Exhibit No.:	
Issue:	Affiliate Transactions Rule Waiver Request; Regulatory Commitments
Witness:	Darrin R. Ives
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Great Plains Energy Incorporated; Kansas City Power & Light Company; and KCP&L Greater Missouri Operations Company
Case No.:	EE-2017-__________
Date Testimony Prepared:	October 12, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EE-2017-__________

DIRECT TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

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

Kansas City, Missouri
October 2016

DIRECT TESTIMONY

OF

DARRIN R. IVES

Case No. EE-2017-__________

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: What are your responsibilities?

A: My responsibilities include oversight of the Company's Regulatory Affairs Department, as well as all aspects of regulatory activities including cost of service, rate design, revenue requirements, regulatory reporting and tariff administration.

Q: Please describe your education, experience and employment history.

A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in 1996 and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

Q: Have you previously testified before the Missouri Public Service Commission or before any other utility regulatory agency?

A: Yes, I have testified a number of times before the Missouri Public Service Commission ("Commission") and the Kansas Corporation Commission ("KCC"). I have also provided written testimony before the Federal Energy Regulatory Commission ("FERC") and have testified before legislative committees in Missouri.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Great Plains Energy Incorporated("GPE" or "Great Plains Energy"), Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") (collectively, "Joint Applicants") in this proceeding.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to support the Joint Applicants' application for a limited variance or waiver from Commission Rule 4 CSR 240-20.015 on affiliate transactions ("Application for Variance") being filed concurrently this date initiating this proceeding, and to explain why good cause exists for the granting of the relief sought therein. I also provide an overview of the other Direct Testimony being filed by Joint Applicants in this matter.

Q: What is the genesis for the filing of the Application for Variance?

A: As the Commission is well aware, on May 29, 2016, GPE entered into an Agreement and Plan of Merger ("Agreement") with Westar Energy, Inc. ("Westar") to acquire 100% of the stock of Westar. Westar is the largest Kansas jurisdictional electric utility and is subject to the jurisdiction of the KCC. Neither Westar nor any of its affiliates is a public utility in Missouri. The Agreement provides that "Merger Sub" (which has now been officially named "GP Star, Inc." and 100% of the outstanding equity interests of which will be owned by GPE) will be merged with and into Westar, with Westar emerging as the surviving corporation. Immediately following the merger, GP Star, Inc. will cease to exist, and Great Plains Energy will acquire all of the capital stock of Westar ("Transaction"). The closing of the Transaction is expected to occur in the Spring of 2017.

At the closing of the Transaction, Westar will become a wholly-owned subsidiary of GPE and will cease to be a publicly-held corporation. Upon closing, KCP&L and GMO will immediately begin providing goods and services to, and receiving goods and services from, Westar. These transactions may be considered "affiliate transactions" under 4 CSR 240-2.015(1)(B). As a result, the asymmetric pricing standards contained in 4 CSR 240-2.015(2) may apply, unless a variance is granted by the Commission.

Q: Could you briefly explain the asymmetric pricing standards that you reference?

A: Certainly. The Commission's affiliate transaction rules at 4 CSR 240-20.015 are premised on asymmetric pricing to prevent a public utility from subsidizing its non-regulated affiliates. While goods and services *provided by a public utility* to any affiliate are to be provided at the *higher* of market value or the cost to the public utility in providing the goods and services, goods and services *provided by any affiliate* to a public utility are to be priced at the *lower* of market value or the cost to the public utility in providing the goods and services to itself.

Consequently, the asymmetric pricing standards of 4 CSR 240-20.015, which were designed to prevent cross-subsidization of non-regulated operations by the affiliated regulated utility, would prevent GPE's three regulated utility affiliates after the closing of the Transaction (KCP&L, GMO and Westar) from exchanging goods and services at cost.

Q: What is the significance of such a prohibition on the ability of the regulated affiliates to exchange goods and services at cost?

A: Joint Applicants expect that the Transaction will result in significant savings and economies of scale, including efficiencies from the elimination of redundant corporate and administrative services, all of which will ultimately result in a lower cost of operations for GPE's utility subsidiaries in both Missouri and Kansas. The Transaction is expected to produce savings, which will translate into rates for utility services that would be lower than if Westar and GPE's existing utility subsidiaries, KCP&L and GMO, each would continue operating on a stand-alone basis. As described in the direct testimony of William Kemp, pre-tax savings and efficiencies for the combined companies are currently estimated to reach approximately $65 million in the first full year after the Transaction closes, and are expected to increase to nearly $200 million annually in the third full year after closing and thereafter, with a reasonable opportunity to achieve even greater savings. Accordingly, the requested variance is needed to enable the attainment of savings post-Transaction that will ultimately benefit customers of GPE's utility subsidiaries in Missouri and Kansas. Additionally, the Transaction will not be detrimental to the public interest given the level of Transaction-related savings and the commitments GPE, KCP&L and GMO are making in connection with this request for a limited variance from the affiliate transactions rule. The Joint Applicants respectfully submit that these factors clearly constitute good cause for the granting of the variance request.

Q: How do KCP&L and GMO propose that savings resulting from the Transaction be passed on to customers?

A: Sharing of savings between customers and shareholders is appropriate and KCP&L and GMO propose to do so by allowing the net savings to fully flow through to customers as a result of the normal process of future rate cases while the utilities maintain those net savings prior to those rate cases. In this fashion, all savings flow through to customers over time but the utilities are allowed to share in those savings by keeping them in between rate cases, which has the effect of reducing the magnitude of future increases and, where permitted, likely the frequency of future rate increases. This is a simplistic but effective sharing mechanism.

Q: What do you mean by net savings?

A: The savings flowed through to customers would be net of transition costs.

Q: What are transition costs?

A: Transition costs are those attributable to the actual integration of the companies. Transition-related costs refer to those costs necessary to ensure that the savings and efficiencies are achieved and that the integration process is effective. Transition costs are necessary to unlock the savings of the Transaction.

Q: What are some examples of transition costs?

A: These costs include severance and retention costs as well as costs associated with process integration. These costs are discussed more fully in the direct testimony of Mr. Kemp.

Q: Why are transition costs netted against the savings?

A: As explained above, transition costs are costs incurred by the post-acquisition entity to ensure that savings are achieved and the integration process is effective. In other words, for customers to receive the benefit of lower operating costs made possible by the Transaction, certain costs must be incurred. A good example of transition costs would be the cost incurred to merge two computer systems into one, more efficient platform. The transition cost – the cost to plan and implement the combination of the systems – is necessary to unlock the future savings – lower system costs going forward. It is appropriate to net the transition costs against the savings to determine the true savings achieved.

Q: What do KCP&L and GMO propose regarding rate recovery of transition costs?

A: We are asking that we be allowed to include in our revenue requirement in future rate cases any transition costs incurred during the test year provided that those transition costs produce savings (i.e., revenue requirement reductions) in excess of the associated cost. This is fair and reasonable since these transition costs are necessary to produce the associated savings, and 100% of those savings will be flowed through to the benefit of customers in the form of revenue requirement and rates lower than they would otherwise be.

This proposed treatment of transition costs is consistent with traditional treatment by the Commission for costs of this nature. For example, if KCP&L were to implement an early retirement plan resulting in a lower salary expense going forward, the costs of the plan would be considered legitimate costs to include in the revenue requirement calculation. The fact that such revenue requirement reduction opportunities will be enabled by the Transaction should not change that ratemaking treatment.

Q: Since these transition costs are most likely to be one-time costs, wouldn't the Commission normally amortize them over a period of years?

A: Generally, the Commission would consider some degree of amortization of such costs to set revenue requirement and rates. As long as the parameters of an amortization are fair and reasonable, KCP&L would not disagree in principle with an adjustment along those lines. With permission of the Commission, non-capital transition costs can be deferred on the books of either KCP&L or GMO to be recovered in KCP&L and GMO rate cases.

Q: What is the specific limited variance that the Joint Applicants are requesting in their Application?

A: The Joint Applicants are requesting a variance from 4 CSR 240-20.015 for good cause in order to facilitate transactions between the regulated operations of KCP&L, GMO and Westar by allowing all such transactions to occur at cost except for wholesale power transactions, which will be based on rates approved by the FERC. Joint Applicants request that the variance become effective upon the closing of the Transaction which is currently expected to occur in the second quarter of 2017.

Q: Has this Commission previously recognized the attainment of post-merger projected savings as the basis for good cause in approving such a variance request?

A: Yes, a variance from 4 CSR 240-2.015 was granted by the Commission effective when GPE acquired Aquila (now known as GMO) facilitating similar transactions between

KCP&L and GMO. *See Report and Order* at pp. 183-88, 252-65, In re Joint Application of Great Plains Energy, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated, Case No. EM-2007-0374 (July 1, 2008) ("*Aquila Order*") In the *Aquila Order,* the Commission stated at pages 266-67:

> The Commission determines that substantial and competent evidence in the record as a whole supports the conclusions that: (1) the Commission's Affiliate Transactions Rule, 4 CSR 240.015 [*sic*], applies to KCPL and Aquila because these entities meet the Rule's definition of "affiliates"; (2) the purpose of the Commission's Affiliate Transactions Rule is to prevent cross-subsidization of regulated utility's non-regulated operations, not to prevent transactions at cost between two regulated affiliates; (3) to the extent that the Affiliate Transactions Rule is applicable to transactions between KCPL and Aquila, a variance shall be granted; and (4) more specifically, the variance shall be granted for all transactions except for wholesale power transactions, which would be based on rates approved by FERC.
>
> The Commission finds as good cause for the variance to be the need to allow the applicants the ability to attain their projected synergy savings post-merger. The Commission further concludes there is no detriment, or 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, that is related to the granting of this variance in 4 CSR 240.015[*sic*].

Q: Can you briefly summarize the limited variance that the Joint Applicants are requesting as well as the good cause justifying Commission approval?

A: The Joint Applicants request a limited variance from the provisions of 4 CSR 240-20.015 allowing all transactions between the regulated operations of KCP&L, GMO and Westar to occur at cost except for wholesale power transactions, which will be based on rates approved by the FERC. Good cause exists for this variance as it is limited to transactions between GPE's regulated utilities in Missouri and Kansas; the variance is necessary to enable the attainment of post-Transaction savings that will ultimately benefit customers of GPE's utility subsidiaries in Missouri and Kansas; and the Transaction will not be detrimental to the public interest in Missouri.

Q: You previously testified that you would be providing an overview of the Direct Testimony being filed by the Joint Applicants in this matter. Could you please elaborate?

A: Yes, the following individuals are sponsoring Direct Testimony in support of this Application for Variance and the good cause for granting same, including the retail customer and public interest benefits that will accrue from the Transaction, as well as regulatory commitments made by the Joint Applicants:

- Terry Bassham – Overview of the Transaction and its benefits from Great Plains Energy's perspective, including a summary of the benefits to retail customers and the public interest, broadly.
- Kevin E. Bryant – Financial aspects of the Transaction, reasonableness of the purchase price and evidence of the continuing strength of the financial condition of the combined entity post-closing.
- Scott H. Heidtbrink – Operational aspects of the Transaction.
- William Kemp – Savings opportunities resulting from the Transaction.
- Steven P. Busser – Discussion of the integration process, accounting and tax treatment.
- Charles A. Caisley – Public outreach and communication regarding the Transaction, and an overview of the strategy used by GPE's utility subsidiaries with respect to customer service, customer experience and community involvement and key customer satisfaction metrics used by GPE's utility subsidiaries.
- Darrin R. Ives – Description/Analysis of the Application for Variance and discussion of regulatory commitments relating thereto.

Q: You have described the Application for Variance for which the Joint Applicants are seeking approval from this Commission. Are the Joint Applicants willing to make regulatory commitments as a condition for approval of the Application for Variance?

A: Yes. The Joint Applicants are willing to commit to the Proposed Conditions as set out in Schedule DRI-1 attached hereto. The Joint Applicants are making commitments pertaining to:

- Financing conditions related to the Transaction and the Missouri regulated operations of KCP&L and GMO;
- Ratemaking/accounting conditions for Missouri regulated operations;
- The Affiliate Transactions Rule;
- Customer service conditions for Missouri regulated operations;
- Integration matters pertaining to the Transaction;
- Access to records after the Transaction; and
- Parent company commitment.

Q: Please describe in general terms the conditions proposed by the Joint Applicants related to the affiliate transaction rule?

A: KCP&L and GMO commit that they will be operated after the Transaction in compliance with the affiliate transaction rule or in compliance with a Commission approved variance from the rule. KCP&L and GMO also commit to meeting with Staff and OPC no later than six months after the closing of the Transaction to provide a description of the Transaction's expected impact on the allocation of costs and the impact on the KCP&L and GMO cost allocation manuals.

Q: Please describe in general terms the financing conditions proposed by the Joint Applicants.

A: The financing conditions proposed by the Joint Applicants protect customers of GPE's Missouri utility operations from detrimental impact arising from GPE's financing of the Transaction. Additionally, in the highly unlikely event that the Transaction results in a Corporate Credit Ratings downgrade for KCP&L or GMO below investment grade, the financing conditions proposed by the Joint Applicants provide for a process for the restoration of creditworthiness of GPE utility subsidiaries with Missouri regulated operations.

Q: Can you provide examples of specific terms of the financing conditions that protect GPE's utility subsidiaries with Missouri regulated operations and the customers they serve?

A: Yes, as provided in Paragraph A.1. in the attached Schedule DRI-1, KCP&L and GMO will maintain separate capital structures, maintain separate debt, will not guarantee any debt of GPE or any other GPE affiliate, and will maintain separate Corporate Credit Ratings. In short, the financing conditions insulate the finances of the GPE utility subsidiaries with Missouri regulated operations from the financing activities of GPE and other GPE affiliates. This insulation provides protection for the customers of GPE utility subsidiaries with Missouri regulated operations from detrimental financial impacts arising from the Transaction.

Q: Please describe in general terms the proposed ratemaking/accounting conditions.

A: In short, and as is customary in Missouri, the Joint Applicants conditionally commit to not seek recovery of any acquisition premium related to the Transaction. Additionally, the Joint Applicants conditionally commit not to seek recovery of transaction costs associated with 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 Transaction, and communication costs regarding the ownership change with customers and employees.

The condition in Paragraph B.3.b. permitting KCP&L or GMO to request rate recovery of the acquisition premium and transaction costs would be triggered by a proposal by some other party in a KCP&L or GMO general rate case to impute the cost or proportion of debt (i.e., capital structure) issued by GPE to finance the Transaction. The debt GPE incurs to finance the Transaction will be fully dedicated to paying for the acquisition premium and transaction costs associated with the Transaction, and no funds from that Transaction-related debt will be available to support regulated operations of GPE's utility subsidiaries. As such, it would be unfair and unreasonable to set rates for regulated utility service as if that debt had provided funds to support regulated utility operations, but if some party proposes to do so, then KCP&L or GMO should be permitted to seek rate recovery of the costs (acquisition premium and transactions costs of the Transaction) giving rise to that debt. Therefore, if – and only if – some party to a KCP&L or GMO rate case proposes to set retail rates for Missouri customers using a rate of return based on debt issued by GPE to finance the Transaction, then KCP&L or GMO would be permitted to seek rate recovery of the acquisition premium or transaction costs related to the Transaction.

Q: Please describe in general terms the proposed Customer Service Conditions?

A: KCP&L and GMO commit to strive to meet or exceed the customer service and operational levels currently provided to their Missouri retail customers and will continue to meet with Staff on a periodic basis after the close of the Transaction to review service quality performance. KCP&L and GMO commit to providing Staff and OPC on a monthly basis a current organizational chart illustrating the names and positions of management employees that have customer service responsibilities.

Q: What are the Guiding and Fundamental Principles of Integration?

A: As GPE undertakes the process of integrating Westar, KCP&L and GMO – fundamental principles have been adopted to ensure the availability of adequate resources – including but not limited to personnel, equipment and systems – that will enable a smooth transition to ownership and operation of Westar by GPE. These principles are aimed at ensuring the continuation of safe and reliable service that KCP&L and GMO have historically provided their Missouri retail customers while at the same time realizing the cost savings from the Transaction. Joint Applicant witness Steven Busser addresses these matters in more detail in his direct testimony.

Q: How closely will the Joint Applicants work with Commission Staff to ensure continued high-quality customer service after the Transaction?

A: As set forth in Section E of the proposed conditions included in Schedule DRI-1, the Joint Applicants are committing to a substantial level of regular communication, cooperation and transparency with Staff regarding issues of cost-savings, customer service quality, personnel and service reliability during and after the integration process undertaken in connection with the Transaction.

Q: Please describe in general terms the proposed access to records conditions?

A: KCP&L and GMO commit to providing Staff and OPC with access to written information provided to rating analysts which directly or indirectly pertains to GMO or KCP&L or any affiliate that exercises influence or control over KCP&L, GMO or GPE. KCP&L and GMO commit to make available to Staff and OPC all books, records and employees required to verify compliance with KCP&L's and GMO's cost allocation manuals as well other information relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority. KCP&L and GMO commit to provide Staff and OPC access to the GPE Board of Directors' meeting minutes including accompanying materials. KCP&L and GMO commit to maintaining records supporting affiliate transactions for five years. Finally, KCP&L and GMO commit to pay for reasonable Staff costs to access records that are located out of state.

Q: Please describe in general terms the proposed parent company condition.

A: GPE commits that it will uphold the commitments made by KCP&L and GMO.

Q: Will the limited variance to the Commission's affiliate transaction rule be detrimental to the public interest?

A: No. The limited waiver of the affiliate transaction rule requested by the Joint Application will not be detrimental to the public interest, but in fact, will benefit customers of GPE's Missouri regulated operations, as it will permit full realization of Transaction-related cost-savings which will lead to retail rates paid by Missouri customers that are lower than they otherwise would be but for the Transaction.

Q: Do the Proposed Conditions of the Joint Applicants as set forth in Schedule DRI-1 adequately safeguard Missouri ratepayers from detrimental impacts arising from the Transaction?

A: Yes. Although the Joint Applicants strongly believe that Missouri customers of GPE's utility subsidiaries would benefit without the protections contained in the commitments and conditions proposed by Joint Applicants, the proposed commitments protect Missouri customers from potential detrimental impacts due to the Transaction while allowing Missouri customers to realize the benefits of the Transaction. The commitments proposed by the Joint Applicants adequately safeguard Missouri customers and the public interest in Missouri from detrimental impacts of the Transaction.

Q: Please describe GPE's plans regarding the use of Westar's existing headquarters building after the Transaction closes.

A: GPE has committed to continue using Westar's offices at 818 S. Kansas Avenue in Topeka as its overall Kansas headquarters. Although the Joint Applicants have not yet developed plans regarding what specific functions and personnel will be based in Topeka, we believe that it makes good sense for many of the existing Westar employees to continue to office in the Topeka building since GPE's current headquarters office in downtown Kansas City, Missouri does not have sufficient space for substantial numbers of additional employees.

Q: Has GPE also committed to continue to use Westar's Wichita customer contact center?

A: Yes. GPE intends to maintain the existing Westar contact center in Wichita as well as to continue to operate the existing KCP&L contact center in Raytown, Missouri. As described in the Direct Testimony of Scott Heidtbrink, the integration of the two centers needs to be developed and completed in order to capitalize on the potential for enhanced reliability of service due to the back-up capabilities brought about by having two call centers two hundred miles apart.

Q: Is it important for the Missouri Commission to act expediently to approve this request for a limited variance of the affiliate transaction rule?

A: As a general rule, regulatory uncertainty can cause major problems with any transaction of this nature by hindering the ability of the transacting parties to gain access to capital and limit the structuring options of the Transaction. Such transactions require regulatory certainty in order to move forward. The absence of a conclusive resolution of the investigatory docket (File No. EM-2016-0324) has resulted in regulatory uncertainty in Missouri regarding the Transaction. The filing of the Joint Application in this case is an effort to resolve that regulatory uncertainty. Therefore the Joint Applicants ask that the Commission approve the Joint Application as soon as reasonably possible, but in any event no later than an order with an effective date of November 30, 2016. This will permit more flexibility for GPE to access the capital markets when conditions are more favorable for the debt which will be used to finance the Transaction.

Q: Does that conclude your direct testimony?

A: Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

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

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 Direct Testimony on behalf of Great Plains Energy Incorporated, Kansas City Power & Light Company, and KCP&L Greater Missouri Operations Company consisting of seventeen (17) 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 12th day of October 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200

CASE NO. EE-2017-____

A. FINANCING CONDITIONS

The following Financing Conditions shall remain in effect until such time as the Commission may order otherwise in a general rate case or other proceeding brought for that purpose:

1. GPE, KCP&L and GMO shall maintain separate capital structures to finance the activities and operations of each entity unless otherwise authorized by the Commission. Unless the Commission authorizes otherwise, GPE, KCP&L and GMO shall maintain separate Corporate Credit Ratings, and separate debt[1] so that neither GPE, KCP&L nor GMO will be responsible for the debts of each other or their other affiliated companies. GPE, KCP&L and GMO shall also maintain separate revolving credit facilities and commercial paper, if any, unless the Commission authorizes otherwise. GPE, KCP&L and GMO shall also maintain separate preferred stock, if any. Neither KCP&L nor GMO shall guarantee the debt of the other, or of GPE, or of any of GPE's other affiliates, or otherwise enter into make-well or similar agreements, unless otherwise authorized by the Commission. Neither KCP&L nor GMO shall pledge their respective stock or assets as collateral for obligations of any other entity, unless otherwise authorized by the Commission.

2. KCP&L and GMO intend to utilize their respective utility-specific capital structure in general rate case filings subsequent to the close of the Transaction. In such filings, KCP&L or GMO (as applicable) shall provide (a) evidence demonstrating that the Transaction has not resulted in a downgrade to that utility's Corporate Credit Rating that

[1] GMO's Promissory Notes to GPE dated May 19, 2011 and June 15, 2012 that mature June 1, 2021 and June 15, 2022, respectively, are considered separate GMO debt.

exists at the time the general rate case is filed compared to the Corporate Credit Rating of that utility that existed as of May 27, 2016, or (b) if such a Corporate Credit Rating downgrade resulting from the Transaction exists at the time the general rate case is filed, evidence demonstrating that Missouri customers are held harmless from any cost increases resulting from such a downgrade, and (c) evidence supporting the reasonableness of using the utility-specific capital structure of KCP&L or GMO in determining a fair and reasonable rate of return for the applicable utility. GPE, KCP&L and GMO acknowledge that this provision shall not limit the position or positions any party to a rate case may take, or that the Commission may order, regarding the appropriate capital structure to be used for setting rates for KCP&L or GMO.

3. In the event KCP&L or GMO should have its respective Standard & Poor's ("S&P") Corporate Credit Rating downgraded to below BBB- as a result of the Transaction, KCP&L and/or GMO (the "Impacted Utility") commits to file:

a. Notice with the Commission within five (5) business days of such downgrade;

b. A pleading with the Commission within 60 days which shall include the following:

i. Actions the Impacted Utility may take to raise its S&P Corporate Credit Rating to BBB-, including the costs and benefits of such actions and any plan the Impacted Utility may have to undertake such actions;

ii. The change, if any, on the capital costs of the Impacted Utility due to its S&P Corporate Credit Rating being below BBB-;

iii. 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 Corporate Credit Rating below BBB-;

c. File with the Commission, every 45 days thereafter until the Impacted Utility has regained its S&P Corporate Credit Rating of BBB- or above, an updated status report with respect to the items required in ¶A.3.b. above.

4. If the Commission determines that the decline of the Impacted Utility's S&P Corporate Credit Rating to a level below BBB- has caused its 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 levels that existed prior to the ratings decline.

5. In the event KCP&L or GMO's affiliation with GPE or any of its affiliates is the reason for KCP&L or GMO's respective S&P Corporate Credit Rating to be downgraded to below BBB-, KCP&L and/or GMO shall pursue additional legal and structural separation, if necessary, from the affiliate(s) causing the downgrade, and the Impacted Utility shall not pay a common dividend without Commission approval or until the Impacted Utility's S&P Corporate Credit Rating has been restored to BBB- or above.

6. If KCP&L or GMO's respective S&P Corporate Credit Rating declines below BBB- as a result of the Transaction, the Impacted Utility shall file with the Commission a comprehensive risk management plan that assures 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.

7. Neither KCP&L nor GMO shall seek an increase to the cost of capital as a result of the Transaction or KCP&L and GMO's ongoing affiliation with GPE and its

affiliates other than KCP&L and GMO after the Transaction. Any net increase in the cost of capital that KCP&L and GMO seek shall be supported by documentation that: (a) the increases are a result of factors not associated with the Transaction or the post-Transaction operations of GPE 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 Transaction or the post-Transaction operations of GPE 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 Transaction or the post-Transaction operations of GPE 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 Transaction or the post-Transaction operations of GPE or its non-KCP&L and non-GMO affiliates have resulted in capital cost increases for KCP&L or GMO. This commitment shall not restrict the Commission from disallowing such capital cost increases from recovery in KCP&L or GMO's rates.

8. The goodwill arising from the Transaction will be maintained on the books of GPE and is therefore not expected to negatively affect KCP&L or GMO's cost of capital; however, if such goodwill becomes impaired other than as a result of a Commission order and such impairment negatively affects KCP&L or GMO's cost of capital, all net costs associated with the decline in the Impacted Utility's credit quality specifically attributed to the goodwill impairment, considering all other capital cost effects of the Transaction and the impairment, shall be excluded from the determination of the Impacted Utility's rates.

9. For the first five years after closing of the Transaction, GPE 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 30 days after the filing of GPE'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.

B. RATEMAKING/ACCOUNTING CONDITIONS

1. Goodwill associated with the premium over book value of the assets paid for the shares of Westar stock (referred to herewith as "Acquisition Premium") will be maintained on the books of GPE. The amount of any acquisition premium paid for Westar shall not be recovered in retail rates, unless otherwise ordered by the Commission. Nothing herein shall preclude any party from taking a position in any future ratemaking proceedings involving either KCP&L or GMO regarding the ratemaking measures and adjustments necessary to ensure no impact from the acquisition premium on rates. Neither KCP&L nor GMO will seek direct or indirect recovery or recognition in retail rates of any acquisition premium through any purported acquisition savings "sharing" adjustment (or similar adjustment) in current or future rate cases; provided, however, that if any party to any KCP&L or GMO general rate case proposes to impute the cost or proportion of the debt GPE is using to finance the Transaction to either KCP&L or GMO for purposes of determining a fair and reasonable return for either utility, then KCP&L and GMO reserve the right to seek, in any such rate case, recovery and recognition in retail rates of the acquisition premium.

2. 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

Transaction, payments required by the Agreement to be paid to employees who invoke severance payment agreements, and communication costs regarding the ownership change with customers and employees. Neither KCP&L nor GMO will seek either direct or indirect recovery or recognition in retail rates of any transaction costs through any purported acquisition savings “sharing” adjustment (or similar adjustment) in any future rate cases; provided, however, that if any party to any KCP&L or GMO general rate case proposes to impute the cost or proportion of the debt GPE is using to finance the Transaction to either KCP&L or GMO for purposes of determining a fair and reasonable return for either utility, then KCP&L and GMO reserve the right to seek, in any such rate case, recovery and recognition in retail rates of transaction costs.

3. Transition costs are those costs incurred to integrate Westar under the ownership of GPE and include integration planning and execution, and “costs to achieve.” Transition costs include capital and non-capital costs. Non-capital transition costs can be ongoing costs or one-time costs. With the specific prior permission of the Commission, which request for permission can be made in the same general rate case in which cost recovery is sought, non-capital transition costs can be deferred on the books of either KCP&L or GMO to be considered for recovery in KCP&L and GMO rate cases. If subsequent rate recovery is sought, KCP&L and GMO will have the burden of proving that the recoveries of any transition costs are just and reasonable and that the costs provide benefits to Missouri customers.

4. GPE commits that retail rates for Missouri KCP&L and GMO customers shall not increase as a result of the Transaction.

C. AFFILIATE TRANSACTIONS AND COST ALLOCATION MANUAL(CAM) CONDITIONS

1. KCP&L and GMO will be operated after the Transaction in compliance with the Commission's affiliate transaction rule, or will obtain any necessary variances from the Commission's affiliate transaction rule as defined in 4 CSR 240-20.015(10) and 4 CSR 240-80.015(10).

2. GPE 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.

3. Except as permitted by the variance granted pursuant to ¶C.4. below or any other variance that may be granted by the Commission as provided in ¶C.1 above, 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 240-20.015(2) and 4 CSR 240-80.015(2).

4. 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.

5. KCP&L and GMO agree to meet with Staff no later than 60 days after the closing of the Transaction to provide a description of its expected impact on the allocation of costs among GPE's utility and non-utility subsidiaries as well as a description of its expected impact on the CAMs of KCP&L and GMO. No later than six months after the closing of the Transaction but no less than two months before the filing of a general rate case for either KCP&L or GMO, whichever occurs first, KCP&L and GMO agree to file updates to their existing CAMs reflecting process and recordkeeping changes necessitated by the Transaction.

D. <u>CUSTOMER SERVICE CONDITIONS</u>

1. KCP&L and GMO will meet or exceed the customer service and operational levels currently provided to their Missouri retail customers.

2. KCP&L and GMO will continue to meet with Staff Consumer and Management Analysis personnel on a periodic basis, such as quarterly or as Staff deems necessary, after the close of the Transaction, 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.

3. Within thirty (30) days after closing the Transaction, 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 in conjunction with the material provided on a monthly basis pursuant to ¶E.2.c.

4. Additional conditions pertinent to customer service quality and reliability of service during the process of integrating KCP&L, GMO and Westar are addressed in section E., below.

E. INTEGRATION: PRINCIPLES, STATUS UPDATES AND INFORMATION REGARDING OPERATIONS

1. As GPE undertakes the process of integrating Westar, KCP&L and GMO, fundamental principles have been adopted to ensure the availability of adequate resources, including but not limited to personnel, equipment and systems, that will enable a smooth transition to ownership and operation of Westar by GPE. These fundamental principles established to guide the integration project are:

- Maintain both employee and public safety across the combined organization;
- Ensure the combined company is strategically positioned to achieve GPE's long term goals;
- Manage people integration consistent with GPE's Guiding Principles,
  - Cost savings from integration, and staffing for the combined companies, will come from across the combined platform; and
  - Natural attrition, job assignments outside of current responsibilities, voluntary termination packages and severance will be used to reduce headcount;
- Deliver on GPE's financial requirements,
  - Credit metrics; and
  - Efficiencies;

- Maintain and improve customer service and reliability across both states;
- Keep rates lower than they would have been absent GPE's acquisition of Westar by capturing efficiencies and building them into ratemaking in the normal course;
- Generation, transmission and distribution and fleet integration decisions will be premised, designed and implemented to position operations to deliver value over the long-term;
- Standardize key processes using best practices from both organizations; and
- Continue to promote energy efficiency and environmental stewardship.

2. The planning process for the integration of KCP&L, GMO and Westar began with the formation of integration teams in July 2016 and is currently under way. As such, detailed plans regarding post-closing operations and organizational structure are under development and not currently available. Therefore, to keep Staff apprised of the status of integration planning before closing, and to keep Staff and the Commission apprised of the status of integration implementation after closing, KCP&L and GMO shall:

a. Prior to closing of the Transaction – KCP&L and GMO shall meet with Staff to provide an update on the status of integration planning;

b. After closing of the Transaction – 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 Transaction 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 on-the-record update of the status of integration implementation, providing the Commissioners an opportunity to ask questions about the status of integration implementation;

c. After closing of the Transaction – 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 GPE, 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 closing of the Transaction, 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 turn-over 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.

d. After closing of the Transaction – 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"), circuit average interruption frequency index ("CAIFI") and circuit 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.

e. Before closing of the Transaction – KCP&L and GMO shall, for the last full pay period prior to closing, provide Staff, no later than 45 days after closing, a complete listing of employee headcounts (full- and part-time) for GPE, KCP&L, GMO and Westar.

f. After closing of the Transaction – 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 GPE, 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 GPE, KCP&L, GMO and/or Westar that is not under the direct management and supervision of GPE, KCP&L, GMO or Westar employees) or converted to contingent labor as a result of the integration of GPE, KCP&L, GMO and Westar. To the extent that job positions at GPE, KCP&L, GMO or Westar have been eliminated, re-classified or transferred between GPE, KCP&L, GMO or Westar, such eliminations, re-classifications or transfers shall be identified.

g. After closing of the Transaction – KCP&L and GMO shall, for a period of two years after closing, provide Staff any reports or presentations made to the GPE board of directors regarding efficiencies attained as a result of the Transaction. Such reports or presentations shall be provided to Staff within 30 days after being provided to the GPE board of directors. In addition, for a period of two years after closing of the transaction, on a twice-yearly basis, KCP&L and GMO shall provide, no later than 45 days after the conclusion of the relevant six-month period, to Staff a report of the dollar value of efficiencies attained by the combined organization as a result of the Transaction during that six-month period.

h. After closing of the Transaction – KCP&L and GMO shall, for a period of two years after closing, provide Staff, on twice-yearly basis, responses to all customer survey questions dealing with customer satisfaction and experience conducted on KCP&L or 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 the first six-month period shall commence the day the Transaction closes. During the two-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 Transaction, any such survey information would be available for Staff review through the rate case discovery process.

i. The reporting and data provision agreed to herein by GPE, KCP&L and GMO does not change any reporting obligations of GPE, KCP&L or GMO.

3. GPE commits to maintain or improve current load sampling and research practices of KCP&L and GMO after the Transaction, and that KCP&L and GMO will discuss with Staff any modifications planned to integrate Westar into KCP&L and GMO load sampling and research practices.

4. GPE's corporate headquarters will remain at 1200 Main Street in Kansas City, Missouri after the Transaction closes and GPE has also committed in the Agreement to maintain the current Westar headquarters at 818 Kansas Avenue in Topeka, Kansas for GPE's Kansas headquarters after closing. While Transaction-related efficiencies will result in lower employee headcount for the combined organization in both Missouri and Kansas post-closing compared to the two stand-alone organizations prior to closing, GPE expects to achieve such Transaction-related efficiencies in a generally balanced way across both states. This is consistent with one of the five fundamental principles that guided GPE's participation in the competitive

process that resulted in the Agreement, namely, that the states of Kansas and Missouri as well as the communities Westar and GPE's utility subsidiaries serve must benefit.

5. The Transaction is the subject of an application currently before the Kansas Corporation Commission ("KCC") and an order is expected from the KCC no later than April 24, 2017. GPE, KCP&L and GMO are confident that the KCC order in that proceeding will not have a detrimental impact on the public interest in Missouri, GMO or KCP&L's Missouri operations. Within 30 days of the issuance of a final KCC order in that proceeding (Docket No. 1**6**-KCPE-593-ACQ), KCP&L and GMO will cause to be filed in this case supplemental testimony of Mr. Terry Bassham, GPE's Chairman, President and Chief Executive Officer, demonstrating that the Transaction will not have a detrimental impact on the Missouri public interest or GMO or KCP&L's Missouri operations.

F. <u>ACCESS TO RECORDS CONDITIONS</u>

1. 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 GPE. 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.

2. KCP&L and GMO agree to 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 and GMO's CAM and any conditions ordered by this Commission. 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 Transaction.

3. KCP&L and GMO shall provide Staff and OPC access to the complete GPE 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.

4. KCP&L and GMO will maintain records supporting its affiliated transactions for at least five years.

5. 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 the employees, 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 and 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.

G. PARENT COMPANY CONDITION

1. GPE, on behalf of itself, its successors, assignees, and its subsidiaries, agrees that it will uphold the commitments made by KCP&L and GMO herein.