of approximately \$555 million. The Merger provides upfront customer bill credits, no recovery of transaction costs in rates, and no change in the nature of customers’ interactions with

their service provider. All these Merger savings serve to reduce the cost of service and to delay rate increases that would be required absent the Merger.

The Merger will benefit the general public in Missouri and Kansas. The combination of the rate credits, lower future rate increases, and other economic activity generated by the Merger is expected to produce approximately \$331 million in direct local economic activity and \$176 million in incremental gross regional product within those economies between 2018 and 2030. The Merger will not lead to cost cutting for vegetation management, maintenance, system improvements, or other areas of utility operations that would negatively impact the public safety. The Merger will also allow Westar to retire five aging fossil-fueled generation plants earlier than scheduled.

In order to mitigate any possible detriments that may result from the Merger and ensure that customers receive the benefit of any savings the Merger will create, the Applicants and a number of other parties have proposed numerous conditions and commitments that are contained in the 1st and 2nd Agreements. No party has specifically objected to those conditions and commitments. The Commission finds all of the conditions and commitments in the 1st and 2nd Agreement to be reasonable and will adopt them.

Renew Missouri has proposed that nine additional conditions be imposed upon the Applicants if the Merger is approved. These requests involve firm commitments regarding retirement of fossil-fuel plants, increased renewable energy, integrated resource planning, energy efficiency, and energy storage (see Finding of Fact 46 above). The evidence showed that the Applicants have demonstrated a strong commitment to promoting renewable energy and energy efficiency. Since 2005, KCPL and GMO have added approximately 15% of renewable capacity to their supply mix, and all new generation

planned over the next twenty-year period is only renewable energy for both companies. KCPL and GMO are actively participating in demand-side energy efficiency programs and promoting renewable energy “green tariffs” and smart grid technology. Westar also has a strong history of pursuing renewable and clean energy. After the Merger, the combined wind portfolio of the three Holdco utilities will make it one of the top five largest wind producers in the United States, with renewable energy accounting for approximately 30% of their retail sales.

Renew Missouri does not dispute the Applicants’ past actions regarding renewable energy and energy efficiency, but argues that the merger integration process will consume considerable time and organizational energy, which increases the risk that these matters will be neglected while the Applicants are distracted with integration issues. The evidence showed, however, that the Applicants have already created a robust integration plan, including an integration team to coordinate and report on achievement of Merger efficiencies and savings after the closing of the Merger. There is no reason to believe that the Applicants will backslide and fail to pursue and achieve their goals for renewable energy. Moreover, the evidence also showed that there are powerful financial incentives for the Applicants to continue their policies of increasing the use of renewable energy and decreasing reliance on fossil fuel generation, which are driven by the market forces of decreasing costs of and increasing demand for renewable energy. In addition, in Missouri it is profitable for KCPL and GMO to participate in demand-side energy efficiency programs under the MEEIA laws.

The Commission will continue to have regulatory authority over KCPL and GMO after the Merger closes and will be able to address specific renewable energy issues in

other regulatory proceedings, such as rate cases, integrated resource planning dockets, workshops, and MEEIA and certificate cases, where all affected stakeholders will have notice and an opportunity to participate. In balancing the proposed benefits relating to renewable energy and energy efficiency to any possible detriments created by the Merger, the Commission concludes that the conditions proposed by Renew Missouri are not necessary and, therefore, will not be adopted.

DE does not oppose the 2nd Agreement, but witness Martin Hyman suggested four additional conditions to impose on the Applicants if the Merger is approved. DE does not oppose withdrawing the first condition, the equal outcome provision regarding approval by the KCC. Since there are significant differences in the ratemaking practices and regulations in Missouri and Kansas, the Commission finds that imposing an equal outcome provision at this time is not appropriate. The current proposed settlement agreement before the KCC poses no risk, as there are no provisions contained in that settlement agreement that would have a negative impact on Missouri ratepayers. The remaining three conditions recommended by DE which relate to renewable energy and energy efficiency are not necessary for the same reasons described above regarding the similar conditions proposed by Renew Missouri. The Commission concludes that the additional four conditions recommended by DE should not be adopted.

Finally, KEPCo has requested that the Commission impose additional conditions relating to ring fencing and Commission pre-approval before retirement of energy generation facilities. Since KEPCo did not submit any witness testimony during the hearing in support of its positions, there is no basis in the record to approve those proposed conditions. Those conditions will not be adopted.

Affiliate Transaction Rule Variance

The Applicants have requested a limited variance from the Commission's affiliate transaction rule to facilitate transactions between the regulated operations of KCPL, GMO, and Westar by allowing all transactions to occur at cost except for wholesale power transactions, which will be based on rates approved by the Federal Energy Regulatory Commission.

The purpose clause of the affiliate transaction rule, 4 CSR 240-20.015, states the "rule is intended to prevent regulated utilities from subsidizing their non-regulated operations". If the merger is approved and closes, KCPL and GMO will begin exchanging good and services with Westar, which may constitute an "affiliate transaction" under the rule. As a result, the asymmetric pricing standards in 4 CSR 24-20.015(2), which prohibit a regulated electrical corporation from providing a financial advantage to an affiliated entity, may apply unless a variance is granted by the Commission. Without that variance, the Applicants' three regulated utility affiliates would be prevented from exchanging goods and services at cost post-merger and achieving savings that will ultimately benefit the customers of those utilities.

The Commission finds that the Applicants have demonstrated good cause to grant the variance. The Commission will grant the variance, but the variance will be limited only to transactions between the state-regulated operations of KCPL, GMO, and Westar and not to any transactions involving other affiliated entities such as Transource or Prairie Wind.¹⁰² The Commission also finds that the Applicants' request does not limit the ability of any party

¹⁰² If the Applicants determine that additional variances are necessary to meet their savings goals from the Merger, they may request those variances in the future.

to assert that a particular transaction is imprudent or that the Commission lacks the authority to make such a finding.

IV. Decision

In making this decision, the Commission has considered the positions and arguments of all of the parties. After applying the facts to the law to reach its conclusions, the Commission determines that the substantial and competent evidence in the record supports the conclusion that the Applicants have met, by a preponderance of the evidence, their burden of proof to demonstrate that the Merger transaction is not detrimental to the public interest, providing that the conditions and commitments contained in the 1st and 2nd Agreements are imposed. Therefore, the Commission will grant the Applicants' application, subject to the conditions in the 1st and 2nd Agreements. In addition, the Commission will grant the Applicants' request for a limited variance from the affiliated transaction rule. Since the Applicants have requested expedited treatment to permit the Merger to close in the first half of 2018, the Commission will make this Report and Order effective in ten days.

THE COMMISSION ORDERS THAT:

1. The Applicants' application for approval of the July 9, 2017 Amended and Restated Agreement and Plan of Merger is granted, subject to the conditions and commitments contained in the 1st Agreement and 2nd Agreement. A copy of the 1st Agreement is attached to this Report and Order as Attachment 1 and incorporated herein in its entirety as if fully set forth. A copy of the 2nd Agreement is attached to this Report and Order as Attachment 2 and incorporated herein in its entirety as if fully set forth. The Applicants shall comply with the conditions and commitments contained in the 1st and 2nd Agreements.

2. The Applicants are granted a limited variance from the Commission's affiliate transaction rule, 4 CSR 240-20.015, as described in the body of this order.

3. The Applicants are authorized to perform in accordance with the terms and conditions of the July 9, 2017 Amended and Restated Agreement and Plan of Merger and Merger-related instruments and agreements, and to take any and all actions as may be reasonably necessary and incidental to the performance of the Merger, including the creation of the new holding company and the reorganization thereunder, for the purposes and manner set forth in the application.

4. This order shall become effective on June 3, 2018.

BY THE COMMISSION



Morris L Woodruff

Morris L. Woodruff
Secretary

Hall, Chm., Kenney, Rupp, Coleman, and
Silvey, CC., concur.

Bushmann, Senior Regulatory Law Judge

**BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI**

In the Matter of the Application of Great Plains)
Energy Incorporated for Approval of its) Case No. EM-2018-0012
Merger with Westar Energy, Inc.)

STIPULATION AND AGREEMENT

Great Plains Energy Incorporated (“GPE”), Kansas City Power & Light Company (“KCP&L”), KCP&L Greater Missouri Operations Company (“GMO”), and Westar Energy, Inc. (“Westar”) (collectively, the “Applicants”), the Staff of the Missouri Public Service Commission (“Staff”), Brightergy, LLC (“Brightergy”), and Missouri Joint Municipal Electric Utility Commission (“MJMEUC”) (Applicants, Staff, Brightergy, and MJMEUC are collectively referred to herein as the “Signatories” or individually as a “Signatory”), pursuant to Missouri Public Service Commission (“Commission”) Rules 4 CSR 240-2.115, 4 CSR 240-20.015(10), and 4 CSR 240-80.015(10),¹ request that the Commission approve this Stipulation and Agreement (“Stipulation”) as a settlement of all issues related to the Application for Approval of Merger filed in this proceeding except for the assignment of bill credit amounts to each retail electric customers of KCP&L and GMO which is to be based upon a methodology approved by the Commission.²

In support thereof, the Signatories agree as follows:

I. Factual Background

1. On October 12, 2016, GPE, KCP&L, and GMO filed an application, supported by the direct testimony of seven witnesses, requesting a variance from the Commission’s Affiliate Transactions Rule, 4 CSR 240-20.015. See In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co. and KCP&L Greater Mo. Operations Co. for a Variance from 4 CSR 240-20.015, No. EE-2017-0113 (“2016 Variance Application”). The request was submitted

¹ GMO is also a steam heating utility subject to the Affiliate Transactions Rule at 4 CSR 240-80.015.

² See Commitment No. 18, Exhibit A.

in connection with the May 29, 2016 Agreement and Plan of Merger, pursuant to which GPE and GP Star, Inc. would acquire all of the stock of Westar (“2016 Merger Plan”).

2. Concurrent with that request, as a result of prior meetings and negotiations conducted by GPE, KCP&L, and GMO with Staff, these four parties filed a Stipulation and Agreement (“2016 Staff S&A”), recommending that the Commission approve the requested variance subject to certain conditions. See Stipulation and Agreement, 2016 Variance Application (Oct. 12, 2016). Shortly thereafter, a second Stipulation and Agreement among GPE, KCP&L, GMO, and the Office of the Public Counsel (“OPC”) was submitted in that case. See Stipulation and Agreement, 2016 Variance Application (Oct. 26, 2016) (“2016 OPC S&A”).

3. After the Commission directed GPE to file an application for the Commission’s approval of the 2016 Merger Plan,³ the 2016 Variance Application case was consolidated with the case that GPE subsequently filed to seek such approval. See Order Granting Motion to Consolidate, In re Application of Great Plains Energy Inc. for Approval of its Acquisition of Westar Energy, Inc., No. EM-2017-0226 (Mar. 1, 2017).

4. However, as a result of proceedings in the State of Kansas, no action was taken by the Commission with regard to either the 2016 Staff S&A or the 2016 OPC S&A. In April 2017 the Kansas Corporation Commission (“KCC”) denied GPE’s application to acquire Westar. See Order at 43, In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co. and Westar Energy, Inc. for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Inc., No. 16-KCPE-593-ACQ (Kan. Corp. Comm’n, Apr. 19, 2017).⁴

³ This directive was contained in a decision issued by the Commission in a related case. See Report and Order at 22, Midwest Energy Consumers Group v. Great Plains Energy Inc., No. EC-2017-0107 (Feb. 22, 2017).

⁴ The applicants’ request for reconsideration was also denied. See Order Denying Joint Applicants’ Petition for Reconsideration, In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co. and Westar Energy, Inc. for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Inc., No. 16-KCPE-593-ACQ (Kan. Corp. Comm’n, May 23, 2017).

5. As a result, GPE and Westar initiated efforts to develop a new merger agreement which concluded successfully with the July 9, 2017 Amended and Restated Agreement and Plan of Merger (“Amended Merger Agreement”). Because a new application would be filed with this Commission (as well as with the KCC) seeking approval of the Amended Merger Agreement, GPE requested that the Commission dismiss both its Application to acquire Westar (No. EM-2017-0226), as well as its Joint Application with KCP&L and GMO for a variance from the Affiliate Transactions Rule (No. EE-2017-0113). The Commission granted those requests. See Order Granting Motion to Dismiss, In re Application of Great Plains Energy Inc. for Approval of its Acquisition of Westar Energy, Inc., No. EM-2017-0226 (July 26, 2017).

6. On August 31, 2017, the Applicants filed their Application in this proceeding seeking approval of GPE’s merger with Westar, pursuant to the terms of the Amended Merger Agreement (“Merger”).⁵

II. Provisions of the Stipulation

7. This Stipulation has three elements. The first is Section II(A), below. It consists of 43 of the 48 Commitments and Conditions proposed by the Applicants in the Direct Testimony of Darrin R. Ives, Vice President of Regulatory Affairs for KCP&L and GMO. Conditions 10, 11, 12, 14 and 15 have been deleted; Section III has been re-titled “Financing Conditions” (deleting the words “and Ring-Fencing”); a number of revisions have been made to Condition 31; a typographical error has been corrected in the third paragraph of Condition 34; “Staff Customer Experience Personnel” has been inserted in lieu of “Staff Consumer and Management Analysis Personnel” in Condition 35; and Conditions 9, 16.iii. and 18 have been revised slightly to ensure

⁵ A similar application seeking the approval of the KCC was filed the previous week. See Application, In re Application of Great Plains Energy Inc., Kansas City Power & Light Co., and Westar Energy, Inc. for Approval of the Merger of Westar Energy, Inc. and Great Plains Energy Inc., No. 18-KCPE-095-MER (Kan. Corp. Comm’n, Aug. 25, 2017).

consistency with the same conditions proposed in Kansas. This 16-page schedule of the 43 Commitments and Conditions is attached as Exhibit A and incorporated by reference. As information, the Signatories have attached Exhibit B which shows the changes to the 48 Commitments and Conditions originally filed by Applicants.

8. The second element is in Section II(B). It contains two conditions that were previously agreed to by GPE, KCP&L, GMO, and Staff in the 2016 Variance Application case, but were inadvertently omitted from the 48 Commitments and Conditions originally filed by Applicants as well as two new conditions.

9. The third element of the Stipulation is found in Section II(C), and relates to the Joint Applicants' request in Paragraphs 26-29 of the Application that the Commission grant a variance from the Affiliate Transactions Rule, pursuant to 4 CSR 240-20.015(10). Approval of the Stipulation would be consistent with the Commission's prior determination under similar circumstances that transactions among fully regulated affiliates should occur at cost and that a variance of the Affiliate Transactions Rules is supported by good cause.⁶

10. As provided below, if approved by the Commission, this Stipulation will only take effect if the Amended Merger Agreement is approved by the Commission and the Merger closes.⁷ Accordingly, the Signatories recommend the Commission approve the Stipulation, pursuant to the terms and conditions set forth below.

⁶ Report and Order at 183-88, 262-65, In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co., and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Inc., No. EM-2007-0374 (July 1, 2008).

⁷ KCP&L and GMO will continue to operate under the variance of the Affiliate Transactions Rule granted by the Commission in 2008 when GPE acquired Aquila. See Report and Order at 264-65 & ¶ 10 at 284, In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co., and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Inc., No. EM-2007-0374 (July 1, 2008).

A. Commitments in Exhibit A (Schedule DRI-1 to Direct Testimony of Darrin R. Ives)

11. The Commitments are summarized in the Direct Testimony of Mr. Ives at pages 24 through 36, and listed in Schedule DRI-1 to his testimony. They are set forth here as Exhibit A to the Stipulation, and cover a variety of subjects which are grouped in the following eight categories:

- I. General Conditions.
- II. Employee Commitments
- III. Financing Conditions.
- IV. Ratemaking, Accounting and Related Conditions.
- V. Affiliate Transactions and Cost Allocations Manual Conditions
- VI. Quality of Service Conditions
- VII. Reporting and Access to Records Conditions
- VIII. Other Parent Company Conditions

B. Four Additional Commitments

12. The first additional commitment is: Staff will retain a copy of GPE's financial valuation model that was provided by GPE on a highly confidential basis in response to a Staff data request in the case of In re Great Plains Energy Inc.'s Acquisition of Westar Energy, Inc., No. EM-2016-0324. Staff will continue to protect the confidentiality of the information contained within that model.⁸

13. The second additional commitment is: GPE commits to maintain or improve current load sampling and research practices of KCP&L and GMO after the Merger,⁹ and that KCP&L

⁸ See ¶ A(10), 2016 Staff S&A, 2016 Variance Application.

⁹ See ¶ E(3), 2016 Staff S&A, 2016 Variance Application. The Signatories have replaced the word "Transaction" with "Merger" which reflects the terms of the August 31, 2017 Amended Merger Agreement that is the subject of the Application in this case. "Transaction" was used in the 2016 Staff S&A to refer to the 2016 merger plan which is no longer being proposed.

and GMO will discuss with Staff any modifications planned to integrate Westar and KCP&L and GMO load sampling and research practices.

14. The third additional commitment is: “Neither KCP&L nor GMO shall propose any adjustment to increase cost of service in current or future rate cases in order to “share” the benefits of Westar transaction synergies between ratepayers and shareholders in setting rates.”

15. The fourth additional commitment is: “References herein to specific Commission rules are expressly intended by the Signatories to include successor rules with substantially the same content and language, however renumbered or reorganized.”

C. Variance from the Affiliate Transactions Rules

16. The third and final element of this Stipulation relates to the Affiliate Transactions Rules found at 4 CSR 240-20.015 and 4 CSR 240-80.015.

17. By the Commission’s approval of this Stipulation, the Signatories intend that the Commission shall grant KCP&L and GMO a variance from the provisions of the Affiliate Transactions Rules 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. As good cause for this variance, the Signatories agree that: (a) the variance is limited to transactions between the regulated utilities in Missouri and Kansas of Monarch Energy Holdings, Inc. (“Holdco”), to which this Stipulation applies as GPE will be merged into Holdco pursuant to the Amended Merger Agreement¹⁰; (b) the variance is necessary to enable the attainment of post-Merger savings that will ultimately benefit customers of Holdco’s utility subsidiaries in Missouri and Kansas; and (c) given all of the conditions set forth in this

¹⁰ See § 1.01(a), Amended Merger Agreement, attached as Appendix C to the Application for Approval of Merger in this case. After the merger closes, Monarch Energy Holdings, Inc. will be renamed with a name yet to be determined, as noted in Paragraph 11 of the Application.

Stipulation, the requested variance will not be detrimental to the public interest in Missouri with regard to transactions between KCP&L, GMO, and Westar. The Signatories agree that if the Commission approves the Stipulation, KCP&L and GMO will be entitled to rely upon the variance only if the Amended Merger Agreement is approved by the Commission and the Merger closes.

III. General Provisions

18. This Stipulation has resulted from negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation shall be void, and no Signatory shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Signatories to take other positions in other proceedings except as otherwise provided herein. The Signatories agree that any and all discussions related to this Stipulation shall be privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed.

19. If the Commission does not unconditionally approve this Stipulation without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any signatory has to request a decision in accordance with Section 536.080, RSMo 2016, or Article V, Section 18, of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as

part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

20. This Stipulation is being entered into for the purpose of disposing of all issues in this case, except for the assignment of bill credit amounts to each retail electric customer of KCP&L and GMO which is to be based upon a methodology approved by the Commission.¹¹ The Signatories represent that the terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein, in a manner which is not detrimental to the public interest. Except as otherwise addressed herein, none of the Signatories to this Stipulation shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, ratemaking principle, or cost of service determination underlying or purported to underlie any of the issues provided for herein.

21. The Signatories further understand and agree that the provisions of this Stipulation relate only to the specific matters referred to in the Stipulation, and no Signatory or person waives any claim or right which it otherwise may have with respect to any matter not expressly provided for in this Stipulation. The Signatories further reserve the right to withdraw their support for the Stipulation in the event that the Commission modifies the Stipulation in a manner which is adverse to the Signatory. The Signatories reserve the right to contest any such Commission order modifying the Stipulation in a manner which is adverse to the Signatory contesting such Commission order. The Signatories agree that the contents of this Stipulation have no precedential value in any future proceeding not related to enforcement of this Stipulation.

¹¹ See Commitment No. 18, Exhibit A.

22. Staff, Brightergy, and MJMEUC have entered into this Stipulation in reliance upon information provided to them by the Applicants. This Stipulation is explicitly predicated upon the truth of representations made by the Applicants.

23. In the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories waive the following rights with respect to the issues resolved herein: (a) any respective rights they may have pursuant to Section 536.070(2)¹² to call, examine and cross-examine witnesses; (b) any respective rights they may have to present oral argument or written briefs pursuant to Section 536.080.1; (c) any respective rights they may have to the reading of the transcript by the Commission pursuant to Section 536.080.2; (d) any respective rights they may have to seek rehearing pursuant to Section 386.500; and (e) any respective rights they may have to judicial review pursuant to Section 386.510. Furthermore, in the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories agree that the pre-filed testimony of all witnesses in this case shall be included in the record of this proceeding without the necessity of such witnesses taking the stand. The provisions of this Stipulation shall be interpreted in accord with and governed by Missouri law.

24. Subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff will be available to answer Commission questions regarding this Stipulation. Staff shall, to the extent reasonably practicable, promptly provide other Signatories with advance notice of when Staff shall respond to Commission questions. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or previously designated confidential by any Signatory.

¹² All statutory citations are to the Missouri Revised Statutes (2016).

25. Except as otherwise addressed in this Stipulation, Commission approval of this Stipulation does not in any way limit, form a basis for determination, or constitute a defense against any Signatory proposing, or the Commission ordering, the disallowance and/or imputation of account balances, expenses, revenues and/or other ratemaking findings, regarding the operations of KCP&L or GMO in a future rate proceeding.

26. To assist the Commission in its review of this Stipulation, the Signatories also request that the Commission advise them of any additional information that the Commission may desire from the Signatories relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

27. The variance of the Commission's Affiliate Transactions Rules at 4 CSR 240-20.015(5)(A)(1)-(2) and 4 CSR 240-80.015(A)(1)-(2) applies to the Signatories' rights and obligations under those rules as they existed on the date upon which this Stipulation was signed, copies of which are appended hereto and incorporated by reference.

WHEREFORE, the Signatories recommend that the Commission find that the merger of Great Plains Energy Incorporated and Westar Energy, Inc., as contemplated by the July 9, 2017 Amended and Restated Agreement and Plan of Merger, is reasonable and not detrimental to the public interest. The Signatories further recommend that the Commission approve this Stipulation and Agreement subject to the conditions contained herein, and grant the variance requested in Paragraph 15 regarding 4 CSR 240-20.015 and 4 CSR 240-80.015 as soon as reasonably practicable but in any event with an effective date no later than June 5, 2018.

Respectfully submitted,

/s/ Robert J. Hack

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**Attorneys for Missouri Joint Municipal
Electric Utility Commission**

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing was served upon all parties of record by U.S. Mail, postage prepaid, electronic filing system, or electronically, this 12th day of January, 2018.

/s/ Robert J. Hack _____

Attorney for Great Plains Energy Incorporated,
Kansas City Power & Light Company, and
KCP&L Greater Missouri Operations Company

No.	Merger Commitments and Conditions
I. General Conditions	
1	<p><u>Headquarters:</u> Holdco will maintain its corporate headquarters in Kansas City, Missouri and shall honor all terms and conditions of the existing lease for its headquarters office located at 1200 Main in Kansas City, Missouri, which expires in October 2032.</p> <p>Holdco will also maintain the current Westar Topeka downtown headquarters building at 800-818 South Kansas Avenue in Topeka, Kansas for its Kansas headquarters. Holdco shall honor all terms and conditions of the existing lease for the Westar headquarters building, which expires in April 2023.</p>
2	<p><u>Executives:</u> Upon the closing of the Merger, Mark Ruelle will become the non-executive chairman of Holdco for a period of three (3) years. Terry Bassham will serve as president and chief executive officer.</p>
3	<p><u>Charitable Giving and Community Involvement:</u> Holdco will continue charitable giving and community involvement in the Missouri service territory of KCP&L and GMO at levels equal to or greater than KCP&L’s and GMO’s respective 2015 levels for a minimum of five (5) years following the closing of the Merger.</p>
4	<p><u>Low-Income Assistance Programs:</u> Holdco will maintain and promote all low-income assistance programs consistent with those in place at all operating utility companies prior to the Merger for at least five (5) years after closing.</p>
5	<p><u>Corporate Social Responsibility:</u> No later than thirty (30) days after the closing of the Merger, and on or before that calendar day in each of the succeeding nine (9) years, Holdco will provide \$50,000 to each of the following Community Action Agencies:</p> <ul style="list-style-type: none"> • United Services Community Action Agency; • Community Action Partnership of Greater St. Joseph (“CAP St. Joe”); • Community Services, Inc. (“CSI”);

¹ Applicants understand that CAP St. Joe no longer administers weatherization services and that CSI now administers weatherization services for the area formerly served by CAP St. Joe. Consequently, Applicants would recommend that CSI receive \$100,000 no later than thirty (30) days after the closing of the Merger and on or before that calendar day in each of the succeeding nine (9) years.

No.	Merger Commitments and Conditions
	<ul style="list-style-type: none"> • West Central Missouri Community Action Agency; • Missouri Valley Community Action Agency; and • Community Action Partnership of North Central Missouri. <p>In the event any of these Community Action Agencies cease to exist during this period, Holdco, KCP&L and GMO shall work with OPC and Staff to identify a replacement agency or agencies to recommend for the Commission’s approval.</p> <p>It is expressly acknowledged that said funds are not operating costs of KCP&L or GMO but shall be recorded below the line (and not recovered in rates). The funds are meant to be prioritized by the Community Action Agencies for the creation of an additional position(s) within the Community Action Agency structure to better enable the utilization of weatherization dollars or such other appropriate use as deemed effective by the agencies.</p> <p>These funds are provided to each agency with the express purpose of the creation of an additional position(s) to enable further low-income weatherization deployment at a recommended spend level of \$50,000 per year over a ten-year period. Any excess funds can be allocated in the following categories at the agencies’ discretion:</p> <ul style="list-style-type: none"> • Weatherization training and certification of agency personnel; • Discretionary funds for health and hazard for on-site units (that may or may not be otherwise passed over); • Outreach efforts; • Utility weatherization account; • Hardship fund for on-bill payments. <p>Each agency is required to provide documentation to KCP&L and GMO to verify how expenditures were incurred.</p> <p>Community Action Agencies are required to file annual reports with KCP&L and GMO on how funds were expended. KCP&L and GMO shall file a condensed report of the agencies individual annual reports with the Commission, Staff and OPC. Any additional information is left to the agencies’ discretion (e.g., estimated additional homes weatherized as a result of the expenditures).</p>

No.	Merger Commitments and Conditions
	KCP&L and GMO commit to an annual in-person meeting with each of the local Community Action Agencies for the next five years at Holdco's headquarters in Kansas City, Missouri, with extended invitations to (at least) the Commission Staff and OPC to discuss progress to date including Strengths, Weaknesses, Opportunities and Threats to KCP&L's and GMO's low-income population.
II. Employee Commitments	
6	<u>Collective Bargaining Agreements:</u> Holdco will honor all existing collective bargaining agreements.
7	<u>Employee Compensation and Benefits:</u> Holdco will maintain substantially comparable compensation levels and benefits for all employees for two years after the closing of the Merger.
8	<p><u>Employee Headcount:</u> While Merger-related efficiencies will result in a lower employee headcount over time for the combined organization post-closing compared to the two stand-alone organizations prior to closing, there will be no involuntary severance as a result of the Merger.</p> <p>There will also be no involuntary severance as a result of closing the following generating facilities: Sibley (units 1, 2 and 3), Montrose (units 1, 2 and 3), Lake Road (unit 4/6), Tecumseh (unit 7), Gordon Evans (units 3 and 4) and Murray Gill (units 1 and 2).</p> <p>Holdco will achieve headcount-related efficiencies through normal attrition and other voluntary means over time in a generally balanced way across both states.</p>
III. Financing and Ring-Fencing Conditions	
9	<u>Board of Directors:</u> Upon the closing of the Merger, the size of Holdco board of directors will be mutually determined by GPE and Westar. In addition, as of the closing of the transaction, Holdco's board shall initially be composed of an equal number of directors designated by each of GPE and Westar, who shall be predominantly from the Kansas and Missouri region and the majority of whom shall be independent as defined by the New York Stock Exchange. Terry Bassham shall be a member of the board as a GPE nominee and Mark Ruelle shall be the non-executive Chairman of the board as a Westar nominee, with Mr. Ruelle serving as such for a term of three years. The initial lead independent director of Holdco will also be designated by Westar, with reasonable consultation with GPE.

No.	Merger Commitments and Conditions
	<p>In addition, to the above, as of the closing, the board of directors will initially have five (5) standing board committees. Those committees will be composed of an equal number of directors designated by each of GPE and Westar. The initial chairpersons for three (3) of the five (5) standing committees shall be designated by GPE and the chairpersons for two (2) of the five (5) standing committees shall be designated by Westar.</p>
10	Intentionally left blank.
11	<p>Intentionally left blank.</p>
12	Intentionally left blank.
13	<p><u>Separation of Assets</u>: Holdco commits that KCP&L and GMO will not commingle their assets with the assets of any other person or entity, except as allowed under the Commission’s Affiliate Transaction Rule or other Commission order.</p> <p>Holdco commits that KCP&L, GMO 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.</p> <p>Holdco, KCP&L, GMO and Westar affirm that the present legal entity structure that separates their regulated business operations from their unregulated business operations shall be maintained unless express Commission approval is sought to alter any such structure.</p>

No.	Merger Commitments and Conditions
	Holdco, KCP&L, GMO and Westar further commit that proper accounting procedures will be employed to protect against cross-subsidization of Holdco's, KCP&L's, GMO's and Westar's non-regulated businesses, or Holdco's other regulated businesses.
14	Intentionally left blank.
15	Intentionally left blank.
16	<p><i>Credit Rating Downgrade:</i> If S&P or Moody's downgrade the Corporate Credit Rating or senior secured or unsecured debt issue rating of KCP&L or GMO (the "Impacted Utility") to below investment grade (i.e., below BBB- or Baa3), the "Impacted Utility" commits to file:</p> <ol style="list-style-type: none"> <li data-bbox="218 711 2001 820">i. Notice with the Commission within five (5) business days of such downgrade that includes specification of the affected credit rating(s), the pre- and post-downgrade credit ratings of each affected credit rating, and a full explanation of why the credit rating agency or agencies downgraded each of the affected credit ratings; <li data-bbox="218 857 2001 1339">ii. A filing with the Commission within sixty (60) days which shall include the following: <ul style="list-style-type: none"> <li data-bbox="317 933 2001 1112">• Actions the Impacted Utility may take to raise its S&P or Moody's credit rating to BBB- or Baa3, respectively, including the costs and benefits of such actions and any plan the Impacted Utility may have to undertake such actions. If the costs of returning GMO and/or KCP&L to investment grade are above the benefits of such actions, GMO and/or KCP&L shall be required to show and explain why it is not necessary, or cost-effective, to take such actions and how the utility(s) can continue to provide efficient and sufficient service in Missouri under such circumstances; <li data-bbox="317 1156 2001 1226">• The change on the capital costs of the Impacted Utility due to its S&P or Moody's credit rating being below BBB- or Baa3, respectively; and <li data-bbox="317 1269 2001 1339">• Documentation detailing how the Impacted Utility will not request from its Missouri customers, directly or indirectly, any higher capital costs incurred due to a downgrade of its S&P or Moody's credit rating below BBB- or Baa3, respectively;

No.	Merger Commitments and Conditions
	<ul style="list-style-type: none"> <li data-bbox="218 329 2001 399">iii. File with the Commission, every forty-five (45) days thereafter until the Impacted Utility has regained its S&P or Moody’s credit rating of BBB- or Baa3, respectively or above, an updated status report with respect to the items required in subparagraph ii above. <li data-bbox="218 440 2001 545">iv. If the Commission determines that the decline of the Impacted Utility’s S&P or Moody’s credit rating to a level below BBB- or Baa3, respectively, has caused its quality of service to decline, then the Impacted Utility shall be required to file a plan with the Commission detailing the steps that will be taken to restore service quality levels that existed prior to the ratings decline. <li data-bbox="218 586 2001 805">v. In the event KCP&L’s or GMO’s affiliation (ownership or otherwise) with Holdco or any of Holdco’s affiliates is a primary factor for KCP&L’s or GMO’s S&P or Moody’s Corporate credit rating to be downgraded to below BBB- or Baa3, respectively, KCP&L and/or GMO shall promptly undertake additional legal and structural separation from the affiliate(s) causing the downgrade. Notwithstanding Commitment No. 11’s limitation on payment of dividends, the Impacted Utility shall not pay a common dividend without Commission approval or until the Impacted Utility’s S&P or Moody’s credit rating has been restored to BBB- or Baa3, respectively. <li data-bbox="218 846 2001 984">vi. If KCP&L’s or GMO’s respective S&P or Moody’s credit rating declines below BBB- or Baa3, respectively, the Impacted Utility shall file with the Commission within 15 days a comprehensive risk management plan setting forth committed actions assuring the Impacted Utility’s access to and cost of capital will not be further impaired. The plan shall include a non-consolidation opinion if required by S&P or Moody’s.
17	<p data-bbox="170 1065 2001 1211"><u>Cost of Capital:</u> Holdco commits that future cost of service and rates of KCP&L and GMO shall not be adversely impacted on an overall basis as a result of the Merger and that future cost of service and rates will be set commensurate with financial and business risks attendant to their individual regulated utility operations. Neither KCP&L nor GMO shall seek an increase to their cost of capital as a result of (i.e., arising from or related to) the Merger or KCP&L’s and GMO’s ongoing affiliation with Holdco and its affiliates after the Merger.</p> <p data-bbox="170 1252 2001 1321">The return on equity capital (“ROE”) as reflected in GMO’s and KCP&L’s rates will not be adversely affected as a result of the Merger. Holdco agrees the ROE shall be determined in future rate cases, consistent with applicable law, regulations and practices of the Commission.</p>

No.	Merger Commitments and Conditions
	<p>The burden of proof that any increase to the cost of capital is not a result of the Merger shall be borne by KCP&L or GMO. Any net increase in the cost of capital that KCP&L or GMO seeks shall be supported by documentation that: (a) the increases are a result of factors not associated with the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates; (b) the increases are not a result of changes in business, market, economic or other conditions caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates; and (c) the increases are not a result of changes in the risk profile of KCP&L or GMO caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates. The provisions of this section are intended to recognize the Commission’s authority to consider, in appropriate proceedings, whether this Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates have resulted in capital cost increases for KCP&L or GMO.</p> <p>Nothing in this condition shall restrict the Commission from disallowing such capital cost increases from recovery in KCP&L or GMO’s rates.</p>
IV. Ratemaking, Accounting, and Related Conditions	
18	<p><u>Upfront Bill Credits:</u> Holdco agrees that its electric utility subsidiaries will provide all retail electric customers with one-time bill credits totaling \$50 million within 120 days of the closing of the Merger. This amount shall be allocated among Applicants’ electric rate jurisdictions in both Kansas and Missouri on the basis of the total MWH of all retail Sales of Electricity reported to FERC under Form 1 (or Form 3 Q) for the most recent full twelve calendar month period prior to the closing of the Merger for which such report is available. The amount so allocated shall be assigned to each retail electric customer within the applicable Missouri electric rate jurisdiction based upon methodology approved by the Commission.</p>
19	<p><u>Transition Costs:</u> Neither GMO nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that are in excess of the benefits that these transition costs are intended to attain.</p> <p>Transition costs are those costs incurred to integrate Westar and GPE, and include integration planning, execution, and “costs to achieve.”</p> <p>Non-capital transition costs can be ongoing costs or one-time costs. KCP&L’s and GMO’s non-capital transition costs, which shall include but not be limited to severance payments made to employees other than those required to be made under change of control agreements, can be deferred on the books of either KCP&L or GMO to be considered for recovery in KCP&L and GMO future rate cases. If subsequent rate recovery is sought, KCP&L and GMO will have the burden of proof to clearly identify where all transition costs are recorded and of proving that the</p>

No.	Merger Commitments and Conditions
	<p>recoveries of any transition costs are just and reasonable as their incurrence facilitated the ability to provide benefits in excess of those costs to its Missouri customers. Such benefits may be the result of avoiding or shifting costs and activities.</p> <p>KCP&L and GMO shall be required to attest in all future rate proceedings before the Commission that no transition costs in excess of their corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be required until all transition costs are fully amortized.</p> <p>KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits. Such benefits may be the result of avoiding or shifting costs and activities.</p>
20	<p><u>Goodwill:</u> Goodwill associated with the Merger is the difference between the fair market value of GPE’s assets and the exchange value of GPE’s stock upon the closing of the Merger (referred to herein as “Merger Goodwill”) and will be maintained on the books of Holdco. The amount of any such Merger Goodwill shall not be included in the revenue requirement of KCP&L or GMO in future Missouri rate cases. Neither KCP&L nor GMO will seek recovery through recognition in retail rates and revenue requirement in future rate cases of any such Merger Goodwill.</p>
21	<p><u>Goodwill Impairment:</u> Customers shall be held harmless from the risk or realization of any Merger Goodwill impairment.</p> <p>Holdco does not expect, and shall take prudent actions to avoid, Merger Goodwill from negatively affecting KCP&L’s or GMO’s cost of capital.</p> <p>If such Merger Goodwill becomes impaired and such impairment negatively affects KCP&L’s or GMO’s cost of capital or credit ratings, all costs associated with the decline in the Impacted Utility’s credit quality specifically attributed to the Merger Goodwill impairment, considering all other capital cost effects of the Merger and the impairment, shall be excluded from the determination of the Impacted Utility’s rates.</p>
22	<p><u>Transaction Costs:</u> Transaction costs include, but are not limited to, those costs relating to obtaining regulatory approvals, development of transaction documents, investment banking costs, costs related to raising equity incurred prior to the close of the Merger, severance payments required to be made by change of control agreements, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid</p>

No.	Merger Commitments and Conditions
	<p>solicitation, analyze bids, conduct due diligence, compliance with existing contracts including change in control provisions, and compliance with any regulatory conditions, closing, and communication costs regarding the ownership change with customers and employees.</p> <p>GMO and KCP&L commit that they will not seek recovery through recognition in retail rates of transaction costs, that they shall have the burden of proof to clearly identify where all transaction costs related to this Merger are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates. This commitment shall be required until transaction costs of this Merger are no longer on Holdco's books in a test year for KCP&L and/or Westar, as applicable</p> <p>Transaction costs shall be recorded on Holdco's books.</p>
23	<p><u>Fuel and Purchased Power Costs:</u> KCP&L's and GMO's fuel and purchased power costs shall not be adversely impacted as a result of the Merger.</p>
24	<p><u>Retail Rates:</u> Holdco commits that retail rates for KCP&L and GMO customers shall not increase as a result of the Merger.</p>
25	<p><u>Future Rate Cases:</u> Holdco commits that in future rate case proceedings, KCP&L and GMO 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.</p>
<p>V. Affiliate Transactions and Cost Allocations Manual (CAM) Conditions</p>	
26	<p><u>Affiliate Transaction Rule:</u> KCP&L and GMO will be operated after the Merger in compliance with the Commission's Affiliate Transaction Rule, as defined in 4 CSR 240-20.015(10) and 4 CSR 240-80.015(10).</p>

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27	<p><u>Information on Affiliate Transactions:</u> Holdco and its subsidiaries commit that all information related to an affiliate transaction consistent with 4 CSR 240-20.015(5)(A)(1)-(2) and 4 CSR 240-80-015(5)(A)(1)-(2) charged to KCP&L and/or GMO will be treated in the same manner as if that information is under the control of either KCP&L or GMO.</p>
28	<p><u>No Preferential Treatment of Affiliates:</u> Except as permitted by any variance granted by the Commission, neither KCP&L nor GMO will provide preferential service, information, or treatment to an affiliated entity over another party at any other time, consistent with 4 CSR 240-015(2) and 4 CSR 240-80.015(2).</p>
29	<p><u>Intercompany Charges:</u> Holdco and its subsidiaries may seek recovery of intercompany charges to regulated utility affiliates in their first general rate proceedings following the closing of the Merger 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 Merger, 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.</p> <p>Holdco and its subsidiaries shall have the burden of proof to demonstrate billings are prudent, in the usual course of business, and consistent with past practice.</p>
30	<p><u>Separate Books and Records Available to Staff and Commission:</u> Holdco shall maintain separate books and records, systems of accounts, financial statements and bank accounts for GMO and KCP&L. The records and books of GMO 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.</p> <p>The financial books and records of Holdco’s regulated utility affiliates will be made available to the Commission and its Staff.</p> <p>The records and books of any affiliate for which any direct or indirect charge is made to GMO and KCP&L, and included in said utilities’ cost of service and rates on either a direct or indirect basis, will be made available, upon request, to the Commission and its Staff.</p> <p>Holdco, KCP&L and GMO shall facilitate access of the Commission Staff to its external auditors and endeavor to provide the Commission and its Staff with timely access to any relevant external audit workpapers and/or reports.</p>

No.	Merger Commitments and Conditions
	<p>Holdco, KCP&L and GMO will 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 GMO. Nothing in this condition shall be deemed a waiver of any rights of Holdco, KCP&L or GMO to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party.</p>
31	<p><i>Independent Third Party Management Audit of Affiliate Transactions and Corporate Cost Allocations Report:</i> Holdco, KCP&L and GMO shall agree to an independent third party management audit report of new holding company, KCP&L and GMO corporate cost allocations and affiliate transaction protocols. A committee, which shall be comprised of an equal number of Staff, OPC and Applicant representatives, shall develop a Request for Proposal (“RFP”) with input from all committee members on the scope of work, and this RFP shall be submitted to the Commission for approval within six months after the closing of the Merger. The selection of a successful bidder shall be conducted by the same committee and shall be made by unanimous vote. If the vote is not unanimous, the Commission will determine the successful bidder and scope of work. The independent third party management auditor’s contract shall preserve the auditor’s independence by precluding Staff, OPC, Holdco, KCP&L, and GMO representatives from directing or influencing the report’s conclusions. Upon completion, the report of the audit shall be filed with the Commission.</p> <ol style="list-style-type: none"> <li data-bbox="218 883 2001 1097">a. The audit will examine Holdco, KCP&L, and GMO’s corporate cost allocations, affiliate transaction protocols, and ensure that the existing CAM fully documents newly formed operations, or to make recommendations to revise the CAM to address newly formed operations. The audit shall be designed to assess compliance with the Commission’s Affiliate Transactions Rule (4 CSR 240-20.015) as well as the appropriateness of the allocation of corporate costs among Holdco, KCP&L, GMO, and all affiliates. Holdco, KCP&L, GMO, and all (regulated and non-regulated) affiliates shall cooperate fully with the auditor by timely providing all information requested to complete the audit including, but not limited to, informal and interactive interviews followed up with formal discovery. <li data-bbox="218 1138 2001 1279">b. The audit report shall express an independent opinion on the degree and extent of KCP&L and GMO’s compliance with the Commission’s Affiliate Transactions Rule (4 CSR 240-20.015) and shall provide recommendations, if appropriate, regarding procedures and methodologies used by Holdco, KCP&L and GMO in allocating corporate costs and complying with the Commission’s Affiliate Transactions Rule (4 CSR 240-20.015).

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	<p>c. It is expressly acknowledged that Holdco, KCP&L and GMO shall collectively provide \$500,000, funded below the line (and not recovered in rates), for purposes of funding the independent third party management audit. Any additional expense beyond \$500,000, required by the Commission, will be split 50/50 between ratepayers and shareholders.</p> <p>d. Any cost in excess of \$500,000 shall be deferred to account 182.3 (other regulatory assets) and recovered through amortization, subject to the 50/50 split provided immediately above, in retail rates and cost of service in the first KCP&L and GMO general rate cases subsequent to the completion of the audit.</p>
32	<p>As required by Commission rule (4 CSR 240-20.015(2)(C)) and clarified by the Commission’s decision in Case No. EC-2015-0309, KCP&L and GMO agree to not make available, sell or transfer specific Missouri customer information including, but not limited to: customer names, addresses, telephone numbers, credit or debit card information, social security numbers, income and/or other customer information, to affiliated or unaffiliated entities without prior informed consent of the Missouri customer, authorization of the Commission or as otherwise provided by law, other than as necessary to provide services to and in support of their regulated operations.</p>
33	<p><u>Cost Allocation Manual:</u> KCP&L and GMO agree to meet with Staff and OPC no later than sixty (60) days after the closing of the Merger to provide a description of its expected impact on the allocation of costs among Holdco’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 six (6) months after the closing of the Merger but no less than two (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 Merger.</p>
<p>VI. Quality of Service Conditions</p>	
34	<p><u>Customer Service and Operational Levels:</u> KCP&L and GMO will meet or exceed the customer service and operational levels currently provided to their Missouri retail customers.</p> <p>After the closing of the Merger, KCP&L and GMO shall continue providing Staff, on a monthly basis, data on contact center service quality, including abandoned call rate, average speed of answer, service level (percentage of calls answered within 20 seconds), the number of calls offered utilization of call deferral technology (such as “Virtual Hold”). KCP&L and GMO currently provide such data on a monthly basis and will continue this practice after closing. The contact center service quality information that KCP&L and GMO will provide after closing shall be consistent with the information that has been provided pursuant to agreements in Case Nos. EM-2007-0374, EO-2005-0329 and ER-2004-0034.</p>

No.	Merger Commitments and Conditions
	<p>To the extent that handling of calls by KCP&L or GMO customers is either outsourced (meaning that calls of KCP&L or GMO customers are being handled by personnel who are not under the direct supervision and management of KCP&L or GMO employees) or performed by contingent labor (meaning personnel who are not directly employed by Holdco, KCP&L or GMO but who are subject to the direct supervision and management of KCP&L or GMO employees) to a greater degree than occurred prior to the closing of the Merger, KCP&L and GMO shall advise Staff of such arrangements in advance of implementation, provide the same contact center service quality information to Staff and, in addition, shall include data on the turnover rate (i.e., information related to on-the-job tenure) of such contingent labor contact center personnel in the monthly contact center service quality reports.</p> <p>After the closing of the Merger, KCP&L and GMO shall continue providing Staff, on a monthly basis, with data on service reliability, including system average interruption frequency index (“SAIFI”), system average interruption duration index (“SAIDI”), customer average interruption frequency index (“CAIFI”) and customer average interruption duration index (“CAIDI”). The service reliability information KCP&L and GMO will provide after closing shall be consistent with the information that has been provided pursuant to agreements in Case Nos. EM-2007-0374, EO-2005-0329 and ER-2004-0034.</p> <p>After the closing of the Merger, KCP&L and GMO shall, for a period of two years after closing, provide Staff, on a twice-yearly basis, responses to all customer survey questions dealing with customer satisfaction and experience conducted on KCP&L and GMO’s behalf as well as the contracts pursuant to which such surveys are performed by entities such as, but not limited to, JD Power and Associates, Wilson Perkins Allen, Hyper-Quality, Profile Marketing Research. Such information shall be provided no later than 45 days after the conclusion of the relevant six-month period and shall commence the day the Merger closes. During the wo-year period after closing, KCP&L and GMO will provide such survey results and information pertinent to the conduct of the surveys at the request of Staff. Upon the conclusion of the two-year period, after closing of the Merger, any such survey information would be available for Staff review through the rate case discovery process.</p>
35	<p><u>Continued Meetings with Staff Regarding Customer Service:</u> KCP&L and GMO will continue to meet with Staff Customer Experience personnel on a periodic basis, such as quarterly or as Staff deems necessary, after the close of the Merger, to review contact center and other service quality performance. Staff may request additional periodic meetings with KCP&L and GMO personnel to address customer service operating procedures and the level of service being provided to Missouri retail customers.</p>

No.	Merger Commitments and Conditions
36	<p><u>Customer Service Management Organizational Charts:</u> Within thirty (30) days after the closing of the Merger, KCP&L and GMO shall provide to Staff a current organizational chart, illustrating the positions and names of management employees that have customer service responsibilities, and this information shall be provided on a monthly basis thereafter.</p>
<p>VII. Reporting and Access to Records</p>	
37	<p><u>Merger Integration:</u> To keep Staff and the Commission apprised of the status of integration implementation after closing:</p> <p>a. KCP&L and GMO shall meet with Staff no later than 60 days after closing, and on a quarterly basis thereafter for a period of one year after closing, to provide an update on the status of integration implementation, including discussion of progress on organizational changes and consolidation of processes affecting the customer experience, including but not limited to: contact center operations, customer information and billing, remittance processing, credit and collections, and service order processes. The frequency of such update meetings shall be reduced to every six months during the second year after closing of the Merger and shall cease thereafter, unless otherwise ordered by the Commission. Regardless of the frequency of such meetings, KCP&L and GMO agree to continue their practice of promptly advising Staff in the event of material operational irregularities – whether arising from systems, training, process change or any other cause – that may affect the customer experience. Additionally, for a period of no less than two years, unless otherwise ordered by the Commission, KCP&L and GMO shall, on a twice-yearly basis unless otherwise ordered by the Commission, appear and provide an update of the status of integration implementation, providing the Commissioners an opportunity to ask questions about the status of integration implementation.</p> <p>b. KCP&L and GMO shall, on a quarterly basis continuing for two years after closing, provide Staff, no later than 45 days after the conclusion of the relevant quarter, with data on employee headcounts (full- and part-time, including contingent labor retained through employment agencies) for Holdco, KCP&L, GMO and Westar as well as a complete listing of functions and/or positions that have been either outsourced (meaning that work is being performed on behalf of Holdco, KCP&L, GMO and/or Westar that is not under the direct management and supervision of Holdco, KCP&L, GMO or Westar employees) or converted to contingent labor as a result of the integration of Holdco, KCP&L, GMO and Westar. To the extent that job positions at Holdco, KCP&L, GMO or Westar have been eliminated, re-classified or transferred between Holdco, KCP&L, GMO or Westar, such eliminations, re-classifications or transfers shall be identified.</p> <p>c. KCP&L and GMO shall, for a period of two years after closing, provide Staff any reports or presentations made to Holdco’s board of directors regarding efficiencies attained as a result of the Merger. Such reports or presentations shall be provided to Staff within 30 days after being provided to Holdco’s board of directors.</p>

No.	Merger Commitments and Conditions
	<p>d. The reporting and data provision agreed to herein by Holdco, KCP&L and GMO does not change any reporting obligations of GPE (which shall apply to Holdco post-merger), KCP&L or GMO that existed prior to the approval of this Merger.</p>
38	<p><u>Goodwill Impairment Analysis:</u> For the first five (5) full calendar years after the closing of the Merger, Holdco shall provide Staff and OPC its annual goodwill impairment analysis in a format that includes spreadsheets in their original format with formulas and links to other spreadsheets intact and any printed materials within thirty (30) days after the filing of Holdco’s Form 10-Q for the period in which the analysis is performed, as well as all supporting documentation. Thereafter, this analysis will be made available to Staff and OPC upon request.</p>
39	<p><u>Accounting Changes:</u> Holdco, KCP&L and Westar commit that any material Merger-related financial and accounting changes must be reported to the Commission.</p>
40	<p><u>Access to Materials Provided to Ratings Analysts:</u> KCP&L and GMO shall provide Staff and OPC with access, upon reasonable written notice during working hours and subject to appropriate confidentiality and discovery procedures, 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 Holdco. Such information includes, but is not limited to, common stock analyst and bond rating analyst reports. For purposes of this condition, “written” information includes, but is not limited to, any written and printed material, audio and video tapes, computer disks, and electronically stored information. Nothing in this condition shall be deemed a waiver of any entity’s right to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party.</p>
41	<p><u>Access to Materials Regarding CAM Compliance:</u> Holdco, KCP&L and GMO shall make available to Staff and OPC, upon written notice during normal working hours and subject to appropriate confidentiality and discovery procedures, all books, records and employees as may be reasonably required to verify compliance with KCP&L’s and GMO’s CAM and any conditions ordered by this Commission. Holdco, KCP&L and GMO shall also provide Staff and OPC any other such information (including access to employees) relevant to the Commission’s ratemaking, financing, safety, quality of service and other regulatory authority over KCP&L or GMO; provided that any entity producing records or personnel shall have the right to object on any basis under applicable law and Commission rules, excluding any objection that such records and personnel of affiliates (a) are not within the possession or control of either KCP&L or GMO or (b) are either not relevant or are not subject to, the Commission’s jurisdiction and statutory authority by virtue of, or as a result of, the implementation of the proposed Merger.</p>

No.	Merger Commitments and Conditions
42	<p><u>Access to Board of Director Materials:</u> KCP&L and GMO shall provide Staff and OPC access, upon reasonable request, the complete Holdco board of directors' meeting minutes, including all agendas and related information distributed in advance of the meeting, presentations and handouts, provided that privileged information shall continue to be subject to protection from disclosure and KCP&L and GMO shall continue to have the right to object to the provision of such information on relevancy grounds.</p>
43	<p><u>Retention Period for Affiliate Transaction Records:</u> KCP&L and GMO will maintain records supporting their affiliated transactions for at least six (6) years.</p>
44	<p><u>Journal Entries:</u> Within six months of the close of the Merger, Holdco, KCP&L and GMO will provide to the Commission Staff detailed journal entries recorded to reflect the Merger.</p> <p>Holdco, KCP&L and GMO 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.</p>
45	<p><u>Employment in the State of Missouri:</u> In their first general rate cases filed after the closing of the Merger, KCP&L and GMO (as applicable) shall provide direct testimony explaining the employment metrics related to the number of full time employees and the average turnover rate along with any material changes to those metrics since the closing of the Merger. This direct testimony shall include a complete description, supported by schedules or work papers as appropriate, of the Merger-related labor and all labor-related efficiency savings that KCP&L and GMO (as applicable) propose to flow through to the benefit of customers in the form of rates that are lower than they would be in the absence of the Merger.</p>
46	<p><u>Staff or OPC Travel Outside Missouri:</u> Should it be deemed necessary for Staff or OPC employees to travel to locations outside of the State of Missouri to examine any records deemed relevant to the subject matter at hand, KCP&L or GMO shall bear all reasonable expense incurred by Staff or OPC, provided, however, that before any such expense shall be incurred by Staff or OPC, KCP&L or GMO shall be given reasonable notice to produce the records requested for inspection or examination at the office of the Commission at Jefferson City, Missouri or at KCP&L and GMO's offices in Kansas City, Missouri, or at such other point in Missouri, as may be mutually agreed, in which case KCP&L or GMO shall make available at that place, at that time, a person(s) who is acquainted with the records.</p>

No.	Merger Commitments and Conditions
VIII. Other Parent Company Conditions	
47	<p><u>Prior Commitments of, and Orders Applicable to, GPE, KCP&L and GMO:</u> Holdco, KCP&L and GMO commit to reaffirm and honor any prior commitments made by GPE, KCP&L or GMO to the Commission to comply with any previously issued Commission orders applicable to KCP&L or GMO or their previous owners except as otherwise provided for herein.</p>
48	<p><u>Future Access to Capital:</u> Holdco acknowledges that its utility subsidiaries need significant amounts of capital to invest in energy supply and delivery infrastructure (including, but not limited to, renewable energy resources and other environmental sustainability initiatives such as energy efficiency and demand response programs), that meeting these capital requirements of its utility subsidiaries will be considered a high priority by Holdco's board of directors and executive management, and that Holdco's access to capital post-transaction will permit it and its utility subsidiaries to meet their statutory obligation to provide safe and adequate service.</p>

No.	Merger Commitments and Conditions
I. General Conditions	
1	<p><u>Headquarters:</u> Holdco will maintain its corporate headquarters in Kansas City, Missouri and shall honor all terms and conditions of the existing lease for its headquarters office located at 1200 Main in Kansas City, Missouri, which expires in October 2032.</p> <p>Holdco will also maintain the current Westar Topeka downtown headquarters building at 800-818 South Kansas Avenue in Topeka, Kansas for its Kansas headquarters. Holdco shall honor all terms and conditions of the existing lease for the Westar headquarters building, which expires in April 2023.</p>
2	<p><u>Executives:</u> Upon the closing of the Merger, Mark Ruelle will become the non-executive chairman of Holdco for a period of three (3) years. Terry Bassham will serve as president and chief executive officer.</p>
3	<p><u>Charitable Giving and Community Involvement:</u> Holdco will continue charitable giving and community involvement in the Missouri service territory of KCP&L and GMO at levels equal to or greater than KCP&L’s and GMO’s respective 2015 levels for a minimum of five (5) years following the closing of the Merger.</p>
4	<p><u>Low-Income Assistance Programs:</u> Holdco will maintain and promote all low-income assistance programs consistent with those in place at all operating utility companies prior to the Merger for at least five (5) years after closing.</p>
5	<p><u>Corporate Social Responsibility:</u> No later than thirty (30) days after the closing of the Merger, and on or before that calendar day in each of the succeeding nine (9) years, Holdco will provide \$50,000 to each of the following Community Action Agencies:</p> <ul style="list-style-type: none"> • United Services Community Action Agency; • Community Action Partnership of Greater St. Joseph (“CAP St. Joe”); • Community Services, Inc. (“CSI”);

¹ Applicants understand that CAP St. Joe no longer administers weatherization services and that CSI now administers weatherization services for the area formerly served by CAP St. Joe. Consequently, Applicants would recommend that CSI receive \$100,000 no later than thirty (30) days after the closing of the Merger and on or before that calendar day in each of the succeeding nine (9) years.

No.	Merger Commitments and Conditions
	<ul style="list-style-type: none"> • West Central Missouri Community Action Agency; • Missouri Valley Community Action Agency; and • Community Action Partnership of North Central Missouri. <p>In the event any of these Community Action Agencies cease to exist during this period, Holdco, KCP&L and GMO shall work with OPC and Staff to identify a replacement agency or agencies to recommend for the Commission’s approval.</p> <p>It is expressly acknowledged that said funds are not operating costs of KCP&L or GMO but shall be recorded below the line (and not recovered in rates). The funds are meant to be prioritized by the Community Action Agencies for the creation of an additional position(s) within the Community Action Agency structure to better enable the utilization of weatherization dollars or such other appropriate use as deemed effective by the agencies.</p> <p>These funds are provided to each agency with the express purpose of the creation of an additional position(s) to enable further low-income weatherization deployment at a recommended spend level of \$50,000 per year over a ten-year period. Any excess funds can be allocated in the following categories at the agencies’ discretion:</p> <ul style="list-style-type: none"> • Weatherization training and certification of agency personnel; • Discretionary funds for health and hazard for on-site units (that may or may not be otherwise passed over); • Outreach efforts; • Utility weatherization account; • Hardship fund for on-bill payments. <p>Each agency is required to provide documentation to KCP&L and GMO to verify how expenditures were incurred.</p> <p>Community Action Agencies are required to file annual reports with KCP&L and GMO on how funds were expended. KCP&L and GMO shall file a condensed report of the agencies individual annual reports with the Commission, Staff and OPC. Any additional information is left to the agencies’ discretion (e.g., estimated additional homes weatherized as a result of the expenditures).</p>

No.	Merger Commitments and Conditions
	KCP&L and GMO commit to an annual in-person meeting with each of the local Community Action Agencies for the next five years at Holdco's headquarters in Kansas City, Missouri, with extended invitations to (at least) the Commission Staff and OPC to discuss progress to date including Strengths, Weaknesses, Opportunities and Threats to KCP&L's and GMO's low-income population.
II. Employee Commitments	
6	<u>Collective Bargaining Agreements:</u> Holdco will honor all existing collective bargaining agreements.
7	<u>Employee Compensation and Benefits:</u> Holdco will maintain substantially comparable compensation levels and benefits for all employees for two years after the closing of the Merger.
8	<p><u>Employee Headcount:</u> While Merger-related efficiencies will result in a lower employee headcount over time for the combined organization post-closing compared to the two stand-alone organizations prior to closing, there will be no involuntary severance as a result of the Merger.</p> <p>There will also be no involuntary severance as a result of closing the following generating facilities: Sibley (units 1, 2 and 3), Montrose (units 1, 2 and 3), Lake Road (unit 4/6), Tecumseh (unit 7), Gordon Evans (units 3 and 4) and Murray Gill (units 1 and 2).</p> <p>Holdco will achieve headcount-related efficiencies through normal attrition and other voluntary means over time in a generally balanced way across both states.</p>
III. Financing and Ring-Fencing Conditions	
9	<p><u>Board of Directors:</u> Upon the closing of the Merger, the size of Holdco board of directors will be mutually determined by GPE and Westar. In addition, as of the closing of the transaction, Holdco's board shall initially be composed of an equal number of directors designated by each of GPE and Westar. The initial board, who shall have substantial and longstanding business and personal connections to be predominantly from the Kansas and Missouri region and be composed of a the majority of whom shall be independent directors as defined by the New York Stock Exchange. Terry Bassham shall be a member of the board as a GPE nominee and Mark Ruelle shall be the non-executive Chairman of the board as a Westar nominee, with Mr. Ruelle serving as such for a term of three years. The initial lead independent director of Holdco will also be designated by Westar, with reasonable consultation with GPE.</p>

No.	Merger Commitments and Conditions
	<p>In addition, to the above, as of the closing, the board of directors will initially have five (5) standing board committees. Those committees will be composed of an equal number of directors designated by each of GPE and Westar. The initial chairpersons for three (3) of the five (5) standing committees shall be designated by GPE and the chairpersons for two (2) of the five (5) standing committees shall be designated by Westar.</p>
10	<p>Financial Integrity: Holdeo will exercise management prudence to maintain the financial integrity of GMO and KCP&L in all respects, including matters relating to dividends, capital investments and other financial actions in an effort to maintain investment grade credit ratings. <u>Intentionally left blank.</u></p>
11	<p>Capital structures: Holdeo, KCP&L, GMO and Westar shall maintain separate capital structures to finance the respective activities and operations of each entity. Holdeo, KCP&L, GMO and Westar shall maintain separate debt. Holdeo, KCP&L, GMO and Westar shall also maintain separate preferred stock, if any. KCP&L and GMO shall use reasonable and prudent investment grade capital structures. KCP&L and GMO will be provided with appropriate amounts of equity from Holdeo to maintain such capital structures. Holdeo shall maintain consolidated debt of no more than 65 percent of total consolidated capitalization, and KCP&L's and GMO's debt shall be maintained at no more than 65 percent. Holdeo commits that GMO 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. <u>Intentionally left blank.</u></p>
12	<p>Separate Debt: Holdeo, KCP&L, GMO and Westar shall maintain separate debt so that Westar will not be liable (directly or through guarantees, cross-defaults or other provisions) for the debts of Holdeo, KCP&L, or GMO or other subsidiaries of Holdeo (excluding Westar and subsidiaries of Westar); and KCP&L, GMO and other subsidiaries of Holdeo (excluding Westar and subsidiaries of Westar) will not be liable (directly or through guarantees, cross-defaults or other provisions) for the debts of Westar.</p> <p>Holdeo, KCP&L and GMO 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 capacity maintained for KCP&L and GMO shall be exclusively dedicated to the benefit of KCP&L and GMO, pricing is separated by entity, and that (i) Westar neither guarantees the debt of Holdeo, KCP&L, GMO or other subsidiaries of GPE (excluding Westar and subsidiaries of Westar) nor is subject to a cross default for such debt and (ii) Holdeo, KCP&L, GMO and other subsidiaries of GPE (excluding Westar and subsidiaries of Westar) neither guarantee the debt of Westar nor are subject to a cross default for such debt.</p>

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	<u>Intentionally left blank.</u>
13	<p><u>Separation of Assets:</u> Holdco commits that KCP&L and GMO will not commingle their assets with the assets of any other person or entity, except as allowed under the Commission’s Affiliate Transaction Rule or other Commission order.</p> <p>Holdco commits that KCP&L, GMO 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.</p> <p>Holdco, KCP&L, GMO and Westar affirm that the present legal entity structure that separates their regulated business operations from their unregulated business operations shall be maintained unless express Commission approval is sought to alter any such structure.</p> <p>Holdco, KCP&L, GMO and Westar further commit that proper accounting procedures will be employed to protect against cross-subsidization of Holdco’s, KCP&L’s, GMO’s and Westar’s non-regulated businesses, or Holdco’s other regulated businesses.</p>
14	<p><u>Other Separation:</u> Holdco, KCP&L and GMO shall not grant or permit to exist any encumbrance, claim, security interest, pledge or other right in their respective stock in favor of any entity or person unless otherwise authorized by the Commission.</p> <p><u>Intentionally left blank.</u></p>
15	<p><u>Credit Rating:</u> Moody’s upgraded GPE’s credit rating to Baa2 with a stable outlook on July 19, 2017. Standard & Poor’s (“S&P”) has opined that the Merger is credit positive and on July 11, 2017 affirmed the ratings and revised the outlook to positive for Westar and GPE and their utility subsidiaries. GPE, KCP&L and GMO shall maintain separate issuer (i.e., Corporate Credit Ratings) and separate issue ratings for debt that is publicly placed.</p> <p><u>Intentionally left blank.</u></p>
16	<p><u>Credit Rating Downgrade:</u> If S&P or Moody’s downgrade the Corporate Credit Rating or senior secured or unsecured debt issue rating of KCP&L or GMO (the “Impacted Utility”) to below investment grade (i.e., below BBB- or Baa3), the “Impacted Utility” commits to file:</p> <ol style="list-style-type: none"> <li data-bbox="218 1263 2001 1365">i. Notice with the Commission within five (5) business days of such downgrade that includes specification of the affected credit rating(s), the pre- and post-downgrade credit ratings of each affected credit rating, and a full explanation of why the credit rating agency or agencies downgraded each of the affected credit ratings;

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	<p>ii. A filing with the Commission within sixty (60) days which shall include the following:</p> <ul style="list-style-type: none"> • Actions the Impacted Utility may take to raise its S&P or Moody’s credit rating to BBB- or Baa3, respectively, including the costs and benefits of such actions and any plan the Impacted Utility may have to undertake such actions. If the costs of returning GMO and/or KCP&L to investment grade are above the benefits of such actions, GMO and/or KCP&L shall be required to show and explain why it is not necessary, or cost-effective, to take such actions and how the utility(s) can continue to provide efficient and sufficient service in Missouri under such circumstances; • The change on the capital costs of the Impacted Utility due to its S&P or Moody’s credit rating being below BBB- or Baa3, respectively; and • Documentation detailing how the Impacted Utility will not request from its Missouri customers, directly or indirectly, any higher capital costs incurred due to a downgrade of its S&P or Moody’s credit rating below BBB- or Baa3, respectively; <p>iii. File with the Commission, every forty-five (45) days thereafter until the Impacted Utility has regained its S&P or Moody’s credit rating of BBB- or Baa3, respectively or above, an updated status report with respect to the items required in subparagraph ii immediately above.</p> <p>iv. If the Commission determines that the decline of the Impacted Utility’s S&P or Moody’s credit rating to a level below BBB- or Baa3, respectively, has caused its quality of service to decline, then the Impacted Utility shall be required to file a plan with the Commission detailing the steps that will be taken to restore service quality levels that existed prior to the ratings decline.</p> <p>v. In the event KCP&L’s or GMO’s affiliation (ownership or otherwise) with Holdco or any of Holdco’s affiliates is a primary factor for KCP&L’s or GMO’s S&P or Moody’s Corporate credit rating to be downgraded to below BBB- or Baa3, respectively, KCP&L and/or GMO shall promptly undertake additional legal and structural separation from the affiliate(s) causing the downgrade. Notwithstanding Commitment No. 11’s limitation on payment of dividends, the Impacted Utility shall not pay a common dividend without Commission approval or until the Impacted Utility’s S&P or Moody’s credit rating has been restored to BBB- or Baa3, respectively.</p>

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	<p>vi. If KCP&L's or GMO's respective S&P or Moody's credit rating declines below BBB- or Baa3, respectively, the Impacted Utility shall file with the Commission within 15 days a comprehensive risk management plan setting forth committed actions assuring the Impacted Utility's access to and cost of capital will not be further impaired. The plan shall include a non-consolidation opinion if required by S&P or Moody's.</p>
17	<p><u>Cost of Capital:</u> Holdco commits that future cost of service and rates of KCP&L and GMO shall not be adversely impacted on an overall basis as a result of the Merger and that future cost of service and rates will be set commensurate with financial and business risks attendant to their individual regulated utility operations. Neither KCP&L nor GMO shall seek an increase to their cost of capital as a result of (i.e., arising from or related to) the Merger or KCP&L's and GMO's ongoing affiliation with Holdco and its affiliates after the Merger.</p> <p>The return on equity capital ("ROE") as reflected in GMO's and KCP&L's rates will not be adversely affected as a result of the Merger. Holdco agrees the ROE shall be determined in future rate cases, consistent with applicable law, regulations and practices of the Commission.</p> <p>The burden of proof that any increase to the cost of capital is not a result of the Merger shall be borne by KCP&L or GMO. Any net increase in the cost of capital that KCP&L or GMO seeks shall be supported by documentation that: (a) the increases are a result of factors not associated with the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates; (b) the increases are not a result of changes in business, market, economic or other conditions caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates; and (c) the increases are not a result of changes in the risk profile of KCP&L or GMO caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates. The provisions of this section are intended to recognize the Commission's authority to consider, in appropriate proceedings, whether this Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates have resulted in capital cost increases for KCP&L or GMO.</p> <p>Nothing in this condition shall restrict the Commission from disallowing such capital cost increases from recovery in KCP&L or GMO's rates.</p>
IV. Ratemaking, Accounting, and Related Conditions	
18	<p><u>Upfront Bill Credits:</u> Holdco agrees that its electric utility subsidiaries will provide all retail electric customers with one-time bill credits totaling \$50 million within 120 days of the closing of the Merger. This amount shall be allocated among Applicants' electric rate jurisdictions in both Kansas and Missouri on the basis of <u>the total MWH of all retail energy sales</u> energy sales <u>Sales of Electricity reported to FERC under Form 1 (or Form 3 Q)</u></p>

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	<p>for the most recent full twelve calendar month period prior to the closing of the Merger; <u>for which such report is available</u>. The amount so allocated shall be assigned to each retail electric customer within the applicable Missouri electric rate jurisdiction based upon methodology approved by the Commission.</p>
19	<p><u>Transition Costs:</u> Neither GMO nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that are in excess of the benefits that these transition costs are intended to attain.</p> <p>Transition costs are those costs incurred to integrate Westar and GPE, and include integration planning, execution, and “costs to achieve.”</p> <p>Non-capital transition costs can be ongoing costs or one-time costs. KCP&L’s and GMO’s non-capital transition costs, which shall include but not be limited to severance payments made to employees other than those required to be made under change of control agreements, can be deferred on the books of either KCP&L or GMO to be considered for recovery in KCP&L and GMO future rate cases. If subsequent rate recovery is sought, KCP&L and GMO will have the burden of proof to clearly identify where all transition 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 in excess of those costs to its Missouri customers. Such benefits may be the result of avoiding or shifting costs and activities.</p> <p>KCP&L and GMO shall be required to attest in all future rate proceedings before the Commission that no transition costs in excess of their corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be required until all transition costs are fully amortized.</p> <p>KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits. Such benefits may be the result of avoiding or shifting costs and activities.</p>
20	<p><u>Goodwill:</u> Goodwill associated with the Merger is the difference between the fair market value of GPE’s assets and the exchange value of GPE’s stock upon the closing of the Merger (referred to herein as “Merger Goodwill”) and will be maintained on the books of Holdco. The amount of any such Merger Goodwill shall not be included in the revenue requirement of KCP&L or GMO in future Missouri rate cases. Neither KCP&L nor GMO will seek recovery through recognition in retail rates and revenue requirement in future rate cases of any such Merger Goodwill.</p>

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21	<p><u>Goodwill Impairment:</u> Customers shall be held harmless from the risk or realization of any Merger Goodwill impairment.</p> <p>Holdco does not expect, and shall take prudent actions to avoid, Merger Goodwill from negatively affecting KCP&L's or GMO's cost of capital.</p> <p>If such Merger Goodwill becomes impaired and such impairment negatively affects KCP&L's or GMO's cost of capital or credit ratings, all costs associated with the decline in the Impacted Utility's credit quality specifically attributed to the Merger Goodwill impairment, considering all other capital cost effects of the Merger and the impairment, shall be excluded from the determination of the Impacted Utility's rates.</p>
22	<p><u>Transaction Costs:</u> Transaction costs include, but are not limited to, those costs relating to obtaining regulatory approvals, development of transaction documents, investment banking costs, costs related to raising equity incurred prior to the close of the Merger, severance payments required to be made by change of control agreements, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid solicitation, analyze bids, conduct due diligence, compliance with existing contracts including change in control provisions, and compliance with any regulatory conditions, closing, and communication costs regarding the ownership change with customers and employees.</p> <p>GMO and KCP&L commit that they will not seek recovery through recognition in retail rates of transaction costs, that they shall have the burden of proof to clearly identify where all transaction costs related to this Merger are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates. This commitment shall be required until transaction costs of this Merger are no longer on Holdco's books in a test year for KCP&L and/or Westar, as applicable</p> <p>Transaction costs shall be recorded on Holdco's books.</p>
23	<p><u>Fuel and Purchased Power Costs:</u> KCP&L's and GMO's fuel and purchased power costs shall not be adversely impacted as a result of the Merger.</p>
24	<p><u>Retail Rates:</u> Holdco commits that retail rates for KCP&L and GMO customers shall not increase as a result of the Merger.</p>

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25	<u>Future Rate Cases:</u> Holdco commits that in future rate case proceedings, KCP&L and GMO 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.
V. Affiliate Transactions and Cost Allocations Manual (CAM) Conditions	
26	<u>Affiliate Transaction Rule:</u> KCP&L and GMO will be operated after the Merger in compliance with the Commission’s Affiliate Transaction Rule, as defined in 4 CSR 240-20.015(10) and 4 CSR 240-80.015(10).
27	<u>Information on Affiliate Transactions:</u> Holdco and its subsidiaries commit that all information related to an affiliate transaction consistent with 4 CSR 240-20.015(5)(A)(1)-(2) and 4 CSR 240-80-015(5)(A)(1)-(2) charged to KCP&L and/or GMO will be treated in the same manner as if that information is under the control of either KCP&L or GMO.
28	<u>No Preferential Treatment of Affiliates:</u> Except as permitted by any variance granted by the Commission, neither KCP&L nor GMO will provide preferential service, information, or treatment to an affiliated entity over another party at any other time, consistent with 4 CSR 240-015(2) and 4 CSR 240-80.015(2).
29	<p><u>Intercompany Charges:</u> Holdco and its subsidiaries may seek recovery of intercompany charges to regulated utility affiliates in their first general rate proceedings following the closing of the Merger 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 Merger, 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.</p> <p>Holdco and its subsidiaries shall have the burden of proof to demonstrate billings are prudent, in the usual course of business, and consistent with past practice.</p>
30	<u>Separate Books and Records Available to Staff and Commission:</u> Holdco shall maintain separate books and records, systems of accounts, financial statements and bank accounts for GMO and KCP&L. The records and books of GMO 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.

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	<p>The financial books and records of Holdco’s regulated utility affiliates will be made available to the Commission and its Staff.</p> <p>The records and books of any affiliate for which any direct or indirect charge is made to GMO and KCP&L, and included in said utilities’ cost of service and rates on either a direct or indirect basis, will be made available, upon request, to the Commission and its Staff.</p> <p>Holdco, KCP&L and GMO shall facilitate access of the Commission Staff to its external auditors and endeavor to provide the Commission and its Staff with timely access to any relevant external audit workpapers and/or reports.</p> <p>Holdco, KCP&L and GMO will 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 GMO. Nothing in this condition shall be deemed a waiver of any rights of Holdco, KCP&L or GMO to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party.</p>
31	<p><u>Independent Third Party Management Audit of Affiliate Transactions and Corporate Cost Allocations Report:</u> Holdco, KCP&L and GMO shall agree to an independent third party management audit <u>report</u> of new holding company, KCP&L and GMO corporate cost allocations and affiliate transaction protocols. A committee, which shall be comprised of an equal number of Staff, OPC and Applicant representatives, shall develop a Request for Proposal (“RFP”) with input from the Applicants<u>all committee members</u> on the scope of work, and this RFP shall be submitted to the Commission for approval within six months after the closing of the Merger. The selection of a successful bidder shall be conducted by the same committee and shall be made by unanimous vote. If the vote is not unanimous, the Commission will determine the successful bidder <u>and scope of work. The independent third party management auditor’s contract shall preserve the auditor’s independence by precluding Staff, OPC, Holdco, KCP&L, and GMO representatives from directing or influencing the report’s conclusions.</u> Upon completion, the report of the audit shall be filed with the Commission.</p> <p>a. The audit will examine new holding company<u>Holdco</u>, KCP&L, and GMO’s corporate cost allocations and, affiliate transaction protocols, <u>and ensure that the existing CAM fully documents newly formed operations, or to make recommendations to revise the CAM to address newly formed operations.</u> The audit shall be designed to assess compliance with the Commission’s Affiliate Transactions Rule (4 CSR 240-20.015) as well as the appropriateness of the allocation of corporate costs among Holdco, KCP&L, GMO, and <u>all</u> affiliates. Holdco, KCP&L, <u>GMO</u>, and <u>all (regulated and non-regulated) affiliates</u> GMO shall cooperate fully with the auditor by <u>timely</u> providing all</p>

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	<p>information required-requested to complete the audit <u>including, but not limited to, informal and interactive interviews followed up with formal discovery</u>.</p> <p>b. The audit <u>report</u> shall express an independent opinion on the degree and extent of KCP&L and GMO’s compliance with the Commission’s Affiliate Transactions Rule (4 CSR 240-20.015) and may<u>shall</u> provide recommendations, if appropriate, regarding procedures and methodologies used by Holdco, KCP&L and GMO in allocating corporate costs and complying with the Commission’s Affiliate Transactions Rule (4 CSR 240-20.015).</p> <p>c. It is expressly acknowledged that Holdco, KCP&L and GMO shall collectively provide \$500,000, funded below the line (and not recovered in rates), for purposes of funding the independent third party management audit. Any additional expense beyond \$500,000, required by the Commission, will be split 50/50 between ratepayers and shareholders.</p> <p>d. Any cost in excess of \$500,000 shall be deferred to account 182.3 (other regulatory assets) and recovered through amortization, subject to the 50/50 split provided immediately above, in retail rates and cost of service in the first KCP&L and GMO general rate cases subsequent to the completion of the audit.</p>
32	<p>As required by Commission rule (4 CSR 240-20.015(2)(C)) and clarified by the Commission’s decision in Case No. EC-2015-0309, KCP&L and GMO agree to not make available, sell or transfer specific Missouri customer information including, but not limited to: customer names, addresses, telephone numbers, credit or debit card information, social security numbers, income and/or other customer information, to affiliated or unaffiliated entities without prior informed consent of the Missouri customer, authorization of the Commission or as otherwise provided by law, other than as necessary to provide services to and in support of their regulated operations.</p>
33	<p><u>Cost Allocation Manual:</u> KCP&L and GMO agree to meet with Staff and OPC no later than sixty (60) days after the closing of the Merger to provide a description of its expected impact on the allocation of costs among Holdco’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 six (6) months after the closing of the Merger but no less than two (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 Merger.</p>
<p>VI. Quality of Service Conditions</p>	

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34	<p data-bbox="170 329 2001 394"><u>Customer Service and Operational Levels:</u> KCP&L and GMO will meet or exceed the customer service and operational levels currently provided to their Missouri retail customers.</p> <p data-bbox="170 440 2001 873">After the closing of the Merger, KCP&L and GMO shall continue providing Staff, on a monthly basis, data on contact center service quality, including abandoned call rate, average speed of answer, service level (percentage of calls answered within 20 seconds), the number of calls offered utilization of call deferral technology (such as “Virtual Hold”). KCP&L and GMO currently provide such data on a monthly basis and will continue this practice after closing. The contact center service quality information that KCP&L and GMO will provide after closing shall be consistent with the information that has been provided pursuant to agreements in Case Nos. EM-2007-0374, EO-2005-0329 and ER-2004-0034. To the extent that handling of calls by KCP&L or GMO customers is either outsourced (meaning that calls of KCP&L or GMO customers are being handled by personnel who are not under the direct supervision and management of KCP&L or GMO employees) or performed by contingent labor (meaning personnel who are not directly employed by Holdco, KCP&L or GMO but who are subject to the direct supervision and management of KCP&L or GMO employees) to a greater degree than occurred prior to the closing of the Merger, KCP&L and GMO shall advise Staff of such arrangements in advance of implementation, provide the same contact center service quality information to Staff and, in addition, shall include data on the turnover rate (i.e., information related to on-the-job tenure) of such contingent labor contact center personnel in the monthly contact center service quality reports.</p> <p data-bbox="170 919 2001 1089">After the closing of the Merger, KCP&L and GMO shall continue providing Staff, on a monthly basis, with date<u>data</u> on service reliability, including system average interruption frequency index (“SAIFI”), system average interruption duration index (“SAIDI”), customer average interruption frequency index (“CAIFI”) and customer average interruption duration index (“CAIDI”). The service reliability information KCP&L and GMO will provide after closing shall be consistent with the information that has been provided pursuant to agreements in Case Nos. EM-2007-0374, EO-2005-0329 and ER-2004-0034.</p> <p data-bbox="170 1135 2001 1383">After the closing of the Merger, KCP&L and GMO shall, for a period of two years after closing, provide Staff, on a twice-yearly basis, responses to all customer survey questions dealing with customer satisfaction and experience conducted on KCP&L and GMO’s behalf as well as the contracts pursuant to which such surveys are performed by entities such as, but not limited to, JD Power and Associates, Wilson Perkins Allen, Hyper-Quality, Profile Marketing Research. Such information shall be provided no later than 45 days after the conclusion of the relevant six-month period and shall commence the day the Merger closes. During the wo-year period after closing, KCP&L and GMO will provide such survey results and information pertinent to the conduct of the surveys at the request of Staff. Upon the conclusion of the two-year period, after closing of the Merger, any such survey information would be available for Staff review through the rate case discovery process.</p>

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35	<p><u>Continued Meetings with Staff Regarding Customer Service:</u> KCP&L and GMO will continue to meet with <u>Staff Customer Experience personnel</u>Staff Consumer and Management Analysis personnel on a periodic basis, such as quarterly or as Staff deems necessary, after the close of the Merger, to review contact center and other service quality performance. Staff may request additional periodic meetings with KCP&L and GMO personnel to address customer service operating procedures and the level of service being provided to Missouri retail customers.</p>
36	<p><u>Customer Service Management Organizational Charts:</u> Within thirty (30) days after the closing of the Merger, KCP&L and GMO shall provide to Staff a current organizational chart, illustrating the positions and names of management employees that have customer service responsibilities, and this information shall be provided on a monthly basis thereafter.</p>
VII. Reporting and Access to Records	
37	<p><u>Merger Integration:</u> To keep Staff and the Commission apprised of the status of integration implementation after closing:</p> <p style="padding-left: 40px;">a. KCP&L and GMO shall meet with Staff no later than 60 days after closing, and on a quarterly basis thereafter for a period of one year after closing, to provide an update on the status of integration implementation, including discussion of progress on organizational changes and consolidation of processes affecting the customer experience, including but not limited to: contact center operations, customer information and billing, remittance processing, credit and collections, and service order processes. The frequency of such update meetings shall be reduced to every six months during the second year after closing of the Merger and shall cease thereafter, unless otherwise ordered by the Commission. Regardless of the frequency of such meetings, KCP&L and GMO agree to continue their practice of promptly advising Staff in the event of material operational irregularities – whether arising from systems, training, process change or any other cause – that may affect the customer experience. Additionally, for a period of no less than two years, unless otherwise ordered by the Commission, KCP&L and GMO shall, on a twice-yearly basis unless otherwise ordered by the Commission, appear and provide an update of the status of integration implementation, providing the Commissioners an opportunity to ask questions about the status of integration implementation.</p> <p style="padding-left: 40px;">b. KCP&L and GMO shall, on a quarterly basis continuing for two years after closing, provide Staff, no later than 45 days after the conclusion of the relevant quarter, with data on employee headcounts (full- and part-time, including contingent labor retained through employment agencies) for Holdco, KCP&L, GMO and Westar as well as a complete listing of functions and/or positions that have been either outsourced (meaning that work is being performed on behalf of Holdco, KCP&L, GMO and/or Westar that is not under the direct management and supervision of Holdco, KCP&L, GMO or Westar employees) or converted to contingent labor as a result of the integration of Holdco,</p>

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	<p>KCP&L, GMO and Westar. To the extent that job positions at Holdco, KCP&L, GMO or Westar have been eliminated, re-classified or transferred between Holdco, KCP&L, GMO or Westar, such eliminations, re-classifications or transfers shall be identified.</p> <p>c. KCP&L and GMO shall, for a period of two years after closing, provide Staff any reports or presentations made to Holdco’s board of directors regarding efficiencies attained as a result of the Merger. Such reports or presentations shall be provided to Staff within 30 days after being provided to Holdco’s board of directors.</p> <p>d. The reporting and data provision agreed to herein by Holdco, KCP&L and GMO does not change any reporting obligations of GPE (which shall apply to Holdco post-merger), KCP&L or GMO that existed prior to the approval of this Merger.</p>
38	<p><u>Goodwill Impairment Analysis:</u> For the first five (5) full calendar years after the closing of the Merger, Holdco shall provide Staff and OPC its annual goodwill impairment analysis in a format that includes spreadsheets in their original format with formulas and links to other spreadsheets intact and any printed materials within thirty (30) days after the filing of Holdco’s Form 10-Q for the period in which the analysis is performed, as well as all supporting documentation. Thereafter, this analysis will be made available to Staff and OPC upon request.</p>
39	<p><u>Accounting Changes:</u> Holdco, KCP&L and Westar commit that any material Merger-related financial and accounting changes must be reported to the Commission.</p>
40	<p><u>Access to Materials Provided to Ratings Analysts:</u> KCP&L and GMO shall provide Staff and OPC with access, upon reasonable written notice during working hours and subject to appropriate confidentiality and discovery procedures, 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 Holdco. Such information includes, but is not limited to, common stock analyst and bond rating analyst reports. For purposes of this condition, “written” information includes, but is not limited to, any written and printed material, audio and video tapes, computer disks, and electronically stored information. Nothing in this condition shall be deemed a waiver of any entity’s right to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party.</p>
41	<p><u>Access to Materials Regarding CAM Compliance:</u> Holdco, KCP&L and GMO shall make available to Staff and OPC, upon written notice during normal working hours and subject to appropriate confidentiality and discovery procedures, all books, records and employees as may be reasonably</p>

No.	Merger Commitments and Conditions
	<p>required to verify compliance with KCP&L's and GMO's CAM and any conditions ordered by this Commission. Holdco, KCP&L and GMO shall also provide Staff and OPC any other such information (including access to employees) relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over KCP&L or GMO; provided that any entity producing records or personnel shall have the right to object on any basis under applicable law and Commission rules, excluding any objection that such records and personnel of affiliates (a) are not within the possession or control of either KCP&L or GMO or (b) are either not relevant or are not subject to, the Commission's jurisdiction and statutory authority by virtue of, or as a result of, the implementation of the proposed Merger.</p>
42	<p><u>Access to Board of Director Materials:</u> KCP&L and GMO shall provide Staff and OPC access, upon reasonable request, the complete Holdco board of directors' meeting minutes, including all agendas and related information distributed in advance of the meeting, presentations and handouts, provided that privileged information shall continue to be subject to protection from disclosure and KCP&L and GMO shall continue to have the right to object to the provision of such information on relevancy grounds.</p>
43	<p><u>Retention Period for Affiliate Transaction Records:</u> KCP&L and GMO will maintain records supporting their affiliated transactions for at least six (6) years.</p>
44	<p><u>Journal Entries:</u> Within six months of the close of the Merger, Holdco, KCP&L and GMO will provide to the Commission Staff detailed journal entries recorded to reflect the Merger.</p> <p>Holdco, KCP&L and GMO 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.</p>
45	<p><u>Employment in the State of Missouri:</u> In their first general rate cases filed after the closing of the Merger, KCP&L and GMO (as applicable) shall provide direct testimony explaining the employment metrics related to the number of full time employees and the average turnover rate along with any material changes to those metrics since the closing of the Merger. This direct testimony shall include a complete description, supported by schedules or work papers as appropriate, of the Merger-related labor and all labor-related efficiency savings that KCP&L and GMO (as applicable) propose to flow through to the benefit of customers in the form of rates that are lower than they would be in the absence of the Merger.</p>

No.	Merger Commitments and Conditions
46	<p><u>Staff or OPC Travel Outside Missouri:</u> Should it be deemed necessary for Staff or OPC employees to travel to locations outside of the State of Missouri to examine any records deemed relevant to the subject matter at hand, KCP&L or GMO shall bear all reasonable expense incurred by Staff or OPC, provided, however, that before any such expense shall be incurred by Staff or OPC, KCP&L or GMO shall be given reasonable notice to produce the records requested for inspection or examination at the office of the Commission at Jefferson City, Missouri or at KCP&L and GMO's offices in Kansas City, Missouri, or at such other point in Missouri, as may be mutually agreed, in which case KCP&L or GMO shall make available at that place, at that time, a person(s) who is acquainted with the records.</p>
VIII. Other Parent Company Conditions	
47	<p><u>Prior Commitments of, and Orders Applicable to, GPE, KCP&L and GMO:</u> Holdco, KCP&L and GMO commit to reaffirm and honor any prior commitments made by GPE, KCP&L or GMO to the Commission to comply with any previously issued Commission orders applicable to KCP&L or GMO or their previous owners except as otherwise provided for herein.</p>
48	<p><u>Future Access to Capital:</u> Holdco acknowledges that its utility subsidiaries need significant amounts of capital to invest in energy supply and delivery infrastructure (including, but not limited to, renewable energy resources and other environmental sustainability initiatives such as energy efficiency and demand response programs), that meeting these capital requirements of its utility subsidiaries will be considered a high priority by Holdco's board of directors and executive management, and that Holdco's access to capital post-transaction will permit it and its utility subsidiaries to meet their statutory obligation to provide safe and adequate service.</p>

**BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI**

In the Matter of the Application of Great Plains)
Energy Incorporated for Approval of its) Case No. EM-2018-0012
Merger with Westar Energy, Inc.)

STIPULATION AND AGREEMENT

Great Plains Energy Incorporated (“GPE”), Kansas City Power & Light Company (“KCP&L”), KCP&L Greater Missouri Operations Company (“GMO”), and Westar Energy, Inc. (“Westar”) (collectively, the “Applicants”), the Office of the Public Counsel (“OPC”), Midwest Energy Consumers Group (“MECG”), Staff for the Missouri Public Service Commission (“Staff”), Brightergy, LLC (“Brightergy”), and Missouri Joint Municipal Electric Utility Commission (“MJMEUC”) (Applicants, OPC, MECG, Staff, Brightergy, and MJMEUC) are collectively referred to herein as the “Signatories” or individually as a “Signatory”), pursuant to Missouri Public Service Commission (“Commission”) Rules 4 CSR 240-2.115, 4 CSR 240-20.015(10), and 4 CSR 240-80.015(10),¹ request that the Commission approve this Stipulation and Agreement (“Stipulation”) as a settlement of all issues related to the Application for Approval of Merger filed in this proceeding.

In support thereof, the Signatories agree as follows:

I. Factual Background

1. On October 12, 2016, GPE, KCP&L, and GMO filed an application, supported by the direct testimony of seven witnesses, requesting a variance from the Commission’s Affiliate Transactions Rule, 4 CSR 240-20.015. See In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co. and KCP&L Greater Mo. Operations Co. for a Variance from 4 CSR 240-20.015, No. EE-2017-0113 (“2016 Variance Application”). The request was submitted

¹ GMO is also a steam heating utility subject to the Affiliate Transactions Rule at 4 CSR 240-80.015.

in connection with the May 29, 2016 Agreement and Plan of Merger, pursuant to which GPE and GP Star, Inc. would acquire all of the stock of Westar (“2016 Merger Plan”).

2. Concurrent with that request, as a result of prior meetings and negotiations conducted by GPE, KCP&L, and GMO with Staff, these four parties filed a Stipulation and Agreement (“2016 Staff S&A”), recommending that the Commission approve the requested variance subject to certain conditions. See Stipulation and Agreement, 2016 Variance Application (Oct. 12, 2016). Shortly thereafter, a second Stipulation and Agreement among GPE, KCP&L, GMO, and the Office of the Public Counsel (“OPC”) was submitted in that case. See Stipulation and Agreement, 2016 Variance Application (Oct. 26, 2016) (“2016 OPC S&A”).

3. After the Commission directed GPE to file an application for the Commission’s approval of the 2016 Merger Plan,² the 2016 Variance Application case was consolidated with the case that GPE subsequently filed to seek such approval. See Order Granting Motion to Consolidate, In re Application of Great Plains Energy Inc. for Approval of its Acquisition of Westar Energy, Inc., No. EM-2017-0226 (Mar. 1, 2017).

4. However, as a result of proceedings in the State of Kansas, no action was taken by the Commission with regard to either the 2016 Staff S&A or the 2016 OPC S&A. In April 2017 the Kansas Corporation Commission (“KCC”) denied GPE’s application to acquire Westar. See Order at 43, In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co. and Westar Energy, Inc. for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Inc., No. 16-KCPE-593-ACQ (Kan. Corp. Comm’n, Apr. 19, 2017).³

² This directive was contained in a decision issued by the Commission in a related case. See Report and Order at 22, Midwest Energy Consumers Group v. Great Plains Energy Inc., No. EC-2017-0107 (Feb. 22, 2017).

³ The applicants’ request for reconsideration was also denied. See Order Denying Joint Applicants’ Petition for Reconsideration, In re Joint Application of Great Plains Energy Inc., Kansas City Power & Light Co. and Westar Energy, Inc. for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Inc., No. 16-KCPE-593-ACQ (Kan. Corp. Comm’n, May 23, 2017).

5. As a result, GPE and Westar initiated efforts to develop a new merger agreement which concluded successfully with the July 9, 2017 Amended and Restated Agreement and Plan of Merger (“Amended Merger Agreement”). Because a new application would be filed with this Commission (as well as with the KCC) seeking approval of the Amended Merger Agreement, GPE requested that the Commission dismiss both its Application to acquire Westar (No. EM-2017-0226), as well as its Joint Application with KCP&L and GMO for a variance from the Affiliate Transactions Rule (No. EE-2017-0113). The Commission granted those requests. See Order Granting Motion to Dismiss, In re Application of Great Plains Energy Inc. for Approval of its Acquisition of Westar Energy, Inc., No. EM-2017-0226 (July 26, 2017).

6. On August 31, 2017, the Applicants filed their Application in this proceeding seeking approval of GPE’s merger with Westar, pursuant to the terms of the Amended Merger Agreement (“Merger”).⁴

7. On January 12, 2018, the Applicants reached settlement with Staff, as well as intervenors Brightergy, LLC (“Brightergy”), and Missouri Joint Municipal Electric Utility Commission (“MJMEUC”) and file same in this docket. See Stipulation and Agreement, In the Matter of the Application of Great Plains Energy Incorporated for Approval of its Merger with Westar Energy, Inc., No. EM-2018-0012 (January 12, 2018) (“2018 S&A”).

II. Provisions of the Stipulation

8. The Signatories agree to the following conditions and recommend approval of the revised merger and the 2018 S&A as modified and supplemented herein below.

⁴ A similar application seeking the approval of the KCC was filed the previous week. See Application, In re Application of Great Plains Energy Inc., Kansas City Power & Light Co., and Westar Energy, Inc. for Approval of the Merger of Westar Energy, Inc. and Great Plains Energy Inc., No. 18-KCPE-095-MER (Kan. Corp. Comm’n, Aug. 25, 2017).

9. Transition Costs: Signatories shall support in KCP&L and GMO's 2018 rate cases filed on January 30, 2018, deferral of Merger transition costs of \$7,209,208 for GMO and \$9,725,592 for KCP&L's Missouri operations. Signatories will recommend recovery in the respective 2018 rate cases through amortization of such Merger transition costs for approval by the Commission over a 10-year period beginning when such costs have been included in Missouri base rates, with no carrying costs or rate base inclusion allowed for the unamortized portion of such costs at any time. Signatories agree that no other Merger transition costs shall be requested for recovery from Missouri customers in the 2018 rate cases or thereafter. This agreement regarding transition cost recovery is an additional limitation to Condition 19 in Exhibit A to the Stipulation and Agreement filed on January 12, 2018.

10. Future Mergers: Applicants have acknowledged that paragraph II.7. ("Prospective Merger Conditions") of the First Amended Stipulation and Agreement approved by the Commission in Cost No. EM-2001-464 will apply to Holdco post-closing. Consequently, consistent with the Commission's ruling on February 22, 2017 in Case No. EC-2017-0107, Holdco will be required to comply with that provision in the future regardless of whether Holdco is named GPE.

11. Name Changes: KCP&L and GMO agree, prior to implementing any name change, that customer billing systems will be able to clearly designate on the customer's bill the customer's electric service provider in a manner that customers will be able to access the appropriate rate schedules.

12. Industrial Customer Meetings: Establishment of an ongoing dialogue between KCP&L and GMO and industrial customers – meeting with senior management, outside of regulatory / governmental affairs, every six months during the period of 2019 – 2023.

13. OPC agrees to withdraw its request in Dr. Marke’s rebuttal testimony filed in Case No. EM-2018-0012 for an “equal outcome” provision and Signatories agree that this Stipulation and Agreement, in conjunction with the Stipulation and Agreement filed on January 12, 2018, supports Commission approval of the Merger as conditioned by both of such agreements and a determination that the Merger of GPE and Westar meets Missouri’s “not detrimental to the public interest” standard.

14. OPC and MECG agree to withdraw their objections to the 2018 S&A.

15. Upfront Bill Credits: Applicants agree that approval of this Stipulation and Agreement incorporates the Missouri retail customer share of an additional \$25 million of upfront bill credits beyond the Applicants’ proposed initial \$50 million. The Signatories agree that the total amount of the upfront bill credits are to be allocated by the Applicants which results in allocations of bill credits to KCP&L-MO of \$14,924,840 and GMO of \$14,205,828. The sum-total of the bill credit amount will be paid in one lump sum within one hundred and twenty (120) days of the closing of the Merger. This paragraph 15 is a replacement for Condition 18 of Exhibit A of the Stipulation and Agreement filed with the Commission on January 12, 2018.

a. Allocation of bill credit amounts between rate classes - The Signatories agree that the allocation of the bill credit amounts among the rate classes shall be as follows:

KCP&L – Missouri:		Greater Missouri Operations:	
Residential:	\$5,116,317.62	Residential:	\$6,627,570.28
Small Gen SVC:	\$869,296.24	SGS:	\$1,811,667.78
Med. Gen SVC:	\$2,131,583.25	LGS:	\$2,260,908.37
Large Gen SVC:	\$3,648,156.67	LPS:	\$3,298,276.57
Large Power:	\$2,990,585.17	Lighting:	\$195,531.49
MO Lighting:	<u>\$168,955.05</u>	Thermal:	\$10,970.24
	\$14,924,894.00	TOD:	<u>\$903.27</u>
			\$14,205,828

b. Allocation of bill credit amounts within rate classes - The allocation of the bill credit sums between the customers within the rate classes shall be as follows:

KCP&L – Missouri:

Residential:	Divided equally among the customer class by customer account
Small Gen SVC:	Divided equally among the customer class by customer account
Med. Gen SVC:	Divided equally among the customer class by customer account
Large Gen SVC:	Based on each customer’s energy usage within the customer class
Large Power:	Based on each customer’s energy usage within the customer class
MO Lighting:	Divided equally among the customer class by customer account

Greater Missouri Operations:

Residential:	Divided equally among the customer class by customer account
SGS:	Divided equally among the customer class by customer account
LGS:	Based on each customer’s energy usage within the customer class
LPS:	Based on each customer’s energy usage within the customer class
Lighting:	Divided equally among the customer class by customer account
Thermal:	Divided equally among the customer class by customer account
TOD:	Divided equally among the customer class by customer account

16. Additional Reporting of Missouri Employment Information: In furtherance of Applicants’ commitment that there will be no involuntary severance of Missouri-based employees, Applicants agree that, after Condition 37(b) of the 2018 S&A concludes in 2020, Applicants shall provide a report to the Missouri Department of Economic Development – Division of Energy (“MDED”) showing Applicants’ year-end Missouri employment levels for each of calendar years 2021, 2022, and 2023 no later than thirty (30) days following the end of each such calendar year. Additionally, Applicants agree to amend Condition 45 of the 2018 S&A to provide direct testimony at each rate case filed during the period 2019-2023 explaining employment metrics related to Missouri-based FTEs, turnover rate, and material changes to each since the closing of the merger.

III. General Provisions

17. This Stipulation has resulted from negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation shall be void, and no Signatory shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all

stipulations are made without prejudice to the rights of the Signatories to take other positions in other proceedings except as otherwise provided herein. The Signatories agree that any and all discussions related to this Stipulation shall be privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed.

18. If the Commission does not unconditionally approve this Stipulation without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any signatory has to request a decision in accordance with Section 536.080, RSMo 2016, or Article V, Section 18, of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

19. This Stipulation is being entered into for the purpose of disposing of all issues in this case. The Signatories represent that the terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein, in a manner which is not detrimental to the public interest. Except as otherwise addressed herein, none of the Signatories to this Stipulation shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, ratemaking principle, or cost of service determination underlying or purported to underlie any of the issues provided for herein.

20. The Signatories further understand and agree that the provisions of this Stipulation relate only to the specific matters referred to in the Stipulation, and no Signatory or person waives any claim or right which it otherwise may have with respect to any matter not expressly provided for in this Stipulation. The Signatories further reserve the right to withdraw their support for the Stipulation in the event that the Commission modifies the Stipulation in a manner which is adverse to the Signatory. The Signatories reserve the right to contest any such Commission order modifying the Stipulation in a manner which is adverse to the Signatory contesting such Commission order. The Signatories agree that the contents of this Stipulation have no precedential value in any future proceeding not related to enforcement of this Stipulation.

21. Staff, OPC, and MECG have entered into this Stipulation in reliance upon information provided to them by the Applicants. This Stipulation is explicitly predicated upon the truth of representations made by the Applicants.

22. In the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories waive the following rights with respect to the issues resolved herein: (a) any respective rights they may have pursuant to Section 536.070(2)⁵ to call, examine and cross-examine witnesses; (b) any respective rights they may have to present oral argument or written briefs pursuant to Section 536.080.1; (c) any respective rights they may have to the reading of the transcript by the Commission pursuant to Section 536.080.2; (d) any respective rights they may have to seek rehearing pursuant to Section 386.500; and (e) any respective rights they may have to judicial review pursuant to Section 386.510. Furthermore, in the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories agree that the pre-filed testimony of all witnesses in this case shall be included in the record of this proceeding without

⁵ All statutory citations are to the Missouri Revised Statutes (2016).

the necessity of such witnesses taking the stand. The provisions of this Stipulation shall be interpreted in accord with and governed by Missouri law.

23. Subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff will be available to answer Commission questions regarding this Stipulation. Staff shall, to the extent reasonably practicable, promptly provide other Signatories with advance notice of when Staff shall respond to Commission questions. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or previously designated confidential by any Signatory.

24. Except as otherwise addressed in this Stipulation, Commission approval of this Stipulation does not in any way limit, form a basis for determination, or constitute a defense against any Signatory proposing, or the Commission ordering, the disallowance and/or imputation of account balances, expenses, revenues and/or other ratemaking findings, regarding the operations of KCP&L or GMO in a future rate proceeding.

25. To assist the Commission in its review of this Stipulation, the Signatories also request that the Commission advise them of any additional information that the Commission may desire from the Signatories relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

26. The variance of the Commission's Affiliate Transactions Rules at 4 CSR 240-20.015(5)(A)(1)-(2) and 4 CSR 240-80.015(A)(1)-(2) applies to the Signatories' rights and obligations under those rules as they existed on the date upon which this Stipulation was signed, copies of which are appended hereto and incorporated by reference.

27. MDED has been apprised of the contents of this Stipulation and Agreement and has authorized the Signatories to represent that MDED does not oppose Commission approval of this Stipulation and Agreement and will not request a hearing in connection with such approval.

WHEREFORE, the Signatories recommend that the Commission find that the merger of Great Plains Energy Incorporated and Westar Energy, Inc., as contemplated by the July 9, 2017 Amended and Restated Agreement and Plan of Merger and pursuant to the provisions of the 2018 S&A as supplemented herein, is reasonable and not detrimental to the public interest. The Signatories further recommend that the Commission approve this Stipulation and Agreement subject to the conditions contained herein, and grant the variance requested in Paragraph 17 of the 2018 S&A regarding 4 CSR 240-20.015 and 4 CSR 240-80.015 as soon as reasonably practicable but in any event with an effective date no later than June 5, 2018.

Respectfully submitted,

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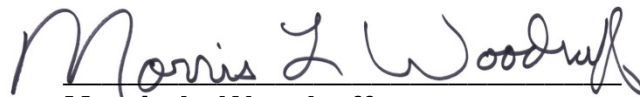
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 24th day of May 2018.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

May 24, 2018

File/Case No. EM-2018-0012

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive style with a large, prominent "M" and "W".

**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.

/s/ Peggy A. Whipple

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing was served upon all parties of record by U.S. Mail, postage prepaid, electronic filing system, or electronically, this 8th day of March, 2018.

/s/ Robert J. Hack

Attorney for Great Plains Energy Incorporated,
Kansas City Power & Light Company, and
KCP&L Greater Missouri Operations Company