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Missouri Public Service Commission

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Issue:	Stipulation and Agreement; Regulatory Commitments; Merger Transition Cost Recovery
Witness:	Darrin R. Ives
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Great Plains Energy Incorporated, Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company
Case No.:	EM-2018-0012
Date Testimony Prepared:	February 21, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-2018-0012

SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

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

February 2018

Applicant Exhibit No. 10
Date 3/12/18 Reporter KB
File No. EM-2018-0012

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

Case No. EM-2018-0012

I. INTRODUCTION AND SUMMARY OF TESTIMONY

Q: Please state your name and business address.

A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") and serve as Vice President – Regulatory Affairs for KCP&L and KCP&L Greater Missouri Operations Company ("GMO").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Great Plains Energy Incorporated ("GPE"), Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") in this proceeding requesting Missouri Public Service Commission ("Commission") approval of the amended transaction providing for the merger of Westar Energy, Inc. ("Westar", which also includes its subsidiary Kansas Gas and Electric Company) and GPE ("Merger"). KCP&L, GMO, Westar and GPE are collectively referred to herein as "Applicants." In this testimony, the company formed by the Merger will be referred to as "the combined company" or "Holdco."

Q: Are you the same Darrin R. Ives who filed Direct Testimony in this proceeding?

A: Yes, I am.

Q: What is the purpose of your Surrebuttal Testimony?

A: The purpose of my testimony is to:

1) Address the testimony of witnesses Natelle Dietrich (Missouri Public Service Commission Staff ("Staff")), Geoff Marke (Office of Public Counsel ("OPC")), Michael Brosch (Midwest Energy Consumers' Group ("MECG")), Steve Chriss (MECG), Martin Hyman (Missouri Department of Economic Development ("MDED")), Karl Rábago (Renew Missouri Advocates ("Renew Missouri")) and provide Applicants' response in the following areas:

- Stipulation and Agreement ("Stipulation") between Applicants, Staff, Brightergy, LLC ("Brightergy"), and Missouri Joint Municipal Electric Utility Commission ("MJMEUC") that was filed on January 12, 2018;
- Bill credits;
- Recovery of Merger transition costs;
- A proposed "equal outcome" condition;
- Missouri Public Service Commission ("Commission" or "PSC") authority;
- Reporting commitment time periods;
- Clarity of customer billing; and
- Renewable energy tariffs.

2) Describe that Applicants are willing to adopt new conditions or the modification of existing conditions if ordered by the Commission, including, among other things: to increase the bill credits to customers by 50 percent, subject to certain Commission determinations; to reduce recovery of pre-closing transition costs by 15 percent; to address MECG's request to clarify future Commission authority over

subsequent mergers, to reflect the potential name change of GPE due to the Merger and to agree to MECG's request for customer bill clarity upon any name change.

3) Show that many of the proposed conditions by intervenors are unnecessary or inappropriate, and identify those that Applicants support adopting.

4) Identify responses by Staff and other intervenors that support that the Merger, as modified by the Stipulation, is not detrimental to the public interest and should be approved.

Q: How is the remainder of your testimony organized?

A: My Testimony is comprised of eight sections, following this Introduction:

- **Section II** addresses the Stipulation;
- **Section III** addresses issues related to the bill credits;
- **Section IV** addresses the issue of Merger transition cost recovery;
- **Section V** addresses an equal outcome proposal and Commission authority;
- **Section VI** addresses reporting commitment time periods;
- **Section VII** addresses clarity of customer billing;
- **Section VIII** addresses renewable energy tariffs;
- **Section IV** summarizes my conclusions.

Q: What are the primary conclusions that the Commission should take away from your testimony?

A: The primary conclusions are:

- Staff and meaningful intervenor support of the Merger, as modified by the Stipulation, supports a finding by the Commission that the Merger is not detrimental to public interest and should be approved;

- In certain cases, conditions proposed by intervenors are unnecessary or inappropriate in light of Applicants' activities, commitments and conditions, and existing Commission authority;
- Under specific conditions, Applicants are willing to increase, by 50%, guaranteed bill credits to Missouri retail electric customers with such increased bill credits to be applied over the years 2019-2022; and
- Applicants are willing to adopt new conditions or to modify existing conditions related to transition costs, including Westar in the 2019 Integrated Resource Plan ("IRP") Updates of KCP&L and GMO as discussed by Applicant witness Crawford, MPSC authority over future transactions, and to provide customer bill clarity upon a name change.

II. STIPULATION

A. Support for Stipulation

Q: Please describe the testimony of Staff witness Dietrich regarding the Stipulation.

A: Staff witness Dietrich summarizes the Stipulation and outlines some of its key provisions including the following: 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.[1] Ms. Dietrich expresses Staff support for the Merger as conditioned by the Stipulation, stating "Staff recommends the Commission approve the Stipulation as it

[1] Rebuttal Testimony of Natelle Dietrich, at 3-5.

provides key protections for Missouri ratepayers, helping to ensure the transaction is not detrimental to the public interest."[2]

Q: Please explain how the commitments and conditions in the Stipulation relate to the Commitments and Conditions you proposed as part of your Direct Testimony and provided as Schedule DRI-1 to that testimony.

A: The Stipulation consists of 43 of the 48 Commitments and Conditions proposed by Applicants in Schedule DRI-1.[3] The limited number of changes to the Commitments and Conditions include the following:

- Conditions 10, 11, 12, 14 and 15 from my Direct Testimony and Schedule DRI-1 have been eliminated;
- Section III of the list has been re-titled "Financing Conditions" (deleting the words "and Ring-Fencing");
- a number of revisions have been made to Condition 31 reflective of Applicants' discussions with OPC;
- 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 consistency with the same conditions proposed in Kansas.[4]

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[2] Rebuttal Testimony of Natelle Dietrich, at 5.
[3] Stipulation, at 3-4.
[4] Id., at 3-4.

The Stipulation includes an attached 16-page schedule of the 43 commitments and conditions as Exhibit A. As information, the Signatories have attached Exhibit B which shows the changes to the 48 Commitments and Conditions originally filed by Applicants.

The Stipulation also includes two conditions that were previously agreed to by GPE, KCP&L, GMO, and Staff in the 2016 Variance Application case, but which were inadvertently omitted from the 48 Commitments and Conditions originally filed by Applicants. These relate to GPE's financial model and to load sampling and research practices at KCP&L and GMO.[5]

The Stipulation also includes two new conditions. The first prohibits KCP&L 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.[6]

Q: Ms. Dietrich addresses the inclusion of the term "ring fencing" in the Stipulation. Please explain Ms. Dietrich's testimony regarding this term and provide Applicants' position on this matter.

A: Staff witness Ms. Dietrich testifies that the term "ring-fencing" should have been omitted from the Financial Conditions in the Stipulation (*i.e.*, it is included in the schedule listing the commitments and conditions, Exhibit A) and asks that the Commission affirm that it is approving the Financing Conditions included in Exhibit A.[7] Applicants agree with Ms. Dietrich on this point. The continued inclusion of this term was an oversight, and it will be eliminated from the final set of commitments and conditions.

[5] Id, at 5-6. See ¶¶ A(10), E(3), 2016 Staff Stipulation and Agreement, 2016 Variance Application.
[6] Stipulation, at 6.
[7] Rebuttal Testimony of Natelle Dietrich, at 3-4.

Q: Please address intervenor rebuttal testimony regarding affiliate transactions and Applicant's request for variance.

A: Ms. Dietrich and OPC witness Dr. Marke each address conditions in the Stipulation related to affiliate transactions. However, these witnesses did not discuss at any length an important provision of the Stipulation, *i.e.*, the condition related to Applicants' request for a variance to the Commission's affiliate transactions rules.

Q: Please describe Applicants' request for variance.

A. The Commission's regulations regarding affiliate transactions (*i.e.*, Affiliate Transactions Rule, pursuant to 4 CSR 240-20.015 and 4 CSR 240-80.015) include asymmetric pricing standards, which were designed to prevent cross-subsidization of non-regulated operations by the affiliated regulated utility.[8] Application of the standard in this case would prevent the combined company's three regulated utility affiliates after the closing of the Merger (KCP&L, GMO and Westar) from exchanging goods and services at cost. The requested variance is necessary to enable the attainment of savings post-Merger that will ultimately benefit customers of the combined company's utility subsidiaries in Missouri and Kansas. As I discuss in my initial testimony, this Application for Variance is reasonable, consistent with Commission precedent, and should be approved.[9]

Q: Please summarize the treatment of this request for variance in the Stipulation.

A. As stated in the Stipulation, the Signatories support the request for variance, including supporting that good cause exists, that 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 that, given all of the conditions set forth in the Stipulation, the

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[8] Stipulation, at 6-7.

[9] Direct Testimony of Darrin R. Ives, at 8, 32-25.

requested variance will not be detrimental to the public interest in Missouri with regard to transactions between KCP&L, GMO, and Westar.[10]

Q: How is the Staff's, other Signatories', and OPC's support for the Stipulation significant for the Commission's assessment of the Merger?

A: Staff, Brightergy and MJMEUC are signatories to the Stipulation, demonstrating their support for the Merger. As the Stipulation states: "the Signatories recommend that the Commission find the [M]erger… is reasonable and not detrimental to the public interest" and "approve the [Stipulation]."[11] In addition, OPC witness Marke states that, in principle, OPC generally supports the Stipulation and recognizes certain benefits created as a result of the Merger.[12] Together, these Staff and intervenor positions support that the Merger, as modified by the Stipulation, meets the standard for approval in Missouri, is not detrimental to the public interest, and should be approved by the Commission.

Q: How does the sum total of the intervenor rebuttal testimony inform the question of opposition to and/ or support for the Merger?

A: Overall, intervenors have expressed relatively minor opposition to the Merger based, in many instances, on specific intervenor special interests not related to the "no detriment" standard to be applied by the Commission. In fact, the opposition that is articulated by intervenors generally addresses specific elements of Applicants' proposal, but does not oppose the Merger overall nor provide persuasive evidence that the Merger would be detrimental to the public interest.

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[10] Stipulation, at 6-7.
[11] Id., at 10.
[12] Rebuttal Testimony of Geoff Markel, at 3. Mr. Marke explains that OPC is not able to support the Merger given pending concerns regarding an "equal outcomes" proposal and the allocation of bill credits, which I address below.

Q: Please discuss the process that led to the Stipulation.

A: Applicants invited the input and considerations of all intervenors on the conditions that comprise the filed Stipulation. The testimony of OPC witness Marke is instructive in this. Dr. Marke notes, that while OPC is not a signatory (for reasons I discuss below), OPC "applauds" that the Stipulation includes OPC's requested conditions related to an independent third-party audit regarding affiliate transactions and the corporate social responsibility conditions. Dr. Marke further states that OPC "expressly acknowledge[s] the goodwill shown" by Applicants and recognizes "certain benefits created as a result of" the Merger.[13]

B. Objection of Renew Missouri

Q: Please describe the objection filed by Renew Missouri.

A: On January 19, 2019 Renew Missouri filed an objection to the Stipulation, citing conditions proposed by Renew Missouri witness Rábago. Renew Missouri asserts that the Stipulation is "merely the position of the signatory parties" and that "all issues shall remain for determination after hearing."[14] While I am not providing a legal opinion on issues associated with this filing, I note that Applicants and the other stipulating parties remain committed to the Stipulation, and that the Stipulation is the result of a carefully negotiated balancing by the Signatories. Altering of the balance struck by imposing conditions sought by Renew Missouri is unwarranted for several reasons which are discussed further in my Surrebuttal Testimony and in the Surrebuttal Testimonies of Messrs. Greenwood and Crawford, including: that Applicants are already doing much of what is requested in the conditions; that certain requested conditions are not required for the Merger to satisfy the

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[13] Id., at 3.
[14] Renew Missouri Objection, at 4.

"not detrimental to the public interest" standard; and that certain requested conditions involve issues wholly unrelated to the Merger.

III. BILL CREDITS

Q: Please describe Applicants' Merger Application commitment regarding bill credits.

A: Applicants committed to provide $50 million in upfront bill credits to be allocated among Applicants' retail electric rate jurisdictions in both Kansas and Missouri.

Q: Please summarize intervenor rebuttal testimony regarding total bill credits.

A: MECG witness Chriss notes that the credit will provide customers with some relatively immediate cost relief and provide the operating utilities an incentive to ensure they are delivering Merger savings.[15] No party opposes the bill credits.

Q: Do Applicants propose to increase bill credits?

A: Applicants would agree to increase bill credits for Missouri customers, as explained in more detail below, if the Merger is approved and closes and the Commission: (1) adopts Applicants' revised proposal for Merger transition cost recovery, (2) rejects the MECG proposal regarding the Tax Allocation Agreement applicable to KCP&L and GMO, and (3) rejects the OPC proposal for an "equal outcome" provision. Under those conditions, Applicants would commit to provide bill credits to Missouri retail electric customers amounting to the Missouri customer portion of an additional $25 million (i.e., above and beyond the $50 million in upfront bill credits to be provided to Applicants' customers in both Missouri and Kansas shortly after closing) applied to customer bills equally over the years 2019-2022.

[15] Chriss Rebuttal, at 4.

Q: Please describe the significance of this increase.

A: This 50% increase in bill credits would be a significant increase in guaranteed customer benefits over the coming several years. Applicants can agree to provide these increased bill credits only under the conditions set forth above because without those conditions, Applicants would be exposed to excessive regulatory uncertainty and associated financial risk.

I refer to Mr. Reed who notes that the increased bill credits that would be provided by Applicants under those circumstances would represent the highest level of guaranteed savings to customers in any recent merger of equals ("MOE") transaction. I also reiterate that these increased bill credits would be incremental to the Merger-related savings customers will realize through the normal ratemaking process. Increasing customer bill credits by 50% in this manner is significant and would achieve the objective of providing greater certainty for customers while appropriately balancing the interests of shareholders and customers.

Q: Would the increased bill credit commitment have any impact on Applicants' satisfaction of the "not detrimental to the public interest" standard?

A: No, other than to strengthen Applicants' conviction that our proposal satisfies the Missouri merger standard and demonstrate how various recommendations and proposals made in this proceeding must be evaluated in relation to the whole of Missouri impacts and cannot be reasonably assessed in isolation.

Q: How do Applicants propose to allocate the increased bill credits among their retail electric rate jurisdictions?

A: Applicants propose that such allocation shall be based on the same retail electric sales they have proposed to use to allocate upfront bill credit amounts among the rate jurisdictions.

Q: Please describe Applicants' proposal regarding the methodology for allocating bill credit amounts among Applicants' retail electric companies, as well as intervenor testimony on this issue.

A. Applicants proposed allocation of the bill credits among Applicants' electric rate jurisdictions in both Missouri and Kansas 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. No parties argued against this jurisdictional allocation. Using FERC Form 1 data for calendar year 2016 creates bill credits for KCP&L-MO customers of $14,924,894 or 19.9% of the total bill credits ($9,949,929 upfront and $4,974,965 spread equally over the years 2019-2022 with payments made by March 31 of each year). Using FERC Form 1 data for calendar year 2016 creates bill credits for GMO customers of $14,205,828 or 18.9% of the total bill credits ($9,470,552 upfront and $4,735,276 spread equally over the years 2019-2022 with payments made by March 31 of each year). Allocation of bill credit amounts among and within rate classes of each jurisdiction will be based on a methodology approved by the Commission.

Q: Please summarize intervenor witnesses' rebuttal testimony regarding the methodology for allocating bill credits among customer classes within each utility.

A. Witnesses Marke and Chriss address the issue of the allocation of the bill credit among the residential, commercial, and industrial customers of the two Missouri jurisdictional utilities – KCP&L and GMO. Dr. Marke notes that OPC was not able to come to agreement with parties on allocation of bill credits due to time and resource constraints.[16] Mr. Chriss recommends that the bill credits be allocated between customer classes and within the non-residential class based on energy consumption, similarly to the jurisdictional allocator.[17]

Q: What is Applicants' position on the allocation of the bill credits within jurisdictions to respective customer classes?

A: As I indicated in my Direct Testimony, Applicants do not propose a specific method for allocating the bill credit among classes of customers, and support working with Staff, OPC, and the other parties to the proceeding to develop an appropriate methodology for Commission approval.[18] Consistent with this, we have been working with the parties to date, and will continue to do so. It is important that Applicants are part of this process and are able to review any proposal put forth by the parties to ensure it is viable and can be implemented given our different customer information systems. Schedule DRI-2 contains information necessary to guide the process for providing bill credits to customers using both the methodology proposed by Mr. Chriss as well as a customer count-based methodology for allocating the bill credit amounts among and within customer classes for the KCP&L and GMO retail rate jurisdictions.

[16] Rebuttal Testimony of Geoff Marke, at 3.
[17] Rebuttal Testimony of Steve Chriss, at 6.
[18] Direct Testimony of Darrin R. Ives, at 8-9.

IV. MERGER TRANSITION COSTS

Q: Please discuss the testimony of MECG witness Brosch related to the recovery of Merger transition costs.

A: Mr. Brosch opposes Applicants' proposal to recover Merger transition costs, in particular the recovery of Merger transition costs incurred prior to the close of the Merger. Mr. Brosch also asserts that Applicants' proposal would create to a "windfall income credit" for any Merger transition costs that have already been expensed on the parent company's books.[19]

Q: What is Applicants' response to Mr. Brosch's testimony and proposal?

A: As I discussed in Direct Testimony, Merger transition costs are necessary expenditures made by the companies to create Merger savings which will benefit customers. Mr. Brosch's proposals as well as his supporting testimony are flawed, or misleading, in numerous ways, which I discuss in detail below. Nonetheless, in order to provide even greater levels of benefits to customers, Applicants offer to adjust Condition 19 to reduce the level of Merger transition cost recovery.

In sum, Applicants commit not to seek recovery of pre-closing Merger transition costs of $7.3 million (total company), or approximately 15%, of transition costs incurred prior to Merger close by Applicants to develop, evaluate, document and achieve Merger savings. This elimination benefits customers as the $7.3 million in expenditures will not be reflected in customers' rates for rate recovery.

[19] Rebuttal Testimony of Michael Brosch, at 11.

Q: Mr. Brosch asserts that customers do not receive benefit from Merger transition costs and actions. What is your response?

A: Mr. Brosch's assertion is both inaccurate and inconsistent with prior Commission determinations as it delinks the costs of integration efforts from the efficiencies they enable to be achieved for customers.[20] Consistent with Missouri precedent, Merger transition costs in this case are necessary to produce the 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.

Q: Is Mr. Brosch's argument regarding a "windfall income credit" reasonable?

A: No. This argument fails to recognize the purpose and outcome of a typical Commission-approved deferral, *i.e.*, to shift the timing of recognition of expenses to have it match a timeframe deemed appropriate for regulatory purposes. In this case, the requested deferral will align the recognition of expenses with the realization of Merger savings. Such a deferral does not result in windfall income; rather, it is a tool to adjust the timing of the recognition of expenses.

Q: How do you respond to Mr. Brosch's assertion that Applicants have already recovered transition costs incurred through realized Merger savings?

A: I disagree with his over-simplified assessment. Mr. Brosch utilizes labor savings estimated to occur until rates from the 2018 rate cases become effective without consideration of any other relevant factors. While simple to propose, Mr. Brosch's approach ignores past Commission practice regarding merger transition cost recovery and is effectively single

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[20] See, e.g., *Stipulation and Agreement at 9-10 and Att. 1*, In re Southern Union d/b/a Missouri Gas Energy, The Laclede Group, and Laclede Gas Company, Case No. GM-2013-0254 (filed July 2, 2013); and *Report And Order at 240-41*, In re Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Case No. EM-2007-0374 (July 1, 2008).

issue rate-making focused exclusively on labor efficiencies and transition costs. Mr. Brosch's analysis has two critical shortcomings. First, he makes no attempt to evaluate other cost of service areas to determine if KCP&L and GMO are adequately recovering their cost to serve customers based on today's rates after excluding labor efficiencies. The fact that KCP&L and GMO both have currently pending rate reviews in Missouri to recover revenue shortfalls clearly demonstrates that any benefits from labor savings have been overcome by other costs of doing business for these companies. Without such analysis, his approach should be rejected by the Commission as single-issue rate-making. Second, Mr. Brosch selectively evaluates only labor savings, and their retention by shareholders, prior to the effective date of new rates (approximately December 31, 2018), while ignoring the benefits customers will enjoy from those savings after new rates are set for subsequent years which will reflect those savings.

To correct the shortcomings in his analysis, I provide a more holistic view of the benefits sharing between shareholders and customers for the labor savings referred to by Mr. Brosch, which clearly demonstrates that application of prior Commission practice regarding merger transition cost recovery, with the modifications proposed by Applicants, is more than fair to customers and supports a Commission finding that Applicants' Merger transition costs treatment meets Missouri's "not detrimental to the public interest" standard.

Q: Please describe the analysis you have prepared to evaluate labor efficiencies savings and Merger transition costs.

A: Certainly. Two distinct analyses are shown below.

First, we have modeled the approach described by Mr. Brosch using the labor efficiency values and Merger transition cost methodologies provided in his testimony. Tables 4 and 5 extend his presentation at the total company and Missouri jurisdictional level to show the relative sharing of labor savings and Merger transition cost between customers and shareholders starting at the same time period as Mr. Brosch and extending through December 31, 2018 (the effective date of new rates that Mr. Brosch and I agree would reflect these labor savings to customers), but also showing the extended effect of these labor savings through December 31, 2022 (the latest date new rates after the 2018 rates could be effective in order for KCP&L and GMO to retain their respective FAC's).

Second, Tables 6 and 7 provide the same analysis of labor savings and Merger transition cost at the total company and Missouri jurisdictional level, but replace Mr. Brosch's method of no recovery of transition costs prior to the Merger with Applicants' Merger transition cost proposal reduced by the $7.3 million discussed above and amortizing Merger transition costs over 4 years.

Tables 4 through 7 are presented below:

Table 4: Brosch Assumptions - Total Company

Net Savings Distribution Between Customers and Utilities (between rate cases)
Great Plains Energy and Westar Energy Proforma Combined (amounts in millions)

Year #	Year	Gross Savings*	Transition Costs	Net Savings	Net Savings Distribution Customers	Utilities
	2016-2017	$ 64.0	$ (35.6)	$ 28.4	$ -	$ 28.4
1	2018	46.0	(21.9)	24.1	-	24.1
2	2019	46.0	(6.6)	39.4	46.0	(6.6)
3	2020	46.0	(3.0)	43.0	46.0	(3.0)
4	2021	46.0	(2.6)	43.4	46.0	(2.6)
5	2022	46.0	(2.2)	43.8	46.0	(2.2)
Totals		$ 294.0	$ (71.8)	$ 222.2	$ 184.0	$ 38.2
Discount rate**				7.50%	7.50%	7.50%
NPV at 7.50%**				$ 183	$ 143	$ 39
NPV Distribution of Net Savings					78%	22%

Table 5: Brosch assumptions: Missouri juris

Net Savings Distribution Between Customers and Utilities (between rate cases)
Great Plains Energy and Westar Energy Proforma Combined (amounts in millions)

Year #	Year	Gross Savings*	Transition Costs	Net Savings	Net Savings Distribution	
					Customers	Utilities
	2016-2017	$ 20.4	$ (11.3)	$ 9.1	$ -	$ 9.1
1	2018	14.7	(7.0)	7.7	-	7.7
2	2019	14.7	(2.1)	12.5	14.7	(2.1)
3	2020	14.7	(1.0)	13.7	14.7	(1.0)
4	2021	14.7	(0.8)	13.8	14.7	(0.8)
5	2022	14.7	(0.7)	14.0	14.7	(0.7)
Totals		$ 93.6	$ (22.9)	$ 70.8	$ 58.6	$ 12.2
Discount rate**				7.50%	7.50%	7.50%
NPV at 7.50%**				$ 58	$ 46	$ 13
NPV Distribution of Net Savings					78%	22%

Table 6: Including Amortization of Transition Costs: Total Company

Net Savings Distribution Between Customers and Utilities (between rate cases)
Great Plains Energy and Westar Energy Proforma Combined (amounts in millions)

Year #	Year	Gross Savings*	Transition Costs	Net Savings	Net Savings Distribution	
					Customers	Utilities
	2016-2017	$ 64.0	$ (28.3)	$ 35.7	$ -	35.7
1	2018	46.0	(21.9)	24.1	-	24.1
2	2019	46.0	(6.6)	39.4	35.4	4.0
3	2020	46.0	(3.0)	43.0	35.4	7.6
4	2021	46.0	(2.6)	43.4	35.4	8.0
5	2022	46.0	(2.2)	43.8	35.4	8.4
Totals		$ 294.0	$ (64.5)	$ 229.5	$ 141.6	$ 87.9
Discount rate**				7.50%	7.50%	7.50%
NPV at 7.50%**				$ 190	$ 110	$ 80
NPV Distribution of Net Savings					58%	42%

Table 7: Including Amortization of Transition Costs: MO Juris

Net Savings Distribution Between Customers and Utilities (between rate cases)
Great Plains Energy and Westar Energy Proforma Combined (amounts in millions)

Year #	Year	Gross Savings*	Transition Costs	Net Savings	Net Savings Distribution	
					Customers	Utilities
	2016-2017	$ 20.4	$ (9.0)	$ 11.4	$ -	$ 11.4
1	2018	14.7	(7.0)	7.7	-	7.7
2	2019	14.7	(2.1)	12.5	11.3	1.3
3	2020	14.7	(1.0)	13.7	11.3	2.4
4	2021	14.7	(0.8)	13.8	11.3	2.6
5	2022	14.7	(0.7)	14.0	11.3	2.7
Totals		$ 93.6	$ (20.6)	$ 73.1	$ 45.1	$ 28.0
Discount rate**				7.50%	7.50%	7.50%
NPV at 7.50%**				$ 60	$ 35	$ 25
NPV Distribution of Net Savings					58%	42%

Q: When reviewing the results of Table 7 transition cost recovery, what have you reflected for annual recovery from Missouri customers for Merger transition costs?

A: Table 7 reflects Applicants' Rebuttal position of removing $7.3 million (total company) of Merger transition costs from recovery. That results in $42.5 million (total company) of expected Merger transition costs incurred by Applicants prior to Merger close. At a jurisdictional level this results in $7.7 million and $5.9 million to be requested for deferral and amortization by KCP&L-Missouri and GMO, respectively, in their 2018 general rate cases. Amortizing these amounts over four years as represented in Table 7, results in $1.9 million and $1.5 million annual recovery for KCP&L-Missouri and GMO, respectively.

Q: When reviewing the results of Table 7 labor savings, how significant are the estimated labor savings that Missouri customers would benefit from on an annual basis?

A: Missouri customers would benefit from labor savings of $14.7 million annually between 2019 and 2022. To be consistent with the Merger transition cost discussion this reflects $8.3 million and $6.4 million of labor savings for KCP&L-Missouri and GMO customers, respectively.

Q: Do you consider five years an appropriate time frame to evaluate customer benefits of Merger savings?

A: No. I limited the analysis above to five years to simplify the presentation as it clearly demonstrates the misleading nature of Mr. Brosch's testimony on this topic and clearly depicts that Applicants' requested treatment of Merger transition costs is sufficiently balanced in demonstrating no detriment to Missouri customers from Applicants' request. That said, once Merger savings are reflected in customers' rates, they benefit customers thereafter. I believe valuing customer benefits on a net present value basis over twenty years is most appropriate, but simplifying the analysis to five years adequately supports Applicants' position on this issue.

Q: What is your conclusion based upon the analyses provided above?

A: Tables 6 and 7 both clearly demonstrate that Applicants' requested deferral and recovery through amortization of Merger transition costs is a very reasonable approach when viewed from the perspective of both customer and shareholder savings, resulting in a 58% to 42% allocation between customers and shareholders, respectively. Tables 4 and 5 show that Mr. Brosch's proposal is clearly an overreach resulting in sharing percentages of 78% and 22% for customers and shareholders, respectively, which is clearly beyond what should be required to meet Missouri's "not detrimental to the public interest" standard.

Finally, I would reiterate that while the analyses presented clearly demonstrate that Mr. Brosch's proposal is a simple overreach, as I proposed above in an effort to meet some of Mr. Brosch's concerns regarding transition costs incurred, Applicants commit to not seek recovery of $7.3 million (total company) pre-closing Merger transition costs.

V. "EQUAL OUTCOME" PROPOSAL AND COMMISSION AUTHORITY

Q: Please describe Dr. Marke's position regarding his "equal outcome" proposal.

A: OPC witness Marke expresses concern that the Kansas Corporation Commission ("KCC") could require an ordered outcome in Kansas that could shift risk to Missouri ratepayers. Dr. Marke gives the hypothetical example of a prolonged rate case moratorium in Kansas, which he contends would result in increased rate filings in Missouri. To address this concern, Dr. Marke recommends that the Commission adopt an "equal outcome" provision. Specifically, Dr. Marke recommends that "approval of the merger should be conditioned upon the terms of the merger approved by the KCC being substantially similar to the terms of the merger agreed to and approved in Missouri."[21]

Q: Should the Commission adopt Dr. Marke's proposal?

A: No. This proposal is neither appropriate nor practicable, for several reasons. First, there are significant differences in the ratemaking and regulation in the two states such that what is agreed to or ordered in one state may not make sense in the other. For example, Kansas has a different merger standard than Missouri; the Kansas standard includes approximately a dozen specific elements. Staff recognized this difference in its report to the Commission in Case No. EE-2017-0113 when it compared the merger standards of the two states. In particular, Staff stated, "This Report will explain that the Missouri merger standard and the Kansas merger standard are not the same. In fact, the Kansas merger standard sets a higher "bar" for KCC approval than the Missouri merger standard."[22] Adding an equal outcome condition in this proceeding could result in new requirements for Applicants in Missouri that are clearly not required by Missouri's "no detriment" merger standard.

The ratemaking practices are sufficiently different in Missouri and Kansas such that it is not at all clear how to apply Dr. Marke's proposal. Kansas' ratemaking treatment involves many more lag-reducing riders and surcharges than Missouri, including property tax, transmission and distribution surcharge riders, and a fuel adjustment clause (called the "ECA" in Kansas) that permits recovery of 100% fuel costs – none of which are available in such form, or at all, in Missouri. This broader use of riders in Kansas results in a trend of KCP&L-KS and Westar earning closer to their authorized returns in Kansas than KCP&L-MO and GMO in Missouri. Moreover, KCP&L-MO and GMO are required to

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[21] Rebuttal Testimony of Geoff Marke, at 6-7.

[22] Staff Report at 2, Case No. EE-2017-0113 (January 18, 2017).

file general rate cases in Missouri no less frequently than every 37 months in order to continue having the ability to use the fuel adjustment clause. No such requirement exists in Kansas, and this is one reason that KCP&L-MO and GMO have filed general rate cases more frequently than KCP&L-KS and Westar. Many of the ratemaking decisions that relate to the Merger will be made in future rate cases that are on different time paths.

In addition, the overall regulatory package of terms for the Merger must be considered, as opposed to viewing one isolated Missouri term in comparison to the same or similar term in Kansas. Individual provisions within the package are impacted by other provisions. Where one term in Kansas may appear to be more favorable than its Missouri counter-part, there may be other terms that are more favorable under the Missouri package than under the Kansas package. There is a balance among individual provisions of a regulatory scheme that would be unfairly disrupted by applying an "equal outcome" provision.

Finally, Dr. Marke's argument that additional cost recovery would be sought in Missouri due to a rate moratorium in Kansas is not a rational concern, and any such effort would be appropriately rejected by the Commission. Missouri customers cannot be charged Kansas customers' costs and the approved Cost Allocation Manual ("CAM") assures this result. In general rate cases before this Commission, costs to serve have been closely examined to ensure that rates paid by Missouri customers do not subsidize service provided to Kansas customers. There is no reason to expect that this historical level of scrutiny will change after the Merger. In fact, Condition 31 in Exhibit A to the Stipulation provides for the conduct of an independent third-party management audit of affiliate transactions and corporate cost allocations, and KCP&L and GMO have agreed to provide substantial funding for this initiative. Given the level of scrutiny historically afforded to allocation of costs, which will be buttressed by the conduct of an independent third-party management audit, Dr. Marke's concerns regarding the potential for cost shifting from Kansas to Missouri is nothing more than unwarranted speculation.

Accordingly, the Commission should reject this proposed condition. Please also see Mr. Reed's Surrebuttal Testimony on this point.

Q: Please summarize the argument by MECG witness Brosch related to the Missouri Commission's future authority over subsequent mergers?

A: Mr. Brosch contends that Commitment 47, which is related to the Commission's future authority over subsequent mergers, should be updated to reflect the potential name change of GPE due to the Merger.[23]

Q: How do Applicants respond to Mr. Brosch's recommendation?

A: Applicants do not think that such a change is required, as the Commission's authority on such matters is clear. Further, we aid in that clarity by our Commitment 47 in Exhibit A to the Stipulation which states:

> 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 herein.

However, if the Commission determines that such a change is required, Applicants would suggest that the following language would be appropriate:

> Applicants have acknowledged that paragraph II.7. ("Prospective Merger Conditions") of the First Amended Stipulation and Agreement approved by the Commission in Case 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

[23] Rebuttal Testimony of Michael Brosch, at 26-27.

comply with that provision in the future regardless of whether Holdco is named GPE.

Q: Please summarize the contention of Mr. Rábago regarding the impact of the Merger on the ability of the Commission to regulate KCP&L and GMO.

A: Mr. Rábago implies that, due to the increased size and complexity of the combined Company, the Commission's ability to effectively regulate KCP&L and GMO would be reduced.[24]

Q: How do you respond to this contention?

A: Applicant witness Greenwood addresses this contention by Mr. Rábago more broadly. I affirm, based my significant experience with KCP&L and GMO in Missouri and with this Commission, that the Merger will not impact its ability to regulate the Missouri-jurisdictional utility subsidiaries. This Commission will regulate two jurisdictional utilities of a utility holding company post-Merger, just as they do today; as such, the associated regulatory burden is almost completely unchanged. The holding company structure which Mr. Rábago points to as a concern is already in place for GPE's utilities, and this Commission has substantial experience regulating KCP&L-MO and GMO under that structure, which; will not change as a result of the Merger. The Commission has demonstrated for many years that it is capable of regulating Missouri electric, gas and water public utilities that operate in a utility holding company structure.

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[24] Rebuttal Testimony of Karl Rábago, at 9-11.

VI. TIME PERIOD FOR REPORTING CHANGES IN EMPLOYMENT

Q: Please explain MDED witness Hyman's testimony regarding the time period for reporting requirements addressed in the Merger Commitments and Conditions.

A: Mr. Hyman argues that certain conditions related to post-Merger reporting requirements are insufficient and should be extended. In particular, Mr. Hyman recommends that (1) Holdco 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; and that (2) Holdco 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.[25] Mr. Hyman also proposes job retraining programs which is addressed by Mr. Greenwood.

Q: What is Applicants' position regarding these recommendations?

A: Applicants appreciate Mr. Hyman's concern for employees. It is important to recognize that Applicants have made a Commitment that there will be <u>no</u> involuntary separations as a result of the Merger, or the closing of a number of generating units. Applicants have also committed that the new holding company will maintain substantially comparable compensation levels and benefits for all employees for a minimum of two years after the closing of the Merger. Finally, as noted by Mr. Hyman, Applicants have proposed to provide detailed employee headcount reports (i.e., at the business unit level) for two years following the closing of the Merger.[26] Producing this level of detail is a significant and time-consuming undertaking. This is appropriate for the two-year period which corresponds to Applicants' other Merger integration reporting commitments identified in Commitment 37. For the same reasons, providing employment-related testimony in each

[25] Rebuttal Testimony of Martin Hyman, at 2-5.
[26] See Condition 37 of Exhibit A to the Stipulation.

general rate case for five years following the close of the Merger is excessive and unnecessary, particularly since parties in a rate proceeding have full discovery rights to obtain such information. Bill clarity request

Q: Please describe the concern of MECG witness Brosch regarding clarity of bills.

A: MECG witness Brosch asserts that many GMO customers believe that their utility is KCP&L, creating confusion when they try to find the rate schedules on our website. To rectify this, Mr. Brosch proposes as an additional commitment:

> "KCPL 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."[27]

Q: What is Applicants' response to this concern.

A: Applicants agree with the importance of having clear bills that customers can understand and ensuring that customers can identify their utility and access tariff information simply. Applicants are committed to creating naming and billing conventions that are clear and transparent for customers. As the language proposed by Mr. Brosch reflects Applicants' intent regarding bill clarity, Applicants have no objection to his proposal.

VII. RENEWABLE ENERGY TARIFFS

Q: Please summarize the testimony of MECG witness Chriss regarding renewable energy tariffs.

A: MECG Witness Chriss recommends that the Commission condition approval of the transaction upon a requirement for Applicants to convene stakeholders for the purposes of developing new renewable energy offerings for large customers. Mr. Chriss states that

[27] Rebuttal Testimony of Michael Brosch, at 29.

Westar provides such offerings (and has proposed more) as does Ameren Missouri, but that KCP&L and GMO do not.[28]

Q: Have KCP&L and GMO recently made proposals to the Commission regarding renewable energy offerings for Missouri customers?

A: Yes. KCP&L and GMO each filed a renewable energy program tariff in Case 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 Company plans 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.[29] In addition, I note that KCP&L and GMO have also proposed a new Solar Subscription Pilot Rider tariff, a community solar offering for residential and non-residential customers.[30]

Q: Does this filing meet the criteria outlined by Mr. Chriss?

A: Yes, it does. Accordingly, I expect that Mr. Chriss' concern and recommendation would be considered satisfied by the Commission, and that his proposed condition is not necessary.

VIII. CONCLUSIONS

Q: Please summarize the conclusions of your testimony.

A: My testimony leads to three main conclusions.

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[28] Rebuttal Testimony of Steven Chriss, at 4, 6-8.

[29] Prefiled testimony of Bradley Lutz, at 18-19. CASE NO.: ER-2018-0145. Jan. 30, 2018.

[30] Id., at 9-10.

- The Merger, as amended by the Stipulation and as supported by Staff and a number of intervenors, justifies the Commission finding that the Merger is not detrimental to public interest and should be approved.
- Certain conditions proposed by intervenors are unnecessary or inappropriate in light of Applicants' activities, commitments and conditions, as well as existing Commission authority.
- Applicants are willing to adopt other new conditions or the modification of existing conditions if ordered by the Commission, including:
    - To increase the bill credits to customers by 50 percent, subject to certain Commission determinations;
    - To reduce recovery of pre-closing transition costs by 15 percent,
    - To include Westar in the 2019 Integrated Resource Plan ("IRP") Updates of KCP&L and GMO;
    - To accept MECG's proposed condition regarding bill clarity;
    - To clarify Commitment 47 to specifically include Commission Authority over future transactions.

Q: Does that conclude your Surrebuttal Testimony?

A: Yes, it does.

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.	)))	Docket No. EM-2018-0012

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Great Plains Energy Incorporated, Kansas City Power & Light Company, and KCP&L Greater Missouri Operations Company consisting of twenty-eight (28) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Darrin R. Ives

Subscribed and sworn before me this 21st day of February 2018.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021

Information Requirement and Allocation Process for Merger Upfront Bill Credit

Information Required:

A. Sales of Electricity as reported to FERC (Form 1 or 3Q) for the 12-month period immediately preceding the closing of the transaction
B. Class-level sales of electricity data and/or customer count data associated with the then current utility rates
C. Target date for Merger Credit Calculation
D. Administrative guidelines
    a. Concerning treatment of customer account changes after determination of credit and before application to account.
        i. No credit shall be applied to accounts of customers receiving a final bill prior to date of the credit application.
        ii. If a customer changes classes, they will receive the credit based on their class at the time the credit is calculated.
        iii. New customers, receiving service for the first time after the calculation of the credit will not receive a credit.
        iv. If the name of record changes on an account, the credit will be applied to the account under the subsequent name.
    b. Customer standing
        i. Customers in arrears at the time of the credit processing will have the credit applied to amount owed.
        ii. Customers with outstanding fees or charges resulting from violation of Company Rules & Regulations will have the credit applied to those fees or charges.

Allocation Process:

1. Jurisdictional Allocation (Calculated one time)
    a. Compile FERC data concerning sales of electricity for the individual Applicant companies.
    b. Calculate the sum of the sales of electricity for the Applicant companies.
    c. Divide each of the individual utility sales of electricity by the sum of the sales of electricity. This division produces a set of proportions for allocation.
    d. Multiply each proportion by the total Merger Bill Credit amount to be distributed. The product represents the portion of the total Merger Bill Credit attributed to the individual Applicant companies.
2. Inter-Class Allocation (Calculated for each Applicant utility) (Choose one option per Applicant utility)
    a. Energy Sales-based Allocation Option
        i. Compile the annual class sales of electricity for the Applicant utility.
            1. To the extent the Commission orders that the inter-class allocation be based on energy, Applicants recommend using normalized class sales of electricity used to set rates approved by the Commission in each Applicant's most recently concluded general rate proceeding.
        ii. Calculate the sum of the annual sales of electricity for the Applicant utility.
        iii. Divide each the annual class sales of electricity by the sum of the annual sales of electricity. This division creates a set of proportions for class allocation.

iv. Multiply each class proportion by the Applicant utility's portion of the total Merger Bill Credit amount to be distributed. The product represents the portion of the Merger Bill Credit attributed to the respective classes.

b. Customer Count-based Allocation Option

i. Compile the customer count by class data for the Applicant utility.

1. To the extent the Commission orders that the inter-class allocation be based on customer count, Applicants recommend using customer counts used to set rates approved by the Commission in each Applicant's most recently concluded general rate proceeding.

ii. Calculate the sum of the class customer counts for the Applicant utility.

iii. Divide each of the class customer counts by the sum of the class customer counts. This division creates a set of proportions for class allocation.

iv. Multiply each class customer count proportion by the Applicant utility's portion of the total Merger Bill Credit amount to be distributed. The product represents the portion of the Merger Bill Credit attributed to the respective classes.

3. Intra-Class Allocation (Calculated for each Applicant utility. Details may vary depending on data timing, data availability, billing processes and system limitations.)(Choose one option per class)

a. Energy Sales-based Application Option (Calculate a per kWh value used to generate the credit be applied to each customer account)

i. Divide the class portion of the total Merger Bill credit by the class sales of electricity for the class to establish a "per kWh" value for the credit.

ii. Multiply the per kWh value by the respective customer's sales. The product represents the customer's Merger Bill Credit.

b. Customer Count-based Allocation Option (Calculate a per customer value for the credit be applied to each customer account)

i. Divide the class portion of the total Merger Bill credit by the number of customers for the class to establish a "per customer" value for the credit.

ii. Apply the "per customer" amount to each account. This represents the customer's Merger Bill Credit.

c. Other Considerations

i. Steps will be taken to ensure the Merger Bill credit applied equals or exceeds the committed total Merger Bill Credit.

ii. Steps would be taken to ensure only one credit is provided per customer account. Consolidated service, similar to Private Lighting where the lighting service is normally part of the service to the same individual, will be managed such that only one credit is applied.

4. Application (May be different for each Applicant utility depending on Billing processes and system limitations)

a. Applicants will provide bill credits to retail electric customers within 120 days of closing date.

b. Bill credits will be administered through Applicants' customer information systems and normal cycle billing.

c. Credits will be applied using the amounts calculated in Step #3.

d. Credits will be identified separately on the Customer's bill.

EXAMPLE CALCULATION

1. **Inter-Class Allocation**
   a. **Energy Sales-based Allocation Option**
   Compile annual class sales of electricity – The data below (Row 1) represents the kWh sales used to establish the Commission approved rates resulting from the last general rate proceeding in KCP&L's Missouri jurisdiction (ER-2016-0285):

Row Reference		Residential	Small General Service	Medium General Service	Large General Service	Large Power Service	Lighting and Traffic Signals	Total
1	MWh	2,570,707	420,303	1,184,066	2,184,480	1,978,247	85,125	8,422,928
2	MWh Allocation	30.5%	5.0%	14.1%	25.9%	23.5%	1.0%	100.0%
3	Merger Credit Amount	$9,949,929						
4	Class Credit Amount	$3,036,753	$496,501	$1,398,726	$2,580,507	$2,336,885	$100,558	$9,949,929

By dividing the class MWh by the total MWh you create a MWh-based allocation or proportion, expressed as a percentage (Row 2)

By multiplying the MWh-based allocation (Row 2) by the Merger Credit Amount (Row 3 – calculated by the Jurisdiction Allocation, based on 2016 Q4 FERC Form 1, Sales of Electricity By Rate Schedule) you get the Class Credit Amount (Row 4). This represent the proportion of the utility-level Merger Credit to be received by the respective classes.

   b. **Customer Count-based Allocation Option**
   Compile customer count by class – The data below (Row 5) represents the customer counts used to establish the Commission approved rates resulting from the last general rate proceeding in KCP&L's Missouri jurisdiction (ER-2016-0285):

Row Reference		Residential	Small General Service	Medium General Service	Large General Service	Large Power Service	Lighting and Traffic Signals	Total
5	Customers	254,196	26,689	5,588	943	74	73	287,563
6	Customer Allocation	88.4%	9.3%	1.9%	0.3%	0.0%	0.0%	100.0%
7	Merger Credit Amount	$9,949,929						
8	Class Credit Amount	$8,795,402	$923,463	$193,350	$32,629	$2,560	$2,526	$9,949,929

By dividing the class customer count by the total customer count you create a customer-based allocation or proportion, expressed as a percentage (Row 6)

By multiplying the customer-based allocation (Row 6) by the Merger Credit Amount (Row 7 – calculated by the Jurisdiction Allocation, based on 2016 Q4 FERC Form 1, Sales of Electricity By

Rate Schedule) you get the Class Credit Amount (Row 8). This represent the proportion of the utility-level Merger Credit to be received by the respective classes.

1. **Intra-Class Allocation**
   a. **Energy Sales-based Application Option**

Taking the Large Power Service ("LPS") class Merger Credit amount calculated using the Energy Sales-bases Allocation Option set forth in the Inter-class steps detailed previously, the following steps will apportion the class amount to the individual customers within that class. For this example, the LPS class will be calculated. The same process could be used for the other classes.

Row Reference		Large Power Service
	kWh	1,978,246,835
	Class Credit Amount (MWh-basis)	$2,336,885
10	per kWh value	$0.00118
11	Example annual kWh	27,516,624
12	Applied credit	$32,505.14

Dividing the LPS class energy sales from the Inter-class allocation (Row 1, LPS Class amount expressed as kWh) by the Class Credit Amount (Row 4, LPS Class amount) you derive a per kWh value for the LPS Class Merger Credit (Row 10).

This per-kWh value is then multiplied by the annual kWh usage for each LPS customer (Row 11) to establish the Merger Credit to be applied to the respective LPS customer (Row 12).

   b. **Customer Count-based Allocation Option**

Taking the Residential ("RES") class Merger Credit amount calculated using the Energy Sales-based Allocation Option set forth in the Inter-class steps detailed previously, the following steps will apportion the class amount to the individual customers within that class. For this example, the Residential class will be calculated. The same process could be used for the other classes.

Row Reference		Residential Class
	Customers	254,196
	Class Credit Amount (MWh-basis)	$3,036,753
13	per customer value	$11.95

Dividing the RES class customer count from the Inter-class allocation (Row 5, Residential Class amount) by the Class Credit Amount (Row 4, Residential Class amount) you derive a per customer value for the RES Class Merger Credit (Row 13).

No additional processing is needed. This per-customer value represents the Merger Credit to be applied to the respective RES Customer.