

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Kansas City Power & Light Company for authority to file tariffs increasing rates for electric and utility steam service provided to customers in the Missouri service area of the company.

Case No. ER-78-252

HEARING MEMORANDUM

Kansas City Power & Light Company (hereinafter the Company) on April 19, 1978, submitted to the Missouri Public Service Commission (hereinafter the Commission) revised electric rate schedules designed to increase the Company's retail electric revenues approximately \$41,700,000 annually inclusive of gross receipts taxes. Also on April 19, 1978, the Company submitted to the Commission revised steam rate schedules designed to increase the Company's retail steam revenues approximately \$228,000 inclusive of gross receipts taxes. All other dollar amounts herein are exclusive of gross receipts tax unless otherwise specifically indicated. All parties agree that the Company's composite gross receipts tax rate for electric operations is 8.7% on gross revenue. The Company gave the revised electric and steam rate schedules (hereinafter revised schedules) an effective date on May 20, 1978. The Commission accepted the revised schedules for filing on May 4, 1978.

On May 12, 1978, the Commission suspended the revised schedules for 120 days beyond May 20, 1978, to September 17, 1978. On June 6, 1978, the Commission further suspended the revised schedules for six months beyond September 17, 1978, to March 17, 1979.

Also on June 6, 1978, the Commission set July 5, 1978, as the date for intervention, July 10, 1978, as the date by which the Company was to comply with the Commission's minimum filing requirements (as later clarified by the Commission on June 8, 1978) and to file and serve its prepared testimony and exhibits, August 10,

goint Exhibit No. 1
Date 11/29/78 Case No. ER-78-252
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1978, as the date by which discovery was to be initiated, August 30, 1978, as the date by which objections to discovery were to be made, September 11, 1978, as the date by which requests for discovery were to be satisfied or within 20 days of such requests whichever date was first, October 13, 1978, as the date by which the Commission Staff (hereinafter the Staff), each intervenor, and the Public Counsel were to file and serve their prepared testimony and exhibits, October 30, 1978, as the date for the prehearing conference to begin, and November 27, 1978, as the date for the hearing to begin. On October 4, 1978, the Commission continued the commencement of the prehearing conference to November 13, 1978.

On September 18, 1978, the Commission ordered local hearings to be held on November 21, 1978, in Kansas City, Missouri, and directed the Company to comply with 4 CSR 240-2.110(12), which the Company did, by written notice to each customer, during September and October, 1978.

On May 10, 1978, Armco Inc. (hereinafter Armco) applied to intervene. On May 22, 1978, Kansas City, Missouri (hereinafter Kansas City) applied to intervene. On May 26, 1978, Jackson County, Missouri (hereinafter Jackson County) applied to intervene. On July 3, 1978, General Motors Corporation applied to intervene. On July 10, 1978, the Kansas City, Missouri, Chapter of the National Welfare Rights Organization, Inc. (hereinafter Welfare Rights) applied to intervene. On August 4, 1978, the General Services Administration (hereinafter GSA) applied to intervene.

On June 6, 1978, the Commission granted the applications to intervene of Armco, Kansas City, and Jackson County. On July 26, 1978, the Commission granted the applications to intervene of General Motors and Welfare Rights. And, on August 18, 1978, over the objection of the Company, the Commission granted the late filed application to intervene of GSA.

On August 10, 1978, the Public Counsel propounded interrogatories upon the Company and on August 11, 1978, Kansas City did so. On September 13, and October 2, 1978, GSA submitted

information requests to the Company. The Company timely answered the interrogatories and satisfied the information requests.

On July-10, 1978, the Company filed and served its prepared testimony and exhibits based on historical data for the six months ended December 31, 1977, and projected data for the six months ended June 30, 1978, adjusted for known and measurable changes to March 17, 1979. On July 26, 1978, the Commission granted the Company's July 10, 1978, motion for leave to file supplemental testimony in late September, 1978, based on historical data for the 12 months ended June 30, 1978, adjusted for known and measurable changes to March 17, 1979. The Company filed and served its supplemental testimony on September 22, 1978. ✓

On October 4, 1978, over the Company's objection, the Commission granted the Staff's September 18, 1978, request for an extension to November 3, 1978, of the date for the filing of its prepared testimony and exhibits. The Staff filed and served its prepared testimony and exhibits on November 3, 1978.

On October 13, 1978, Armco and General Motors filed and served their prepared testimony and exhibits after the Commission had denied their request for an extension of the filing date to November 3, 1978.

On October 11, 1978, GSA filed and served its initial prepared testimony and exhibits after the Commission had denied its request for an extension of the filing date to November 3, 1978. On October 27, 1978, with leave of the Commission, granted on October 13, 1978, GSA filed and served its supplemental testimony and exhibits.

Pursuant to the Commission's order of September 18, 1978, local hearings were scheduled on November 21, 1978, in Kansas City, Missouri. Pursuant to the Commission's orders of June 6 and October 4, 1978, a prehearing conference was begun on November 13, 1978. Representatives of the Company, the Staff, the Public Counsel, Jackson County, Kansas City, General Motors, Armco,

Welfare Rights, and GSA attended the prehearing conference.

Attached hereto as Appendix I is a reconciliation of the Staff's and the Company's cases. The Staff and the Company and any other parties who desire will, jointly or individually, submit a reconciliation to the Commission after the close of the hearing to describe the differences which continue to exist after the hearing between the Staff's and the Company's cases.

At the prehearing conference the parties agreed to utilize as a test period the year ended June 30, 1978, based on historical data as adjusted for known and measurable changes to March 17, 1979. The parties also agreed to delineate for the Commission the matters which after the prehearing conference continued to be at issue among all or some of the parties and the witnesses testifying to them, as follows:

I. ATTRITION ALLOWANCE

The Company proposes that the Commission include, as part of the authorized electric rate increase, an attrition allowance of \$8,000,000 in addition to the annual revenue requirement determined by the Commission.

The Staff and all other parties oppose the attrition allowance in principle and amount.

Witnesses: Doyle, Pendleton (KCPL); Kostbade (PSC)

II. ACCOUNTING ISSUES OTHER THAN INCOME TAXES

A. Electric Rate Base

As of the commencement of the hearing, the Company disagrees with the Staff's calculation of original cost jurisdictional electric rate base, and the other parties to the case agree or disagree, as follows:

1. Year End Rate Base

The Staff and the Company have agreed to utilize a year end rate base adjusted for known and measurable changes to March 17, 1979.

The Public Counsel, Welfare Rights, and Jackson County reserve the right to establish a position.

All other parties support the Staff and the Company.

2. Depreciation Reserve

The Staff annualized depreciation expense for one year based on plant in service at June 30, 1978. The Staff then increased the Company's depreciation reserve at June 30, 1978, by one half the annualized depreciation expense.

The Company contends that its depreciation reserve should be set at its June 30, 1978, level and, therefore, that the Staff's depreciation reserve should be reduced by \$11,329,514.

Kansas City supports the Staff.

General Motors, Armco and GSA take no position.

Welfare Rights, the Public Counsel, and Jackson County reserve the right to establish a position.

Witnesses: Marchisio, (KCPL); Dittmer (PSC)

3. Materials and Supplies

The Public Counsel contends that a portion of the Company's materials and supplies is related to construction work in progress and, therefore, should be excluded from rate base.

The Company opposes the Public Counsel.

Jackson County and Welfare Rights support the Public Counsel.

Kansas City reserves the right to establish a position.

The Staff, General Motors, Armco, and GSA take no position.

Witnesses: Pendleton

4. Cash Working Capital

The Staff calculated cash working capital on a 28.414 day allowance.

The Company contends that it requires a 57.177 day allowance for cash working capital and, therefore, that the Staff's cash working capital should be increased by \$.

GSA calculated cash working capital using a different

method than the Staff or the Company and contends that the Staff's cash working capital allowance should be reduced by \$12,272,133.

The Public Counsel and Jackson County reserve the right to establish a position.

General Motors and Armco take no position.

Kansas City and Welfare Rights support the Staff.

Witnesses: Marchisio, Hahne (KCPL); Carver (PSC);

Marshall (GSA)

5. Customer Supplied Cash Working Capital

The Staff contends that gross receipts tax collections, property tax collections, the employer's portion of FICA collections, sales tax collections, the payroll reserve, and the injuries and damages reserve constitute sources of customer supplied cash working capital which should be offset against the Company's cash working capital requirement. The Staff took the resulting negative amount to rate base.

The Company contends that only property tax collections, FICA collections, unemployment compensation collections, and a portion of gross receipts tax collections constitute sources of customer supplied cash working capital which should be offset against the Company's cash working capital requirement. The Company contends, therefore, that the Staff's offsets should be reduced by \$.) ?

The Public Counsel, Jackson County, Welfare Rights, and Kansas City support the Staff.

General Motors and Armco take no position.

GSA reserves the right to establish a position.

Witnesses: Marchisio, Hahne (KCPL); Carver (PSC);

Marshall (GSA)

6. Fuel Inventory

The Staff has included in rate base a 91.2 day coal supply for all generating stations.

The Company contends that it requires a composite 122.3

day coal supply. The Company, therefore, contends that the Staff's rate base should be increased by \$4,249,180.

The Public Counsel, Jackson County, Welfare Rights, GSA, and Kansas City support the Staff.

General Motors and Armco contend that the Company should be allowed a 120 day coal supply.

Witnesses: McPhee (KCPL); Schallenberg (PSC)

7. Pollution Control Equipment at Hawthorn 5

The Company, the Staff, Kansas City, Armco, and GSA agree that the full Missouri jurisdictional portion of the pollution control equipment presently being installed at the Company's Hawthorn 5 unit, which is scheduled for completion prior to the operation of law date (March 17, 1979), should be included in rate base. The Company, the Staff, Armco, and GSA further agree that the Missouri jurisdictional amount to be included in rate base should be the actual cost of the equipment as verified by Staff audit of such costs as certified to by the Company. If the costs are not certified by the end of the hearing, the Company will submit such certification as a late filed exhibit. Upon the Staff's audit of such exhibit, the Staff will either indicate concurrence or its areas of difference with the Company, which differences, if any, will be subject to resolution by the Commission. The Company acknowledges that if it does not submit such exhibit by February 15, 1979, the Commission may reject it as being untimely.

The Public Counsel, Jackson County, and Welfare Rights oppose the inclusion in rate base of the pollution control equipment at Hawthorn 5.

General Motors takes no position.

8. Customer Deposits ✓

The Staff reduced rate base by customer deposits and then included the interest expense on customer deposits in the

income statement.

The Company contends that rate base should not be reduced by customer deposits and, therefore, that the Staff's rate base should be increased by \$1,984,592 and that the interest expense on customer deposits should be removed from the income statement. If the Commission reduces rate base by customer deposits, the Company agrees with the Staff's treatment of the interest expense.

The Public Counsel, Jackson County, Welfare Rights, and Kansas City support the Staff.

GSA, General Motors, and Armco take no position.

Witnesses: Pendleton (KCPL); Dittmer (PSC)

9. Accrued Interest on Bonds and Accrued Dividends on Preferred Stock

GSA contends that such accrued items should be offset to rate base and, therefore, that the Staff's rate base should be reduced by \$8,059,000.

The Company opposes this offset.

The Staff, General Motors, and Armco take no position.

The Public Counsel, Jackson County, and Welfare Rights support GSA.

Kansas City reserves the right to establish a position.

Witnesses: Pendleton, Rasmussen, and Marchisio (KCPL);
Marshall (GSA)

10. The Public Counsel's Capacity Adjustment

The Public Counsel contends that the Company has excess capacity and, therefore, that an appropriate offset to rate base should be made.

The Company opposes this contention.

GSA treats this issue in paragraph II B 5.

Jackson County supports the Public Counsel.

All other parties reserve the right to establish a position.

B. Electric Operating Income

As of the commencement of the hearing, the Company disagrees with the Staff's jurisdictional operating income, and

the other parties to the case agree or disagree, as follows:

1. Weather Adjustment

The Company contends that the weather was abnormal during a portion of the test period and, therefore, decreased its operating revenues by \$1,442,024. The Company made the appropriate companion adjustments.

The Staff, the Public Counsel, Jackson County, Kansas City, Welfare Rights, and GSA oppose the Company.

General Motors and Armco take no position.

Witnesses: Sullivan (KCPL); Proctor, Schallenberg (PSC);
Lundberg (GSA)

2. Hydro Adjustment

The Company increased fuel expense by \$3,870,111 to reflect the cost of thermally generated energy to replace hydro energy purchased under a contract which expires on May 31, 1979. The Company made the appropriate companion adjustments.

The Staff, the Public Counsel, Jackson County, Kansas City, Welfare Rights, and GSA oppose the Company.

General Motors and Armco take no position.

Witnesses: McPhee and Sullivan (KCPL); Wood (PSC);
Lundberg (GSA)

3. Interchange

i. Sales from the Company's Generation

The Staff's level of interchange energy sales from the Company's generation is \$4,945,093. The Staff made the appropriate companion adjustments.

The Company contends that its level of interchange energy sales from its own generation should be \$1,226,167 and, therefore, that the Staff's level should be reduced by \$3,718,926. The Company made the appropriate companion adjustments.

ii. Energy Purchases for Resale

The Staff decreased the expense for energy purchases for resale by \$221,963.

The Company contends that its expense for energy purchases for resale should be increased by \$311,043 and, therefore, that the Staff's expenses are understated by \$533,006.

iii. Energy Purchases for the Company's Use

The Staff decreased the expense for energy purchases for the Company's use by \$2,411,600. The Staff made the appropriate companion adjustments.

The Company opposes the adjustment.

All other parties, particularly GSA, reserve the right to establish a position.

Witnesses: McPhee (KCPL); Wood (PSC); Lundberg (GSA)

4. Clearing Account Adjustment

GSA proposes to reduce the Company's expenses by \$429,000 to reflect expenses which it contends were incurred in the period preceding the test year but charged to the test year operating expenses.

The Company opposes this proposal.

The Public Counsel, Jackson County, Welfare Rights, and Kansas City support GSA.

The Staff, General Motors, and Armco take no position.

Witnesses: Pendleton (KCPL); Marshall (GSA) and Marchisio

5. Capacity Adjustment

GSA extends that the Company has excess capacity and, therefore, that its revenues should be increased by \$5,250,000.

The Company opposes this contention.

The Public Counsel supports the concept of an excess capacity adjustment.

Welfare Rights and Kansas City support GSA.

The Staff reserves the right to establish a position.

General Motors and Armco take no position.

Witnesses: McPhee and Doyle (KCPL); Lundberg (GSA)

6. Inventory Adjustment

The Public Counsel opposes the Staff's and the Company's adjustments to include certain expenses associated with the Montrose Station inventory adjustments from prior years.

The Company and the Staff oppose the Public Counsel.

All other parties reserve the right to establish a position.

Witnesses: Dittmer

7. Cost of Oil Burned

The Public Counsel reserves the right to inquire into and establish a position regarding the pricing of oil in the Company's fuel expenses.

The Company and the Staff are in agreement on the pricing of oil.

All other parties reserve the right to establish a position.

Witnesses: McPhee

III. INCOME TAXES

1. FERC 530 B

The Company proposes to begin normalizing pensions, payroll taxes, and property taxes capitalized.

The Staff contends that these items should be flowed through. The Company opposes both the Staff's flow through approach and the method used to calculate the dollar amounts involved.

GSA supports the Staff.

All other parties reserve the right to establish a position.

Witnesses: Pendleton (KCPL); Schallenberg (PSC);

Marshall (GSA)

2. Flow Through of State Deferred Taxes

The Public Counsel contends that state deferred taxes in the amount of \$137,068 should be flowed through.

The Company agrees that its state deferred taxes amount to \$137,068 , but opposes the Public Counsel's contention.

All other parties reserve the right to establish a position.

IV. COST OF MONEY/RATE OF RETURN

The Staff contends that a reasonable rate of return is in a range from 9.18 percent to 9.51 percent based on the following capital structure and embedded costs:

<u>Type of Capital</u>	<u>6/30/78 Capital Structure (%)</u>	<u>Cost (%)</u>	<u>Weighted Cost (%)</u>	
Common Equity	35.9	12.60-13.50	4.52	4.85
Long Term Debt	51.0	7.20	3.67	3.67
Preferred Stock	<u>13.1</u>	7.59	<u>.99</u>	<u>.99</u>
Total	100.00		<u>9.18</u>	<u>9.51</u>

The Company contends that the required rate of return is 10.31 percent based on the following capital structure and embedded costs:

<u>Type of Capital</u>	<u>Balanced Capital Structure (%)</u>	<u>Cost (%)</u>	<u>Weighted Cost (%)</u>
Common Equity	36.9	15.50	5.72
Long Term Debt	51.3	7.20	3.69
Preferred Stock	<u>11.8</u>	7.59	<u>.90</u>
Total	100.0		<u>10.31</u>

GSA contends that a reasonable rate of return is 9.40 percent based on the following capital structure and embedded costs:

<u>Type of Capital</u>	<u>6/30/78 Capital Structure (%)</u>	<u>Cost (%)</u>	<u>Weighted Cost (%)</u>
Common Equity	35.9	13.20	4.74
Long Term Debt	51.0	7.20	3.67
Preferred Stock	<u>13.1</u>	7.59	<u>.99</u>
Total	100.0		<u>9.40</u>

The Public Counsel, Jackson County, Welfare Rights, and Kansas City support the Staff's low range.

General Motors and Armco take no position.

Witnesses: Rasmussen (KCPL); Shackelford, Kostbade (PSC);
Livingston (GSA)

V. RATE DESIGN

1. The Company proposes that any revenue increase authorized herein be allocated generally on an equal percentage across-the-board basis, both among and within all customer classes, without redetermining the "base fuel cost" component of the presently effective fuel adjustment clause.

The Company also proposes, as detailed in its pre-filed testimony and exhibits:

- a. To implement a customer charge for the residential class;
- b. To provide for a lesser percentage increase, to electric heat customers, than that proposed generally for other customer classifications;
- c. To eliminate the "demand determination option" now available to certain commercial-industrial customers;
- d. To effect a general "flattening" of the rates in all customer classifications.
- e. To eliminate the "wage adjustment" provisions from municipal traffic signal and street lighting tariffs.

2. Welfare Rights contends that any increase in rates be allocated among classes on an equal cents per unit basis. Welfare Rights further contends that the current rate charged for the first 450 kwh per month in the residential class be maintained at its current level and unaffected by any increase in rates to the remaining residential blocks or to the other classes. Welfare Rights reserves its position on the question of a customer service charge.

3. The Public Counsel proposes a uniform cents per kwh increase, a freeze on the first 450 kwh, and reserves the right to assert a position regarding a customer service charge.

4. Armco, General Motors and GSA assert that pending completion of the Kansas City Power & Light rate design proceeding, the present rate structure relationships should be preserved and to accomplish this, the allowed increase should be allocated to each customer class and within each customer class on an equal percentage basis, after first excluding fuel costs. These parties also assert that approximately two mills of demand-related costs should be shifted the energy charge to the demand charge.

GSA advocates creation of a general interruptible tariff, similar to that made available to Armco, and further advocates that such a tariff should be made available to all large commercial and industrial users.

5. The Staff proposes a percentage increase to each customer classification and a per unit increase within each classification. The per unit increase for the residential classification should be applied to each rate block. The per unit increase for the remaining customer classifications should be applied to the energy charges only.

Witnesses: Sullivan (KCPL); Ketter (PSC); Lundberg (GSA);
Brubaker (Armco and General Motors); Burcham
(Armco)

VI. OTHER ISSUES

1. Chemagro Adjustment

The Public Counsel contends that the steam sales from the Hawthorn generating plants to Chemagro, Corp. do not fully compensate the Company for its expenses. The Public Counsel proposes, in the alternative, to either make an adjustment to the cost of service or to the Company's allowable rate of return.

The Company opposes this contention.

All other parties reserve the right to establish a position.

Witnesses: Pendleton

2. Labor Strike

The Public Counsel and Jackson County reserve the right to assert a position regarding the effects both economic and service related caused by the prolonged labor strike.

The Company _____?

All other parties reserve the right to establish a position.

3. Wage and Price Guidelines

The Public Counsel, Jackson County, ^{Kansas City,} and Welfare Rights contend that the Federal Wage and Price Guidelines should be utilized as model guidelines for setting rates for the Company. These parties contend that under the suggested guidelines the Company's increase should be limited to a 7.77% increase or \$16.1 million.

It is the position of GSA that recent Federal Wage and Price Guidelines place a limit upon price increases which the Company can impose upon consumers after the effective date of those guidelines, October 31, 1978. GSA is seeking further guidance from appropriate authorities regarding the applicability of price guidelines to the current proceeding.

The Company asserts that the imposition of such guidelines is inappropriate.

All other parties reserve the right to establish a position.

Witnesses: Marshall (GSA)

4. Other Issue

The Public Counsel reserves the right to state a position regarding the Company's level of operations and maintenance expense and bad debt expense on a normalized test year basis.

5. Late Payment Charge

The Company proposes that its existing late payment charge, embodied in the Company's Rule 8.04, be found reasonable and permitted to remain effective without modification. In the event of elimination or modification of such late payment charge, the Company

contends that the annualized revenues generated by such charge, in the amount of \$680,100, be reflected in cost of service.

The Public Counsel contends that the Company's late payment charge should be eliminated, and that no revenues should be reflected in cost of service.

All other parties reserve the right to establish a position.

Witnesses: Spence (KCPL)

6. Advertising

The Public Counsel proposes that the Commission adopt in this case the "New York" standard for advertising expenses.

GSA proposes to reduce operating expenses by \$209,000 for the Missouri portion of the Company's institutional advertising.

The Company opposes the Public Counsel and GSA.

All other parties reserve the right to establish a position.

Witnesses: Marshall (GSA); (KCPL)

7. Dues and Donations

The Public Counsel and Jackson County reserve the right to inquire into and assert a position on dues and donations.

The Company _____?

All other parties reserve the right to establish a position.

8. Research and Development

The Public Counsel and Jackson County reserve the right to inquire into and assert a position on research and development expenses.

The Company _____?

All other parties reserve the right to establish a position.

9. Executive Salaries

The Public Counsel reserves the right to inquire into and assert a position on executive salaries.

The Company _____?

All other parties reserve the right to establish a position.

VII. STEAM HEAT OPERATIONS

The Company filed revised steam tariffs designed to increase annual revenues from its steam heat operations by 5.65%, or approximately \$228,000 based on sales at June 30, 1978, including gross receipts taxes.

The Staff found the Company's steam heat revenue deficiency to exceed that demonstrated by the Company; the Company therefore proposes that its steam heat tariffs as filed herein be permitted to become effective without modification. All other parties agree, and join the Company in recommending that the Commission permit such filed tariffs to become effective without modification.

VIII. FAIR VALUE

The Staff and the Company agree that the Missouri Retail Electric fair value rate base should be composed of four items:

- 1) fair value of plant in service
- 2) materials and supplies
- 3) cash working capital
- 4) rate base deductions

The Company contends that the fair value of plant in service should be determined as outlined in KCPL Exhibit 30 Section D. The Staff and the Company agree that the current value component should be determined by adjusting the Company's current value of plant in service at June 30, 1978, (\$744,135,758) by the accounting plant adjustments applied to the net original cost of plant in service at June 30, 1978. The Company contends that the current value (as adjusted) should be multiplied by the weighted equity ratio, and the net original cost should be multiplied by one minus the weighted equity ratio. The sum of these components should be the fair value of plant in service. The amounts for 1) materials and supplies, 2) cash working capital, and 3) rate base deductions should be the same amounts determined with respect to the original

cost rate base. Other than the method of determining current value of plant in service, the Staff takes no position on how the Commission should determine fair value.

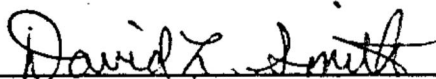
IX. CONCLUSION

All parties agree that the foregoing HEARING MEMORANDUM delineates some areas of agreement and all areas of disagreement which exist among some or all of the parties as of the close of the prehearing conference. All parties further agree that all issues settled during the prehearing conference were settled on the basis of a dollar amount only and that no parties shall be bound in this or future proceedings by any theory of ratemaking or cost of service which may have been used in arriving at such settlements. All parties reserve the right to inquire into and establish a position concerning any issue which is pertinent to these proceedings and which arises during the course of the proceedings as a new issue based on matters which could not reasonably have been contemplated based on the filings and pleadings herein as of the date hereof.


Respectfully submitted,

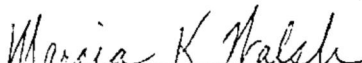

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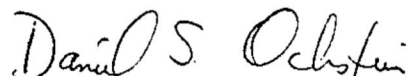

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ORDER OF ISSUE PRESENTATION

November 27	Depreciation Reserve (Marchisio, KCPL; Dittmer, PSC) Customer Deposits (Dittmer, PSC)
November 28 ? ?	Policy & Attrition* (Doyle, KCPL) FERC 530 B (Pendleton, KCPL; Schallenberg, PSC; Marshall, GSA) Flow Through of State Deferred Taxes Weather Adjustment (Sullivan, KCPL; Proctor, PSC)
November 29	Materials and Supplies (Pendleton) Accrued Interest on Bonds and Accrued Dividends on Preferred Stock (Pendleton & Rasmussen, KCPL; Marshall, GSA; Marchisio) Clearing Account Adjustment (Pendleton, KCPL; Marshall, GSA; Marchisio) Montrose Inventory Adjustment (Dittmer)
November 30	Chemagro (Pendleton) Wage and Price Guidelines Advertising (Marshall, GSA; _____, KCPL) Dues and Donations Executive Salaries
December 1	Late Payment Charges (Spence, KCPL)
December 4 & 5	Rate Design* (Sullivan, KCPL; Ketter, PSC; Brubaker, Armco & GM; Burcham, Armco; Lundberg, GSA)
December 5 & 6	Fuel Inventory & Cost of Oil Burned (McPhee, KCPL; Schallenberg, PSC) Hydro (McPhee & Sullivan, KCPL; Wood, PSC; Lundberg, GSA) Interchange (McPhee, KCPL; Wood, PSC; Lundberg, PSC)
December 7 & 8	(Capacity Issues?) (McPhee, KCPL; Lundberg, GSA) Cost of Money* (Rasmussen, KCPL; Shackelford, PSC; Livingston, KCPL)
December 8, 9?, & 11	Cash Working Capital* (Marchisio, Hahne, KCPL; Carver, PSC; Marshall, GSA)
December 12	Capacity Issues (?) Hawthorn 5 Research and Development Public Counsel's O & M and Bad Debt
December 13	Labor Strike
December 14	
December 15	

RECONCILIATION OF MISSOURI RETAIL ELECTRIC OPERATING RESULTS PER KCPL
AND PER STAFF FOR THE TEST YEAR ENDED JUNE 30, 1978

Line	(A) Description	(B) Increase/(Decrease) In Net Electric Operating Results		(D) Adjustment Number		(F) KCPL/Staff Difference	(G) Page Number Reference In Hearing Memorandum
		KCPL	Staff	KCPL	Staff		
1	Agreed starting point	\$30,080,737	\$30,080,737			\$ -	
2	Items in dispute -						
3	Adjustment of sales for						
4	abnormal weather conditions	(1,032,098)	-			1,032,098*	
5	Adjustments to eliminate						
6	availability of hydro energy	(3,450,053)	-			3,450,053*	
7	Adjustment to normalize inter-						
8	change energy purchases for						
9	KCPL load	1,842,321	2,148,397			306,076*	
10	Adjust interchange to normalize						
11	energy purchases resold	(311,043)	221,963			533,006	
12	Normalization of interchange						
13	energy sales from KCPL						
14	generation	(2,716,960)	(2,108,192)			608,768*	
15	Annualize Hawthorn 5 pollution						
16	control equipment expenses	(1,060,641)	(943,059)			117,582**	
17	Annualize property tax expense	(787,753)	(725,797)			61,956**	
18	Deferred income tax effects of						
19	Hawthorn 5 pollution control						
20	equipment	(87,274)	(56,160)			31,114**	
21	Interest on customer deposits	-	(119,076)			(119,076)**	
22	Adjustment to synchronize test						
23	year current income tax						
24	provision with adjusted						
25	taxable income -						
26	Federal & state income taxes						
27	payable currently	1,526,641	717,761			(808,880)**	
28	Kansas City earnings tax	112,316	69,191			(43,125)**	
29	Provision for investment tax						
30	credit	5,780,428	3,552,235			(2,228,193)**	
31	Total test year adjustments						
32	in dispute	(184,116)	2,757,263			2,941,379	
33	Test year operating results	29,896,621	32,838,000			2,941,379	
34	Pro forma adjustments -						
35	Minimum revenue increase	19,620,177	8,288,437			(11,331,740)	
36	Normalization of income taxes on						
37	pensions & taxes capitalized	(757,498)	361,246			1,118,744	
38	Total pro forma adjustments	18,862,679	8,649,683			(10,212,996)	
39	Pro forma operating results						
40	(minimum)	48,759,300	41,487,683			(7,271,617)	
41	Incremental revenue increase						
42	required to achieve high end						
43	of Staff's recommended revenue						
44	increase		1,491,388			1,491,388	
45	Pro forma operating results						
	(maximum)	\$48,759,300	\$42,979,071			\$ 5,780,229	

* Above amount is a composite adjustment which includes the proposed adjustment of sales, hydro or interchange, as indicated by the corresponding description in column A above plus the companion adjustments to fuel expense, other operation and maintenance expenses and fuel adjustment revenue, as appropriate in the case of each adjustment asterisk above.

** Above amount is subject to adjustment based upon the Commission's decision on other items at issue in this case.

RECONCILIATION OF MISSOURI RETAIL ELECTRIC RATE BASE AND RATE OF RETURN PER KCPL
AND PER MPSC STAFF FOR THE TEST YEAR ENDED 6-30-78

Line	(A) Description	(B) Increase/ (Decrease)	(C) Page Number Reference In Hearing Memorandum
1	Missouri Retail Electric Rate Base as filed by KCPL	\$491,733,933	
2	Agreed adjustments:		
4	Adjust deferred tax reserve on liberalized depreciation for new tax rate	213,078	
5	Leasehold expenditures capitalized	87,129	
6	Easement amortization erroneously charged to Kansas	(23,100)	
7	Physical Inventory Adjustment to other materials and supplies	(31,711)	
8	Adjust prepayments to Staff's number	(363,933)	
9	Adjust cash working capital for change in O&M expenses	889,178	
10	Adjust oil inventories to staff price & quantities and coal to staff's price	(4,820,414)	
11	Total agreed adjustments	(4,049,773)	
12			
13	Missouri Retail Electric Rate Base as adjusted by KCPL	487,684,160	
14	Items in dispute:		
15	Staff's proposal to add six month's depreciation to reserve	(11,329,514)	
16	Hawthorn #5 pollution control equipment - budget over actual through 9-30-78(1)	(2,138,062)	
17	Coal inventory quantities	(4,249,180)	
18	Customer deposits	(1,984,592)	
19	Adjust cash working capital based on Staff's lead/lag study(2)	(16,047,264)	
20	Total disputed items	(35,748,612)	
21			
22	Missouri Retail Electric Rate Base Proposed by Staff	\$451,935,548	
23	Missouri Retail Electric Test-Year Operating Results Per:		
24	KCPL	\$ 29,896,621	
25	Staff	\$ 32,838,000	
26	Missouri Retail Electric Pro Forma Operating Results Per:		
27	KCPL	\$ 48,759,300	
28	Staff - Low	\$ 41,487,683	
29	Staff - High	\$ 42,979,071	
30	Missouri Retail Electric Test Year Rate of Return on Rate Base Per:		
31	KCPL	6.13%	
32	Staff	7.27%	
33	Missouri Retail Electric Pro Forma Rate of Return on Rate Base Per:		
34	KCPL	10.00%	
35	Staff - Low	9.18%	
36	Staff - High	9.51%	

(1) Above amounts subject to adjustment based upon actual project costs.

(2) Above amounts subject to adjustment based upon the Commission's decision on operating expense items at issue in this case.

KANSAS CITY POWER AND LIGHT COMPANY
CASE ER-78-252
REVENUE REQUIREMENT

Line No.	(A) <u>Description</u>	(B) Staff <u>Low</u>	(C) Staff <u>High</u>	(D) <u>KCP&L</u>	(E) <u>KCP&L</u>
1.	Rate Base	\$451,935,548	\$451,935,548	\$487,684,160	\$487,684,160
2.	Return on Rate Base	<u>9.18%</u>	<u>9.51%</u>	<u>10.00%</u>	<u>10.31%</u>
3.	Net Operating Income Required	\$ 41,487,683	\$ 42,979,071	\$ 48,759,300	\$ 50,280,237
4.	Net Operating Income Available	33,199,246	33,199,246	29,139,123	29,139,123
5.	Net Operating Income Deficiency	\$ 8,288,437	\$ 9,779,825	\$ 19,620,177	\$ 21,141,114
6.	Factor to Consider Income Tax	1.955539	1.955539	1.955539	1.955539
7.	Revenue Requirement w/o Gross Receipts Tax	16,208,362	19,124,829	38,368,021	41,342,273
8.	Revenue Requirement w/ Gross Receipts Tax	17,618,489	20,788,689	41,706,039	44,939,051
9.	Revenue Increase Request			41,639,889	41,639,889