

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

**INITIAL BRIEF OF THE
MISSOURI DIVISION OF ENERGY**

The Missouri Division of Energy (“DE”) respectfully offers this initial brief to the Missouri Public Service Commission (“Commission”) regarding the Application for Approval of a Merger between Great Plains Energy Incorporated (“GPE”) and Westar Energy, Inc. (“Westar”) (collectively, “Applicants”). Under the Amended Merger Agreement, GPE and Westar will merge into the holding company, Holdco, with Kansas City Power & Light Company (“KCP&L”), KCP&L Greater Missouri Operations Company (“GMO”), and Westar Energy as subsidiaries. The Application seeks Commission authority for GPE to merge with Westar and form the combined company. DE does not oppose a Commission order that approves the merger subject to the Stipulation and Agreements filed on January 12, 2018 and March 8, 2018, as well as any other clean energy commitments that the Commission determines necessary to avoid a net detriment to the public interest.

I. Employment Conditions

DE’s initial concern with the merger was the impact upon Missouri jobs. Some of DE’s concerns were lessened by the following employment-related commitments in the Application:

GMO, KCP&L and the combined Company are making commitments that ensure that Missouri communities do not suffer inordinate employment impacts. The following employee commitments are reflected in Appendix H:

- 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.

- There will also be no involuntary severance as a result of closing the following generating facilities: Sibley (units 1, 2 and 3), Montrose (units 22 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).
- Holdco will achieve headcount-related efficiencies through normal attrition and other voluntary means over time in a generally balanced way across both Missouri and Kansas.
- Holdco will honor all existing collective bargaining agreements.
- Holdco will maintain substantially comparable compensation levels and benefits for all employees for two years after the closing of the Merger.¹

DE urges the Commission to condition any merger approval upon the employment commitments above, along with the additional commitments made by the Applicants in subsequent agreements. In the January 12, 2018 Stipulation and Agreement between the Applicants and a number of parties, the Applicants further agreed to abide by these commitments.² An order approving that agreement and ordering the Applicants to abide by the agreement terms would strengthen the Applicants' initial commitments when taken in conjunction with the March 8, 2018 Stipulation and Agreement.³

Following the initial Stipulation and Agreement, DE submitted the Rebuttal Testimony of Mr. Martin Hyman, wherein Mr. Hyman raised concerns with the merger regarding the potential impact on Missouri jobs. Mr. Hyman proposed three additional conditions to address his concerns:

1. Holdco shall extend its post-merger quarterly reporting as to employee headcounts and changes in employment from a period of two years to a period of five years;

¹ Application for Approval of Merger, EFIS No. 2, pp. 21-22, ¶ 44.

² Stipulation and Agreement, EFIS No. 48, p. 5 and Appendix A, p. 3 of 17.

³ Stipulation and Agreement, EFIS No. 89.

2. Holdco shall provide Direct Testimony in each general rate case within five years of the closing of the merger to describe changes in employment and the merger-related employment savings; and
3. Holdco shall coordinate with local organizations and the Department of Economic Development – Division of Workforce Development to support retraining opportunities and job placement services for Missouri workers adversely impacted by the merger.⁴

In the March 8, 2018 Stipulation and Agreement, the Applicants agreed 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.”⁵ The Applicants also agreed “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.”⁶ With the addition of these commitments, DE agreed it would not oppose a Commission order granting approval of the merger subject to the March 8, 2018 Stipulation and Agreement.

II. Other Conditions

A number of other parties also filed rebuttal testimony and recommended additional conditions be placed on the approval of the merger. In response, DE submitted the Surrebuttal Testimony of Mr. Hyman that supported four proposed additional commitments related to: (1) an “equal outcome” provision; (2) green tariff options using Missouri-based generation facilities; (3) one or more community, shared, and/or subscriber renewable energy programs for residential and small commercial customers using Missouri-based generation facilities; and (4) the continued

⁴ Exhibit 300, Hyman Rebuttal Testimony, p. 2.

⁵ Stipulation and Agreement, EFIS No. 89, p. 6.

⁶ *Id.*

pursuit of all cost-effective demand-side savings.⁷ However, DE agreed not to oppose approval of the merger subject to the terms of the second Stipulation and Agreement filed on March 8, 2018; that said, if additional conditions related to clean energy development are required for the Commission to find “no detriment to the public interest” from this merger, DE would not oppose such conditions.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 30th day of March 2018.

Marc Poston

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⁷ Exhibit 301, Hyman Surrebuttal Testimony, pp. 3, 15, *citing* 4 CSR 240-3.115(1)(D), 4 CSR 240-2.215(1)(D) and 4 CSR 240-3.610 (1)(D).