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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0174

DIRECT TESTIMONY

OF

JOHN P. WEISENSEE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
February 2012

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DIRECT TESTIMONY OF

JOHN P. WEISENSEE

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2012-0174

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DIRECT TESTIMONY

OF

JOHN P. WEISENSEE

Case No. ER-2012-0174

Q: Please state your name and business address.

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

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

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

Q: What are your responsibilities?

A: I have primary responsibility for the preparation of the financial information contained in various regulatory filings in Missouri and Kansas.

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

A: I graduated from The University of Texas at Austin in 1977 with a Masters in Professional Accounting. I had previously received my Bachelors of Business Administration degree in Accounting from the same university, summa cum laude. I have been a Certified Public Accountant since 1977. I began my career with KCP&L in January 2007. From 1986 to 2001, I was the Manager, Finance and Accounting for St. Joseph Light & Power Company. In the years between leaving that utility and beginning at KCP&L, I was self-employed as a business consultant in the utility industry and for many other industries.

Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("MPSC" or "Commission") or before any other utility regulatory agency?

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

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to: (i) describe the revenue requirement model and schedules that are used to support the rate increase KCP&L is requesting in this proceeding (Schedules JPW-1 through JPW-3 attached to this testimony); and (ii) support various accounting adjustments listed on the summary of adjustments (Schedule JPW-4 attached to this testimony).

REVENUE REQUIREMENT MODEL AND SCHEDULES

Q: What is the purpose of Schedules JPW-1 through JPW-3?

A: These schedules represent the key outputs of the Company's revenue requirement model used to support the rate increase that KCP&L requests in this proceeding. JPW-1 shows the revenue requirement calculation. Schedule JPW-2 lists the rate base components, along with the sponsoring witnesses. Schedule JPW-3 is the adjusted income statement.

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

A: Yes, they were.

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

A: We utilized a standard ratemaking process to determine the rate increase request. We used historical test year data from the financial books and records of the Company as the basis for operating revenues, operating expenses and rate base. We then adjusted the historical test year data to reflect: (i) normal levels of revenues and expenses that would have occurred during the test year; (ii) annualizations of certain revenues and expenses; (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable changes that have been identified since the end of the historical test year. We then allocated the adjusted test year data to arrive at operating revenues, operating expenses, and rate base applicable to the Missouri jurisdiction. We subtracted operating expenses from operating revenues to arrive at operating income. We multiplied the net original cost of rate base times the requested rate of return to determine the net operating income requirement. This was compared with the net operating income available to determine the additional net operating income before income taxes that would be needed to achieve the requested rate of return. Additional current income taxes were then added to arrive at the gross revenue requirement. This requested rate increase is the amount necessary for the post-increase calculated rate of return to equal the rate of return supported by KCP&L witness Dr. Samuel C. Hadaway in his Direct Testimony.

TEST YEAR

Q: What historical test year did KCP&L use in determining rate base and operating income?

A: The revenue requirement schedules are based on a historical test year of the twelve months ending September 30, 2011, with known and measurable changes projected through August 31, 2012. We will update the schedules as of March 31, 2012 and then true up to actuals as part of the true-up process.

Q: Why was this test year selected?

A: The Company used the twelve-month period ending September 30, 2011 for the test year in this rate proceeding because that period reflects the most currently available quarterly financial information at the time the revenue requirement was prepared.

Q: Does test year expense reflect an appropriate allocation of KCP&L overhead to KCP&L Greater Missouri Operations Company ("GMO") and other affiliated companies?

A: Yes, KCP&L incurs costs for the benefit of GMO and other affiliated companies and these costs are billed out as part of the normal accounting process. Certain projects are set up to allocate costs among the various companies based on appropriate cost drivers while others are set up to assign costs directly to the benefiting affiliate.

Q: Does GMO incur costs that are allocated to KCP&L?

A: Yes, although not as significant as costs allocated by KCP&L, GMO does incur certain costs that are allocated to KCP&L.

JURISDICTIONAL ALLOCATIONS

Q: Why is it necessary to allocate revenues, expenses and rate base to the Company's various jurisdictions?

A: KCP&L does not have separate operating systems for its Missouri, Kansas, and firm wholesale jurisdictions. It operates a single production and transmission system that is used to provide service to retail customers in Missouri and Kansas, as well as the full-requirements firm wholesale customers. Therefore, jurisdictional allocations of operating expenses, certain operating revenues and rate base are necessary.

Q: Why is the method by which the allocations are made critical?

A: The method of allocation is critical first to ensure that the rates charged to each jurisdiction of customers reflect the full cost of serving those customers but not the cost of serving customers in other jurisdictions. Secondly, the method of allocation must allow the Company the opportunity to recover fully its prudently incurred costs of serving those customers. That is, if the sum of the allocation factors allowed in each jurisdiction is less than 100%, then the Company is unable to recover its prudently incurred cost of service and return on rate base.

Q: What allocators did the Company use?

A: The allocators that were utilized can be classified as input allocators and calculated allocators. The input allocators are based on weather-normalized demand and energy, described in the Direct Testimony of KCP&L witness George M. McCollister, and customer information. Attached as Schedule JPW-6 is a listing of the allocation factors for this rate proceeding. The calculated allocators are, at their root, based on the Demand, Energy, and Customer allocators. The calculated allocators are calculated as a combination of amounts that have previously been allocated using one or more of the input allocators.

Q: Please describe the Demand allocator.

A: The Demand allocator is a 4-month weather normalized average of the coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale jurisdiction.

Q: Please describe the Energy allocator.

A: The Energy allocator is based on the total weather-normalized kilowatt-hour usage by the Missouri and Kansas retail customers and the firm wholesale jurisdiction.

Q: Please describe the Customer allocator.

A: The Customer allocator is based on the average number of customers in Missouri, Kansas, and the firm wholesale jurisdiction.

Q: Please explain how the various revenue, expense and rate base components are allocated among KCP&L's regulatory jurisdictions.

A: Attached as Schedule JPW-7 is a narrative describing the allocation methodology.

ACCOUNTING ADJUSTMENTS

Q: Please discuss Schedule JPW-4.

A: This schedule presents a listing of adjustments to net operating income for the 12 months ended September 30, 2011, along with the sponsoring Company witnesses. Various Company witnesses will support, in their direct testimonies, the need for each of these adjustments.

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

A: Adjustments are made to reflect "normal" levels of revenues and expenses; for example, retail revenue and bad debt levels that would have occurred if the weather had been "normal" during the test year.

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

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

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

A: Various regulatory assets and liabilities have been established in past Missouri rate cases. These assets/liabilities are then amortized over the number of years authorized in the Orders for the applicable rate cases. Adjustments are sometimes necessary to annualize the amortization amount included in the test year.

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

A: These adjustments are made to reflect changes in the level of revenue, expense, rate base and cost of capital that either have occurred or are expected to occur prior to the true-up date in this case, August 31, 2012. For example, payroll expense and fuel costs have been adjusted for known and measurable increases.

Q: Do the adjustments listed on Schedule JPW-4 and discussed throughout the remainder of this testimony entail an adjustment of test year amounts?

A: Yes, the adjustments summarized on Schedule JPW-4 and discussed in this testimony reflect adjustments to the test year ended September 30, 2011.

RB-20 PLANT IN SERVICE

Q: Please explain adjustment RB-20.

A: KCP&L rolled September 30, 2011 plant balances forward to August 31, 2012, by using the Company's 2011 and 2012 capital budgets for capital additions. Projected retirements were based on normalized retirement levels in the test year.

RB-25/CS-111 IATAN 1 & IATAN COMMON REGULATORY ASSET

Q: Please explain adjustment RB-25.

A: Pursuant to the terms of the Non-Unanimous Stipulation and Agreement approved by the Commission in Case No. ER-2009-0089 ("2009 case") on June 10, 2009 ("2009 S&A"), KCP&L was authorized to include in a regulatory asset depreciation expense and carrying costs for the Iatan Unit 1 Air Quality Control System and Iatan common plant not included in rate base in that case. Adjustment RB-25 establishes the anticipated rate base value as of August 31, 2012 by rolling forward the regulatory asset balance, which is recorded on a Missouri jurisdictional basis, from September 30, 2011 to August 31, 2012 to include additions to the regulatory asset for the period subsequent to the December 31, 2010 true-up date in the 2010 case and prior to the May 4, 2011 effective date of new rates resulting from that case. Those balances were then decreased for projected amortization of the regulatory asset from the effective date of new rates through August 31, 2012.

Q: Is this regulatory asset properly includable in rate base?

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

Q: Please explain adjustment CS-111.

A: We annualized the amortization of this regulatory asset based on the remaining depreciable life of Federal Energy Regulatory Commission ("FERC") account 312 for Iatan Unit 1, as included in the Company's depreciation study approved by the Commission in Case No. ER-2010-0355 ("2010 Case").

<u>RB-26/CS-112 IATAN 2 REGULATORY ASSET</u>

Q: Please explain adjustment RB-26.

A: The Regulatory Plan Stipulation and Agreement in Case No. EO-2005-0329 ("Regulatory Plan"), approved by the Commission on July 28, 2005 ("Regulatory Plan S&A"), provided that KCP&L could use construction accounting during the period from the Iatan 2 commercial in-service date (August 26, 2010) through the effective date of new rates in the 2010 Case (May 4, 2011). Construction accounting allows the Company the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2's commercial in service operation date. Construction accounting impacts, including depreciation, carrying costs, operations and maintenance ("O&M") expenses, and fuel and revenue impacts are accumulated in a regulatory asset. Adjustment RB-26 establishes the anticipated rate base value as of August 31, 2012 by rolling forward the regulatory asset balance, which is recorded on a Missouri jurisdictional basis, from September 30, 2011 to August 31, 2012, to include additions to the regulatory asset for the period subsequent to the December 31, 2010 true-up date in the 2010 case and prior to the May 4, 2011 effective date of new rates resulting from that case. Those balances were then decreased for projected amortization of the regulatory asset from the effective date of new rates through August 31, 2012.

Q: Is this regulatory asset properly includable in rate base?

A: Yes, rate base treatment was included in the final revenue determination in the 2010 Case.

Q: Please explain adjustment CS-112.

A: We annualized the amortization of this regulatory asset based on the remaining depreciable life of FERC account 312 for Iatan Unit 2, as included in the Company's depreciation study approved by the Commission in the 2010 Case.

RB-30 RESERVE FOR DEPRECIATION

Q: Please explain adjustment RB-30.

A: This adjustment rolls forward the Missouri-basis Reserve for Depreciation from September 30, 2011 to balances projected as of August 31, 2012.

Q: How was this roll-forward accomplished?

A: The depreciation/amortization provision component was calculated in two steps: (i) by multiplying the September 2011 provision times eleven to approximate the provision that will be charged to the Reserve for Depreciation from October 2011 through August 2012 (eleven months) for plant existing at September 30, 2011; and (ii) by estimating the depreciation/amortization through August 31, 2012 attributable to projected net plant additions from October 2011 through August 2012. In the second step, we assumed the net plant additions occurred ratably over this period.

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

A: Projected retirements and changes to net salvage were based on normalized levels incurred for the period June 2011 through December 2011.

<u>RB-50 PREPAYMENTS</u>

Q: Please explain adjustment RB-50.

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

Q: What accounts are included in prepayments?

A: The most significant relate to prepaid insurance, capacity and transmission charges, rent and software maintenance.

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

A: We used the period September 2010 through September 2011.

Q: Did the MPSC Staff ("Staff") use thirteen-month averaging for prepayments in the 2010 Case?

A: Yes, they did.

<u>RB-55/CS-22 EMISSION ALLOWANCES</u>

Q: Please explain adjustment RB-55.

A: The Regulatory Plan S&A, with amendments approved on August 23, 2005, included an SO_2 Emission Allowance Management Policy. This policy provided for KCP&L to sell sulfur dioxide ("SO_2") emission allowances in accordance with the initial SO_2 Plan submitted to the MPSC, the MPSC Staff and other parties in January 2005, as updated.

The Regulatory Plan S&A required KCP&L to record all SO_2 emission allowance sales proceeds as a regulatory liability in Account 254. The liability was reduced by premiums that resulted from the Company's purchase of lower sulfur coal than specified under contracts, through the December 31, 2010 true-up date in the 2010 Case. Subsequent to December 31, 2010, the liability has been increased by sales of allowances through the Environmental Protection Agency's ("EPA") annual auction and reduced by amortization of the December 31, 2010 regulatory liability beginning in May 2011. Adjustment RB-55 reflects a net reduction in the regulatory liability balance through August 31, 2012 resulting from the amortization.

Q: Please explain adjustment CS-22.

A: This adjustment reflects an annualization of the amortization of this August 31, 2012 projected SO_2 proceeds regulatory liability.

Q: Over what time period is this regulatory liability to be amortized?

A: The Non-Unanimous Stipulation and Agreement As To Miscellaneous Issues in the 2010 Case ("2010 Miscellaneous S&A"), approved by the Commission on April 12, 2011, provided that the amortization period for the SO_2 regulatory liability would be 21 years beginning with the May 2011 effective date of rates in the 2010 Case. The small amount of proceeds from the 2011 EPA auction is being amortized over 5 years.

<u>RB-61/CS-61 OTHER POST-EMPLOYMENT BENEFITS</u>

Q: Please explain adjustment RB-61.

A: Beginning May 4, 2011, KCP&L initiated a new tracker for Other Post-Employment Benefits ("OPEB") costs authorized in the 2010 Case, with the difference between current period costs and costs underlying rates being amortized over five years in the next case. Because OPEB costs decreased from the amount included in the 2010 case, a regulatory liability was created and the Missouri jurisdictional portion is reflected as a reduction of rate base.

Q: Is amortization of the O&M portion of this difference included in adjustment CS-61?

A: Yes, it is.

Q: Please explain the other components of adjustment CS-61.

A: We annualized OPEB expense based on the 2011 actuarial reports, amortization of deferred Financial Accounting Standard No. 88 OPEB costs (authorized in the Report and Order, Appendix B in Case No. ER-2007-0291 ("2007 Case")), and certain re-measurement costs discussed later in this testimony under adjustment RB-65/CS-65 in the discussion of the Financial Accounting Standard No. 158 regulatory asset (authorized in the 2009 Case).

Q: Does this adjustment take into consideration OPEB expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50).

Q: Was OPEB expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A: Yes, it was.

RB-65/CS-65 PENSION COSTS

Q: Please explain adjustments RB-65 and CS-65.

A: These adjustments consist of three components:

(a) Expense - Adjust Financial Accounting Standard No. 87 "*Employers' Accounting for Pensions*" ("FAS 87"), No. 88 "*Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*" ("FAS 88"), and No. 158 "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*" ("FAS 158") pension expense for ratemaking purposes to an annualized level. As a result of the Financial Accounting Standards Board issuance of the Accounting Standards Codification ("ASC") in June 2009, the guidance for pensions formerly included within FAS 87, 88, and 158 is now included in the ASC within Topic 715, "*Compensation – Retirement Benefits;*"

(b) Rate base - Roll forward the FAS 87 regulatory asset to the projected August 31, 2012 balance; and

(c) Rate base- Roll forward the prepaid pension asset to the projected August 31, 2012 balance.

Q: Do these pension adjustments take into consideration pension expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, they do, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50).

Q: Do these pension adjustments include the effects of the Company's interest in the Wolf Creek generating station pension plans?

A: Yes, they do.

Q: Please explain component (a) of the pension adjustment.

A: FAS 87 expense was annualized based on information provided by the Company's actuarial firms. In addition, annualized pension expense includes an amortization of the FAS 87 regulatory asset, as discussed under component (b) below, and amortizations of the FAS 88 and FAS 158 regulatory assets.

Q: Was annualized pension expense determined in accordance with established regulatory practice?

A: Yes, the calculation was made in accordance with the methodology documented in the Nonunanimous Stipulation and Agreement Regarding Pensions and Other Post Employment Benefits in the 2010 Case ("2010 Pension and OPEB S&A"), approved by the Commission on April 12, 2011.

Q: What is the amount of FAS 87 expense on a total company Missouri basis currently built into rates?

A: The 2010 Pension and OPEB S&A established the annual amount built into rates at $34,906,127, after removal of capitalized amounts and the portion of KCP&L's annual pension cost that is allocated to KCP&L's joint partners in the Iatan and La Cygne generating stations, and before inclusion of the amortization of the FAS 87, FAS 88 and FAS 158 regulatory assets and Supplemental Executive Retirement Plan ("SERP") expense.

Q: What is the comparable level of FAS 87 expense on a total company Missouri basis included in cost of service for this case?

A: The comparable amount included in cost of service in this rate case is $38,732,197.

Q: What is the nature of the FAS 88 regulatory asset amortization?

A: As a result of the Company's Organizational Realignment and Voluntary Separation ("ORVS") program, discussed in the Direct Testimony of Company witness Kelly R. Murphy, KCP&L in 2011 incurred FAS 88 costs that are being amortized over five years. This regulatory asset is not included in rate base.

Q: Why was a five-year amortization used for the FAS 88 regulatory asset?

A: A five-year amortization period was used consistent with the 2010 Pension and OPEB S&A provision for FAS 88 costs incurred subsequent to December 31, 2010.

Q: What is the nature of the FAS 158 amortization?

A: The Company incurred FAS 158 pension and OPEB re-measurement costs that are being amortized over five years beginning September 1, 2009, as reaffirmed in the 2010 Pension and OPEB S&A. The OPEB cost is included in adjustment CS-61 discussed earlier in this testimony. The FAS 158 regulatory asset is not included in rate base.

Q: Does annualized pension expense include SERP expense?

A: No, that expense is considered separately, in adjustment CS-62 discussed later in this testimony.

Q: Please explain component (b) of the pension adjustment.

A: Component (b) was made to roll forward the FAS 87 regulatory asset, expressed on a total company Missouri basis, to August 31, 2012, in order to determine the proper amount to be included in Missouri jurisdictional rate base and upon which to base normalized amortization in this case.

Q: What is the nature of this regulatory asset?

A: This regulatory asset represents the cumulative unamortized difference in FAS 87 pension expense for ratemaking purposes (as discussed in component (a) above) and pension expense built into rates during the corresponding periods.

Q: When was the beginning point for accumulating this difference in FAS 87 pension expense for ratemaking purposes and FAS 87 pension expense built into rates?

A: The Regulatory Plan S&A specified the accumulation was to begin January 1, 2005.

Q: How was the FAS 87 regulatory asset rolled forward to August 31, 2012?

A: The FAS 87 pension regulatory asset at December 31, 2010 (true-up date in the 2010 Case) was adjusted by the projected difference between FAS 87 expense for Missouri ratemaking purposes based on pension costs provided by the Company's actuaries and FAS 87 expense currently built into rates for the period January 1, 2011 to August 31, 2012. Finally, the regulatory asset balance was reduced by projected amortization of the regulatory asset balance over the period January 1, 2011 through August 31, 2012, based on a five-year amortization period, as specified in the 2010 Pension and OPEB S&A. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was first applied to the total company amount.

Q: What was the amount of the December 31, 2010 FAS 87 regulatory asset on a total company Missouri basis included in the 2010 Pension and OPEB S&A?

A: The amount stipulated in the 2010 Pension and OPEB S&A was $15,422,662 (total company) at December 31, 2010, exclusive of amounts allocated to KCP&L's joint partners.

Q: What is the projected amount at August 31, 2012 for the FAS 87 regulatory asset on a total company basis?

A: The FAS 87 regulatory asset is projected to be $21,490,228 (total company) at August 31, 2012.

Q: Is the FAS 87 regulatory asset properly includable in rate base?

A: Yes, in accordance with the 2010 Pension and OPEB S&A.

Q: Please explain component (c) of the pension adjustment.

A: This adjustment was made to roll forward the prepaid pension asset, expressed on a total company Missouri basis, to August 31, 2012, in order to determine the proper amount to be included in rate base.

Q: What is the nature of this asset?

A: This asset represents the cumulative difference between pension expense computed under FAS 87 projected through August 31, 2012 and contributions made to the pension trusts projected through the same period, as addressed in the 2010 Pension and OPEB S&A.

Q: How was the prepaid pension asset rolled forward to August 31, 2012?

A: The difference between FAS 87 expense for ratemaking purposes and projected contributions for the period January 1, 2011 through August 31, 2012, was added to the December 31, 2010 prepaid pension asset balance of $0 to determine the August 31, 2012 prepaid pension asset. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was first applied to the total company amount.

Q: What is the projected amount at August 31, 2012 for the prepaid pension asset on a total company basis?

A: The prepaid pension asset is projected to be $35,531,939 (total company) at August 31, 2012.

Q: Is the net prepaid pension asset properly includable in rate base?

A: Yes, inclusion of this asset in rate base was authorized in the 2010 Pension and OPEB S&A.

Q: Is the regulatory treatment of pension costs in this rate filing consistent with the 2010 Pension and OPEB S&A?

A: Yes, it is.

RB-70 CUSTOMER DEPOSITS

Q: Please explain adjustment RB-70.

A: We examined customer deposit balances for Missouri customers from September 2010 through September 2011. We observed a declining balance and therefore chose to use the September 30, 2011 balance in rate base.

RB-71 CUSTOMER ADVANCES

Q: Please explain adjustment RB-71.

A: We examined customer advance balances for Missouri customers from September 2010 through September 2011 and observed that the balance was unchanged during this period. Therefore, we used the September 2011 balance in rate base.

RB-72 MATERIALS AND SUPPLIES

Q: Please explain adjustment RB-72.

A: We reviewed the individual Materials and Supplies category balances during the period September 2010 through September 2011 to determine if there was a discernable trend, either upward or downward. If there was a trend, the test year-end balance was not adjusted. Otherwise, a thirteen-month average was used.

RB-75 NUCLEAR FUEL INVENTORY

Q: Please explain adjustment RB-75.

A: We normalized this balance based on an eighteen-month average, to coincide with the 18-month Wolf Creek refueling cycle. Nuclear fuel inventory balances increase significantly at the time of a refueling outage and then decrease systematically until the next refueling outage. An averaging method minimizes these changes.

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

A: We used the period March 2011 through August 2012.

Q: Did the MPSC Staff use eighteen-month averaging for nuclear fuel inventories in the 2010 Case?

A: Yes, they did.

RB-100/CS-100 ENERGY EFFICIENCY/DEMAND RESPONSE COSTS

Q: Please explain adjustment RB-100.

A: Company witness Tim Rush discusses KCP&L's energy efficiency/demand response ("EE/DR") programs in his Direct Testimony. This adjustment rolls forward the deferred EE/DR costs from December 31, 2010 to August 31, 2012 based on actual costs incurred through September 30, 2011 and budgeted expenditures to August 31, 2012, less amounts amortized in rates during the period. Consistent with the order in the 2010 Case, carrying costs have also been included on costs incurred after December 31, 2010.

Q: Please explain adjustment CS-100.

A: This adjustment includes an annual amortization of deferred EE/DR costs based on the projected deferred cost balance included in adjustment RB-100 and a ten-year amortization for costs incurred through December 2010 and a six-year amortization of costs incurred subsequent to that date. These amortization periods were ordered by the Commission in the 2010 Case.

RB-116/CS-116 RENEWABLE ENERGY STANDARDS COSTS

Q: Please explain adjustments RB-116 and CS-116.

A: On December 30, 2011, KCP&L filed a request for an Accounting Authority Order ("AAO") in Case No. EU-2012-0131, to defer incremental costs expected to be incurred as a result of compliance with sections 393.1020 et seq. RSMo (Renewable Energy Standards ("RES")). While that request is pending at the time of this filing, KCP&L has included in this rate request both deferred RES costs in rate base (adjustment RB-116) and an ongoing level of RES costs, as well as an amortization of deferred RES costs, in expense (adjustment CS-116).

Q: How was the RES rate base amount (adjustment RB-116) determined?

A: We projected deferred costs as of January 1, 2013, the expected date of new rates in this rate proceeding, based on costs accumulated through the end of the test period in this rate case (September 30, 2011) and costs expected to be incurred from that date through December 31, 2012.

Q: Why does the Company believe that deferred RES costs should be included in rate base?

A: The primary objective of the RES is to increase the use of renewable energy and thereby reduce future coal generation. Therefore, and particularly as relates to solar renewable energy, the deferred RES costs are similar in nature to deferred EE/DR costs. Since the Company has consistently included deferred, unamortized EE/DR costs in rate base, KCP&L has included deferred, unamortized RES costs in rate base in this rate case.

Q: Does the deferred cost balance include carrying costs?

A: Yes, consistent with the Company's RES AAO application and the Company's treatment of EE/DR costs, carrying costs have been included.

Q: How was the expense amount (adjustment CS-116) determined?

A: First, we annualized an ongoing level of costs based on anticipated 2012 RES costs. To that amount we added an amortization of the RES rate base amount, based on a five-year amortization.

Q: Why was a five-year amortization period selected?

A: This time period selected was similar to that used for EE/DR amortization. KCP&L is open to discussion with the parties in this rate case on this matter.

<u>CASH WORKING CAPITAL</u>

Q: Please discuss Cash Working Capital.

A: Cash working capital ("CWC") is included in rate base as summarized on Schedule JPW-5.

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

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

Q: How did you determine the amount of CWC?

A: We applied lead/lag factors used consistently in the Company's previous rate cases to the appropriate cost of service amounts. The application of the individual lead/lag factors to applicable amounts is shown on Schedule JPW-5.

Q: Were any of the factors updated from those used in the 2010 Case?

A: We updated the retail revenue lag factor and the associated blended total revenue lag factor.

Q: Please explain why these factors were updated.

A: We revised the retail revenue lag factor primarily to reflect the proper collection lag. The retail revenue factor used by the Company in this case was 26.18 days, made up of three components: service period lag, billing lag and collection lag. The service period lag was adjusted slightly to 15.25 days to reflect the 2012 leap year. The billing lag was retained in this case at 2.00 days. We reflected a change in the collection lag from

6.113 days in the 2010 Case to 8.932 days. This resulted in a total retail revenue lag of 26.182 days.

Q: Why was it necessary to update the collection lag?

A: The collection lag is a weighted value that reflects two components: 1) a zero-day lag for the percentage of receivables sold under KCP&L's Accounts Receivable facility (the facility is discussed later in this testimony (adjustment CS-78)); and 2) an average number of days outstanding for the percentage that is not sold. The percentage of receivables sold was revised from 72.64% in the 2010 Case to 65.54% in the current rate case. The average number of days that bills are outstanding was recalculated for the period January 1, 2011 to December 2, 2011, resulting in a revision from 22.34 days in the 2010 Case to 25.919 days in the current rate case.

Q: What is the blended total revenue lag?

A: Consistent with the 2010 Case, KCP&L calculated a blended revenue factor for retail revenues and for other revenues, which includes bulk power sales and miscellaneous revenues. The blended revenue factor in this case increased to 27.42 days from the 25.21 days used in the 2010 Case.

Q: Why was it necessary to update the associated blended total revenue lag?

A: If the retail lag factor is updated it impacts the blended revenue lag factor. Additionally, the weighting of the components of revenues must be adjusted.

Q: Did KCP&L make any other changes to the CWC lead/lag factors determined in the 2010 Case?

A: No, the Company did not.

Q: Are you aware of any changes in KCP&L's processes which would cause any of the other lead/lag factors to require modification from those used in the 2010 Case?

A: No, none that I am aware of. The processes have remained substantially unchanged.

Q: How were the resulting lead/lag factors used?

A: Lags for both blended revenues and payments were posted to Schedule JPW-5. On this schedule, the net blended revenue/payment lag for each payment group was calculated and the result was divided by 366 days to arrive at a net lead/lag factor. These factors were subsequently applied to the applicable Missouri jurisdictional cost of service amounts on Schedule JPW-5. The total resulting CWC amount was then carried forward to Schedule JPW-2 (rate base schedule).

R-1 GROSS RECEIPT TAXES

Q: Please explain adjustment R-1.

A: This adjustment removes gross receipts taxes from both retail revenue, including forfeited discounts, and general taxes, consistent with the adjustment made by both KCP&L and the MPSC Staff in prior rate cases. This adjustment is made so that annualized/normalized retail revenue reflects base or "bare" revenue only, consistent with the tariffs.

R-11 MISCELLANEOUS REVENUE ADJUSTMENTS

Q: Please explain adjustment R-11.

A: This adjustment was made to include in cost of service the annualized revenue impact of a potential new firm contract customer. This amount will be adjusted during the update and true-up processes in this rate case.

R-21 FORFEITED DISCOUNTS

Q: Please explain adjustment R-21.

A: We normalized forfeited discounts by computing a Missouri-specific forfeited discount factor based on test period forfeited discounts and revenue and applying it to Missouri jurisdictional weather-normalized revenue.

R-77/R-78 EXCESS MARGIN REGULATORY LIABILITY

Q: Please explain the excess margin regulatory liability.

A: As discussed further in the direct testimonies of Company witnesses Burton L. Crawford and Michael M. Schnitzer, KCP&L returns to ratepayers off-system sales margins realized in excess of the 40th percentile level (25th percentile prior to the 2010 Case). The liability is recorded on the financial books as a credit to a regulatory liability (FERC account 254) and a debit to retail revenue (FERC account 449) in the period incurred. Interest accrues on this liability. The liability is amortized beginning with the effective date of the tariffs in which the revenue reduction is included. When the liability is amortized the liability account is reduced and retail revenue is increased.

Q: What regulatory liabilities exist for purposes of this rate case?

A: Excess margins were realized in 2007 ($1,082,974) and 2008 ($2,947,332), as documented in the 2009 S&A. That 2009 S&A stated that the amortization of these regulatory liabilities, plus accrued interest, was to begin September 1, 2009, based on a ten-year amortization period. The regulatory liability balances reflected in the 2009 S&A were adjusted to reflect 2009 true-ups to the 2007 and 2008 excess margins. In the 2010 Case excess margins of $3,727,877 for the period January 1, 2009 through December 31, 2010 were ordered to be returned to ratepayers over ten years beginning with the effective date of new rates in that case, May 4, 2011.

Q: What is the purpose of adjustments R-77 and 78?

A: Because revenue is reduced on the financial books for the entire amount of the liability when the liability is established, test year cost of service will be misstated when a liability is established during a test year. The entry to reverse the revenue-related impact of the liability established during the test year is made through adjustment R-77. The annualization of excess margin amortization occurs through adjustment R-78.

Q: Please explain adjustment R-77.

A: The test year included only an adjusting entry of $431 to reduce the liability recorded during the first nine months of 2010, thereby increasing revenues by the same amount. As discussed above, that entry must be reversed to allow for cost of service in this case to include only a ten-year excess margin amortization.

Q: Please explain adjustment R-78.

A: Adjustment R-78 annualizes the amortization of these regulatory liabilities, including new activity, if any, and accrued interest through August 31, 2012.

Q: Did the Company make an entry subsequent to the December 31, 2010 true-up date in the 2010 Case to record a regulatory liability for excess margins realized during the period September 1, 2010 through September 30, 2011?

A: Margins realized from September 1, 2010 through April 2011, the effective date of new rates in the 2010 Case, did not exceed the eight-month pro-rata portion of the 25th percentile amount established in the 2009 Case. Whether any excess margins associated with the 40th percentile amount established in the 2010 Case (Missouri jurisdictional amount of $45.9 million annually) will be realized during the twelve-month period May 2011 through April 2012 is unknown at this time and therefore no adjustment to the regulatory liability has been made. If additional excess margins become known and measurable prior to the true-up date in this case, modifications to adjustment R-78 will be reflected as part of the true-up proceeding. KCP&L continues to increase the regulatory liability for additional interest on the unamortized amounts recorded for prior periods. The amortization of this additional interest through August 31, 2012 was included in adjustment R-78.

Q: Why is the time period September 1, 2010 through April 2011 relevant in this rate case?

A: This time period reflects the time from the end of the August 31, 2010 margin accumulation period through the effective date of new rates in the 2010 Case. In the 2009 Case, it was established that the margin accumulation period would be a 12-month period beginning with the effective date of new rates. After the first 12-month accumulation period, a new 12-month accumulation period would begin. If the second or succeeding 12-month period was ended early by the implementation of new rates, then the margin threshold for the interrupted 12-month period would be calculated on a pro-rata basis based on the number of months occurring prior to the new rates. New rates from the 2009 Case were effective September 1, 2009 resulting in an initial 12-month accumulation period that ended August 31, 2010 and a second 12-month period that began September 1, 2010.

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

Q: Please explain adjustment CS-11.

A: We adjusted certain expense transactions recorded during the test year from the cost of service filing in this rate case. The following is a listing of the various components:

Remove charges from test year- The Company has identified certain costs recorded during the test year for which it is not seeking recovery in this rate proceeding or which were adjustments to transactions recorded prior to the test period, netting to about $5.7 million (a KCP&L total company amount). These costs for which the Company is not seeking recovery primarily include officer long-term incentive compensation, non-recurring additional compensation, legal fees and other outside services, lobbying costs, and expense report charges. We believe the costs were ordinary and reasonable business expenses; however, we are not requesting recovery of these costs from ratepayers in this case.

2010 Case items- KCP&L established various regulatory assets and liabilities as a result of the Commission's Report and Order and associated Stipulations and Agreements in the 2010 Case. The net operating income impacts of these entries have been removed from cost of service in this rate case as such expenses or contra-expenses are not part of recurring operations. Similar CS-11 adjustments have been made in prior rate cases.

Miscellaneous coding corrections- The test year included corrections of coding errors made prior to the test year. Because the corrections related to prior period transactions, they have been removed from the test year costs.

CS-18 KANSAS CITY, MISSOURI EARNINGS TAX

Q: Please explain adjustment CS-18.

A: This adjustment removes the test year Kansas City, Missouri earnings tax expense from cost of service. This expense is recorded on the books as a general tax expense. However, it is included in the Company's revenue requirement model as an annualized component of the adjusted Missouri jurisdictional income tax expense, as discussed by Company witness Melissa K. Hardesty (adjustment RB-125/CS-125).

CS-4/CS-20 BAD DEBTS

Q: Please explain adjustment CS-4.

A: This adjustment is necessary to reflect the test year provision for bad debt expense recorded on the books of Kansas City Power & Light Receivables Company ("KCRec").

Q: Please explain adjustment CS-20.

A: In adjustment CS-20a we adjusted bad debt expense applicable to the weather-normalized revenues sponsored by Company witness Tim M. Rush (adjustment R-20) by applying a Missouri-specific net bad debt write-off factor to Missouri weather-normalized revenue. In CS-20b, we established bad debt expense for the requested revenue adjustment in this rate case, again using the bad debt write-off factor.

Q: How was the bad debt write-off factor determined?

A: We examined net bad debt write-offs on a Missouri-specific basis as compared to the applicable revenues that resulted in the bad debts.

Q: Over what period was this experience analyzed?

A: Net bad debt write-offs were for the test year, October 2010 through September 2011, while the related retail revenue was for the 12-month period April 2010 through March 2011.

Q: Why were different periods used for the calculation?

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

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

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

CS-36 WOLF CREEK REFUELING OUTAGE

Q: Please explain adjustment CS-36.

A: This adjustment consists of three components. The first component addresses the Wolf Creek refueling outage annualization. The Wolf Creek nuclear generating station refueling cycle is normally about 18 months. The Company defers the operations and maintenance outage costs and amortizes the costs over the 18 months leading up to the next refueling. This adjustment annualizes the Wolf Creek refueling expense.

Q: Why is a refueling annualization adjustment necessary in this case?

A: The test period amortization includes a combination of the Fall 2009 and the Spring 2011 refueling outages. Annualized expense should reflect the level of amortization expense related entirely to the Spring 2011 refueling outage, since that will be the level of expense recognized for 2011 and through the true-up date in this case. The annualization adjustment results in a full year's amortization expense for that refueling, excluding on-routine costs discussed later in this section of my testimony.

Q: Please discuss the second component of adjustment CS-36.

A: The 2009 S&A required the Company to set up a regulatory asset, without rate base treatment, for recovery of certain Spring 2008 costs over a five-year period beginning September 1, 2009. Since the test year cost of service reflects a full year's amortization, net operating income is properly stated and requires no adjustment.

Q: Please discuss the third component of adjustment CS-36.

A: We included in cost of service an amortization of Spring 2011 non-routine refueling costs. A five-year amortization period was used, consistent with the amortization specified in the 2009 S&A.

CS-37 WOLF CREEK DECOMMISSIONING

Q: Please explain adjustment CS-37.

A: This adjustment annualizes the expense associated with decommissioning the Wolf Creek nuclear generating station.

Q: What is the annualized nuclear decommissioning expense the Company seeks in this case?

A: The Company seeks an annualized amount of $1,281,264 (Missouri jurisdictional). Since the test year cost of service reflects this amortization, net operating income is properly stated and requires no adjustment.

Q: Is the requested annualized amount the same as that requested in the 2010 Case?

A: Yes, the amount is identical to that requested and approved in the Report and Order in that case.

Q: Why is the amount the same?

A: The annual expense/accrual level is based on a cost study conducted every three years. The most recent study, conducted by TLG Services, Inc., was filed with the Commission on August 31, 2011 in Case No. EO-2012-0068. In that application KCP&L requested that the Commission approve the continuation of the annual accrual at the current level.

CS-38 ADDITIONAL AMORTIZATION

Q: Please explain adjustment CS-38.

A: As required by the Regulatory Plan, annual amortization to maintain credit ratios ceased effective May 4, 2011, the effective date of new rates in the 2010 Case. Therefore, this adjustment removes the amortization recorded during the test year.

CS-40/CS-41 TRANSMISSION AND DISTRIBUTION MAINTENANCE

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

A: These adjustments are for the purpose of including an appropriate level of transmission and distribution ("T&D") maintenance expense in this case. Since the maintenance level has been increasing and is projected to continue to increase, KCP&L included test year maintenance expenses in its direct case, as being the most representative level for ongoing expense. Therefore, net operating income is properly stated and requires no adjustment.

Q: Has the 2011 Missouri River flooding impact on test year T&D maintenance expense been taken into consideration?

A: Yes, incremental flood cost included in test year T&D maintenance expense was removed from cost of service in adjustment CS-110 discussed later in this testimony.

<u>CS- 42 GENERATION MAINTENANCE</u>

Q: Please explain adjustment CS-42.

A: This adjustment is for the purpose of including an appropriate level of generation maintenance expense in this case. Since the maintenance level has been increasing and is projected to continue to increase, KCP&L included test year maintenance expenses in its direct case, as being the most representative level for ongoing expense. Therefore, net operating income is properly stated and requires no adjustment.

Q: Has the 2011 Missouri River flooding impact on test year generation maintenance expense been taken into consideration?

A: Yes, incremental flood cost included in test year generation maintenance expense was removed from cost of service in adjustment CS-110 discussed later in this testimony.

<u>CS-44 ECONOMIC RELIEF PILOT PROGRAM</u>

Q: Please explain adjustment CS-44.

A: As part of the 2009 S&A, the Company was authorized to defer to a regulatory asset 50% of its Economic Relief Pilot Program ("ERPP") costs until the next KCP&L rate case (the 2010 case), with cost recovery to be determined at that time. The remaining 50% of costs were to be borne by KCP&L's shareholders. Company witness Jimmy D. Alberts discusses the ERPP program in his Direct Testimony in this case. This adjustment reflects a three-year amortization of deferred ERPP costs as of December 31, 2010 as well as an ongoing level of ERPP costs based on 100% of the total program costs.

Q: Why was a three-year amortization period selected?

A: A three-year period was selected to coincide with the three-year pilot program described in the ERPP tariff approved by the Commission in the 2009 Case. The three-year period was utilized by both the Company and MPSC Staff in the 2010 Case.

<u>CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS</u>

Q: Please explain adjustment CS-45.

A: The Company annualized base plan funding costs recorded in FERC account 565 based on rates expected to be in effect at August 31, 2012. All other account 565 costs were annualized based on projected costs for the twelve-month period ending August 31, 2012.

Q: Are transmission costs increasing significantly?

A: Yes, primarily related to Southwest Power Pool ("SPP") base plan upgrades, as discussed by Company witness John R. Carlson in his Direct Testimony.

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

A: KCP&L included $28,912,190 (total company). This amount is one of the components included in the transmission tracker request discussed by Company witness Darrin R. Ives in his Direct Testimony in this case.

<u>CS-48 IATAN 2 AND IATAN COMMON TRACKER</u>

Q: Please explain adjustment CS-48.

A: As discussed earlier in this testimony (adjustment RB-26), the Company utilized Construction Accounting for Iatan 2 for the period from the in-service date (August 26,

2010) through May 4, 2011, the effective date of new rates in the 2010 Case. Therefore, Iatan 2 O&M expense recorded during the test year of October 1, 2010 through September 30, 2011 is not representative of an ongoing annual expense level. Adjustment CS-48 reflects an annual ongoing expense level, based on the 2012 Budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

Q: Does adjustment CS-48 include any other components?

A: Yes, the 2010 Miscellaneous S&A included a provision for an Iatan 2 and Iatan Common O&M expense tracker. While the first full year of the tracker will not be completed until May 4, 2012, we have included in adjustment CS-48 an estimate of the costs to be incurred in excess of the amount built into base rates in the 2010 Case, based on actual 2011 costs and 2012 budgeted costs. This adjustment will be trued up to actual in the true-up phase of this rate case.

Q: What amortization period was used to amortize this excess?

A: The 2010 Miscellaneous S&A did not specify how or over what period of time any excess would be recovered (or any shortage returned to ratepayers). Presumably, the intent was for the parties to work out a recovery mechanism in the next rate case, the current rate case. For purposes of the direct filing in this rate case KCP&L assumed a three-year amortization period, but the Company is open to discussion with the parties in this rate case on this matter.

Q: Has the 2011 Missouri River flooding impact on the tracker been taken into consideration?

A: Yes, these incremental costs were excluded in estimating the tracker excess.

Q: Will this tracker continue to be utilized in the future?

A: The 2010 Miscellaneous S&A did not address the duration of this tracker. However, KCP&L recommends that the tracker continue at least until the Company's next rate case, because the Iatan 2 plant, and related Common plant, is still relatively new and does not have the maintenance history necessary to establish a representative ongoing cost level.

CS-50 PAYROLL

Q: Please explain adjustment CS-50.

A: KCP&L annualized payroll expense based on the employee headcount as of September 30, 2011, multiplied by salary and wage rates expected to be in effect as of August 31, 2012.

Q: How were salary and wage rates determined?

A: Wage rates for bargaining (union) employees were based on contractual agreements. Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of August 31, 2012.

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

A: Yes, overtime was annualized at an amount equal to the average of the amounts incurred for the period January 2009 through September 2011, adjusted for labor escalations. Amounts were included for other categories at test year levels.

Q: **Does annualized payroll include payroll KCP&L billed to GMO and Great Plains Energy Incorporated?**

A: The annualization process includes all payroll, since all employees are KCP&L employees. However, annualized payroll included in this rate proceeding was reduced by the amount that would be billed out to these affiliated companies.

Q: **Was payroll expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?**

A: Yes, it was.

Q: **Does the payroll annualization adjustment take into consideration payroll billed to joint venture partners and payroll charged to capital?**

A: Yes, the payroll annualization adjustment takes these factors into consideration.

Q: **How was the payroll capitalization factor determined?**

A: The Company used the test year payroll capitalization factor, as being representative of payroll capitalization going forward.

Q: **Is the process used to calculate adjustment CS-50 the same process followed by the Company and by Staff in the 2010 Case?**

A: Yes, it is.

Q: **Does the Company's payroll annualization include the impact of the ORVS program?**

A: Yes, the employee complement reduction and associated annualized payroll cost reduction discussed by Company witness Kelly Murphy in her Direct Testimony was factored into the payroll annualization.

CS-51 INCENTIVE COMPENSATION

Q: Please explain adjustment CS-51.

A: KCP&L annualized incentive compensation based on the projected March 2012 payouts, adjusted for the September 30, 2011 salary levels.

Q: Does this adjustment take into consideration incentive compensation billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

CS-52 401(k)

Q: Please explain adjustment CS-52.

A: KCP&L adjusted 401(k) expense to an annualized level by applying the average matching percentage from the September 30, 2011 payroll to the O&M adjustment for annualized payroll (adjustment CS-50), excluding bargaining unit overtime, and including eligible incentive compensation (adjustment CS-51).

Q: Does this adjustment take into consideration 401(k) expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

CS-53 PAYROLL TAXES

Q: Please explain adjustment CS-53.

A: The Company annualized Federal Insurance Contributions Act ("FICA") payroll tax expense by applying the average test year FICA percent (FICA expense/payroll expense) to the O&M portions of the annualized payroll adjustment (adjustment CS-50) and incentive compensation adjustment (adjustment CS-51).

Q: **Does this adjustment take into consideration payroll tax expense billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

<u>CS-60 OTHER BENEFITS</u>

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

A: KCP&L annualized these costs based on projected costs included in the 2012 Budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

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

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

Q: **Does this adjustment take into consideration benefits expense billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q: **Does this adjustment take into consideration the impact of the ORVS program discussed earlier in this testimony?**

A: Yes, it does.

Q: **Was other benefit expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?**

A: Yes, it was.

CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Q: Please explain adjustment CS-62.

A: This adjustment normalizes SERP expense based on average SERP payouts during the period 2009-2011 (2011 was projected and will be trued up in the true-up process in this rate case).

Q: Why does this expense have to be normalized?

A: The expense varies considerably from year-to-year because most eligible retirees choose a lump sum payment as opposed to an annuity. Therefore, averaging over several years provides a more reasonable, stable cost of service expense.

Q: By basing the normalization on actual payouts rather than FAS 87 accrued expense, is there a duplication of costs between adjustment CS-65, discussed earlier in this testimony, and adjustment CS-62?

A: No, the SERP component is not included in adjustment CS-65 in either the test year book amount or the projected amount.

CS-70 INSURANCE

Q: Please explain adjustment CS-70.

A: We annualized insurance costs based on premiums projected to be in effect on August 31, 2012. These premiums include the following types of coverage: property, directors and officers, workers' compensation, bonds, fiduciary liability, general and excess liability, crime, and auto liability.

Q: Does this adjustment take into consideration insurance billed to joint venture partners and affiliated companies?

A: Yes, it does.

CS-71 INJURIES AND DAMAGES

Q: Please explain adjustment CS-71.

A: We normalized Injuries and Damages ("I&D") costs based on average payout history during the period 2009 through September 2011 as reflected by amounts relieved from FERC account 228.2. This account captures all accrued claims for general liability, worker's compensation, property damage, and auto liability costs. The expenses are included in FERC account 925 as the costs are accrued. The liability reserve is relieved when claims are paid under these four categories.

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

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

Q: Why was a multi-year average chosen?

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

CS-74 STRATEGIC INITIATIVES

Q: Please explain adjustment CS-74.

A: In Case No. ER-2006-0314 ("2006 Case") the Commission in its Report and Order authorized the Company to establish a regulatory asset for the costs associated with two strategic initiatives, with a five-year amortization beginning on January 1, 2007, the effective date of new rates in that rate case. The amortization period ended December 31,

2011. Therefore, the test period includes a full year's amortization expense that must be removed from cost of service in this rate case.

CS-10/CS-76 CUSTOMER DEPOSIT INTEREST

Q: Please explain adjustment CS-10.

A: This adjustment is necessary to include test year customer deposit interest from Missouri customers in cost of service.

Q: Please explain adjustment CS-76.

A: We annualized customer deposit interest in accordance with the Company's tariff, which states that the interest rate established for each year for Missouri customer deposits will be based on the December 1 prime rate published in the *Wall Street Journal*, plus 100 basis points. The rate used in this adjustment for Missouri deposits is the 2012 rate of 4.25%.

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

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

CS-77 CREDIT CARD PROGRAM

Q: Please explain adjustment CS-77.

A: KCP&L annualized credit card program expenses based on participation levels and costs anticipated at August 31, 2012.

Q: What is the status of KCP&L's credit card payment program?

A: KCP&L began offering credit card payment options to its residential customers in 2007, initially with submission and processing through its interactive voice response system. Also, a one-time payment option was added later that year through KCP&L's website. In

February, 2008, the Company offered a recurring credit card payment option with enrollment through its website. Since that time participation levels have been steadily increasing, with credit/debit card payments representing 13% of all payments in KCP&L's territory at the end of 2011.

CS-9/CS-78 ACCOUNTS RECEIVABLE SALES FEES

Q: Please explain adjustments CS-9 and CS-78.

A: Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by KCRec are reflected. The Company then annualized these fees by projecting fees for the twelve months ended August 31, 2012, determined by (a) calculating monthly interest, based upon the rate in effect at September 30, 2011, applicable to the monthly advance amount of $110 million established in the accounts receivable sales agreement renegotiated in September 2011; (b) calculating the monthly Program Fee based on this monthly advance amount and a Program Fee Rate of 85 bps (the applicable level for the accounts receivable securitization in the renegotiated agreement in effect at September 30, 2011); and (c) calculating the monthly Commitment Fee based upon a fee rate of 25 bps (again, the applicable level in the renegotiated agreement in effect at September 30, 2011). The sum of (a), (b), and (c) represents the total projected bank fees for the 12 months ended August 2012.

CS-80 RATE CASE COSTS

Q: Please explain adjustment CS-80.

A: We annualized rate case costs by including an amortization of costs incurred in the 2010 Case and projected costs for the current rate proceeding which will be trued up in the true-up process in this rate case. Costs incurred in the 2009 Case were fully amortized in

August 2011; therefore, associated test year amortization amounts were removed from cost of service in this rate case.

Q: Why are rate case costs being deferred?

A: Consistent with prior KCP&L rate cases, expenses incurred for each Missouri rate case are deferred in a regulatory asset and amortized over an appropriate amortization period.

Q: What amortization period was used for the estimated current rate proceeding costs?

A: The Company used a three-year amortization period, as it is likely KCP&L will file another rate case within three years of the effective date of new rates in this rate case.

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

A: KCP&L estimated costs based on the consultants and attorneys it anticipates will be used in this case and based on the scope of work anticipated.

Q: In making this estimate did KCP&L anticipate a full rate case, including hearings, briefs, etc., as opposed to a settled case?

A: Yes, a full rate case was assumed.

Q: How were amounts incurred after the true-up date for the last rate case considered?

A: Amounts for the 2010 Case that were incurred subsequent to December 31, 2010, the true-up date in that rate case, were transferred to the current rate case for recovery consideration, as specified in Commission's Order in the 2010 Case.

Q: Did the costs transferred to the current rate case include a reduction for KCP&L's share of reimbursements received from The Empire District Electric Company ("Empire") related to assistance provided Empire on the Iatan 2 issue in Case No. ER-2011-0004?

A: Yes, this adjustment was reflected in the transfer.

Q: Did the Company adjust its rate case cost amortization for prior rate case costs collected from ratepayers in excess of costs incurred?

A: Yes, consistent with past practice, KCP&L made this adjustment.

CS-85 REGULATORY ASSESSMENTS

Q: Please explain adjustment CS-85.

A: The Company annualized Missouri regulatory assessments based on quarterly assessments in effect at September 30, 2011. KCP&L annualized FERC Schedule 12 fees based on fees projected to be in effect at August 31, 2012. Company witness John Carlson discusses the Schedule 12 fees in his direct testimony.

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

A: KCP&L included $1,487,379 (total company). This amount is one of the components included in the transmission tracker request discussed by Company witness Darrin R. Ives in his Direct Testimony in this case.

CS-86 SCHEDULE 1-A FEES

Q: Please explain adjustment CS-86.

A: KCP&L annualized SPP Schedule 1-A fees based on rates projected to be in effect at August 31, 2012. Company witness John R. Carlson discusses the Schedule 1-A fees in his Direct Testimony.

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

A: KCP&L included $9,156,686 (total company). This amount is one of the components included in the transmission tracker request discussed by Company witness Darrin R. Ives in his Direct Testimony in this case.

<u>CS-90 ADVERTISING</u>

Q: Please explain adjustment CS-90.

A: The Company eliminated from the test year all advertising expenses coded to FERC accounts 908, 909, 913 and 930100 that related to institutional or image advertising.

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

A: The primary types still remaining include safety, customer assistance, and energy efficiency

<u>CS-91 ADVERTISING REGULATORY ASSET</u>

Q: Please explain adjustment CS-91.

A: This adjustment consists of two components, both of which are reflected on a Missouri jurisdictional bases. First, under the 2009 S&A certain test year advertising costs related to the Company's Regulatory Plan and rate cases under that plan were reversed from the Company's cost of service, and set up as a regulatory asset to be amortized over two years beginning September 1, 2009. Since the costs were fully amortized and recovered in August 2011, such test year costs have been removed from cost of service in this case.

Second, under the 2010 Miscellaneous S&A similar advertising costs incurred during the test year in the 2010 Case as well as 50% of the Connections Program costs incurred during the start-up period were included in a regulatory asset to be amortized over ten years beginning in May 2011. This adjustment annualizes that expense since the test year in this case includes only five months of amortization.

CS-92 DUES AND DONATIONS

Q: Please explain adjustment CS-92.

A: The Company removed from cost of service dues and donations to certain civic organizations.

CS-95 AQUILA MERGER EXPENSE

Q: Please explain adjustment CS-95.

A: The Commission, in its Report and Order in the 2010 Case, authorized KCP&L to establish a regulatory asset to defer and amortize over five years the transition costs associated with the Aquila merger (Case No. EM-2007-0374). The test year in this rate case includes only amortization from May 4, 2011, the effective date of new rates in the 2010 Case, to September 30, 2011. Therefore, this adjustment is necessary to reflect a full year's amortization in this rate case.

CS-101 TALENT ASSESSMENT

Q: Please explain adjustment CS-101.

A: The Commission's Report and Order in the 2007 Case required the Company to set up a regulatory asset, with no rate base treatment, for severance and outplacement costs associated with a 2006 talent assessment program, to be amortized over five years beginning January 1, 2008. Since the costs will be nearly fully amortized and recovered by the true-up date in this case, such test year costs have been removed from cost of service.

CS-103 SURFACE TRANSPORTATION BOARD LITIGATION

Q: Please explain adjustment CS-103.

A: The Company filed a rate complaint case on October 12, 2005, with the Surface Transportation Board ("STB"). In that rate complaint, KCP&L charged that Union Pacific Railroad's rates for the movement of coal from origins in the Powder River Basin of Wyoming to KCP&L's Montrose Generating Station were unreasonably high. Deferral of the litigation costs in a regulatory asset and amortization of the deferred costs over five years was authorized in the Commission's Report and Order in the 2006 Case. The revenue requirement approved in the 2007 Case authorized recovery of additional costs incurred through September 30, 2007, also over a five-year amortization period. As authorized in the 2006 Case, any refund that KCP&L received would first offset any existing balance of STB unamortized costs, with the remainder of the refund offsetting fuel costs as determined in a future proceeding.

The STB reached a decision in the complaint case during 2008. Reparations received as a result of the settlement exceeded the unamortized costs and the net balance was reclassified as a regulatory liability. The Signatory Parties to the 2009 S&A agreed that the net liability of Missouri jurisdictional reparations less the unamortized Missouri jurisdictional litigation costs ($1,017,593) would be amortized as a credit to expense over ten years beginning September 1, 2009, with no rate base treatment of the unamortized balance. Since the test year cost of service reflects a full year's amortization, net operating income is properly stated and requires no adjustment.

CS-104 RESEARCH AND DEVELOPMENT TAX CREDIT

Q: Please explain adjustment CS-104.

A: In 2007 KCP&L amended its 2000-2005 federal income tax returns to take a credit for its research and development ("R&D") expenditures. In so doing the Company incurred consulting fees. In the Stipulation and Agreement As to Certain Issues in the 2007 Case, approved by the Commission on December 6, 2007, the parties agreed to reverse the Missouri jurisdictional consulting fees incurred related to the R&D tax credit studies from the Company's cost of service, and set up a regulatory asset for that cost. The parties agreed also to set up a regulatory liability for the Missouri jurisdictional R&D tax credits included as adjustments on the 2000-2005 amended tax returns filed in 2007. Both the regulatory asset and the regulatory liability were to be amortized over five years beginning with the effective date of new rates in the first general rate case following the receipt of the refunds by the Company.

Q: Has the Company received the refunds?

A: Yes, the funds were received in 2008. Accordingly, KCP&L included an amortization of the consulting fees in the 2009 Case and recovery over five years began effective September 1, 2009. Since the test year cost of service reflects a full year's amortization, net operating income is properly stated and requires no adjustment.

Q: Does the income tax provision in this rate case include an amortization of the regulatory liability?

A: Yes, it does, as discussed in the Direct Testimony of Company witness Melissa K. Hardesty (adjustments RB-125/CS-125).

CS-109 LEASES

Q: Please explain adjustment CS-109.

A: There are two components of this adjustment. First, we annualized corporate headquarters lease costs, including rent, parking and electricity. The annualized expense was calculated as twelve times the monthly cost expected to be in effect on August 31, 2012, the true-up date in this rate case.

Q: What was the second component?

A: In the 2010 Case, KCP&L agreed to establish a regulatory liability for lease costs that would not be incurred during an "abatement period" recognized in the lease and which ended June 2010. These costs were to be returned to ratepayers over a five-year period beginning with the effective date of new rates in that case. The test year in this rate case includes only amortization from May 4, 2011, the effective date of new rates in the 2010 Case, to September 30, 2011. Therefore, this adjustment is necessary to reflect a full year's amortization in this rate case.

CS-110 2011 MISSOURI RIVER FLOOD AMORTIZATION

Q: Please explain adjustment CS-110

A: On December 19, 2011, KCP&L filed a request for an AAO (Case No. EU-2012-0130), to defer incremental fuel and purchased power costs and non-fuel O&M costs incurred by the Company as a result of the 2011 Missouri River flooding. While that request is pending at the time of this filing, KCP&L has included in this rate request a five-year amortization of these incremental costs.

Q: Has the Company removed test year O&M expenses attributable to the flood?

A: Yes, test year non-fuel O&M expenses were removed in this adjustment. Test year fuel expenses do not have to be removed in this adjustment because fuel costs are annualized and normalized in adjustments CS-24 and CS-25, sponsored by Company witness Burton Crawford in his Direct Testimony.

CS-115 LEGAL FEE REIMBURSEMENT

Q: Please explain adjustment CS-115.

A: This adjustment relates to two reimbursements. First, the Company received a reimbursement during the fourth quarter 2008 for legal fees incurred during 2006-2008 on a personal injury claim. Since the legal fees were included in test years used for various Regulatory Plan rate cases, KCP&L proposed in the 2010 Case that the proper regulatory treatment of this reimbursement was to record a regulatory liability to return the proceeds to ratepayers over a three-year period. This recovery period, utilized by both the Staff and the Company in the 2010 Case, was selected because the expenses were incurred and recovered by the Company in its retail rates over approximately this same time period. This adjustment annualizes that amortization since the test year in this case included only five months of amortization.

Q: Please explain the second component.

A: The Company received a reimbursement during the fourth quarter 2010 for legal fees incurred during 2007-2010 on a personal injury claim. Consistent with the 2008 reimbursement, KCP&L proposes and has incorporated into cost of service in this rate case a three-year amortization of that reimbursement.

CS-120 DEPRECIATION

Q: Please explain adjustment CS-120.

A: We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances. The jurisdictional rates used in the annualization were those included in the *Non Unanimous Stipulation and Agreement Regarding Depreciation and Accumulated Additional Amortizations* in the 2010 Case ("Depreciation S&A"), approved by the Commission on April 12, 2011.

Q: In the Depreciation S&A the Signatories agreed on certain provisions related to general plant. Please discuss these provisions.

A: The Signatories agreed that KCP&L would be allowed to implement an accounting practice known as general plant amortization, wherein general plant asset recordkeeping is maintained by vintage year and not by individual asset. For regulatory mass property accounting purposes, all of the additions to an account over a vintage (one year) are depreciated over a set amortization period. For depreciation accounting purposes, all of the equipment in each vintage is retired at the end of the amortization period.

Q: Has the Company implemented this accounting practice?

A: Yes, KCP&L implemented general plant amortization commensurate with the May 4, 2011 implementation of new rates in the 2010 Case.

Q: Has KCP&L recorded the appropriate retirements for each vintage?

A: The appropriate retirements have been reflected in the plant schedules in this rate case. KCP&L has not yet recorded these retirements on its plant records because the Depreciation S&A requires that the Signatories re-confirm this accounting practice in the next rate case, the current rate case. The Company did not want to record these retirements if there was a chance that this accounting practice would be reversed in the current rate case as it would be very difficult and time consuming to "unretire" assets.

Q: Does the Company believe that this accounting practice should be continued on a permanent basis?

A: Yes and KCP&L requests the Commission to so order.

Q: Has KCP&L complied in all respects with the provisions of the Depreciation S&A?

A: Yes, it has.

CS-121 AMORTIZATION

Q: Please explain adjustment CS-121.

A: We annualized amortization expense applicable to certain plant including computer software, land rights and leasehold improvements, by multiplying September 2011 amortization expense on a Missouri jurisdictional basis by twelve. To this amount was added annualized amortization expense on projected Intangible plant net additions for the period October 2011 through August 2012.

Q: What amortization periods were used to amortize intangible assets?

A: Computer software, the most significant intangible asset, is amortized over either a five or ten year amortization period, depending on the nature of the asset, consistent with the Company's past practice. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Amortization of individual Leasehold Improvements is based on the length of the lease. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

Q: KCP&L classifies certain equipment as intangible assets. Why is this and how are these assets amortized?

A: The Company possesses the right to use/operate certain equipment for which it paid but does not retain legal ownership. These rights are classified as intangible assets, but are amortized using the appropriate depreciation rate for similar equipment owned by the Company. For example, communication equipment that KCP&L does not legally own but for which it has a right to use/operate is classified as an intangible asset but is depreciated using the depreciation rate for Account 397, Communication Equipment.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2012-0174

AFFIDAVIT OF JOHN P. WEISENSEE

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

John P. Weisensee, being first duly sworn on his oath, states:

1. My name is John P. Weisensee. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Regulatory Affairs Manager.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of fifty-five (55) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

John P. Weisensee
John P. Weisensee

Subscribed and sworn before me this 27th day of February, 2012.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4, 2015

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Missouri Jurisdiction
TY 9/30/11; Update TBD; K&M 8/31/12

Revenue Requirement

Line No.	Description	8.596% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 2,129,956,114
2	Rate of Return	**8.5964%**
3	Net Operating Income Requirement	$ 183,099,547
4	Net Income Available (Sch 9)	117,983,472
5	Additional NOIBT Needed	65,116,076
6	Additional Current Tax Required	40,572,525
7	Gross Revenue Requirement	$ 105,688,600

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Missouri Jurisdiction
TY 9/30/11; Update TBD; K&M 8/31/12

Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	4,283,301,236	Weisensee	RB-20
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	1,816,407,425	Weisensee	RB-30
5	Net (Plant in Service)	2,466,893,811		
6	Add to Net Plant:			
7	Cash Working Capital - Schedule 8	(47,690,286)	Weisensee	Model
8	Materials and Supplies - Schedule 12	51,855,549	Weisensee	RB-72
9	Prepayments - Schedule 12	5,522,723	Weisensee	RB-50
10	Fuel Inventory - Oil - Schedule 12	4,543,362	Blunk	RB-74
11	Fuel Inventory - Coal - Schedule 12	28,012,600	Blunk	RB-74
12	Fuel Inventory - Additives - Schedule 12	382,208	Blunk	RB-74
13	Fuel Inventory - Nuclear - Schedule 12	33,962,971	Weisensee	RB-75
14	Regulatory Asset - EE/DR Deferral-MO	46,991,892	Rush/Weisensee	RB-100
15	Regulatory Asset - Iatan 1 and Com-MO	12,696,748	Weisensee	RB-25
16	Regulatory Asset - Iatan 2	27,242,518	Weisensee	RB-26
17	Regulatory Asset - Pensions	11,554,269	Weisensee	RB-65
18	Regulatory Asset - Prepaid Pension Exp	19,103,827	Weisensee	RB-65
19	Regulatory Asset (Liab) - OPEBs	(856,441)	Weisensee	RB-61
20	Reg Asset - Renewable Energy Stds	4,571,500	Weisensee	RB-116
21	Subtract from Net Plant:			
22	Cust Advances for Construction-MO	158,781	Weisensee	RB-71
23	Customer Deposits-MO	4,192,439	Weisensee	RB-70
24	Deferred Income Taxes - Schedule 13	485,201,862	Hardesty	RB-125
25	Def Gain on SO2 Emissions Allowances-MO	45,275,933	Weisensee	RB-55
26	Def Gain (Loss) Emissions Allow-Allocated	2,121	Weisensee	RB-55
27	Total Rate Base	2,129,956,114		

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
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Income Statement

Line No.	Description	Total Company	Adjustment	Adjusted Total Comany	Adjusted Jurisdictional
	A	B	C	D	F
1	Operating Revenue	1,543,016,756	(134,415,508)	1,408,601,248	748,688,869
2	Operating & Maintenance Expenses:				
3	Production	587,926,809	(94,302,289)	493,624,520	274,833,367
4	Transmission	35,934,434	13,389,625	49,324,059	26,388,372
5	Distribution	47,103,766	1,615,300	48,719,066	26,261,155
6	Customer Accounting	18,604,863	12,054,956	30,659,819	18,579,724
7	Customer Services	13,971,805	4,993,750	18,965,555	11,222,307
8	Sales	407,303	1,995	409,298	216,300
9	A & G Expenses	173,081,318	(6,439,518)	166,641,800	88,057,626
10	Total O & M Expenses	877,030,298	(68,686,182)	808,344,116	445,558,850
11	Depreciation Expense	165,805,274	17,961,275	183,766,549	98,902,485
12	Amortization Expense	44,490,994	(25,183,979)	19,307,015	11,107,955
13	Taxes other than Income Tax	139,377,844	(49,558,841)	89,819,003	48,547,311
14	Net Operating Income before Tax	316,312,346	(8,947,781)	307,364,565	144,572,268
15	Income Taxes Current	(33,452,067)	65,942,156	32,490,089	9,814,637
16	Income Taxes Deferred	110,778,570	(79,248,106)	31,530,464	17,514,729
17	Investment Tax Credit	(1,837,381)	468,457	(1,368,924)	(740,569)
18	Total Taxes	75,489,122	(12,837,493)	62,651,629	26,588,797
19	Total Net Operating Income	240,823,224	3,889,712	244,712,936	117,983,472

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Missouri Jurisdiction
TY 9/30/11; Update TBD; K&M 8/31/12

Summary of Adjustments

Line No.	Adj No. A	Description B	Witness	Increase (Decrease) D — Adjust to 8-31-12 - Anticipated True Up Date: Total Adjustments Incr (Decr)	E — Allocated Adjs Incr (Decr)	F — 100% MO Adjs Incr (Decr)	G — 100% KS & Whsl Adjs (2) Incr (Decr)
1	**JURISDICTIONAL COST OF SERVICE**						
2	**OPERATING REVENUE**						
3	**Retail Sales - Schedule 9, line**						
4	R-1	Remove Gross Receipts Tax revenue (MO only)	Weisensee	(55,216,990)		(55,216,990)	
5	R-11	Adjust test year firm revenue	Weisensee	2,571,823	2,571,823		
6	R-20	Normalize MO retail revenues (MO only)	Rush/McCollister	5,695,501		5,695,501	0
7	R-21	Adjust MO forfeited discounts for R-20 (MO only)	Weisensee	12,158		12,158	0
8	R-35	Normalize Bulk Power Sales	Schnitzer	(87,669,580)	(87,669,580)		
9	R-77	Reverse book provision for return of bulk power margins in excess of 25th percentile, including interest (MO only) See R-78 for regulatory amortization	Weisensee	(431)		(431)	
10	R-78	Amortize bulk power margins in excess of 25th percentile (MO only)	Weisensee	192,011		192,011	
11		**Operating Revenue - Schedule 9, line**		(134,415,508)	(85,097,757)	(49,317,751)	0
12	**OPERATING EXPENSES - Schedule 9**						
13	CS-4	Reflect KCREC test year bad debt expense in KCP&L's COS	Weisensee	8,696,076		6,337,700	2,358,376
14	CS-9	Reflect KCREC test year bank commitment fees in KCP&L's COS	Weisensee	1,189,659	1,189,659		
15	CS-10	Reflect test year interest on customer deposits in COS	Weisensee	189,660		181,068	8,592
16	CS-11	Reverse prior period and non-recurring test year amounts.	Weisensee	(10,093,116)	(5,300,292)	(3,118,754)	(1,674,070)
17	CS-20a	Normalize bad debt expense related to test year revenue	Weisensee	390,224		289,541	100,683
18	CS-20b	Normalize bad debt expense related to jurisdictional "Ask"	Weisensee	1,001,035		1,001,035	
19	CS-22	Amortize deferred gain on sale of SO2 emissions allowances	Weisensee	(1,623,882)	(746)	(1,342,930)	(280,206)

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 8-31-12 - Anticipated True Up Date			
1	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
20	CS-24	Normalize fuel and purchase power energy (on system)	Crawford	(99,704,429)	(99,704,429)		
21	CS-25	Normalize purchased power capacity costs	Crawford	(7,652,851)	(7,652,851)	0	
22	CS-36	Annualize Wolf Creek refueling outage amortization	Weisensee	7,099,337	7,099,337	0	
23	CS-37	Adjust Nuclear decommissioning expense	Weisensee	(56,367)		0	(56,367)
24	CS-40	Normalize Transmission maintenance expense	Weisensee	0	0		
25	CS-41	Normalize Distribution maintenance expense	Weisensee	0	0		
26	CS-42	Normalize Production maintenance expense	Weisensee	0	0		
27	CS-44	Adjust cost of Economic Relief Pilot Program (ERPP) (MO only)	Alberts//Weisensee	1,482,577		1,482,577	
28	CS-45	Normalize transmission of electricity by others	Carlson/Weisensee	11,065,176	11,065,176		
29	CS-46	Normalize Security Costs (KS only)	Weisensee	(1,097,909)			(1,097,909)
30	CS-48	Annualize non-labor O&M expenses for new latan 2	Weisensee	6,209,055	5,406,746	802,309	
31	CS-49	Distribution Field Intelligence & Rech Support	Herdegen	1,005,278	1,005,278		
32	CS-50	Annualize salary and wage expense for changes in staffing levels and base pay rates	Weisensee	1,915,963	1,915,963		
33	CS-51	Normalize incentive compensation costs- Value Link	Weisensee	627,326	627,326		
34	CS-52	Normalize 401k costs	Weisensee	30,438	30,438		
35	CS-55	Normalize ORVS costs	Murphy	(7,469,697)	(7,469,697)		
36	CS-60	Annualize other benefit costs	Weisensee	5,038,245	5,038,245		
37	CS-61	Annualize OPEB expense	Weisensee	(419,196)	(393,317)	(25,879)	
38	CS-62	Normalize SERP expense (MO only)	Weisensee	(1,069)	(1,069)		
39	CS-65	Annualize FAS 87 and FAS 88 pension expense (incl SERP for KS basis)	Weisensee	4,168,507	4,168,507		
40	CS-70	Annualize Insurance Premiums	Weisensee	60,927	60,927		
41	CS-71	Normalize injuries and damages expense	Weisensee	(1,357,199)	(1,357,199)		
42	CS-74	Normalize Strategic Projects	Weisensee	(399,832)		(399,832)	
43	CS-76	Annualize interest on customer deposits	Weisensee	(3,179)		(2,889)	(290)

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 8-31-12 - Anticipated True Up Date			
1	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
44	CS-77	Annualize Customer Accounts expense for credit card payment costs	Weisensee	326,675	326,675		
45	CS-78	Annualize KCREC bank fees related to sale of receivables	Weisensee	178,660	178,660		
46	CS-80	Amortize MO, KS and FERC rate case expenses	Weisensee	1,225,673		1,177,641	48,031
47	CS-85	Annualize regulatory assessments	Carlson/Weisensee	529,762	295,686	234,076	0
48	CS-86	Annualize SPP, RTO and NERC fees	Carlson/Weisensee	2,287,272	2,287,272		
49	CS-90	Remove Institutional & Image-Related Advertising	Weisensee	(90,445)	(90,445)		
50	CS-91	Amortize advertising MO regulatory asset	Weisensee	13,437		13,437	
51	CS-92	Adjust dues, donations and contributions	Weisensee	(22,289)	(22,289)		
52	CS-95	Amortize Merger transition costs (MO)	Weisensee	2,256,802		2,256,802	
53	CS-96	Amortize Merger transition costs (KS)	Weisensee	333,333			333,333
54	CS-100	Amortize EE/DR regulatory assets	Rush/Weisensee	1,765,596		4,580,270	(2,814,674)
55	CS-101	Amortize Talent Assessment severance and outplacement regulatory asset	Weisensee	(968,103)		(968,103)	0
56	CS-102	Amortize Employment Augmentation regulatory asset (KS only)	Weisensee	0			0
57	CS-103	Amortize reparations, net of unamortized costs, for Surface Transportation Board litigation	Weisensee	263,816		0	263,816
58	CS-104	Amortize R&D tax credit consulting fee regulatory asset (MO only)	Weisensee	0		0	
59	CS-105	Amortize DOE refund KS regulatory liability (KS only)	Weisensee	15,109			15,109
60	CS-109	Adjust Lease Expense - Corporate Headquarters	Weisensee	(126,218)	103,634	(189,492)	(40,360)
61	CS-115	Amortize Legal Fee Reimbursement	Weisensee	949,690		485,144	464,546
62	CS-116	Adjust Costs of Renewable Energy Standards	Rush/Weisensee	1,474,983		1,474,983	
63	CS-120	Annualize depr exp based on jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period - unit trains & transportation equipment	Weisensee	245,380	245,380		
64				(69,050,111)	(80,947,426)	14,268,705	(2,371,390)
65	**Depreciation Expense - Schedule 9, line**						

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness	D	E	F	G
				Increase (Decrease)			
				Adjust to 8-31-12 - Anticipated True Up Date			
1	**JURISDICTIONAL COST OF SERVICE**			Total Adjustments Incr (Decr)	Allocated Adjs Incr (Decr)	100% MO Adjs Incr (Decr)	100% KS & Whsl Adjs (2) Incr (Decr)
66	CS-120	Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Weisensee	17,961,275	17,961,275		
				17,961,275	17,961,275	0	0
67	**Amortization Expense - Schedule 9, line**						
68	CS-38	Remove test year MO additional amortization and KS pre-tax payment on plant	Weisensee	(30,235,018)		(24,735,018)	(5,500,000)
69	CS-110	Amortize 2011 Flood	Weisensee	329,309		329,309	
70	CS-111	Amortize Iatan 1/Common Regulatory Asset	Weisensee	354,897		330,717	24,180
71	CS-112	Amortize Iatan 2 Regulatory Asset	Weisensee	440,343		440,343	
72	CS-121	Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period	Weisensee	3,580,256	3,580,256		
73	CS-122	Amortize underrecovered general plant reserve for depreciation (KS)	Weisensee	346,234			346,234
				(25,183,979)	3,580,256	(23,634,649)	(5,129,586)
74	**Taxes Other than Income - Schedule, line**						
75	R-1	Remove Gross Receipts Tax expense (MO only)	Weisensee	(55,111,841)		(55,111,841)	
76	CS-18	Reverse test year Kansas City, Missouri Earnings Tax (MO only)	Weisensee	427,346		427,346	
77	CS-53	Annualize FICA payroll tax expense	Weisensee	135,814	135,814		
78	CS-126	Adjust property tax expense	Smith	5,353,769	5,353,769		
79				(49,194,912)	5,489,583	(54,684,495)	0
80	**Income Tax Expense- Schedule 9, line**						
81	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Hardesty	(12,837,493)	(12,837,493)		
82				(12,837,493)	(12,837,493)	0	0
83		**Total Electric Oper. Expenses - Schedule 9, line**		(138,305,220)	(66,753,805)	(64,050,439)	(7,500,976)

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 8-31-12 - Anticipated True Up Date			
1	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
84		Net Electric Operating Income - Schedule , line		3,889,712	(18,343,952)	14,732,688	7,500,976
				(0)			

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated
(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the MIssouri rate case.

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Cash Working Capital

Line No.	Account Description	Jurisdictional Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/366)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
	Operations & Maintenance Expense						
1	Gross Payroll excl Wolf Creek Prod & Accrued Vac	63,815,400	27.42	13.85	13.57	0.0371	2,366,052
2	Accrued Vacation	6,436,568	27.42	344.83	-317.41	-0.8672	(5,582,052)
3	Wolf Creek Operations & Fuel, incl Payroll	64,315,299	27.42	25.85	1.57	0.0043	275,888
4	Purchased Coal & Freight	106,107,758	27.42	20.88	6.54	0.0179	1,896,024
5	Purchased Gas	1,179,441	27.42	28.62	-1.2	-0.0033	(3,867)
6	Purchased Oil, excl Wolf Creek	5,849,318	27.42	8.5	18.92	0.0517	302,375
7	Purchased Power	24,345,430	27.42	30.72	-3.3	-0.0090	(219,508)
8	Injuries & Damages	3,544,831	27.42	149.56	-122.14	-0.3337	(1,182,966)
9	Pension Expense	24,458,261	27.42	51.74	-24.32	-0.0664	(1,625,205)
10	OPEBs	3,991,719	27.42	178.44	-151.02	-0.4126	(1,647,075)
11	Cash Vouchers	141,514,826	27.42	30	-2.58	-0.0070	(997,564)
12	Total Operation & Maintenance Expense	445,558,850					(6,417,898)
13	**Taxes other than Income Taxes**						
14	FICA Taxes - Employer's	7,024,005	27.42	13.77	13.65	0.0373	261,961
15	Unemployment Taxes - Federal & State	0	27.42	71	-43.58	-0.1191	0
16	City Franchise Taxes - 6% GRT - MO	33,929,345	12.17	72.28	-60.11	-0.1642	(5,572,385)
17	City Franchise Taxes - 4% GRT - MO	12,992,010	12.17	39.34	-27.17	-0.0742	(964,462)
18	City Franchise Taxes - Other MO Cities	7,599,020	12.17	60.94	-48.77	-0.1333	(1,012,580)
19	Ad Valorem / Property Taxes	41,477,437	12.17	208.84	-196.67	-0.5373	(22,287,890)
20	Sales & Use Taxes - MO	18,501,466	12.17	22	-9.83	-0.0269	(496,911)
21	**Total Taxes other than Income Taxes**	114,499,278					(30,072,266)
22	**Current Income Taxes-Federal**	6,943,483	27.42	45.63	-18.21	-0.0498	(345,467)
23	Current Income Taxes-State	2,871,154	27.42	45.63	-18.21	-0.0498	(142,852)
24	**Total Income Taxes**	9,814,637					(488,318)
25	**Interest Expense**	66,303,404	27.42	86.55	-59.13	-0.1616	(10,711,804)
26	**Total Cash Working Capital Requirement**	636,176,169					(47,690,286)

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ıtion Factors

Line No.	Jurisdiction Factors	Missouri	KS & Wholesale	Total
	A	B	C	D
1	**Jurisdiction Factors**			
2	Missouri Jurisdictional	100.0000%	0.000%	100.0000%
3	Kansas Jurisdictional	0.0000%	100.000%	100.0000%
4	Non Jurisdictional/Wholesale	0.0000%	100.000%	100.0000%
5	D1 - Demand (Capacity) Factor	53.5000%	46.500%	100.0000%
6	E1 - Energy Factor with Losses (E1)	56.8939%	43.106%	100.0000%
7	E2 - Energy Factor without Losses (E2)	57.0095%	42.991%	100.0000%
8	C1 - Customer - Elec (Retail only) (C1)	52.8471%	47.153%	100.0000%
9	C2 - Customer - Elec & Wholesale (C2)	52.8464%	47.154%	100.0000%
10	**Blended Factors (See Calculation Below)**			
11	Sal & Wg - Salaries & Wages w/o A&G	53.7652%	46.2348%	100.0000%
12	PTD - Prod/Trsm/Dist Plant (excl Gen)	54.0987%	45.901%	100.0000%
13	Dist Plt - Weighted Situs Basis	54.3035%	45.697%	100.0000%
14	**Situs Basis Plant used for Dist Depr Reserve**			
15	360 - Dist Land	43.7676%	56.232%	100.0000%
16	360 - Dist Land Rights	58.3311%	41.669%	100.0000%
17	361 - Dist Structures & Improvements	52.9159%	47.084%	100.0000%
18	362 - Distr Station Equipment	56.6480%	43.352%	100.0000%
19	362 - Distr Station Equip-Communication	54.7304%	45.270%	100.0000%
20	364 - Dist Poles, Towers & Fixtures	53.7348%	46.265%	100.0000%
21	365 - Dist Overhead Conductor	54.8593%	45.141%	100.0000%
22	366 - Dist Underground Circuits	58.2940%	41.706%	100.0000%
23	367 - Dist Underground Conduct & Devices	52.0309%	47.969%	100.0000%
24	368 - Dist Line Transformers	57.1457%	42.854%	100.0000%
25	369 - Dist Services	51.5683%	48.432%	100.0000%
26	370 - Dist Meters	54.3703%	45.630%	100.0000%
27	371 - Dist Customer Premise Installations	73.8278%	26.172%	100.0000%
28	373 - Dist Street Lights & Traffic Signals	29.1070%	70.893%	100.0000%

Kansas City Power & Light Company
Description of Allocators

NET ELECTRIC OPERATING INCOME

Revenues
Retail revenues are the revenues received from retail customers in Missouri and Kansas. Retail revenues are not allocated; rather, they are recorded by jurisdiction.

Miscellaneous revenues include forfeited discounts, miscellaneous services, rent from electric property, transmission service for others, and other electric revenues. These miscellaneous revenues are subdivided and, where possible, assigned directly to the jurisdiction where they are recorded. The miscellaneous revenues that are not directly assignable to a jurisdiction are grouped by functional categories and allocated on a basis consistent with that functional category.

Non-firm off-system sales margins are allocated based on the Energy allocator.

The capacity and fixed cost components of firm bulk sales revenue are allocated based on the Demand allocator. The energy component of firm bulk sales revenue is allocated based on the Energy allocator.

Sales for resale revenue is revenue from the full-requirements firm wholesale customers under FERC jurisdiction. This revenue is assigned totally to the FERC jurisdiction.

Fuel & Purchased Power Cost
Fuel cost is allocated based on the Energy allocator.

The purchased power demand (capacity) component is allocated based on the Demand allocator, while the energy component is allocated based on the Energy allocator.

Non-Fuel Operations and Maintenance ("O&M") Costs
Production O&M cost is allocated consistent with the allocation of production plant.

Transmission O&M cost is allocated consistent with the allocation of transmission plant.

Distribution O&M cost is allocated consistent with the allocation of distribution plant.

Customer accounts expense is primarily allocated using the Customer allocator. The exception is that the uncollectible accounts expense is assigned directly to the applicable jurisdiction.

Customer services and information expense is primarily allocated using the Customer allocator. The exception is that the amortizations of Energy Efficiency/Demand

Response, and Renewable Energy Standards costs are assigned directly to the applicable jurisdiction.

Sales expense is primarily allocated using the Customer allocator.

A&G expense is allocated using a number of methods depending on the cause of the cost. Salaries, employee benefits, and injuries and damages expenses are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously. Regulatory expenses are assigned directly to the applicable jurisdiction, with the exception of the FERC regulatory expense, which is allocated based on the Energy allocator. Amortization of other jurisdictional costs deferred as a result of prior regulatory orders are assigned directly to the applicable jurisdiction. Property insurance and General plant maintenance is allocated based on the composite allocation of production, distribution and transmission plant. Fleet expense is allocated based on the allocation of distribution plant. General advertising expense is allocated using the Customer allocator. The remaining A&G expenses are allocated using the Energy allocator.

Depreciation and Amortization Expenses

Depreciation and amortization expenses are allocated based on the allocation of the plant with which they are associated, with the exception of Amortizations as a result of a prior regulatory orders, which are assigned directly to the applicable jurisdiction.

Interest on Customer Deposits

Interest on customer deposits is assigned directly to the applicable jurisdiction.

Taxes

Property tax is allocated based on the composite allocation of production, transmission and distribution plant. Payroll tax is allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses. Gross receipts tax is assigned directly to the Missouri jurisdiction and then eliminated through an adjustment (adjustment R-1). Other miscellaneous taxes are allocated based on the composite allocation of production, transmission and distribution plant.

Currently payable income tax is not allocated. Instead, currently payable income tax is calculated in the Revenue Requirement Model using the statutory tax rates for the appropriate jurisdiction and applying those rates to jurisdictional taxable income calculated in the Revenue Requirement Model. Deferred tax expense related to depreciation is calculated using the statutory federal and state tax rates for the appropriate jurisdiction and applying a composite tax rate to the jurisdictional difference between tax return depreciation and tax basis straight line depreciation reflected in the Revenue Requirement Model. Other deferred income tax expenses are allocated based on the composite allocation of production, transmission and distribution plant, with the exception of Amortizations as the result of prior regulatory orders are assigned directly to the applicable jurisdiction. Kansas City, Missouri Earnings Tax applies only to the Missouri jurisdiction and is therefore only calculated for the Missouri jurisdiction.

RATE BASE

Plant-in-Service and Reserve for Depreciation and Amortization

The Demand allocator is used to allocate production plant. The exception is for plant items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include the Missouri gross-up accounting treatment of allowance for funds used during construction ("Missouri Gross AFDC") and the Iatan 1 and Iatan 2 plant disallowances. These items are assigned directly to the applicable jurisdiction.

Transmission plant cost is allocated based primarily using the Demand allocator. Missouri Gross AFDC amounts in the transmission plant amounts are allocated directly to Missouri.

Distribution plant cost is assigned based on physical location.

General plant cost is allocated based on the composite allocation of production, transmission, and distribution plant.

Intangible plant consists primarily of capitalized software, which is allocated based on the allocation factor considered most appropriate for the function of the software. For example, the customer information system is allocated based on the Customer allocation factor, whereas transmission-related software is allocated consistent with the allocation of Transmission plant.

The reserves for accumulated depreciation and amortization are allocated based on the allocation of the plant with which they are associated. The exception is for reserve items that have been afforded different jurisdictional accounting treatment through past commission orders. For example, Additional Credit Ratio Amortizations were assigned to specific reserve plant accounts in each jurisdiction differently and therefore are assigned directly to the applicable jurisdiction.

Working Capital

Cash working capital ("CWC") is not allocated. Instead, the CWC amounts are calculated in the Revenue Requirement Model by taking the net CWC factors and applying these factors to allocated jurisdictional amounts in the Revenue Requirement Model. Fuel inventory is allocated using the Energy allocator except for the Missouri Gross AFDC amount in fuel inventory that is assigned directly to Missouri. Materials and supplies ("M&S") and prepayments are grouped by function and allocated based on allocations appropriate for the function of the M&S and prepayments.

Regulatory assets and Regulatory Liabilities

Regulatory assets and regulatory liabilities are assigned directly to the applicable jurisdiction except for Pension and OPEB, which are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses.

Accumulated Reserve for Deferred Taxes
The reserve is primarily allocated based on the allocation of plant with which it is associated. However, deferred tax reserve amounts that are associated with regulatory assets and liabilities are assigned directly to the applicable jurisdiction.

Customer Advances for Construction and the Customer Deposits
The customer advances for construction and the customer deposits are assigned directly to the applicable jurisdiction.