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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-_____

DIRECT TESTIMONY

OF

JOHN P. WEISENSEE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
June 2010**

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DIRECT TESTIMONY

OF

JOHN P. WEISENSEE

Case No. ER-2010-_____

1 **Q: Please state your name and business address.**

2 A: My name is John P. Weisensee. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

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

5 A: I am employed by Kansas City Power & Light Company ("KCP&L") as Regulatory
6 Affairs Manager.

7 **Q: What are your responsibilities?**

8 A: I have primary responsibility for preparing the financial information contained in various
9 regulatory filings in Missouri and Kansas, including filings for KCP&L Greater Missouri
10 Operations Company ("GMO" or "the Company"). GMO operates its electric operations
11 as GMO For All Territories Served As MPS ("MPS") and L&P ("L&P").

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

13 A: I graduated from The University of Texas at Austin in 1977 with a Masters in
14 Professional Accounting. I had previously received my Bachelors of Business
15 Administration degree in Accounting from the same university, summa cum laude. I
16 have been a Certified Public Accountant since 1977. I began my career with KCP&L in
17 January 2007. From 1986 to 2001, I was the Manager, Finance and Accounting for
18 St. Joseph Light & Power Company. In the years between leaving that utility and

1 beginning at KCP&L, I was self-employed as a business consultant in the utility industry
2 and for many other industries.

3 **Q: Have you previously testified in a proceeding before the Missouri Public Service**
4 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**
5 **agency?**

6 A: Yes, I have testified before the MPSC on several occasions while at St. Joseph Light and
7 Power and at KCP&L. In addition, I have testified before the Kansas Corporation
8 Commission.

9 **Q: What is the purpose of your testimony?**

10 A: The purpose of my testimony is to: (i) describe the revenue requirement model and
11 schedules that are used to support the rate increase the Company is requesting for MPS
12 and L&P (Schedules JPW2010-1 through JPW2010-3 attached to this testimony); and (ii)
13 support various MPS and L&P accounting adjustments listed on the summary of
14 adjustments (Schedule JPW2010-4 attached to this testimony).

15 **REVENUE REQUIREMENT MODEL AND SCHEDULES**

16 **Q: Please describe Schedules JPW2010-1 through JPW2010-3.**

17 A: These schedules represent the key outputs of the Company’s revenue requirement model
18 used to support the rate increase that GMO requests in this proceeding. JPW2010-1
19 shows the revenue deficiency calculation. Schedule JPW2010-2 lists the rate base
20 components, along with the sponsoring Company witnesses. Schedule JPW2010-3 is the
21 adjusted income statement.

22 **Q: Were the schedules prepared either by you or under your direction?**

23 A: Yes, they were.

1 Q: Please describe the process the Company used to determine the requested rate
2 increase.

3 A: We utilized a standard ratemaking process to determine the rate increase request. We
4 used historical test year data from the financial books and records of the Company as the
5 basis for operating revenues, operating expenses and rate base. We then adjusted the
6 historical test year data to reflect: (i) normal levels of revenues and expenses that would
7 have occurred during the test year; (ii) annualizations of certain revenues and expenses;
8 (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable
9 changes that have been identified since the end of the historical test year. We subtracted
10 operating expenses from operating revenues to arrive at operating income. We then
11 divided operating income by rate base to calculate the rate of return prior to the requested
12 rate increase. The requested rate increase is the amount necessary for the post-increase
13 calculated rate of return to equal the rate of return supported by GMO witness Dr.
14 Samuel C. Hadaway.

15 **TEST YEAR**

16 Q: What historical test year did GMO use in determining rate base and operating
17 income?

18 A: The revenue requirement schedules are based on a historical test year of the twelve
19 months ending December 31, 2009 with known and measurable changes projected
20 through December 31, 2010. We will update the schedules as of June 30, 2010 and then
21 true up to actuals as part of the true-up process.

1 Q: Why was this test year selected?

2 A: The Company used the twelve-month period ending December 31, 2009 for the test year
3 in this rate proceeding as that period reflects the most currently available quarterly
4 financial information at the time the revenue requirement was prepared.

5 Q: Does test year expense reflect an appropriate allocation of KCP&L overhead to
6 GMO and other affiliated companies?

7 A: Yes, KCP&L incurs costs for the benefit of GMO and other affiliates and these costs are
8 billed out as part of the normal accounting process. All costs, labor and non-labor, are
9 charged to projects at KCP&L and certain projects are set up to allocate costs among the
10 various companies based on appropriate cost drivers or to assign costs directly to the
11 benefiting affiliate.

12 Q: Are certain costs incurred by GMO and allocated to KCP&L?

13 A: Yes, although not as significant as costs allocated to GMO, certain costs are incurred by
14 GMO and allocated to KCP&L.

15 JURISDICTIONAL/UTILITY ALLOCATIONS

16 Q: Have jurisdictional/utility allocation factors been developed for the MPS and L&P
17 jurisdictions?

18 A: Yes. Since MPS electric operations encompass both retail and wholesale jurisdictions, it
19 is appropriate to develop allocation factors to segregate the electric retail jurisdictional
20 operations from wholesale jurisdictional operations for this case. L&P operations include
21 costs associated with the provision of Lake Road Station electric and steam service. As
22 such, allocation factors have been developed to separate costs between the two utilities.

1 **Q: Please explain the categories of jurisdictional allocations used to separate retail and**
2 **wholesale operations for MPS operations.**

3 A: Separate allocation factors were developed to separate costs using the following cost
4 drivers: (1) Demand (Capacity), (2) Energy, (3) Transmission, (4) Distribution, (5)
5 Payroll, and (6) Plant. These factors were applied to their associated cost of service
6 components to create a split between the retail and wholesale operations for MPS
7 operations.

8 **Q: What allocation factors were used in the current rate case to separate MPS's retail**
9 **and wholesale jurisdictions?**

10 A: The allocation factors are described in Schedule JPW2010-6.

11 **Q: Please describe the L&P operations at its Lake Road generation facility.**

12 A: Two separate products are produced at the L&P Lake Road Station: electricity for L&P's
13 electric power grid and process steam delivered to industrial customers located near the
14 Lake Road Station. The two business operations are referred to as the electric and steam
15 utilities.

16 **Q: What allocation factors were used in the current rate case to separate L&P cost of**
17 **service between electric and steam products?**

18 A: The allocation factors are described in Schedule JPW2010-6.

19 **Q: Is the Lake Road allocation method used in the current rate case consistent with the**
20 **method used in Case No. ER-2009-0090 ("2009 Case")?**

21 A: Yes, the methodology is consistent with that employed in GMO and former Aquila, Inc.
22 ("Aquila") L&P rate cases since Case No. HR-2005-0450, wherein it was stipulated that

1 "Aquila will continue to allocate the cost of Lake Road operations between steam and
2 electric in the Aquila Networks - L&P division...."

3 **ADJUSTMENTS**

4 **Q: Please discuss Schedule JPW2010-4.**

5 A: This schedule presents a listing of adjustments to net operating income for the 12 months
6 ended December 31, 2009 test year, along with the sponsoring Company witnesses.
7 Various Company witnesses will support, in their direct testimony, the need for each of
8 these adjustments.

9 **Q: Please explain the adjustments to reflect normal levels of revenues and expenses.**

10 A: These adjustments are made to reflect retail revenue and bad debt levels that would have
11 occurred if the weather had been "normal" during the test year. Also included are
12 adjustments to reflect a "normal" level of maintenance expense. This is necessary
13 because, for example, turbine maintenance does not occur every year. Thus, an
14 individual generating unit may have large variations in maintenance from year to year.

15 **Q: Please explain the adjustments to annualize certain revenues and expenses.**

16 A: Revenues are annualized to reflect anticipated customer growth during the true up period.
17 Annualization adjustments have been made to reflect an annual level of expense in
18 various expenses, such as the annualization of payroll and depreciation expenses. The
19 former reflects a full year's impact of recent pay increases, while the latter reflects the
20 impact of a full-year's depreciation on recent plant additions.

21 **Q: Please explain the adjustments to amortize regulatory assets and liabilities.**

22 A: Various regulatory assets and liabilities have been established in past GMO/Aquila
23 Missouri rate cases. These assets/liabilities are then amortized over the number of years

1 authorized in the Orders for the applicable rate cases. Adjustments are sometimes
2 necessary to annualize the amortization amount included in the test year.

3 **Q: Please explain the adjustments to reflect known and measurable changes that have**
4 **been identified since the end of the historical test year.**

5 A: These adjustments are made to reflect changes in the level of revenues, expenses, rate
6 base and cost of capital that either have occurred or are expected to occur prior to the
7 true-up date in this case, December 31, 2010. For example, payroll expense has been
8 adjusted for known and measurable pay increases.

9 **Q: Do all of these adjustments, listed on Schedule JPW2010-4 and discussed**
10 **throughout the remainder of this testimony, entail an adjustment of test year**
11 **amounts?**

12 A: Yes, the adjustments described below and summarized on Schedule JPW2010-4 reflect
13 adjustments to the test year ended December 31, 2009.

14 **RB-20 PLANT IN SERVICE**

15 **Q: Please explain adjustment RB-20.**

16 A: We rolled December 31, 2009 plant balances forward to December 31, 2010, by using the
17 Company's 2010 capital budget, which includes both capital additions and retirements.

18 **Q: What is the projected Iatan 2 balance that is included in rate base in this rate**
19 **proceeding?**

20 A: We have projected a balance of about \$239.3 million for MPS and \$88.0 million for L&P
21 (amounts include Allowance for Funds used during Construction ("AFUDC") but
22 exclude currently identified costs classified as common between Unit 1 and Unit 2).
23 Company witness Brent C. Davis discusses the Iatan 2 in-service in his direct testimony,

1 and Company witness Burton L. Crawford discusses the GMO Iatan 2 assignment in his
2 direct testimony.

3 **RB-25 AND CS-111 IATAN 1 REGULATORY ASSET**

4 **Q: Please explain adjustment RB-25.**

5 A: Pursuant to the terms of the Non-Unanimous Stipulation and Agreement that was
6 approved by the Commission in the 2009 Case on June 10, 2009 ("2009 S&A"), GMO
7 was authorized to include in a regulatory asset depreciation expense and carrying costs
8 for the Iatan Unit 1 Air Quality Control System ("AQCS") and Iatan common plant not
9 included in rate base in that case. Adjustment RB-25 rolls forward the regulatory asset
10 balance from December 31, 2009 to December 31, 2010 based on projected depreciation
11 expense and carrying costs during that period.

12 **Q: What do you mean by the term Iatan common plant?**

13 A: A component of the construction of the Iatan 1 Unit AQCS and Iatan Unit 2 is equipment
14 and facilities to be used by and for the benefit of both Iatan Unit 1 and Iatan Unit 2.
15 Examples include a shared chimney, water treatment facilities, and rail facilities.

16 **Q: What is the projected regulatory asset balance that is included in rate base in this
17 rate proceeding?**

18 A: We have projected December 31, 2010 balances of about \$2.6 million and \$1.8 million
19 for MPS and L&P, respectively.

20 **Q: Is this regulatory asset property includable in rate base?**

21 A: Yes, the 2009 S&A provided for rate base treatment.

1 **Q: Please explain adjustment CS-111.**

2 A: We annualized the amortization of this regulatory asset based on the remaining
3 depreciable life of the Iatan Unit 1 AQCS, pursuant to Federal Energy Regulatory
4 Commission ("FERC") account 312, or 27 years, as reflected in the depreciation study
5 supported in the direct testimony of Company witness John Spanos in the current GMO
6 rate case.

7 **Q: Will this amortization continue for 27 years?**

8 A: Yes, pursuant to the 2009 S&A. However, the Company recommends transferring this
9 regulatory asset to plant accounts effective with new rates in this rate proceeding. The
10 carrying cost portion of the regulatory asset would be transferred to Plant in Service
11 while the depreciation portion of the regulatory asset would be transferred to the Reserve
12 for Depreciation.

13 **Q: Why is this transfer recommended?**

14 A: Administratively, tracking these deferred costs will be much easier if the costs are
15 included in the Company's property record system, as part of the overall Iatan Unit 1
16 plant costs, rather than tracking the regulatory asset for 27 years.

17 **Q: Why does this request make sense from a regulatory standpoint?**

18 A: The purpose of the regulatory asset was to bridge Iatan Unit 1 AQCS and common plant
19 between the 2009 Case and the current rate case. That is, under terms of the 2009 S&A
20 only Iatan 1 AQCS and common plant costs paid or approved for payment as of May 31,
21 2009 were allowed in rate base in the 2009 Case. The intention was not to disallow costs
22 not paid or approved for payment at that date, but rather to allow these costs in rate base
23 in the next rate proceeding (the current rate case). Therefore, it seems logical that at the

1 end of this rate proceeding all Iatan Unit 1 AQCS and common plant costs should be
2 included in plant accounts going forward.

3 **Q: Would this transfer have any ratemaking impact?**

4 A: No. The unrecovered deferred costs would be included in rate base in future years
5 whether the costs are identified as a regulatory asset or included in plant accounts.
6 Correspondingly, depreciation expense will be recognized at the appropriate level.

7 **Q: What specific request is the Company making of the Commission on this subject?**

8 A: We request that the deferred depreciation portion of the Iatan 1 Unit AQCS and Iatan
9 common cost regulatory asset be transferred to FERC account 108, Reserve for
10 Depreciation, as a reduction in that balance and that the carrying cost portion of the
11 regulatory asset be transferred to FERC account 101, Plant in Service, as an increase in
12 that balance. Alternatively, in the event the Commission does not grant this request, we
13 ask that the amortization period for the regulatory asset be set at the remaining
14 depreciable life of Iatan Unit 1, or 27 years.

15 **Q: Exclusive of the regulatory asset, what is the amount of Iatan Unit 1 AQCS Plant-in-
16 Service included in this rate proceeding, including common plant?**

17 A: We have included a balance of \$109.0 million in L&P's case and \$28.4 million in MPS's
18 case.

19 **RB-30 RESERVE FOR DEPRECIATION**

20 **Q: Please explain adjustment RB-30.**

21 A: This adjustment rolls forward the Reserve for Depreciation from December 31, 2009 to
22 balances projected as of December 31, 2010.

1 **Q: How was this roll-forward accomplished?**

2 A: The depreciation/amortization provision component was calculated in two steps: (i) by
3 multiplying the December 2009 provision times twelve to approximate the provision that
4 would be charged to the Reserve for Depreciation from January 2010 through December
5 2010 (twelve months) for plant existing at December 31, 2009; and (ii) by estimating the
6 depreciation/amortization attributable to projected net plant additions from January 2010
7 through December 2010. In the second step, we assumed the net plant additions occurred
8 ratably over this period except for the Iatan Unit 2 generating unit for which we utilized
9 the expected in-service date.

10 **Q: How were the retirement and net salvage components included in the roll-forward?**

11 A: These components were primarily based on budgeted activity during the period January
12 2010 through December 2010.

13 **RB-40/RB-127/CS-106 SIBLEY REBUILD/WESTERN COAL (MPS ONLY)**

14 **Q: Please explain adjustment RB-40.**

15 A: This adjustment relates to costs deferred by Accounting Authority Orders ("AAO")
16 issued by the Commission in Case Nos. EO-90-114 and EO-91-358, in connection with
17 MPS's Sibley Rebuild Program and the Sibley Western Coal Conversion Project,
18 respectively.

19 **Q: Please discuss the two projects.**

20 A: The Sibley Rebuild Program extended the life of its three generating units by twenty
21 years. Without this rebuild program, MPS would have had to find alternative sources of
22 energy before Sibley Units 1 and 2 were retired from use in 1990 and Sibley Unit 3 by
23 the mid-1990s. The Sibley Western Coal Conversion Project allowed MPS to achieve

1 significant reductions in sulfur dioxide ("SO₂") emissions at the Sibley Generating
2 Station. This project allowed MPS to stay in compliance with the Clean Air Act
3 amendments and to protect the environment.

4 **Q: What costs are being deferred by MPS in rate base adjustment RB-40?**

5 A: MPS's AAO addition to rate base includes deferred depreciation and carrying costs
6 associated with the plant-in-service resulting from these Sibley projects as of December
7 31, 2010.

8 **Q: Please explain adjustment RB-127.**

9 A: This adjustment reflects accumulated deferred income taxes ("ADIT") on the
10 unamortized deferred AAO balances at December 31, 2010.

11 **Q: Please explain adjustment CS-106.**

12 A: This adjustment represents the annual amortization of the AAO amounts included in rate
13 base.

14 **Q: What has been the treatment of the unamortized balance of the Sibley-related
15 AAOs, associated ADIT, and amortization expense in past rate proceedings
16 involving MPS?**

17 A: The Company and the MPSC Staff have included the recovery of the unamortized
18 balance of AAOs in rate base, net of associated ADIT, and include the related
19 amortization expense in cost of service.

20 **RB-44 AND CS-44 ECONOMIC RELIEF PILOT PROGRAM**

21 **Q: Please explain adjustment RB-44.**

22 A: As part of the 2009 S&A, the Company was authorized to defer to a regulatory asset 50%
23 of its Economic Relief Pilot Program ("ERPP") costs until the next GMO rate case (the

1 current case), with cost recovery to be determined at that time. The remaining 50% of
2 costs are to be borne by shareholders. This adjustment reflects projected deferred ERPP
3 costs as of December 31, 2010. Company witness Jim Alberts discusses the ERPP
4 program in his direct testimony in this case.

5 **Q: Please explain adjustment CS-44.**

6 A: This adjustment reflects a three-year amortization of the projected deferred ERPP costs at
7 December 31, 2010. This adjustment also includes one-half of the ongoing level of
8 expenses expected for this program.

9 **Q: Why was this amortization period selected?**

10 A: A three-year period was selected to coincide with the three-year pilot program described
11 in the ERPP tariff approved by the Commission in the 2009 Case. The Company
12 requests the Commission to authorize in this rate proceeding a three-year amortization of
13 ERPP costs deferred prior to the establishment of a cost recovery mechanism in this case.
14 The Company also requests that cost recovery for ongoing costs during the pilot program
15 be established so that one-half of the ongoing costs for this program is included in cost of
16 service.

17 **RB-50 PREPAYMENTS**

18 **Q: Please explain adjustment RB-50.**

19 A: We normalized this rate base item based on a thirteen-month average of prepayment
20 balances. Prepayment amounts can vary widely during the course of the year and an
21 averaging method minimizes these fluctuations.

22 **Q: Is there one specific type of prepayment that makes up most of the prepaid balance?**

23 A: Yes, about 85% of the balance relates to prepaid insurance.

1 Q: What period was used for the thirteen-month averaging?

2 A: We used the period December 2008 through December 2009.

3 Q: Did the MPSC Staff use thirteen-month averaging for Prepayments in the 2009
4 Case?

5 A: Yes, they did.

6 **RB-51 PREPAYMENTS- PENSIONS (L&P ONLY)**

7 Q: Please explain adjustment RB-51.

8 A: The Nonunanimous Stipulation and Agreement Regarding Pensions in the 2009 Case
9 provides the following:

10 *The customer rates established in this case for the territory GMO formerly served*
11 *as MPS will include a \$2,110,436 annual provision, prior to capitalization, for electric*
12 *jurisdictional prepaid pension amortization. This amortization is in effect for a five and*
13 *one-half (5 ½) year period beginning with the effective date of rates established in Case*
14 *No. ER-2004-0034, and concluding October 31, 2009. The customer rates established in*
15 *this case for the territory GMO formerly served as L&P will include a \$3,352,742 annual*
16 *provision, prior to capitalization, for electric jurisdictional prepaid pension amortization.*
17 *This amortization is in effect for a nine and one-quarter (9 ¼) year period beginning with*
18 *the effective date of rates established in Case No. ER-2004-0034, and concluding July 31,*
19 *2013. The unamortized balances of the regulatory assets established as result of this*
20 *ratemaking treatment are included in the respective rate bases*

1 **Q: Has the Company included in this rate case a prepaid pension amount in rate base**
2 **consistent with the amounts in this Stipulation and Agreement?**

3 A: The Company has included in L&P's rate base the December 31, 2010 unamortized
4 portion of prepaid pension balances. No amount has been included in MPS's rate base in
5 this rate proceeding since the prepaid balance was fully amortized as of October 31,
6 2009.

7 **Q: Is the amortization of the prepaid balances included in cost of service in this case?**

8 A: L&P's test year cost of service includes a full year's amortization expense; therefore, no
9 further rate case adjustment is necessary. MPS's test year cost of service also includes a
10 full year's amortization and that expense has been removed from cost of service in this
11 case. Prepaid pension amortizations and their effect on overall pension expense in this
12 case is discussed later in this testimony (adjustment CS-65).

13 **RB-55 AND CS-22 EMISSION ALLOWANCES**

14 **Q: Please explain adjustment RB-55.**

15 A: The Company is required to obtain rights from the federal government for the production
16 of SO₂ emissions resulting from fossil fuel consumption in its power plants. These rights
17 are secured through the acquisition of emission allowances, which are consumed as the
18 various plants operate. This adjustment normalizes the SO₂ allowance inventory.

19 **Q: What method was used to calculate the SO₂ emission allowance inventory?**

20 A: Adjustment RB-55 is based on a thirteen-month average of the SO₂ emission allowance
21 inventory (FERC account 158.1) maintained by MPS and L&P for the period December
22 2008 through December 2009. Since the allowances are purchased by MPS and then
23 allocated annually to L&P, the monthly balances were averaged in total and then

1 allocated based upon actual allowance purchases for test year usage. This balance was
2 then offset by the unamortized amount held in account 254 for the proceeds from the sale
3 of Environmental Protection Agency ("EPA") withheld allowances sold at auction.

4 **Q: Please explain adjustment CS-22.**

5 A: This adjustment amortizes the proceeds received from the sale of EPA SO₂ emission
6 allowances.

7 **Q: Why have MPS and L&P received proceeds from an EPA auction of SO₂**
8 **allowances?**

9 A: Each year, in addition to the EPA allocated free allowances provided to MPS and L&P,
10 the EPA holds back a certain number of SO₂ emission allowances allocated to each
11 covered company. These allowances are held by the EPA for the specific purpose of
12 having allowances available for auction. Once these allowances are sold at the annual
13 EPA allowance auction, the proceeds are forwarded to the associated companies.

14 **Q: How was adjustment CS-22 calculated?**

15 A: The balance in account 254 is segregated by vintage. The first vintage includes
16 allowance proceeds included in the Case No. ER-2007-0004 ("2007 Case"), with the
17 second vintage including proceeds received subsequent to the 2007 Case and included in
18 the 2009 Case. The third vintage includes proceeds received subsequent to the 2009
19 Case. Each vintage is being amortized over five years.

20 **Q: Why are these proceeds being amortized as an offset to expense?**

21 A: Since the expense associated with the purchase and usage of SO₂ emission allowances is
22 includable in cost of service, the proceeds from the sale of allocated allowances are

1 appropriately flowed through to reduce the overall cost of service and therefore shared
2 with MPS and L&P customers.

3 **Q: Why is the sharing of the proceeds being amortized over a period of five years?**

4 A: These proceeds have been accumulating in account 254 for a number of years.
5 Therefore, the sharing of the proceeds over a five year period spreads this accumulation
6 and fairly shares this cost reduction with the MPS and L&P customers. The amortization
7 of the current vintaged amount over five years is consistent with the presentation made in
8 the 2007 Case and the 2009 Case.

9 **RB-63 PENSION TRACKER**

10 **Q: Please explain adjustment RB-63.**

11 A: The Nonunanimous Stipulation and Agreement Regarding Pensions in the 2009 Case
12 provides the following:

13 *Separately for MPS and L&P, GMO is authorized to reflect pension cost equal to*
14 *the respective provision for the ERISA minimum and record the difference*
15 *between the ERISA minimum and the annual provision for pension cost as a*
16 *regulatory asset or liability. These regulatory assets and/or liabilities will*
17 *continue to be tracked beginning with the effective date of rates in this case and*
18 *will be included in the rate bases of MPS and L&P in GMO's next rate case and*
19 *amortized over five- (5) year periods.*

20 As such, the Company has collected in rates certain amounts for pension expenditures.
21 These collections are compared to actual contributions. The difference between these
22 amounts is treated as a regulatory asset or liability. RB-63 reflects the projected
23 December 31, 2010 regulatory assets/liabilities.

1 Q: On December 31, 2010, will the tracking mechanism described above be a
2 regulatory asset or liability?

3 A: For both MPS and L&P, a regulatory asset will exist and is reflected as an addition to rate
4 base in this proceeding. As a result, the amortization of these assets increases cost of
5 service. These amortizations have been included in pension expense in this case, as
6 discussed later in this testimony (adjustment CS-65).

7 Q: Once new rates become effective in this rate proceeding will these regulatory assets
8 be adjusted for future differences between amounts included in cost of service and
9 amounts contributed?

10 A: No, the Company proposes in this case that pension cost of service no longer be based on
11 contributions, but rather on pension accrual accounting. Company witness C. Kenneth
12 Vogl discusses this proposed change in more detail in his direct testimony. As a result,
13 the existing regulatory assets will be amortized until the balances reach \$0. A different
14 pension tracking mechanism will be implemented subsequent to the effective date of new
15 rates in this proceeding, based on pension accrual accounting, as discussed by Mr. Vogl.

16 **RB-70 CUSTOMER DEPOSITS**

17 Q: Please explain adjustment RB-70.

18 A: We examined customer deposit balances from December 2008 through December 2009.
19 For MPS, we observed a declining balance and therefore chose to use the December 31,
20 2009 balance in rate base. For L&P we observed some fluctuation, but did not observe a
21 trend up or down. Therefore, we chose to include a thirteen-month average in rate base.

1

RB-71 CUSTOMER ADVANCES

2 **Q: Please explain adjustment RB-71.**

3 A: We examined customer advance balances from December 2008 through December 2009.
4 For MPS we observed a declining balance and therefore chose to use the December 31,
5 2009 balance in rate base. For L&P we observed some fluctuation, but did not observe a
6 trend up or down. Therefore, we chose to include a thirteen-month average in rate base.

7

RB-72 MATERIALS AND SUPPLIES

8 **Q: Please explain adjustment RB-72.**

9 A: We reviewed the individual Material and Supplies category balances during the period
10 December 2008 through December 2009 to determine if there was a discernable trend,
11 either upward or downward, and also to determine volatility. If there was a trend, the test
12 year-end balance was not adjusted. Otherwise, a thirteen-month average was used.

13

RB-100 AND CS-100 ENERGY EFFICIENCY COSTS

14 **Q: Please explain adjustments RB-100 and CS-100.**

15 A: In accordance with the 2009 S&A, the Company established a regulatory asset to
16 accumulate energy efficiency/demand side management ("EE/DR") costs and annually
17 calculate carrying costs on the balance in that regulatory asset, with rate base treatment
18 and a ten-year amortization. Adjustment RB-100 rolls forward the deferred costs from
19 December 31, 2009 to December 31, 2010 based on budgeted expenditures during this
20 time period less amounts amortized in rates during the period. Company witness Tim
21 Rush discusses these programs and cost recovery in his direct testimony in this case.

1 Q: **Please explain adjustment CS-100.**

2 A: This adjustment includes the annual amortization of EE/DR costs based on the projected
3 deferred cost balance included in adjustment RB-100 and a ten-year amortization.

4 **RB-125 ACCUMULATED DEFERRED INCOME TAXES**

5 Q: **Please explain adjustment RB-125.**

6 A: The ADIT rate base offset reflected in adjustment RB-125 includes the accumulation of
7 the tax effect of timing differences between the general ledger and tax accounting
8 records, items referred to as Schedule Ms in the Company's annual tax returns. They
9 include timing differences on MPS's and L&P's FERC accounts 190, 282 and 283, as
10 well as corporate common timing differences that are allocated to MPS and L&P. The
11 most significant activity relates to plant.

12 Q: **Are all account 190, 282 and 283 balances included in this rate base offset?**

13 A: No, only revenue requirement-related balances are included.

14 Q: **Why does ADIT affect rate base?**

15 A: ADIT liabilities such as accelerated depreciation are considered a cost-free source of
16 financing for ratemaking purposes. Ratepayers should not be required to provide for a
17 return on plant in service that has been funded by the government in the form of reduced
18 (albeit temporarily) taxes. As a result, ADIT liabilities are reflected as a rate base offset
19 (reduction in rate base). Conversely, ADIT assets increase rate base. GMO has paid
20 taxes to the governments in advance of the time when such taxes are included in cost of
21 service and are collected from ratepayers. To the extent taxes are paid, the Company
22 must borrow money and/or use shareholder funds. The increase to rate base for deferred

1 income tax assets allows shareholders to earn a return on shareholder provided funds
2 until recovered from ratepayers through ratemaking.

3 **Q: What time period was used for ADIT in this case?**

4 A: AIDT is based on December 31, 2009 general ledger balances adjusted for plant activity
5 through December 31, 2010.

6 **CASH WORKING CAPITAL**

7 **Q: Please explain adjustment RB-95.**

8 A: This adjustment establishes the Cash Working Capital ("CWC") balance to be included in
9 rate base in this rate proceeding, summarized on Schedule JPW2010-5.

10 **Q: Why is it necessary to calculate an amount of CWC?**

11 A: CWC is the amount of cash required by a utility to pay the day-to-day expenses incurred
12 to provide utility service to its customers. A lead/lag study is generally used to analyze
13 the cash inflows from payments received by the company and the cash outflows for
14 disbursements paid by the company. When the utility receives payment from its retail
15 customers for utility service less quickly than it makes the disbursements for utility
16 expenses, then the company would have positive cash working capital requirements.
17 Conversely, when the utility receives payment from its retail customers for utility service
18 more quickly than it makes the disbursements for utility expenses, then the company
19 would have negative cash working capital requirements.

20 **Q: How did GMO determine the amount of CWC?**

21 A: We applied lead/lag factors to the appropriate cost of service amounts. The application
22 of the individual lead/lag factors to applicable amounts is shown on Schedule JPW2010-
23 5.

1 **Q: Were any of the factors updated from those used in the 2009 Case?**

2 A: Yes, several factors were updated, primarily related to Great Plains Energy
3 Incorporated's ("Great Plains Energy") acquisition of the former Aquila Missouri electric
4 operations in July 2008.

5 **Q: Why would this acquisition affect CWC in this case?**

6 A: Aquila's former Missouri electric operations are now operated under GMO. The
7 Company's accounts payable and payroll functions are performed by KCP&L (with an
8 inter-company billing to GMO for the processing costs). As a result, the timing of
9 payments is different than existed previously for Aquila. Therefore, it was necessary to
10 update many CWC expense lead/lag factors.

11 **Q: What expenses were affected by this update?**

12 A: All payroll-related CWC line items were affected. In addition, many expenses were
13 affected since most expenses are paid through the accounts payable system.

14 **Q: Were there any expenses not affected?**

15 A: Yes, most notably fuel-related expenses. While these costs are paid through the accounts
16 payable system, the timing is based on fuel and purchased power contracts unique to
17 GMO and that existed under Aquila. Therefore, for these costs we continue to use the
18 lead/lag factors used previously by Aquila.

19 **Q: What lead/lag factors were adopted for this case related to KCP&L's accounts
20 payable and payroll processing for GMO?**

21 A: All expense lead/lag factors affected by the accounts payable and payroll functions were
22 updated to match the corresponding factors used by KCP&L in its Missouri rate filings.

1 Q: **Were any lead/lag factors changed unrelated to the Aquila acquisition?**

2 A: Yes, we updated the retail revenue lag as we do in each case, primarily because of its
3 significant impact on the CWC calculation.

4 Q: **Please explain how you updated this factor.**

5 A: We revised the retail revenue lead/lag factor primarily to reflect the proper collection
6 lag. The retail revenue factor used by the Company in the 2009 Case was 39.18 days,
7 made up of three components: service period lag, billing lag and collection lag. The
8 service period lag was retained at 15.21 days. The billing lag was reduced to 2.0 days.
9 We reflected a change in the collection lag from 20.85 days to 26.48 days. We included a
10 float lag of 0.25 days. This resulted in a total retail revenue lag of 43.94 days.

11 **R-21 FORFEITED DISCOUNTS**

12 Q: **Please explain adjustment R-21.**

13 A: We normalized forfeited discounts by computing MPS and L&P-specific forfeited
14 discount factors based on test period forfeited discounts and revenues and applying these
15 factors to MPS and L&P jurisdictional weather-normalized revenue, respectively.

16 **R-30 AND CS-30 INTER-COMPANY OFF-SYSTEM SALES**

17 Q: **Please explain adjustments R-30 and CS-30.**

18 A: These adjustments eliminate the inter-company transactions between MPS and L&P that
19 were recorded during the test year (R-30 for revenues and CS-30 for costs).

1 **CS-11 OUT-OF-PERIOD ITEMS / MISCELLANEOUS ADJUSTMENTS**

2 **Q: Please explain adjustment CS-11.**

3 **A:** We adjusted certain expense transactions recorded during the test year from the cost of
4 service filing in this rate case. The following is a listing of the more significant
5 adjustments:

6 Non-recoverable costs - The Company has identified certain costs recorded during the
7 test year for which it is not seeking recovery in this rate proceeding, totaling about \$2.7
8 million and \$0.2 million for MPS and L&P, respectively. These costs primarily involve
9 various employee appreciation costs, non-recurring additional compensation, officer
10 long-term incentive compensation, and certain expense report charges. We believe the
11 costs were ordinary and reasonable business expenses; however, we do not believe such
12 costs should be borne by ratepayers. If we become aware of any additional costs of this
13 nature included in the test year but not included in adjustment CS-11 we will accumulate
14 such costs and provide this information to the MPSC Staff.

15 Corporate overhead allocation - Certain overhead costs recorded on KCP&L's books are
16 allocated to affiliated companies. We adjusted the test year allocation percentages to
17 reflect percentages in effect in 2010, resulting in an increase in MPS and L&P cost of
18 service of about \$702,000 and \$184,000, respectively.

19 **CS-20 BAD DEBTS**

20 **Q: Please explain adjustment CS-20.**

21 **A:** We adjusted bad debt expense by applying MPS and L&P-specific net bad debt write-off
22 factors to MPS and L&P weather-normalized revenue, respectively, including the
23 requested rate increases.

1 Q: **How were the bad debt factors determined?**

2 A: We examined net bad debt write-offs on an MPS and L&P-specific basis as compared to
3 the applicable revenues that resulted in the bad debts.

4 Q: **Over what period was this experience analyzed?**

5 A: Net bad debt write-offs were for the test year, January 2009 through December 2009,
6 while the related retail revenue was for the 12-month period July 2008 through June
7 2009.

8 Q: **Why were different periods used for the calculation?**

9 A: There is significant time lag between the date that revenue is recorded and the date that
10 any resulting bad debt write-off is recorded, time spent on various collection efforts.
11 While the time can vary depending on circumstances, we assumed a six-month lag,
12 representing the standard amount of time between when a customer is first billed and the
13 time when an account is disconnected and the receivable subsequently written off.

14 Q: **The term "net" write-offs is used. What does it mean?**

15 A: This term refers to accounts written off less recoveries received on accounts previously
16 written off.

17 **CS-40 AND CS-41 TRANSMISSION AND DISTRIBUTION MAINTENANCE**

18 Q: **Please explain adjustments CS-40 and 41.**

19 A: These adjustments are for the purpose of including a normal level of transmission and
20 distribution ("T&D") maintenance expense in the case, based on test year expense levels.

1 Q: In the 2009 Case, GMO proposed using multi-year averaging together with the
2 Handy-Whitman Index (“HW Index”) to address price volatility. Why did the
3 Company choose not to utilize this approach in the current rate case?

4 A: We chose to use test year costs due to new vegetation management rules enacted in late
5 2007 and implemented during 2008. About 80% of T&D non-labor costs relate to the
6 vegetation management program and therefore using a five-year average of costs (2005-
7 2009) would have been distortive, since several of those years would not have included
8 the incremental costs associated with the new vegetation management rules. We
9 concluded that using test year costs would be more representative of current cost levels.

10 Q: Does this mean the Company will not want to use multi-year averaging, with either
11 the HW Index or some other index, in the future?

12 A: No, absent the effect of a significant new rule or process we believe multi-year averaging,
13 with consideration of price volatility, is the preferred normalization method. Once most,
14 if not all, of the years in a multi-year average include the effect of the new vegetation
15 management rules then a return to multi-year averaging, together with recognition of
16 price volatility, would be appropriate.

17 Q: Do you believe HW Index factors are the best factors to use to normalize T&D costs,
18 when a multi-year normalization is appropriate.

19 A: Probably not. The underlying data to the HW Index is strongly influenced by utility
20 production construction and operations; hence, its primary value lies in normalizing
21 production maintenance expense, as discussed later in this testimony (adjustment CS-42).
22 The contrast between T&D operations and production operations is clearly an “apple”

1 and "orange" comparison. As such, for T&D maintenance expense, other analysis is
2 more appropriate to better capture price volatility.

3 **Q: What is the Company's recommended alternative?**

4 A: Analysis using GMO-specific costs provides a more realistic view of the expected trend
5 in T&D maintenance costs.

6 **Q: What specific factor does the Company recommend to account for this volatility and
7 the rising cost environment?**

8 A: We recommend an escalation factor based on GMO-specific vegetation management
9 contractor rates. As noted above, vegetation management costs represent about 80% of
10 T&D non-labor maintenance costs, with about 95% of vegetation management cost
11 represented by contractor billings.

12 **Q: What GMO-specific contractor rate escalation has the Company experienced in
13 recent years?**

14 A: We reviewed the years 2005-2009, or a five-year period in total. While the escalation
15 varied by year, the average annual vegetation management contractor rate escalation
16 experienced by the Company during this time period was about 4.0%.

17 **Q: Is the contractor labor escalator factor, the HW Index, or any other factor that
18 takes into consideration price volatility, just a way for the Company to inflate future
19 costs?**

20 A: No, not at all. GMO, in using a factor to account for price volatility, is not inflating
21 historical expense but rather seeking to quantify a measurable trend, taking into
22 consideration the volatility in the commodity markets and accounting for "same-year

1 dollars.” Price volatility factors provide an empirical source of historical escalation and
2 allow for normalization of expense.

3 **CS- 42 GENERATION MAINTENANCE**

4 **Q: Please explain adjustment CS-42.**

5 A: This adjustment normalizes generation maintenance, excluding turbine major
6 maintenance discussed in the next section of this testimony (adjustment CS-43).

7 **Q: How was generation maintenance normalized?**

8 A: We normalized all other generation non-labor maintenance expense by using a five-year
9 average of historical costs (2005-2009), with historical years indexed to July 2009
10 dollars.

11 **Q: Is the Company confident that the HW Index is a reasonable index to use for this
12 adjustment?**

13 A: Yes. We reviewed GMO’s maintenance costs excluding the Company’s labor and
14 determined that approximately 60% of these costs were contractor labor costs, with the
15 other 40% material costs. We reviewed the contractor labor rate fluctuations for the top
16 three utilized crafts over the last five years. We reviewed high use material cost
17 fluctuations over this same five-year period, with an emphasis on stock items with
18 consistent unit of measure.

19 **Q: What was the relationship between Company actual local cost trends and the
20 proposed HW Index?**

21 A: We found that the Company’s average escalation rate during this time period, contractor
22 and material costs combined, was higher than the HW Index. Therefore, the Company

1 believes that the results of this study of local conditions justifies the use of the more
2 conservative HW Index to normalize production maintenance expense.

3 **CS-43 MAJOR MAINTENANCE**

4 **Q: Please explain adjustment CS-43.**

5 A: This adjustment normalizes turbine overhaul maintenance.

6 **Q: Please describe the turbine overhaul adjustment.**

7 A: Scheduled turbine overhauls typically follow a four to seven-year cycle. As a result,
8 actual expense can increase considerably in years corresponding to major maintenance
9 service. To mitigate the large variability, major maintenance expense is spread out over
10 the service life of the related equipment through an accrual process. This method
11 provides a more consistent measurement of annual maintenance expense.

12 **Q: How was the turbine overhaul maintenance expense component computed?**

13 A: An annualized accrual level was computed for each plant covered by the turbine overhaul
14 maintenance account. Accrual amounts were computed using historical turbine outage
15 overhaul costs divided by the scheduled maintenance interval. In addition, the known
16 historical outage expenses were adjusted to July 2009 dollars using the HW Index, North-
17 Central Region, an independent source which is used to adjust historical cost amounts to
18 prevailing price levels. To accurately compare historical costs to current costs, the costs
19 must take into account cost fluctuations and view expenditures in "same-year-dollars."
20 As discussed earlier in this testimony (adjustments CS-40 through 42), the HW Index is a
21 highly recognized independent source of historical cost fluctuations, particularly for
22 production accounts.

1 For the South Harper and Crossroads plants, contracted maintenance costs have been
2 included on an annualized level.

3 **Q: Is this maintenance accrual method also used for maintaining the Company's**
4 **financial records?**

5 A: Yes, GMO uses the maintenance accrual method for its financial accounting.

6 **Q: Has this maintenance accrual method been used in previous GMO/Aquila rate**
7 **cases?**

8 A: Yes, both the Company and the MPSC Staff have used this method in recent rate cases.
9 The 2009 S&A includes a section discussing this approach.

10 **CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS**

11 **Q: Please explain adjustment CS-45.**

12 A: We annualized transmission costs recorded in FERC account 565 based on expected costs
13 once Iatan 2 is placed in service. We also projected costs related to Southwest Power
14 Pool ("SPP") base plan upgrades.

15 **Q: Please discuss the base plan funding impact.**

16 A: SPP's expansion plan proposes regional transmission additions and includes a detailed
17 list of projects in order to achieve the plan. A major portion of the expansion plan
18 includes projects that are termed "base plan upgrades," which are those transmission
19 additions required to meet the mandatory North American Electric Reliability
20 Corporation and SPP reliability standards and criteria and transmission additions to
21 provide service to SPP customers from designated power resources. Due to the nature of
22 the interconnected transmission system, these base-plan transmission additions produce
23 reliability and transmission service benefits across the SPP region. Therefore, SPP

1 employs a cost allocation methodology to provide sharing of costs for base-plan
2 transmission additions. Currently, the SPP cost allocation calls for one-third of the
3 project cost to be shared by all SPP members, and the remaining two-thirds of the project
4 cost to be allocated among the members that directly benefit from the project.
5 Furthermore, with the recent introduction of balanced portfolio projects and the expected
6 future expansion of base plan upgrades to include 100 percent regional funding for
7 transmission facilities at voltages over 300 kV, the transmission upgrade costs assessed
8 by SPP are anticipated to increase substantially in coming years. For the current SPP
9 transmission expansion plan, GMO has projected funding obligations of approximately
10 \$1.56 million in 2010 (combined MPS and L&P).

11 **Q: What is the total Account 565 cost that the Company has included in its cost of
12 service in this case?**

13 **A:** We have included about \$14.9 million and \$0.7 million for MPS and L&P, respectively.
14 As discussed by Company witness Tim Rush in his direct testimony in this case, we have
15 adjusted the fuel adjustment clause base for inclusion of these costs and have also
16 included these costs as one of the components in a transmission tracker in the event the
17 Commission does not authorize inclusion in the fuel adjustment clause.

18 **CS-48 IATAN 2 OPERATIONS AND MAINTENANCE EXPENSE**

19 **Q: Please explain adjustment CS-48.**

20 **A:** The Iatan 2 generating unit is scheduled to go into service in late 2010. We have
21 annualized operations and maintenance costs based on annualized costs expected once
22 Iatan 2 becomes operational, excluding fuel and internal labor-related costs which are
23 addressed elsewhere.

1 CS-50 PAYROLL

2 **Q: Please explain adjustment CS-50.**

3 A: We annualized payroll expense based on the employee headcount as of March 1, 2010,
4 multiplied by pay rates expected to be in effect as of December 31, 2010.

5 **Q: How were pay rates determined?**

6 A: Pay rates for bargaining (union) employees were based on contractual agreements. Pay
7 rates for non-bargaining employees were based on annual salary adjustments expected to
8 be in effect as of December 31, 2010.

9 **Q: Were amounts over and above base pay, such as overtime, premium pay, etc.
10 included in the payroll annualization?**

11 A: Yes, overtime was annualized at an amount equal to the average of the amounts incurred
12 for the period 2007 through 2009, adjusted for labor escalations. Amounts were included
13 for other categories at test year levels.

14 **Q: Does annualized payroll include payroll KCP&L billed to GMO?**

15 A: The annualization process includes all payroll, since all employees are now KCP&L
16 employees. However, annualized payroll included in this rate proceeding includes only
17 GMO's allocated share of this cost. The allocation to MPS and L&P is based on their
18 respective share of test year payroll cost.

19 **Q: Does the payroll annualization adjustment take into consideration payroll charged
20 to capital?**

21 A: Yes, the payroll annualization adjustment takes this factor into consideration.

1

CS-51 INCENTIVE COMPENSATION

2 **Q: Please explain adjustment CS-51.**

3 A: We annualized incentive compensation based on the target level (mid-point) and March
4 1, 2010 salary levels.

5 **Q: Why was this approach taken rather than a multi-year average?**

6 A: The Company and the MPSC Staff have used multi-year averages in past rate cases.
7 However, the Company significantly restructured its incentive compensation plans
8 effective January 2009. Therefore, averaging would not be appropriate in this rate case.

9 **Q: Please discuss the changes made to the plans in 2009.**

10 A: The most significant change was the removal of the requirement that the Company meet
11 an earnings per share target for the year in order for the various incentive compensation
12 plans to pay out. The plans continue to have various company measures, including
13 customer service, service and equipment reliability, cost control, and safety, as well as
14 divisional and personal measures.

15 **Q: Is the officer incentive program included in the annualized incentive expense?**

16 A: The portion related to performance measures (approximately 40%), exclusive of earnings
17 measures, is included in this case; the remainder, 60% of the total, is not.

18 **Q: Does this adjustment take into consideration payroll charged to capital?**

19 A: Yes, based on data from the payroll adjustment (adjustment CS-50).

20

CS-52 401(k)

21 **Q: Please explain adjustment CS-52.**

22 A: We adjusted 401(k) expense to an annualized level by applying the average matching
23 percentage from the September 30, 2009 payroll to the O&M adjustment for annualized

1 payroll (adjustment CS-50), excluding bargaining unit overtime, and incentive
2 compensation (adjustment CS-51).

3 **Q: Does this adjustment take into consideration payroll charged to capital?**

4 A: Yes, based on data from the payroll adjustment (adjustment CS-50).

5 **CS-53 PAYROLL TAXES**

6 **Q: Please explain adjustment CS-53.**

7 A: We annualized FICA payroll tax expense by applying the average test year FICA percent
8 (FICA expense/payroll expense) to the operations and maintenance ("O&M") portions of
9 the annualized payroll adjustment (adjustment CS-50) and incentive compensation
10 adjustment (adjustment CS-51).

11 **Q: Does this adjustment take into consideration payroll charged to capital?**

12 A: Yes, based on data from the payroll adjustment (adjustment CS-50).

13 **CS-54 RELOCATION**

14 **Q: Please explain adjustment CS-54.**

15 A: We normalized relocation expense by averaging relocation costs over the period 2007
16 through 2009.

17 **CS-55 SEVERANCE**

18 **Q: Please explain adjustment CS-55.**

19 A: We normalized severance costs by averaging severance costs over the period 2007
20 through 2009.

21 **CS-60 OTHER BENEFITS**

22 **Q: Please explain adjustment CS-60.**

23 A: We annualized these costs based on projected costs included in the 2010 Budget.

1 **Q: What types of benefits are included in this category?**

2 A: The most significant benefit is medical expense, which comprises about 80% of other
3 benefit expense.

4 **Q: Does this adjustment take into consideration payroll charged to capital?**

5 A: Yes, based on data from the payroll adjustment (adjustment CS-50).

6 **CS-61 OTHER POST-EMPLOYMENT BENEFITS**

7 **Q: Please explain adjustment CS-61.**

8 A: We annualized Other Post-Employment Benefits ("OPEB") expense based on the 2010
9 actuarial report.

10 **Q: Does this annualization include any amortization of past service costs?**

11 A: Yes, we have included the continued amortization of unrecovered OPEB costs as of the
12 July 14, 2008, the effective date of the merger of Aquila's electric operations into GMO.
13 These costs are comprised of two major components. The first is the unamortized prior
14 service costs, transition obligation, regulatory adjustment and actuarial losses remaining
15 at July 14, 2008 based on a September 30, 2007 actuarial valuation. The second is the
16 unrecognized costs resulting from the revaluation of the accumulated OPEB obligation as
17 of July 14, 2008 by the Company's actuary. These unrecognized amounts were driven
18 primarily by the conversion of former Aquila employees to the benefits provided by
19 KCP&L, changes in discount rate and other assumptions since the September 30, 2007
20 valuation, and the re-measurement effect of the change in the valuation date related to
21 Statement of Financial Accounting Standards No. 158.

1 **Q: What is the amortization period for this unrecovered OPEB regulatory asset?**

2 A: These costs are being amortized over eight years, which represents the estimated average
3 future service period of former Aquila employees that became employees of KCP&L
4 upon the merger.

5 **Q: Does adjustment CS-61 take into consideration OPEB costs charged to capital?**

6 A: Yes, based on data from the payroll adjustment (adjustment CS-50).

7 **Q: Are there any other OPEB issues you would like to discuss at this time?**

8 A: Yes. The company requests a tracker mechanism for OPEB expense, whereby any
9 excess or deficiency of the Company's OPEB rate allowance, compared to its ongoing
10 level of OPEB expense, would be treated as a regulatory asset or liability which would
11 then be included in GMO's rate base and amortized, as an addition or reduction to OPEB
12 expense, over a five-year period.

13 **Q: How would the regulatory asset or liability be tracked?**

14 A: A regulatory asset or liability would be established on the Company's books to track the
15 difference between the level of OPEB expense during the rate period and the level of
16 OPEB expense built into rates for that period, similar to the pension tracking mechanism
17 discussed by Company witness C. Kenneth Vogl in his direct testimony. If the OPEB
18 expense during the period is more than the expense built into rates for the period, the
19 Company would establish a regulatory asset. If the OPEB expense during the period is
20 less than the expense built into rates for the period, the Company would decrease any
21 existing regulatory asset or establish a regulatory liability. If the OPEB expense becomes
22 negative, a regulatory liability equal to the difference between the level of OPEB expense
23 built into rates for that period and \$0 would be established. Since this is a cash item, the

1 regulatory asset or liability would be included in rate base and amortized over 5 years in
2 the next rate case.

3 **CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

4 **Q: Please explain adjustment CS-62.**

5 A: The Supplemental Executive Retirement Plan ("SERP") adjustment normalizes SERP
6 cash payments based on test year annuities and a five-year amortization of certain lump
7 sum payments made during the test year.

8 **Q: Have any SERP payments been excluded from annualized SERP expense in this
9 case?**

10 A: Yes, several SERP payments were excluded. A test year lump sum payment to a former
11 Aquila officer was excluded. An annuity to a former Aquila officer set up during the test
12 period was excluded. Annuity payments made to former St. Joseph Light & Power
13 Company executives were excluded.

14 **Q: Has the regulatory treatment of SERP expense been addressed in prior Aquila or
15 GMO rate cases?**

16 A: Yes, in the Stipulation and Agreement as to Certain Issues in the 2007 Case, approved by
17 the Commission on April 12, 2007, it was agreed the Company would account for SERP
18 payments on a pay as you go method .

19 **Q: By basing the normalization on payouts rather than FAS 87 accrued expense, is
20 there a duplication of costs between the pension adjustment CS-65, discussed by Mr.
21 Vogl in his direct testimony, and adjustment CS-62?**

22 A: No, the SERP component is not included in adjustment CS-65.

1 CS-65 PENSION COSTS

2 **Q: Please explain adjustment CS-65.**

3 A: This adjustment annualizes pension expense based on the 2010 actuarial report.
4 Company witness C. Kenneth Vogl discusses the development of this expense in his
5 direct testimony in this case.

6 **Q: Does the annual pension expense include amortizations of the Prepaid Pension asset
7 discussed earlier in this testimony (adjustment RB-51)?**

8 A: The CS-65 adjustment includes an amortization of L&P's Prepaid Pension asset. As
9 discussed earlier in this testimony (adjustment RB-51), no amortization of the MPS
10 Prepaid Pension asset is included in this rate proceeding since that asset became fully
11 amortized as of October 31, 2009.

12 **Q: Does the annual pension expense include amortizations of the Prepaid Tracker
13 discussed earlier in this testimony (adjustment RB-63)?**

14 A: Yes, the amortization is included in pension expense in this case.

15 CS-70 INSURANCE

16 **Q: Please explain adjustment CS-70.**

17 A: We annualized insurance costs based on anticipated premiums projected to be in effect on
18 December 31, 2010. These premiums include the following types of coverage: property,
19 directors and officers, workers' compensation, bonds, fiduciary liability, general and
20 excess liability, crime, and auto liability.

21 **Q: Does this adjustment consider on-going insurance requirements related to Iatan 2?**

22 A: Yes, it does.

1

CS-71 INJURIES AND DAMAGES

2 **Q: Please explain adjustment CS-71.**

3 A: We normalized Injuries and Damages (“I&D”) costs based on average payout history
4 during the period 2007 through 2009 as reflected in FERC account 228.2. This account
5 captures all accrued claims for general liability, property damage, worker’s
6 compensation, and auto liability costs. The expenses are included in FERC account 925.
7 The liability reserve is relieved when claims are paid under these four categories.

8 **Q: Does account 925 also include costs charged directly to that account?**

9 A: Yes, for smaller dollar claims. We normalized these expenses over the same time period
10 as the larger claims.

11 **Q: Why was a multi-year average chosen?**

12 A: I&D claims and settlements of these claims can vary significantly from year to year. A
13 period of three years was used to establish an appropriate on-going level of this expense
14 by leveling out fluctuations in the payouts from the reserve account that can exist from
15 one year to the next depending on claims and settlements.

16

CS-76 CUSTOMER DEPOSIT INTEREST

17 **Q: Please explain adjustment CS-76.**

18 A: We annualized customer deposit interest in accordance with the Company’s tariff, which
19 states that the interest rate established for each year for Missouri customer deposits will
20 be based on the December 1 prime rate published in the *Wall Street Journal*, plus 100
21 basis points. The rate used in this adjustment for Missouri customer deposits is the 2010
22 rate of 4.25%.

1 Q: What customer deposit balance was this interest rate applied to?

2 A: The interest rate was applied to the Missouri customer deposit balance determined in
3 adjustment RB-70, discussed earlier in this testimony.

4 **CS-77 CREDIT CARD PROGRAM**

5 Q: Please explain adjustment CS-77.

6 A: We annualized credit card program expenses based on participation levels and costs
7 anticipated at December 31, 2010.

8 Q: What is the status of the implementation of GMO's credit card payment program?

9 A: In September 2009 the Company modified the legacy credit card program inherited from
10 the Aquila acquisition. The changes were: (1) elimination of all transaction fee charges
11 for customers, and (2) restriction of credit card payment to the residential customer class.
12 As a result, all residential customers currently have a no-fee option to pay with a debit or
13 credit card either through the interactive voice response system or through the
14 Company's website. The credit card processing is contracted using Western Union's
15 SpeedPay system.

16 **CS-79 OUTSOURCE OF METER READING (MPS ONLY)**

17 Q: Please explain adjustment CS-79.

18 A: The Company contracts with a third party service provider to perform meter reading and
19 related services for a large portion of MPS's service territory, pursuant to a Service
20 Agreement. This adjustment annualizes this expense based on current Service
21 Agreement pricing.

1 Q: Please explain how this adjustment was calculated.

2 A: The estimated number of meter reads performed by the provider was determined by
3 dividing the total dollar amount paid for services provided by them for the test year by
4 the contract rate in effect during the test year. The 2010 price per meter read was then
5 applied to the estimated number of meter reads, to arrive at the annualized level of
6 expense.

7 CS-80 RATE CASE COSTS

8 Q: Please explain adjustment CS-80.

9 A: We annualized rate case costs by including an amortization of costs incurred in the 2009
10 Case and projected costs for the current rate proceeding. Cost incurred in the 2007 Case
11 will be fully recovered in May 2010; therefore, associated test year amortization was
12 removed from cost of service in this case.

13 Q: Why are rate case costs being deferred?

14 A: Expenses incurred for each rate case are deferred in a regulatory asset and amortized over
15 two years, consistent with treatment in the 2009 Case.

16 Q: How was rate case cost related to the current rate proceeding estimated?

17 A: Costs incurred in past cases were used as a guide in estimating current rate case costs,
18 along with additional costs expected to be incurred in this rate proceeding, primarily
19 related to Iatan 2 and a depreciation study.

20 CS-85 REGULATORY ASSESSMENTS

21 Q: Please explain adjustment CS-85.

22 A: We annualized Missouri regulatory assessments and FERC Schedule 12 fees based on
23 assessment levels projected to be in effect in December 2010.

1 **Q: Why is it appropriate to include the FERC Schedule 12 fees in a Missouri retail rate**
2 **case?**

3 A: After the SPP was approved by FERC as a Regional Transmission Organization
4 (“RTO”), FERC changed its assessment criteria for SPP member companies. Instead of
5 basing its annual assessment on wholesale transactions only, FERC began basing its
6 assessment on all load under SPP rates, including retail load served by member
7 companies. Under the new procedure, FERC bills SPP for the assessment, and SPP then
8 passes a share of this cost through to all point-to-point and network service customers it
9 serves. As a result, FERC’s assessment basis for this charge now includes the retail, full
10 requirements, and grandfathered transmission loads for which the Company is
11 responsible. The overall magnitude of the assessment rose commensurately with this
12 change in FERC’s assessment basis. With the change in methodology, the responsibility
13 of bearing the assessment cost becomes primarily a retail load responsibility since the
14 bulk of the load that serves as the basis for the SPP pass-through is retail load.

15 **Q: What is the amount of the Schedule 12 fees that the Company has included in its**
16 **cost of service in this case?**

17 A: We have included \$336,000 and \$120,000 for MPS and L&P, respectively. This amount
18 is one of the components included in the adjustment of the fuel adjustment clause base as
19 well as in the transmission tracker request discussed by Company witness Tim Rush in
20 his direct testimony in this case.

1 CS-86 SCHEDULE 1-A FEES

2 **Q: Please explain adjustment CS-86.**

3 A: We annualized SPP Schedule 1-A fees based on annual funding levels expected to be in
4 effect on December 31, 2010.

5 **Q: Please discuss the nature of these fees.**

6 A: SPP finances its operations as an RTO through assessment of fees under Schedule 1-A of
7 its transmission tariff. These fees provide funds for its activities as an RTO, which
8 include regional transmission planning, processing and study of transmission and
9 generation interconnection service requests, management of congestion across the
10 transmission system, administering the SPP transmission tariff, serving as a reliability
11 coordinator, managing the power reserve sharing system, and operating the regional
12 energy imbalance market. Schedule 1-A apportions the costs of these services to the
13 network service customers of SPP based on relative shares of load at the time of the
14 twelve monthly system peaks.

15 **Q: What is the amount of the Schedule 1-A fees that the Company has included in its
16 cost of service in this case?**

17 A: We have included about \$2.0 million and \$0.6 million for MPS and L&P, respectively.
18 This amount is one of the components included in the adjustment of the fuel adjustment
19 clause base as well as in the transmission tracker request discussed by Company witness
20 Tim Rush in his direct testimony in this case.

1 CS-90 ADVERTISING

2 **Q: Please explain adjustment CS-90.**

3 A: We eliminated from the test year all advertising expenses coded to FERC accounts 909,
4 913 and 930100 that related to institutional or image advertising.

5 **Q: With this elimination what types of advertising are still included in test year cost of
6 service?**

7 A: The primary types still remaining include safety, customer assistance, and energy
8 efficiency. Additionally, we have included in annualized advertising expense costs
9 related to the Company's Connections program.

10 **Q: Please discuss this program.**

11 A: Connections is a program started in 2009 to help customers manage through financially
12 challenging times. Programs include payment flexibility, assistance programs, energy
13 efficiency programs, and links to service agencies and community groups. Company
14 witness Jimmy D. Alberts discusses this program in more detail in his direct testimony in
15 this case.

16 **Q: Is this program a continuing program?**

17 A: Yes, the Company anticipates a continuing presence for this program.

18 **Q: What level of costs have been included in this case for the Connections program?**

19 A: We have included \$235,000 and \$71,000, respectively, for MPS and L&P, their
20 respective share of the 2010 combined KCP&L/GMO budget of \$1 million.

1

CS-92 DUES AND DONATIONS

2 **Q: Please explain adjustment CS-92.**

3 A: We removed from cost of service dues paid to the Missouri Energy Development
4 Association and costs incurred related to the Dollar-Aide match program, a program
5 designed to assist customers who cannot otherwise pay their bills. Additionally, several
6 smaller dues and donations were removed from cost of service, with the grand total of all
7 removals being about \$66,000 for MPS and \$18,000 for L&P.

8

CS-99 ST. JOSEPH MERGER TRANSITION COSTS

9 **Q: Please explain adjustment CS-99.**

10 A: When a merger occurs costs are incurred to align staffing, coordinate systems, and
11 implement other changes that will allow synergies and economies of scale to be realized,
12 referred to as transition costs. To achieve economies of scale benefits, transition costs
13 were incurred by Aquila when it acquired St. Joseph Light & Power Company in 2000.
14 This adjustment amortizes these transition costs.

15 **Q: Were transition costs associated with this merger included in cost of service in MPS
16 and L&P's prior rate case filings?**

17 A: Yes. As stated in the Non-Unanimous Stipulation and Agreement in Case No. ER-2005-
18 0436 approved by the Commission on February 23, 2006:

19 *Aquila agrees not to seek rate recovery of additional transition costs associated*
20 *with its merger with St. Joseph Light & Power Company beyond the annual*
21 *amortization amount settlement agreement between Company and Staff.*

22 **Q: What was the amount of transition costs allowed in that case?**

23 A: Total transition costs allowed were \$4,959,664, with a ten-year amortization.

1 Q: **Were these costs also allowed in the 2007 and 2009 Cases?**

2 A: Yes, they were.

3 Q: **Has the Company included the unamortized costs in rate base?**

4 A: No it has not. The Company has only asked for a “return of” transition costs, not a
5 “return on” the unamortized balance.

6 **CS-107 ICE STORM AMORTIZATION (L&P ONLY)**

7 Q: **Please explain adjustment CS-107.**

8 A: In December 2007, severe winter storms struck L&P’s electric service territory disrupting
9 electric service to almost 90% of the customers in L&P’s service territory. As a result,
10 the Company incurred significant costs to support outside crews and incurred
11 extraordinary overtime and related expenses. Accordingly, an application was filed
12 requesting that the Commission issue an AAO authorizing the Company to defer and
13 record to Account 182.3, as a regulatory asset, incremental maintenance costs associated
14 with the December 2007 ice storm, to be amortized over a five-year period commencing
15 in January 2008. The application was approved by the Commission in Case No. EU-
16 2008-0233 on March 20, 2008. The test year cost of service reflects a full year’s
17 amortization expense and, therefore, net operating income is properly stated and requires
18 no adjustment.

19 Q: **Was a similar amortization expense included in the 2009 Case?**

20 A: Yes, it was.

1 CS-109 LEASES

2 **Q: Please explain CS-109.**

3 A: We annualized corporate headquarters lease costs, including rent, parking and electricity.
4 The Company moved out of its previous corporate headquarters effective September 30,
5 2009. Since the lease expense at the new location has changed from the amount recorded
6 during the test year an adjustment was necessary.

7 **Q: How was the annual lease expense of the new location calculated?**

8 A: The annualized expense was calculated as twelve times the monthly lease rate expected
9 to be in effect on December 31, 2010.

10 CS-116 RENEWABLE ENERGY STANDARD COSTS

11 **Q: Please explain adjustment CS-116.**

12 A: We have annualized solar rebate and renewable energy credit tracking costs expected to
13 be incurred as a result of compliance with section 393.1030.1, RSMo. Company witness
14 Tim Rush discusses this cost in his direct testimony in this case.

15 **Q: How were the annualizations determined?**

16 A: Costs were annualized based on budgeted 2011 costs, since that will be the first full year
17 these costs will be incurred. Budgeted rebate cost was based on projected participation
18 levels and the rebate rates specified in the statute. Budgeted tracking cost was based on
19 projected system fees and renewable energy credits earned.

1 CS-120 DEPRECIATION

2 **Q: Please explain adjustment CS-120.**

3 A: This adjustment annualizes depreciation expense by applying jurisdictional depreciation
4 rates to adjusted plant in service balances shown on Schedule 3 of the MPS and L&P
5 revenue requirement models.

6 **Q: Were the depreciation rates used in this annualization the same depreciation rates
7 used by both the Company and the Commission Staff in the 2009 Case?**

8 A: Yes. GMO decided not to use the depreciation rates included in the depreciation study
9 discussed by Company witness John J. Spanos in his direct testimony, other than Mr.
10 Spanos's recommended Iatan 2 depreciation rates (Schedule JJS2010-4), in order to
11 minimize the rate impact in this case. However, the Company may propose that Mr.
12 Spanos's recommended rates be implemented in GMO's next rate case.

13 **Q: GMO classifies certain equipment as intangible assets. Why is this and how are
14 these assets amortized?**

15 A: The Company possesses the right to use/operate certain transmission equipment which it
16 paid for but does not retain legal ownership. These rights are classified as intangible
17 assets, but are amortized using the appropriate depreciation rate for similar equipment
18 owned by the Company. This equipment that GMO does not legally own but for which it
19 has a right to use/operate is depreciated using the depreciation rate for Account 353,
20 Transmission Station Equipment.

1 Q: Does GMO have any requests of the Commission regarding amortization of these
2 intangible assets?

3 A: GMO requests the Commission to approve the continued use of the Account 353
4 depreciation rate to amortize the costs of equipment the Company has paid for and uses
5 but does not retain legal ownership.

6 Q: What specific Commission action does the Company request in regard to
7 depreciation expense?

8 A: The Company requests that the Commission authorize the continuation of depreciation
9 rates authorized by the Commission in the 2007 Case and the use of the later 2
10 depreciation rates proposed by Company witness John Spanos in this rate case, all of
11 which are shown on Schedule 4 and 4A of the Company's revenue requirement models.

12 **CS-122 UNRECOVERED RESERVE FOR GENERAL PLANT**

13 Q: Please explain adjustment CS-122.

14 A: Prior to Great Plains Energy's acquisition of Aquila Missouri electric operations in 2008,
15 various plant assets, particularly computer-related assets, were held as Aquila corporate
16 assets ("common plant"). Those plant costs and the associated reserves for depreciation
17 were allocated to MPS and L&P, and other state jurisdictions, and included in the rate
18 bases of those jurisdictions. However, the common plant depreciation rates that MPS and
19 L&P were allowed to recover in their respective rate cases were much lower than the
20 depreciation rates that they were being charged by Aquila parent. As a result of this
21 mismatch, MPS and L&P have under-recovered depreciation, totaling about \$14.1
22 million for MPS and \$4.7 million for L&P, and it is necessary to include in cost of

1 service in this case an amortization of this prior under-recovery. Company witness John
2 Spanos recommends in his direct testimony, and GMO supports, such an amortization.

3 **Q: Over what time period is this under-recovery being amortized?**

4 A: While the “composite remaining life” for these assets is about three years, as shown by
5 Mr. Spanos’s Schedule JJS2010-3, Part III-4, to be conservative and to minimize the rate
6 impact, the Company recommends a twenty-year recovery period.

7 **Q: Since the acquisition of Aquila Missouri electric operations in 2008, has this**
8 **mismatch continued?**

9 A: No. Since the acquisition, there is no longer a difference between corporate depreciation
10 rates being charged to MPS and L&P and the respective state jurisdictional rates. These
11 corporate assets are now included and depreciated on the ECORP business unit and
12 allocated to the MPS and L&P jurisdictions using state jurisdictional rates. Therefore,
13 tracking this mismatch is no longer necessary.

14 **Q: Does Mr. Spanos have any other recommendations regarding general plant?**

15 A: Yes, Mr. Spanos recommends that the plant accounting practice generally referred to as
16 “general plant amortization” be implemented. Under this practice, GMO would not track
17 specific units of property for selected general plant accounts. Instead, the Company
18 would record asset purchases by vintage and retire the entire vintage at the end of the
19 amortization period. GMO supports Mr. Spanos’s recommendation and requests the
20 Commission to authorize the use of this practice.

1 CS-125 INCOME TAX EXPENSE

2 **Q: Please explain adjustment CS-125.**

3 A: Adjustment CS-125 includes current income tax, deferred income tax and investment tax
4 credits ("ITC"), all of which are shown on Schedule 8 of the MPS and L&P revenue
5 requirement models.

6 **Q: Please discuss the current income tax component.**

7 A: Various additions to or subtractions from net operating income before income taxes are
8 made to arrive at taxable income for ratemaking purposes. The adjustments are the result
9 of various book versus tax timing differences and their implementation under separate tax
10 methods: flow-through versus normalization. The resulting net taxable income for
11 ratemaking is then multiplied by the appropriate federal and Missouri state tax rates, 35%
12 and 6.25%, respectively, to obtain the current provision for income taxes.

13 **Q: Please describe these adjustments to net operating income before income taxes.**

14 A: The following adjustments were made:

- 15 • Book depreciation (including transportation depreciation) expense is added to net
16 operating income before income taxes, to avoid deducting book depreciation amounts
17 for income tax purposes.
- 18 • Tax depreciation is subtracted from net operating income before income taxes. It is
19 divided into two components: (1) tax straight-line depreciation and (2) tax
20 depreciation in excess of tax straight-line depreciation. Tax straight-line depreciation
21 represents book depreciation expense restated to reflect the tax basis of plant in
22 service. No deferred taxes are provided for tax straight-line depreciation. Tax
23 depreciation in excess of tax straight-line depreciation is simply the difference

1 between the tax straight-line depreciation and the tax return depreciation deduction.

2 This difference is normalized, as discussed below.

3 • Other Schedule M timing differences, including meals and entertainment,
4 contributions in aid of construction (“CIAC”) and advances for construction recorded
5 for the test year have been added back to net operating income before income taxes.

6 The timing differences associated with CIAC and advances for construction are
7 normalized with deferred income taxes, as discussed below.

8 • Interest expense is subtracted from net operating income before income taxes. It is
9 calculated by multiplying adjusted rate base by the weighted average cost of debt
10 proposed in this proceeding. This interest synchronization technique ensures the
11 interest deduction in the income tax expense calculation equals the interest expense
12 provided for in rates.

13 **Q: Please discuss the deferred income tax component.**

14 A: The deferred income tax component consists of:

15 • The tax effect of the timing difference between tax straight-line depreciation expense
16 and tax depreciation expense, as discussed above.

17 • The tax effect of the CIAC and advances for construction current income tax
18 adjustments, as discussed above.

19 • The average rate assumption method of deferred tax amortization. This
20 adjustment represents the amortization of excess deferred income taxes over the
21 remaining book lives. It reduces the income tax component of cost of service.
22 During the 1980s, the federal tax rate was higher than today’s 35% rate. Since
23 deferred taxes were provided at the rate in effect when the originating timing

1 differences were generated, the deferred income taxes were provided at a rate higher
2 than the tax rate that is expected to be in existence when the timing differences
3 reverse and the taxes are due to the government. This difference in rates is being
4 amortized into cost of service over the remaining book lives of the assets that
5 generated the timing differences.

6 **Q: Please discuss the ITC component.**

7 A: ITC amortization reduces the income tax component of cost of service. ITC is amortized
8 ratably over the remaining book lives of the underlying assets.

9 **CS-126 PROPERTY TAXES**

10 **Q: Please explain adjustment CS-126.**

11 A: We annualized the real estate and personal property tax expense and payments-in-lieu-of-
12 taxes ("PILOT") for plant in service.

13 **Q: How was annualized property tax expense determined?**

14 A: The calculation involves two components: (a) The Company's 2009 property tax
15 expense, which includes plant in service at January 1, 2009; and (b) the Company's 2009
16 property taxes which are capitalized on the Iatan Unit 1 AQCS and Iatan Unit 2
17 construction projects until they are placed in service.

18 **Q: Please explain component (a) of the annualization process.**

19 A: For component (a), the Company used actual 2009 property tax expense, adjusted for
20 three corrections; two of which move taxes expensed from MPS to ECORP (a GMO unit
21 that accumulates costs common to MPS and L&P and allocates such costs to those
22 jurisdictions) and the other which decreases ECORP non-utility tax expense and
23 increases ECORP utility tax expense.

- 1 **Q: Please explain component (b) of the annualization process.**
- 2 A: The Company included in cost of service property tax paid in 2009 on the Iatan Unit 1
3 AQCS and Iatan Unit 2 equivalent to the property tax due based on the CWIP balances at
4 January 1, 2009. On a normalized basis, this level of property taxes will be expensed, at
5 a minimum, rather than capitalized, following each unit's in-service date.
- 6 **Q: Was the property tax in component (b) part of the Company's 2009 operation and
7 maintenance expense and thus a part of component (a)?**
- 8 A: No, the property tax in component (b) was part of the Company's total 2009 property
9 taxes to be capitalized and is not included in component (a). Property tax attributable to
10 the Iatan Unit 1 AQCS was expensed beginning April 19, 2009, the in-service date; and
11 such expensed tax is not included in component (b). Property taxes attributable to Iatan
12 Unit 2 will be expensed once the plant is placed in service in late 2010.
- 13 **Q: Is the annualized property tax on the Iatan Unit 1 AQCS and Iatan Unit 2, when
14 placed in service, expected to exceed the actual 2009 property tax as reflected in
15 component (b)?**
- 16 A: Yes, the 2009 property tax amount in component (b) is based on actual construction work
17 in progress investment as of January 1, 2009 which is considerably less than the
18 anticipated plant balance for these projects that will be placed in service prior to the
19 effective date of new rates.
- 20 **Q: Do the various components of the real estate and personal property tax adjustment
21 discussed above take into effect tax amounts allocated to capital, vehicles, and non-
22 utility plant?**
- 23 A: Yes, other than component (b) as explained above.

1 Q: **Please explain the PILOT adjustment.**

2 A: There are two PILOTs, one related to South Harper and one to Crossroads.

3 Q: **Please explain the South Harper PILOT adjustment.**

4 A: In 2004 the city of Peculiar issued bonds to build the South Harper gas fired peaking
5 facility in rural Cass County, MO. Since the peaking facility is owned by the City of
6 Peculiar it is exempt from property taxes (whether real, personal or otherwise) levied by
7 any taxing authority. This facility was leased to the Company and as part of the
8 agreement, the Company agreed to a PILOT in the form of grant payments. These
9 payments were necessary to secure agreements with landowners and community leaders
10 to situs the peaking facility.

11 Q: **Does Missouri law provide for a PILOT on property that is exempt from property
12 taxes?**

13 A: Yes, pursuant to Missouri Revised Statutes Chapter 100, taxing subdivisions of the state
14 of Missouri are authorized and empowered to enter into contracts for a PILOT on such
15 property that is exempt from ad valorem taxes.

16 Q: **Please explain the Crossroads PILOT adjustment.**

17 A: In 2001 the city of Clarksdale, Mississippi issued bonds to build the Crossroads peaking
18 facility located in Clarksdale. Since the peaking facility is owned by the City of
19 Clarksdale it is exempt from property taxes (whether real, personal or otherwise) levied
20 by any taxing authority. This facility was leased to the Company and as part of the
21 agreement, the Company agreed to a PILOT in the form of grant payments. This
22 payment was necessary to secure agreements with landowners and community leaders to
23 situs the peaking facility.

1 Q: **Does that conclude your testimony?**

2 A: Yes, it does.

**KCP&L Greater Missouri Operations Company
 For All Territories Served As MPS
 Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
 Case No. ER-xxxx-xxxx**

Revenue Requirement

Line No.	Description	8.997% Return
(a)	(b)	(c)
1	Net Orig Cost of Rate Base (Sch 2)	\$ 1,468,735,918
2	Rate of Return	8.997%
3	Net Operating Income Requirement	\$ 132,134,827
4	Net Income Available (Sch 7)	\$ 85,446,895
5	Additional NOIBT Needed	46,687,932
6	Additional Current Tax Required	\$ 29,091,717
7	Gross Revenue Requirement	<u>75,779,649</u>

KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx

Rate Base

Line No.	Description	Amount	Witness	Adj No.
(a)	(b)	(c)	(d)	(e)
	Total Plant :			
1	Total Plant in Service-MPS Only (Sch 3)	2,046,973,563	J. Weisensee	RB-20
2	Total Plant in Service-MPS' Share of Corp (Sch 3a)	304,945,856	J. Weisensee	RB-20
	Total Plant	<u>2,351,919,419</u>		
	Subtract from Total Plant:			
3	Depr Reserve-MPS & Corp Share (Sch 5)	764,120,493	J. Weisensee	RB-30
4	Depr Reserve-MPS' Share of ECORP (Sch 5a)	3,405,418	J. Weisensee	RB-30
	Total Depreciation Reserve	<u>767,525,911</u>		
	Net (Plant in Service)	<u>1,584,393,508</u>		
	Add to Net Plant:			
5	Cash Working Capital	(1,152,930)	J. Weisensee	Model
6	Materials and Supplies	27,552,314	J. Weisensee	RB-72
7	SO2 Emission Allowances	3,304,532	E. Blunk/ J. Weisensee	RB-55
8	Prepayments	1,889,742	J. Weisensee	RB-50
9	Fuel Inventory - Oil	11,906,324	E. Blunk	RB-74
10	Fuel Inventory - Coal	22,090,035	E. Blunk	RB-74
11	Fuel Inventory - Other	308,812	E. Blunk	RB-74
12	AAO Def Sibley Rebuild & Western Coal 1990	25,852	J. Weisensee	RB-40
13	AAO Def Sibley Rebuild & Western Coal 1992	364,421	J. Weisensee	RB-40
14	DSM/EE Deferral	12,726,278	K. Bryant/ J. Weisensee	RB-100
15	ERPP	217,092	J. Alberts/ J. Weisensee	RB-44
16	Iatan 1 Regulatory Asset	2,598,317	J. Weisensee	RB-25
17	Regulatory Asset - ERISA Minimum Tracker	8,554,384	J. Weisensee	RB-63
	Subtract from Net Plant:			
18	Customer Advances for Construction	5,893,381	J. Weisensee	RB-71
19	Customer Deposits	5,740,655	J. Weisensee	RB-70
20	Deferred Income Taxes	194,258,902	J. Weisensee	RB-125
21	Deferred Income Taxes - AAO	149,826	J. Weisensee	RB-127
	Total Rate Base	<u>1,468,735,918</u>		

KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx

Income Statement

Line No. (a)	Description (b)	Total Electric (c)	Electric Non-Juris (d)	Electric Jurisdictional (e)	Adjustment (f)	Jurisdictional As Adjusted (g)
1	Operating Revenue	511,948,917	1,699,567	510,249,350	30,252,075	540,501,425
2	Operating & Maintenance Expenses:					
3	Production	247,603,082	1,291,688	246,311,394	(12,080,832)	234,230,562
4	Transmission	17,874,651	91,874	17,782,777	3,166,182	20,948,959
5	Distribution	23,626,878	105,851	23,521,027	(7,467)	23,513,560
6	Customer Accounting	12,098,836	1	12,098,835	1,739,967	13,838,802
7	Customer Services	1,080,737	1	1,080,736	1,759,040	2,839,776
8	Sales	380,336	-	380,336	15,818	396,154
9	A & G Expenses	47,252,676	215,227	47,037,449	7,898,592	54,936,041
10	Total O & M Expenses	<u>349,917,195</u>	<u>1,704,641</u>	<u>348,212,554</u>	<u>2,491,299</u>	<u>350,703,853</u>
11	Depreciation Expense	57,082,531	277,992	56,804,539	10,239,804	67,044,343
12	Amortization Expense	391,797	1,908	389,889	1,129,897	1,519,786
13	Taxes other than Income Tax	15,606,560	75,875	15,530,685	1,668,351	17,199,036
14	Net Operating Income before Tax	<u>88,950,835</u>	<u>(360,848)</u>	<u>89,311,683</u>	<u>14,722,723</u>	<u>104,034,406</u>
15	Income Taxes	(40,172,421)	0	(40,172,421)	46,851,011	6,678,590
16	Income Taxes Deferred	44,702,194	217,700	44,484,494	(31,860,315)	12,624,179
17	Investment Tax Credit	(718,758)	(3,500)	(715,258)	-	(715,258)
18	Total Taxes	<u>3,811,015</u>	<u>214,200</u>	<u>3,596,815</u>	<u>14,990,696</u>	<u>18,587,511</u>
19	Total Net Operating Income	85,139,820	(575,048)	85,714,868	(267,973)	85,446,895

KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx

Summary of Adjustments

Adj No.	Description	Witness	Increase (Decrease)
(a)	(b)	(c)	(d)
R-20	Revenue Normalization	T. Rush/ G. McCollister	\$ 38,973,675
R-21	Forfeited Discounts	J. Weisensee	\$ 67,442
R-30	Eliminate Inter-company Off-System Revenue	J. Weisensee	\$ (11,823,972)
R-35	Off-System Sales Revenue	B. Crawford	\$ 3,034,929
CS-11	Out-of-Period Items - Cost of Service	J. Weisensee	\$ (1,995,646)
CS-20	Bad Debt	J. Weisensee	\$ 1,076,447
CS-22	Amortization of SO2 Proceeds	J. Weisensee	\$ (34,313)
CS-24	Fuel & PP Energy (On-system)	B. Crawford/W. Blunk	\$ (869,285)
CS-25	Purchased Power (Capacity)	B. Crawford	\$ (1,422,373)
CS-30	Eliminate Inter-company Off-System Sales Costs	J. Weisensee	\$ (11,823,972)
CS-34	Pipeline Reservation Charges	B. Crawford/W. Blunk	\$ (1,250,643)
CS-40	Transmission Maintenance	J. Weisensee	\$ -
CS-41	Distribution Maintenance	J. Weisensee	\$ -
CS-42	Generation Maintenance	J. Weisensee	\$ 1,338,770
CS-43	Major Maintenance	J. Weisensee	\$ (158,575)
CS-44	ERPP	J. Weisensee	\$ 300,880
CS-45	Transmission of Electricity by Others	J. Weisensee	\$ 2,284,321
CS-48	latan II O&M	J. Weisensee	\$ 1,980,113
CS-50	Payroll	J. Weisensee	\$ 2,307,915
CS-51	Incentive	J. Weisensee	\$ (1,792,201)
CS-52	401(k)	J. Weisensee	\$ 2,363
CS-53	Payroll Taxes	J. Weisensee	\$ 36,062
CS-54	Relocation	J. Weisensee	\$ 1,507

KCP&L Greater Missouri Operations Company
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Summary of Adjustments

Adj No. (a)	Description (b)	Witness (c)	Increase (Decrease) (d)
CS-55	Severance	J. Weisensee	\$ 12,162
CS-60	Other Benefits	J. Weisensee	\$ (975,864)
CS-61	OPEB	J. Weisensee	\$ (370,288)
CS-62	SERP	J. Weisensee	\$ 213,791
CS-65	Pension Expense	C. Vogl/ J. Weisensee	\$ 6,590,391
CS-70	Insurance	J. Weisensee	\$ (908,657)
CS-71	Injuries and Damages	J. Weisensee	\$ 1,693,070
CS-76	Customer Deposit - Interest	J. Weisensee	\$ 243,978
CS-77	Credit Card & Electronic Check Fee Expense	J. Weisensee	\$ 149,179
CS-79	Outsourced Meter Reading Expense	J. Weisensee	\$ 84,570
CS-80	Rate Case Expense Regulatory Assets	J. Weisensee	\$ 450,996
CS-85	Regulatory Assessment	J. Weisensee	\$ 81,236
CS-86	SPP Schedule 1A Admin Fees	J. Weisensee	\$ 795,748
CS-90	Advertising	J. Weisensee	\$ 94,861
CS-92	Dues and Donations	J. Weisensee	\$ (65,927)
CS-95	Amortization of Merger Transition Costs	D. Ives	\$ 3,548,026
CS-99	St. Joe Merger Transition Costs	J. Weisensee	\$ 375,099
CS-100	DSM/EE	J. Weisensee	\$ 1,243,072
CS-106	Sibley AAO Amortization	J. Weisensee	\$ 67,112
CS-109	Lease Expense	J. Weisensee	\$ (671,090)
CS-111	Amortization of Reg Asset	J. Weisensee	\$ 96,234
CS-116	Renewable Energy Standard	T. Rush/ J. Weisensee	\$ 141,322
CS-120	Depreciation	J. Spanos/ J. Weisensee	\$ 10,325,069

**KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx**

Summary of Adjustments

Adj No. (a)	Description (b)	Witness (c)	Increase (Decrease) (d)
CS-122	Amortization of Unrecovered Reserve - General Plant	J. Spanos/ J. Weisensee	\$ 700,374
CS-125	Income Taxes	J. Weisensee	\$ 14,990,696
CS-126	Property Taxes	J. Weisensee	\$ 1,633,518
	Total impact on Net Operating Income		\$ (267,973)

KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
Test Year 12-2009 with Known & Measurable Changes to 12-31-201
Case No. ER-xxxx-xxx

Cash Working Capital

Line No.	Account Description (A)	(Elec-Juris)	Revenue	Expense	Net	Factor	CWC Req
		Test Year Expenses (B)	Lag (C)	Lead (D)	(Lead)/Lag (C) - (D) (E)	(Col E/365) (F)	(B) X (F) (G)
<u>Operations & Maintenance Expense</u>							
1	Cash Vouchers	133,257,041	43.9370	30.0000	13.9370	0.0382	5,088,228
2	Federal Income Tax Withheld	6,285,311	43.9370	13.6300	30.3070	0.0830	521,887
3	State Income Tax Withheld	1,782,537	43.9370	13.6300	30.3070	0.0830	148,009
4	FICA Taxes Withheld - Employee	2,117,990	43.9370	13.7700	30.1670	0.0826	175,050
5	Net Payroll	28,950,285	43.9370	13.8540	30.0830	0.0824	2,386,059
6	Accrued Vacation	2,662,458	43.9370	344.8300	(300.8930)	(0.8244)	(2,194,836)
7	Purchased Gas & Oil	6,542,569	43.9370	39.8343	4.1027	0.0112	73,540
8	Purchased Power	74,560,985	43.9370	34.5000	9.4370	0.0259	1,927,759
9	Sibley - Coal & Freight	55,585,510	43.9370	17.3909	26.5461	0.0727	4,042,681
10	Jeffrey - Coal	24,945,963	43.9370	16.6431	27.2939	0.0748	1,865,404
11	Iatan 2 - Coal	14,013,204	43.9370	43.6866	0.2504	0.0007	9,613
Total Operation & Maintenance Expense		350,703,853					14,043,397
12	Interest Expense	55,170,127	43.9370	92.0000	(48.0630)	(0.1317)	(7,264,772)
<u>Taxes other than Income Taxes</u>							
13	Ad Valorem/Property Taxes	13,058,607	43.9370	187.4321	(143.4951)	(0.3931)	(5,133,825)
14	FICA Taxes - Employer's	2,117,990	43.9370	13.6300	30.3070	0.0830	175,863
15	Corporate Franchise Taxes	822,703	43.9370	(76.0000)	119.9370	0.3286	270,336
16	City Franchise Taxes	26,503,514	43.9370	98.4956	(54.5586)	(0.1495)	(3,961,629)
17	Sales Taxes	12,456,941	43.9370	22.0000	21.9370	0.0601	748,679
Total Taxes other than Income Taxes		54,959,755					(7,900,576)
<u>Income Taxes</u>							
18	Current Income Taxes-Federal	5,771,621	43.9370	45.6300	(1.6930)	(0.0046)	(26,771)
19	Current Income Taxes-State	906,969	43.9370	45.6300	(1.6930)	(0.0046)	(4,207)
Total Income Taxes		6,678,590					(30,978)
Total Cash Working Capital Requirement		467,512,326					(1,152,930)

KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
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Case No. ER-xxxx-xxxx

Allocation Factors

Line No.	Jurisdiction Factors	2009		Total
		Retail	Wholesale	
(a)	(b)	(c)	(d)	(e)
1	Jurisdictional-100%	100.000%	0.000%	100.000%
2	Non-jurisdictional-100%	0.000%	100.000%	100.000%
3	Demand (Capacity) Factor	99.486%	0.514%	100.000%
4	Energy Factor	99.477%	0.523%	100.000%
5	Distribution Factor	99.552%	0.448%	100.000%
6	Payroll Factor	99.510%	0.490%	100.000%
7	Plant Factor	99.513%	0.487%	100.000%
8	Transmission Factor	99.486%	0.514%	100.000%

**KCP&L Greater Missouri Operations Company
 For All Territories Served As L&P Electric
 Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
 Case No. ER-xxxx-xxxx**

Revenue Requirement

Line No.	Description	8.997% Return
(a)	(b)	(c)
1	Net Orig Cost of Rate Base (Sch 2)	421,994,658
2	Rate of Return	8.997%
3	Net Operating Income Requirement	<u>37,964,749</u>
4	Net Income Available (Sch 7)	<u>24,348,159</u>
5	Additional NOIBT Needed	<u>13,616,590</u>
6	Additional Current Tax Required	<u>8,484,497</u>
7	Gross Revenue Requirement	<u><u>22,101,088</u></u>

KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx

Rate Base

Line No.	Description	Amount	Witness	Adj No.
(a)	(b)	(c)	(d)	(e)
Total Plant :				
1	Total Plant in Service-L&P Only (Sch 3)	537,302,290	J. Weisensee	RB-20
1a	Total Plant in Service-L&P Share of Corp (Sch 3a)	107,423,985	J. Weisensee	RB-20
	Total Plant	644,726,275		
Subtract from Total Plant:				
2	Depr Reserve-L&P & Corp Share (Sch 5)	229,250,402	J. Weisensee	RB-30
3	Depr Reserve-L&P Share of ECORP (Sch 5a)	626,269	J. Weisensee	RB-30
	Total Depreciation Reserve	229,876,672		
	Net (Plant in Service)	414,849,603		
Add to Net Plant:				
3	Cash Working Capital	8,050	J. Weisensee	Model
4	Materials and Supplies	9,343,114	J. Weisensee	RB-72
5	SO2 Emission Allowances	6,388,010	E. Blunk/ J. Weisensee	RB-55
6	Prepayments	458,109	J. Weisensee	RB-50
7	Prepayments - Pension	8,577,432	C. Vogl/J. Weisensee	RB-51
8	Fuel Inventory - Oil	2,111,335	E. Blunk	RB-74
9	Fuel Inventory - Coal	16,419,980	E. Blunk	RB-74
10	Fuel Inventory - Other	127,875	E. Blunk	RB-74
11	Deferral of DSM/EE Costs	3,236,813	K. Bryant/ J. Weisensee	RB-100
12	ERPP	76,967	J. Alberts/ J. Weisensee	RB-44
13	latan 1 Regulatory Asset	1,823,220	J. Weisensee	RB-25
14	Regulatory Asset - ERISA Minimum Tracker	192,186	C. Vogl/J. Weisensee	RB-63
Subtract from Net Plant:				
15	Customer Advances for Construction	255,692	J. Weisensee	RB-71
16	Customer Deposits	1,253,581	J. Weisensee	RB-70
17	Deferred Income Taxes	40,108,762	J. Weisensee	RB-125
	Total Rate Base	421,994,658		

KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
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Case No. ER-xxxx-xxxx

Income Statement

Line No. (a)	Description (b)	Total Electric (c)	Adjustment (d)	Jurisdictional As Adjusted (e)
1	Operating Revenue	133,682,583	32,824,163	166,506,746
2	Operating & Maintenance Expenses:			
3	Production	69,437,257	11,864,825	81,302,082
4	Transmission	4,813,867	(2,060,361)	2,753,507
5	Distribution	6,984,159	(42,398)	6,941,762
6	Customer Accounting	3,100,201	356,017	3,456,219
7	Customer Services	308,018	475,639	783,658
8	Sales	102,214	(2,967)	99,247
9	A & G Expenses	17,319,500	(486,686)	16,832,814
10	Total O & M Expenses	<u>102,065,218</u>	<u>10,104,070</u>	<u>112,169,288</u>
11	Depreciation Expense	13,310,212	3,798,462	17,108,675
12	Amortization Expense	957,639	936,548	1,894,187
13	Taxes other than Income Tax	4,981,687	902,150	5,883,837
14	Net Operating Income before Tax	<u>12,367,827</u>	<u>17,082,933</u>	<u>29,450,760</u>
15	Income Taxes	6,636,364	(3,983,010)	2,653,354
16	Income Taxes Deferred	6,171,696	(3,645,931)	2,525,765
17	Investment Tax Credit	(76,519)	-	(76,519)
18	Total Taxes	<u>12,731,541</u>	<u>(7,628,941)</u>	<u>5,102,600</u>
19	Total Net Operating Income	(363,715)	24,711,874	24,348,159

**KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx**

Summary of Adjustments

Adj No. (a)	Description (b)	Witness (c)	Increase (Decrease) (d)
R-20	Revenue Normalization	T. Rush/ G. McCollister	32,363,607
R-21	Forfeited Discounts	J. Weisensee	40,389
R-30	Eliminate Inter-company Off-System Revenue	J. Weisensee	(2,034,979)
R-35	Off-System Sales Revenue	B. Crawford	2,455,146
CS-11	Out-of-period items - COS	J. Weisensee	28,558
CS-20	Bad Debt Expense	J. Weisensee	305,742
CS-22	Amortization of SO2 Proceeds	J. Weisensee	(2,702)
CS-24	Fuel & PP Energy (On-system)	B. Crawford/W. Blunk	21,378,712
CS-25	Purchased Power Capacity	B. Crawford	(8,688,000)
CS-30	Eliminate Inter-company Off-System Costs	J. Weisensee	(2,034,978)
CS-40	Transmission Maintenance	J. Weisensee	0
CS-41	Distribution Maintenance	J. Weisensee	0
CS-42	Generation Maintenance	J. Weisensee	748,164
CS-43	Major Maintenance	J. Weisensee	(5,600)
CS-44	ERPP	J. Weisensee	101,828
CS-45	Transmission of Elec by Others / Acct 565	J. Weisensee	(1,993,116)
CS-48	Iatan II O&M	J. Weisensee	728,703
CS-50	Payroll	J. Weisensee	(531,017)
CS-51	Incentive	J. Weisensee	151,557
CS-52	401(k)	J. Weisensee	(1,159)
CS-53	Payroll Taxes - FICA	J. Weisensee	(31,545)
CS-54	Relocation	J. Weisensee	(785)
CS-55	Severence	J. Weisensee	1,716

KCP&L Greater Missouri Operations Company
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Summary of Adjustments

Adj No. (a)	Description (b)	Witness (c)	Increase (Decrease) (d)
CS-60	Other Benefits	J. Weisensee	(274,672)
CS-61	OPEB	J. Weisensee	(76,706)
CS-62	SERP	J. Weisensee	(215,055)
CS-65	Annualized Pension Expense	C. Vogl/ J. Weisensee	(530,702)
CS-70	Insurance	J. Weisensee	(238,171)
CS-71	Injuries & Damages	J. Weisensee	247,463
CS-76	Customer Deposit Interest	J. Weisensee	53,277
CS-77	Credit Card & Electronic Check	J. Weisensee	44,643
CS-80	Rate Case Expense	J. Weisensee	444,714
CS-85	Regulatory Assessments	J. Weisensee	(70,186)
CS-86	SPP Schedule 1A Admin Fees	J. Weisensee	(49,411)
CS-90	Advertising	J. Weisensee	28,907
CS-92	Dues, Donations & Contributions	J. Weisensee	(18,251)
CS-95	Amortization of Merger Transition Costs	D. Ives	891,135
CS-99	St. Joe Merger Transition Costs	J. Weisensee	119,032
CS-100	DSM/EE Adjustment	K. Bryant/ J. Weisensee	313,442
CS-107	L&P Ice Storm AAO	J. Weisensee	0
CS-109	Lease Expense	J. Weisensee	(197,579)
CS-111	Amortization of Intan I Reg Asset	J. Weisensee	67,527
CS-116	Renewable Energy Standard	T. Rush/ J. Weisensee	37,843
CS-120	Depreciation Expense	J. Spanos/ J. Weisensee	3,836,590
CS-122	Amort of Unrecovered Reserve - General Plant	J. Spanos/ J. Weisensee	237,224
CS-125	Income Taxes	J. Weisensee	(7,628,941)
CS-126	Property Taxes	J. Weisensee	934,089

**KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Case No. ER-xxxx-xxxx**

Summary of Adjustments

Adj No. <u>(a)</u>	Description <u>(b)</u>	Witness <u>(c)</u>	Increase (Decrease) <u>(d)</u>
	Total Impact on Net Operating Income		24,711,874

KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010

Cash Working Capital

Line No.	Account Description (A)	(Elec-Juris) Test Year Expenses (B)	Revenue Lag (C)	Expense Lead (D)	Net (Lead)/Lag (C) - (D) (E)	Factor (Col E/365) (F)	CWC Req (B) X (F) (G)
<u>Operations & Maintenance Expense</u>							
1	Cash Vouchers	32,152,760	43.9370	30.0000	13.9370	0.0382	1,227,707
2	Federal Income Tax Withheld	2,172,522	43.9370	13.6300	30.3070	0.0830	180,391
3	State Income Tax Withheld	616,135	43.9370	13.6300	30.3070	0.0830	51,159
4	FICA Taxes Withheld - Employee	911,689	43.9370	13.7700	30.1670	0.0826	75,350
5	Net Payroll	11,264,299	43.9370	13.8540	30.0830	0.0824	928,394
6	Accrued Vacation	920,434	43.9370	344.8300	(300.8930)	(0.8244)	(758,773)
7	Purchased Gas and Oil	1,194,216	43.9370	39.8343	4.1027	0.0112	13,423
8	Purchased Power	25,037,394	43.9370	34.5000	9.4370	0.0259	647,337
9	Lake Road - Coal & Freight	15,809,779	43.9370	20.3725	23.5645	0.0646	1,020,684
10	Iatan - Coal	22,090,060	43.9370	43.6866	0.2504	0.0007	15,154
Total Operation & Maintenance Expense		112,169,288					3,400,827
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11	Interest Expense	15,851,385	43.9370	92.0000	(48.0630)	(0.1317)	(2,087,302)
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<u>Taxes other than Income Taxes</u>							
12	Ad Valorem/Property Taxes	4,322,656	43.9370	182.0742	(138.1372)	(0.3785)	(1,635,944)
13	FICA Taxes - Employer's	911,689	43.9370	13.6300	30.3070	0.0830	75,700
14	Corporate Franchise Taxes	112,732	43.9370	(76.0000)	119.9370	0.3286	37,043
15	City Franchise Taxes	3,701,301	43.9370	40.2083	3.7287	0.0102	37,811
16	Sales Taxes	3,198,288	43.9370	22.0000	21.9370	0.0601	192,221
Total Taxes other than Income Taxes		12,246,666					(1,293,168)
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<u>Income Taxes</u>							
17	Current Income Taxes-Federal	2,293,022	43.9370	45.6300	(1.6930)	(0.0046)	(10,636)
18	Current Income Taxes-State	360,332	43.9370	45.6300	(1.6930)	(0.0046)	(1,671)
Total Income Taxes		2,653,354					(12,307)
<hr/>							
Total Cash Working Capital Requirement		142,920,693					8,050

KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
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Allocation Factors

Line No.	Electric/Steam Factors	2009		Total
		Electric	Steam	
(a)	(b)	(c)	(d)	(e)
1	Electric - 100%	100.000%	0.000%	100.000%
2	Steam - 100%	0.000%	100.000%	100.000%
3	Allocated Plant Base Factor	95.163%	4.837%	100.000%
4	Land Factor	80.348%	19.652%	100.000%
5	Structures Factor	80.348%	19.652%	100.000%
6	Boiler Plant Factor	70.581%	29.419%	100.000%
7	Turbogenerators Factor	99.957%	0.043%	100.000%
8	Access Elec Eqpt Factor	80.348%	19.652%	100.000%
9	Misc Steam Gen Eqpt Factor	58.200%	41.800%	100.000%
10	Electric/Steam Plant Factor	80.348%	19.652%	100.000%
11	900 lb Steam Demand Factor	58.200%	41.800%	100.000%
12	Total Coal Burned Factor	77.745%	22.255%	100.000%
13	Electric After Steam Alloc (O&M)	84.942%	15.058%	100.000%
14	Electric After Steam Alloc (A&G)	91.685%	8.315%	100.000%