

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Mark Sievers, Chairman
 Thomas E. Wright
 Shari Feist Albrecht

In the Matter of the Application of Kansas City)
Power & Light Company to Make Certain) Docket No. 12-KCPE-764-RTS
Changes in Its Charges for Electric Service.)

ORDER ON KCP&L'S APPLICATION FOR RATE CHANGE

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records and being fully advised in the premises, the Commission makes the following findings:

1. On April 20, 2012, Kansas City Power & Light Company (KCP&L) filed its Application seeking Commission approval to make certain changes in its charges for electric service, pursuant to K.S.A. 66-117 and K.A.R. 82-1-231. In its Application, KCP&L sought a \$63.55 million rate increase.¹

2. The Commission has jurisdiction to supervise and control electric public utilities, as defined in K.S.A. 66-101a, doing business in Kansas.² The Commission has the power to require all electric utilities governed by the Electric Public Utilities Act to establish and maintain just and reasonable rates.³

3. Notice of the proposed rate increase, public hearings, and evidentiary hearing was provided by an insert with the monthly billing statement for each customer in KCP&L's service territory as well as by publishing notice in the major newspapers in the region. The Commission

¹ Based upon KCP&L-filed normalized operating results for the 12 months ending December 31, 2011, and adjusted for known and measurable changes in the revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments through June 30, 2012.

² K.S.A. 66-101.

³ K.S.A. 66-101b.

received comments from the public at the July 31, 2012 public hearing in Overland Park, where a record was made. The Commission also received 207 public comments through its Office of Public Affairs and Consumer Protection. The Commission issues this Order with due consideration of those comments.

4. The Citizens' Utility Ratepayer Board (CURB); Wal-Mart Stores, Inc. (Wal-Mart); DoubleTree by Hilton Kansas City – Overland Park (Doubletree); and Sprint Communications Company, LP, Sprint Nextel Corporation, Sprint United Management Company, and Sprint Corporation (Sprint) were granted intervention.

5. On August 22, 2012, the parties filed their direct testimony. In its direct testimony, Staff recommended a rate increase of approximately \$27.495 million; CURB recommended roughly \$4.9 million; Wal-Mart, Sprint, and Doubletree took no position on KCP&L's revenue requirement.

6. An evidentiary hearing was held from October 1 through October 4, 2012. All of the parties appeared by counsel and, with the exception of Sprint, each party submitted prefiled testimony.⁴ The Commission heard live testimony from a total of 24 witnesses, including 14 on behalf of KCP&L, four on behalf of Staff, three on behalf of CURB, one on behalf of Wal-Mart, and two on behalf of Doubletree. At the September 25, 2012 prehearing conference, the parties agreed to waive cross-examination of several witnesses. The parties had the opportunity to cross-examine the rest of the witnesses at the evidentiary hearing as well as the opportunity to redirect their own witnesses. Following the evidentiary hearing, all of the parties submitted posthearing briefs.

⁴ Both KCP&L and Staff submitted prefiled testimony for five witnesses who did not appear live at the evidentiary hearing. The Commission received and reviewed testimony from a total of 34 witnesses.

7. On September 28, 2012, the parties entered into a unanimous partial settlement agreement (Partial S&A). As a result of the Partial S&A, the parties revised their recommended revenue requirement as follows: KCP&L - \$56.4 million; Staff - \$29.3 million; and CURB - \$14.3 million. The Partial S&A is attached as Attachment A and incorporated by reference. The following issues remained in dispute after the Partial S&A:

- Jurisdictional Allocation (KCP&L, Staff, and CURB)
- Return on Equity (KCP&L, Staff, and CURB)
- Pension Funding Status Adjustment (KCP&L, Staff, and CURB)
- Supplemental Executive Retirement Plan (SERP) Benefits (KCP&L and CURB)
- Incentive Compensation (KCP&L and CURB)
- Updating Test Year (KCP&L and CURB)
- Pension Tracker Amortization (KCP&L and CURB)
- Other Post-Employment Benefits (OPEB) Expense (KCP&L and CURB)
- Rate Case Expense Amortization (KCP&L and CURB)
- Class Cost of Service (KCP&L, Staff, CURB, Doubletree and Sprint)
- Rate Design (all parties)
- ECA Rider (KCP&L and Doubletree)

8. In determining rates, the Commission first establishes a revenue requirement and then designs a rate structure.⁵ The revenue requirement includes rate base, operating expenses, and rate of return.⁶ The rate of return is simply an opportunity to earn that rate, not a guarantee. Rate design includes allocating costs among and within the customer classes.

⁵ *Kansas Gas and Electric Co. v. Kansas Corp. Comm'n*, 239 Kan. 483, 500, 720 P.2d 1063, 1078-79 (1986).

⁶ *Id.* at 500-01, 1078-79

9. In setting rates, the Commission's goal is to balance the interests of all concerned parties and develop a rate within the "zone of reasonableness."⁷ The parties whose interests must be considered and balanced include: (1) the utility's investors vs. the ratepayers; (2) present vs. future ratepayers; and (3) the public interest.⁸

10. In allocating the revenue requirement among the customer classes, the Commission follows cost causation principles,⁹ so "that one class of consumers shall not be burdened with costs created by another class."¹⁰

I. ISSUES

A. Revenue Requirement

1. Jurisdictional Allocation

11. KCP&L proposes shifting the jurisdictional allocation method for its capacity-related costs from the current twelve coincident peak (12-CP) to a four coincident peak (4-CP). In support of this change, KCP&L offers two rationales: (1) 4-CP is a more accurate allocator for a summer peaking utility;¹¹ and (2) since Kansas and Missouri use different allocators, KCP&L recovers less than 100% of its costs.¹²

12. KCP&L has historically used a 12-CP methodology to allocate capacity-related costs to its Kansas customers and a 4-CP methodology for its Missouri customers.¹³ This discrepancy creates a \$10 million gap between costs deemed just and reasonable by the two state Commissions and what is collected by KCP&L.¹⁴

⁷ *Id.* at 488-89, 1070-71.

⁸ *Id.* at 488, 1070.

⁹ See Order on Petitions for Reconsideration and Clarification, ¶¶ 14-15, Docket No. 05-WSEE-981-RTS (Feb. 13, 2006).

¹⁰ *Jones v. Kansas Gas & Elec. Co.*, 222 Kan. 390, 401, 565 P.2d 597, 606 (1977).

¹¹ Ives Direct at 9.

¹² *Id.* at 10.

¹³ Loos Direct at 4-5.

¹⁴ Bassham, Tr. Vol. 1 at 63.

13. Staff suggests a compromise position that would reduce the \$10 million gap facing KCP&L by \$750,000 to \$800,000.¹⁵ Staff's proposal, advanced by Justin Grady, the Chief of Accounting and Financial Analysis for the Commission, uses a 12-CP allocator for all base load and intermediate generating facilities and a 4-CP allocator for peaking plants.¹⁶ Grady considers the 12-CP allocation used in Kansas since 1983 to be a very reasonable methodology, but also agrees that it is a reasonable alternative to allocate peaking resources based on a 4-CP allocator, as KCP&L is a summer peaking utility.¹⁷

14. CURB advocates continuing to use a 12-CP methodology in Kansas and argues adopting a 4-CP methodology will shift approximately \$10 million of revenue responsibility from KCP&L's Missouri ratepayers to KCP&L's Kansas ratepayers.¹⁸ In a 2006 case before the Missouri Public Service Commission, KCP&L recommended Missouri approve a 12-CP allocation methodology.¹⁹ The Missouri Public Service Commission rejected KCP&L's recommendation of 12-CP in favor of a 4-CP allocation.²⁰ In essence, CURB's position is Kansas ratepayers should not be responsible for curing KCP&L's shortfall due to Missouri's refusal to adopt the 12-CP methodology recommended by KCP&L.²¹

15. On July 22, 2011, the Missouri Public Service Commission issued an Order Directing Filing in File No. EO-2012-0020, noting it treats allocation of non-firm off system sales differently than the Commission and that this discrepancy may prevent KCP&L from reaching its authorized rate of return.²² The Missouri Public Service Commission stated its "order is designed to solicit the opinions of the interested parties (defined as those who

¹⁵ Grady, Tr. Vol. 4 at 1007.

¹⁶ *Id.* at 1001.

¹⁷ *Id.* at 1002-1003.

¹⁸ Post Hearing Brief of the Citizens' Utility Ratepayer Board (CURB Brief) at 29.

¹⁹ Mo. PUC Case No. ER-2006-1314; CURB Brief at 30-31.

²⁰ Loos, Tr. Vol. 4 at 948.

²¹ CURB Brief at 35.

²² KCP&L Supplemental Exh. 16.

participated in the last KCP&L rate case as well as anyone else who may be interested) as to whether they think it would be a worthwhile endeavor for the [Missouri Public Service] Commission to explore a joint proceeding with the KCC to further examine how both jurisdictions currently treat non-firm off system sales, and how the Commission should treat such sales in the future.”²³ There is nothing in the record that indicates KCP&L filed any pleadings with either the Missouri or Kansas Commissions requesting a joint proceeding to address jurisdictional allocation.²⁴

16. While the Commission acknowledges the logic in Mr. Grady’s proposal, the evidence in the record is insufficient to persuade the Commission that it is in the best interest of Kansas ratepayers to abandon the 12-CP methodology. In its Post-Hearing Reply Brief, KCP&L admits that “it carries the burden to show that a change in Commission policy or precedent – such as using a four coincident peak (‘4-CP’) jurisdictional allocator instead of twelve coincident peak (‘12-CP’) – should be adopted in setting the proposed rates.”²⁵ KCP&L has not met that burden. Consistent with its findings since 1985,²⁶ the Commission finds that the 12-CP methodology is the appropriate jurisdictional allocation for capacity-related costs to its Kansas customers.

17. The Commission is sympathetic to KCP&L’s situation where prudently incurred costs may be unrecoverable as a result of the different allocation methodology used in Kansas and Missouri. Rather than have Kansas ratepayers assume responsibility for the \$10 million gap, the Commission believes the proper course of action is for Kansas to maintain its 12-CP

²³ *Id.*

²⁴ Loos, Tr. Vol. 4 at 962.

²⁵ Post-Hearing Reply Brief of Kansas City Power and Light Company (KCP&L Reply Brief) at 2.

²⁶ Order, pp. 124-26, Docket No. 142,099-U, (Sept. 27, 1985); Grady Direct at 13-14.

methodology and for KCP&L to approach both the Kansas and Missouri Commissions and affirmatively request a joint proceeding as authorized by K.S.A. 66-106(b).

2. Return on Equity (ROE)

18. KCP&L proposes an ROE of 10.3%.²⁷ Its witness, Dr. Samuel Hadaway testified the appropriate range for KCP&L's ROE is 9.8% to 10.3%. Hadaway based his ROE recommendation on alternative versions of the constant growth and multistage growth discounted cash flow (DCF) model.²⁸ He applied the DCF model to a group of investment grade electric utilities selected from those followed by the Value Line Investment Survey.²⁹ His criteria for selecting the companies in the group were as follows: (1) having at least a triple-B bond rating; (2) deriving at least 70% of revenues from regulated industry sales; (3) not having undergone any recent mergers or restructuring; and (4) having a record of paying dividends with no cuts to the dividends in the past two years.³⁰ Hadaway selected and analyzed 21 companies using four different versions of the DCF model.³¹ The four DCF methods produced average estimated ROEs of 9.8%, 10.1%, 9.9%, and 10.3%, respectively.³² Hadaway testified an ROE at the top of his analytic range is appropriate because long-term interest rates are artificially low due to the intervention of the federal government.³³ He posits artificially low interest rates distort both the DCF analyses, based on dividend yields and risk premium, and the capital asset pricing model (CAPM) based on historical information.³⁴

²⁷ Initially, Hadaway supported an ROE of 10.4%, with a total rate of return of 8.57%. See Hadaway Direct at 2. Hadaway did not provide an ROR for his updated ROE.

²⁸ *Id.* at 5.

²⁹ *Id.* at 5.

³⁰ *Id.* at 5.

³¹ Initial Post-Hearing Brief of Kansas City Power and Light Company (KCP&L Brief) at 13.

³² *Id.* at 16.

³³ Hadaway Direct at 6.

³⁴ KCP&L Reply Brief at 5.

19. Staff recommends an ROE of 9.2%, with a range of 8.7% to 9.5%.³⁵ Staff witness Adam Gatewood's ROE of 9.2% results in an overall rate of return of 7.85%.³⁶ He relied on a DCF model using analysts' forecasted growth rates for earnings and dividends, as well as long-term growth for the U.S. economy.³⁷ Mr. Gatewood also performed an analysis under CAPM using forecasted market returns, interest rates, and market derived measures of risk particular to electric utilities.³⁸ Based on his DCF analysis projecting a 8.93% cost of equity for KCP&L and his CAPM analysis projecting a 9.27% cost of equity for KCP&L, Gatewood recommends 9.5% as the upper limit of ROE.³⁹ Gatewood used a proxy group of 19 companies with similar business and financial risks to KCP&L using the following criteria: (1) listed as an electric utility by Value Line; (2) derived at least 60% of its annual revenue from electric utility operations; (3) forecasted positive earnings and dividend growth; (4) operated as an integrated electric utility; (5) has not cut dividends since 2009; and (6) earned a bond rating within the BBB- to A- range.⁴⁰

20. CURB proposes an ROE of 8.5% and an overall rate of return of 7.58%.⁴¹ CURB witness Dr. Woolridge analyzed a proxy group of 33 utilities using a DCF model to conclude 8.5% is the proper ROE.⁴² In selecting his proxy group, Woolridge sought companies: (1) listed as electric utilities by Value Line; (2) deriving at least 50% of revenues from regulated electric operations; (3) having an investment grade bond rating; (4) paying cash dividends for the past three years, without any dividend cuts; (5) not being involved in any mergers or being targeted in an acquisition in the past six months; and (6) having long-term earnings per sharing (EPS) growth rate forecasts available from Yahoo, Reuters, and Zack's. Woolridge also performed

³⁵ Gatewood Direct at 13.

³⁶ *Id.* at 3.

³⁷ *Id.* at 13.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* at 14-16.

⁴¹ CURB Brief at 11.

⁴² *Id.*

ROE analysis using CAPM, which produced an ROE of 7.7%, but chose not to rely on that analysis in recommending an ROE of 8.5%.⁴³

21. In determining the appropriate ROE, the Commission is guided by *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944) and *Bluefield Waterworks & Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) which find returns granted to regulated public utilities should be: (1) commensurate with returns on investment of similar risk; (2) sufficient to ensure the utility's financial integrity under proper management; and (3) adjusted to reflect changes in the money market and business conditions.⁴⁴ *Hope* and *Bluefield* have been adopted by the Kansas Supreme Court⁴⁵ and recognized by the Commission in Docket No. 10-KCPE-415-RTS (415 Docket), KCP&L's most recent rate case before the Commission.⁴⁶ While the Commission has substantial discretion in setting a fair rate of return, it must not be so unreasonably high or low as to be unlawful.⁴⁷

22. Hadaway estimates gross domestic product (GDP) will grow by an average 5.4% over the next 30 years.⁴⁸ Yet Hadaway recommends a long run nominal GDP growth rate of 5.7% in his DCF models,⁴⁹ which is roughly 120 basis points more optimistic than either of the estimates by the Social Security Administration and the Energy Information Administration.⁵⁰ Based on the current economic climate, the Commission believes a projected growth rate in GDP of 5.7% is unreasonably optimistic. KCP&L argues the recommendations by Staff and CURB

⁴³ *Id.*

⁴⁴ *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603, 64 S.Ct. 281, 288 (1944); *Bluefield Waterworks & Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679, 692-93, 43 S.Ct. 675, 679 (1923).

⁴⁵ *Kansas Gas*, 239 Kan. at 489-90, 720 P.2d at 1071.

⁴⁶ Order: 1) Addressing Prudence; 2) Approving Application, In Part: and 3) Ruling on Pending Requests (415 Order), pp. 40-41, Docket No. 10-KCPE-415-RTS (Nov. 22, 2010).

⁴⁷ *Southwestern Bell Tel. Co. v. State Corp. Comm'n*, 192 Kan. 39, 85-86, 386 P.2d 515, 554 (1963).

⁴⁸ Hadaway, Tr. Vol. 3 at 652-53.

⁴⁹ *Id.* at 653.

⁵⁰ *Id.* at 661-62.

ignore the worst economic slowdown since the Great Depression.⁵¹ Yet it appears KCP&L is the party ignoring the economic downturn. Gatewood testified analysts are no longer expecting double digit returns from the S&P 500, which are going to be riskier and more volatile than electric utility stocks,⁵² and thus have higher returns than electric utilities.

23. While in the past, 10% might have served as the perceived floor for ROEs, Woolridge testified it is now fairly common for commissions to authorize ROEs below 10%.⁵³ Woolridge testified capital costs are as low as they have been since the Eisenhower Administration, and thus commissions are authorizing lower returns.⁵⁴ In the 415 Docket, the Commission recognized the downward trend in ROEs due to the economic downturn,⁵⁵ stating “[u]tilities do not escape the consequences of hard economic times.”⁵⁶ Yet here, KCP&L is seeking an increase in its ROE from 10% in the 415 Docket to 10.3% in the current docket.⁵⁷ The current economic conditions do not support the 10.3% ROE championed by Hadaway.

24. By the same token, the recommended 8.5% ROE of Woolridge strikes the Commission as too low. Woolridge’s recommended ROE is well below the average rates of return being allowed to electric utilities similar to KCP&L.⁵⁸ While testifying an ROE of 10% is no longer regarded as a floor by investors, Woolridge claimed the average authorized return for an electric utility was 9.92% in the second quarter of 2012.⁵⁹ Based on Woolridge’s testimony, the Commission is concerned that allowing an ROE under 9% would place KCP&L at a competitive disadvantage.

⁵¹ KCP&L Reply Brief at 4.

⁵² Gatewood, Tr. Vol. 3 at 725.

⁵³ Woolridge, Tr. Vol. 3 at 620.

⁵⁴ *Id.* at 661.

⁵⁵ Staff’s Post Hearing Brief (Staff Brief) at 10, *citing* 415 Order at 43.

⁵⁶ 415 Order at 39.

⁵⁷ Staff Brief at 11-12.

⁵⁸ Hadaway Rebuttal at 26.

⁵⁹ Woolridge, Tr. Vol. 3 at 620.

25. The Commission finds the nGDP growth estimates of 4.55% advocated by Gatewood, and consistent with the nominal forecast by the Social Security Administration and Energy Information Administration,⁶⁰ to be more credible than the 5.7% suggested by Hadaway. Gatewood testified that any ROE within his recommended range of 8.7% to 9.5% would provide KCP&L with adequate access to capital.⁶¹

26. Mindful that a 10% ROE was long recognized as a floor by investors and cognizant of Hadaway's claims that Gatewood's analysis should have produced an ROE of 9.93% with proper calculations and more reasonable input assumptions,⁶² the Commission adopts an ROE at the top of Gatewood's range, 9.5%. An ROE of 9.5% is below that requested by KCP&L, above that recommended by CURB, and consistent with the upper end range suggested by Staff. Having reviewed the evidence provided by Hadaway, Woolridge, and Gatewood, the Commission believes an ROE of 9.5% strikes the proper balance of allowing KCP&L to access capital markets while acknowledging the economic impact on ratepayers.

3. Pension Funding Status Update

27. In 2008, KCP&L's parent company, Great Plains Energy, acquired Missouri Public Service (MPS) and St. Joseph Light & Power (SJL&P) from Aquila, Inc.⁶³ At the time of the acquisition, KCP&L's and MPS's pensions were underfunded and SJL&P's was overfunded.⁶⁴ Following the acquisition, the pension funds were combined.⁶⁵

⁶⁰ Gatewood, Tr. Vol. 3 at 705-06.

⁶¹ *Id.* at 710.

⁶² KCP&L Brief at 25.

⁶³ Vogl Direct at 3.

⁶⁴ KCP&L Brief at 42.

⁶⁵ *Id.*

28. When the funds were combined, the SJL&P funds essentially subsidized the underfunded KCP&L and MPS pension funds.⁶⁶ Therefore, as argued by KCP&L, the customers of SJL&P are effectively subsidizing the customers of KCP&L and MPS.⁶⁷

29. KCP&L proposed adjusting the pension cost levels included in customer rates going forward so that KCP&L and MPS pay a larger share until the shortfall is eliminated.⁶⁸ Under KCP&L's proposal, Kansas ratepayers would be assessed an estimated \$1.5 million per year for ten years.⁶⁹

30. None of the parties dispute the underlying facts behind the pension funding issue.⁷⁰ The parties' only quarrel is over whether the Commission should revisit its earlier decision of this matter in the 415 Docket. Both Staff and CURB challenge KCP&L's ability to raise this issue again.

31. The pension funding issue was litigated in the 415 Docket with the Commission denying KCP&L's funding adjustment proposal.⁷¹ KCP&L suggests reexamining their proposal here because in the 415 Docket, former Staff member Karen Hull testified in opposition to the proposal on grounds that a similar adjustment was not made in Missouri.⁷² Hull's testimony came after KCP&L had presented its witnesses in the 415 Docket, which KCP&L contends rendered it unable to address Hull's position.⁷³ As a result KCP&L argues, the Commission erroneously accepted her reasoning and rejected the proposed adjustment.⁷⁴

⁶⁶ Vogl Direct at 4.

⁶⁷ *Id.*

⁶⁸ *Id.* at 5.

⁶⁹ Staff Brief at 22.

⁷⁰ Grady, Tr. Vol. 4 at 1008.

⁷¹ Vogl, Tr. Vol. 4 at 969.

⁷² KCP&L Reply Brief at 39.

⁷³ *Id.*

⁷⁴ *Id.*

32. After the Commission rejected the proposed pension status funding adjustment in the 415 Order, KCP&L filed a Petition for Reconsideration and Clarification, seeking review of the decision to disallow the adjustment.⁷⁵ In its Order on Petitions for Reconsideration and Clarification and Order Nunc Pro Tunc issued on January 6, 2011, the Commission rejected KCP&L's arguments.⁷⁶ KCP&L elected not to seek judicial review of the pension funding adjustment issue.⁷⁷

33. Staff asserts res judicata and collateral estoppel bar KCP&L from raising the pension funding adjustment issue in the present docket. KCP&L counters neither res judicata nor collateral estoppel apply here. Rather than address the applicability of res judicata and collateral estoppel, the Commission finds merit in CURB's argument that KCP&L has not provided any reasons for the Commission to revisit its decision in the 415 Docket.⁷⁸

34. KCP&L acknowledges it is seeking to revisit a decision made in the 415 Docket.⁷⁹ KCP&L admits it carries the burden to demonstrate a change in Commission precedent is necessary.⁸⁰ KCP&L fails to meet its burden. The adjustment proposed by KCP&L attempts to determine its pension expenses as of 2010 had Great Plains Energy maintained separate pension funds.⁸¹ KCP&L has not presented substantial evidence to persuade the Commission to accept these assumptions. Accordingly, the Commission declines to revisit its previous decision rejecting the pension funding adjustment proposal.

35. The remaining disputed issues that go to revenue requirement are only contested between KCP&L and CURB.

⁷⁵ Staff Brief at 23.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ CURB Brief at 53.

⁷⁹ Vogl, Tr. Vol. 4 at 988.

⁸⁰ KCP&L Reply Brief at 2.

⁸¹ Grady Direct at 29-30.

4. Supplemental Executive Retirement Plan (SERP) Benefits

36. KCP&L seeks \$566,784 in SERP expenses.⁸² CURB recommends the disallowance of all SERP costs.⁸³ SERP benefits are designed to supplement pension benefits for officers and key executives.⁸⁴ These benefits relate to compensation over \$250,000 per year.⁸⁵ SERP benefits generally exceed IRS limits of \$250,000 on retirement programs.⁸⁶

37. In essence, CURB's position, advanced by Andrea Crane, is officers of KCP&L are well compensated and if KCP&L favors providing additional benefits, those benefits should be funded by KCP&L's shareholders, rather than the ratepayers.⁸⁷ KCP&L's position is SERP benefits are necessary to recruit and retain well-qualified officers.⁸⁸

38. In the 415 Docket, CURB witness Crane recommended the elimination of all SERP costs embedded in KCP&L's revised pension expense claim on grounds that they are in addition to benefits received under KCP&L's normal pension plan, that they exceed IRS limits on retirement programs, and that KCP&L officers are already well-compensated.⁸⁹ Crane testified that KCP&L's shareholders, rather than the ratepayers should be responsible for funding SERP.⁹⁰

39. CURB and Staff both agree that the Commission approved KCP&L's recovery of SERP costs in the 415 Docket, finding "the combined levels of benefit under the qualified and

⁸² Crane Direct at 43.

⁸³ CURB Brief at 46.

⁸⁴ Crane Direct at 42.

⁸⁵ *Id.* at 43.

⁸⁶ *Id.* at 42-43.

⁸⁷ *Id.* at 43.

⁸⁸ KCP&L Brief at 42.

⁸⁹ 415 Order at 55.

⁹⁰ *Id.*

SERP plans is a major component in KCPL's compensation packages and important for recruiting and retaining talent."⁹¹

40. While admitting the Commission allowed KCP&L to recover SERP costs in the 415 Docket, CURB claims the dire economic conditions should cause the Commission to revisit this issue.⁹²

41. As with the Pension Funding Status Update issue, the Commission finds that there are not sufficient grounds to revisit our decision on this issue in the 415 Docket. In arguing in favor of maintaining the 12-CP standard for jurisdictional allocation, CURB takes the position that KCP&L bears the burden of proof for deviating from the historical use of the 12-CP allocation and that a change in policy must be based on substantial and competent evidence.⁹³ Yet, here CURB advocates deviating from historical practice. CURB cannot have it both ways. As the party seeking to deviate from historical practice, CURB bears the burden of proof. CURB does not satisfy that burden, having failed to present any evidence that the proposed SERP costs are unreasonable or imprudent.⁹⁴ Accordingly, the Commission will not revisit its decision from the 415 Docket. The Commission approves recovery of KCP&L's SERP costs.

5. Incentive Compensation

42. In addition to SERP, three other forms of compensation are at issue between KCP&L and CURB: (1) Non-executive incentive compensation; (2) Executive Long-Term Incentive Plan (LTIP); and (3) and Equity Portion of Board of Director Fees.

A. Non-Executive Incentive Compensation

⁹¹ *Id.*; Crane Direct at 44; KCP&L Brief at 41.

⁹² CURB Brief at 47.

⁹³ *Id.* at 29.

⁹⁴ KCP&L Reply Brief at 33.

43. KCP&L has two non-executive incentive compensation programs – one for non-union employees (ValueLink Plan) and one for unionized employees (Rewards Plan).⁹⁵ Relying on the Commission’s decision in the 415 Docket, which generally limited any disallowances to incentive compensation costs impacted by financial incentives, CURB recommends disallowing 25% of the non-executive incentive compensation.⁹⁶ Under CURB’s recommendation, \$511,141 would be disallowed from non-executive incentive compensation.⁹⁷

44. Effective 2009, KCP&L amended the criteria for non-executive incentive plans to eliminate all focus on profitability or corporate earnings.⁹⁸ KCP&L contends the ValueLink and Rewards Plans incent employees to support Company objectives by tying part of their compensation to KCP&L’s goals of maintaining non-fuel operations and maintenance costs at or below a target level in line with the Company’s budget.⁹⁹ The metrics of the plans are designed to allow for the provision of safe, reliable service, while maintaining control over costs to keep rates reasonable.¹⁰⁰

45. CURB claims under the non-fuel operations and maintenance cost benchmarks, profitability and earnings continue to be part of the criteria for KCP&L’s non-executive incentive plans.¹⁰¹ Crane testified 25% of the ValueLink and Rewards programs are based on financial goals and thus should be disallowed.¹⁰²

46. While KCP&L’s profitability and earnings have some effect on its non-executive compensation program, there has been no showing that the non-fuel operations and maintenance costs objective is not a legitimate performance standard or incentive metric. Accordingly, the

⁹⁵ Murphy Rebuttal at 1.

⁹⁶ Crane Direct at 34; CURB Brief at 43.

⁹⁷ *Id.*

⁹⁸ Murphy Rebuttal at 5.

⁹⁹ *Id.* at 4, 6.

¹⁰⁰ *Id.* at 6.

¹⁰¹ CURB Brief at 43.

¹⁰² Crane Direct at 29-30.

Commission finds KCP&L's non-executive incentive program reasonable and will allow KCP&L to fully recover these costs.

B. Executive Long-Term Incentive Plan

47. Under the LTIP, fourteen officers receive restricted stock if they remain with KCP&L for at least three years.¹⁰³ KCP&L seeks recovery of 50% of the restricted stock awards, while CURB recommends disallowing 100% of LTIP.¹⁰⁴ CURB's reasoning for disallowing 100% of the LTIP is that it serves as an artificial means to make executive salaries appear smaller.¹⁰⁵ CURB offers no support for such reasoning and fails to show why the Commission should revisit its decision in the 415 Docket allowing recovery of 50% of the LTIP awards. Therefore, the Commission finds KCP&L should be allowed to recover 50% of the costs associated with the LTIP.

C. Equity Portion of Board of Director Fees

48. Corporations commonly compensate their Board of Directors with cash and equity. KCP&L is no different. KCP&L believes that 100% of the costs for the equity portion of fees paid to its Directors should be recovered, while CURB recommends disallowing all costs related to the stock portion of the Board of Directors' compensation, which Crane calculates as \$333,014 for the test year.¹⁰⁶

49. As with the other compensation issues, CURB's basis for disallowing these costs is their dependence on financial parameters.¹⁰⁷ But the record does not support CURB's position. Instead, KCP&L witness Ellen Fairchild testified, "Board of Directors don't receive performance shares...the Board gets paid an annual retainer part in stock and part in cash, but

¹⁰³ CURB Brief at 43.

¹⁰⁴ KCP&L Brief at 40; Crane Direct at 35; Fairchild Rebuttal at 3.

¹⁰⁵ CURB Brief at 44.

¹⁰⁶ Crane Direct at 35; Fairchild Rebuttal at 3.

¹⁰⁷ CURB Brief at 44.

there's no performance metrics type of a stock portion of that award.”¹⁰⁸ Based on the evidence in the record, the Commission finds the equity portion of Directors' fees is not tied to financial performance. Accordingly, the Commission will allow KCP&L to fully recover the costs for the equity portion of its Directors' fees.

6. Updating Test Year

50. KCP&L and CURB agree that on April 20, 2012, KCP&L filed its Application based on a test year ending December 31, 2011, with plant-in-service accounts containing actual data through February 29, 2012, and adjustments for activities identified by the budget through June 30, 2012.¹⁰⁹

51. CURB contends K.A.R. 82-1-231(d) requires KCP&L to file revised schedules to reflect the revision to its Application.¹¹⁰ The updated adjustments provided through discovery increased KCP&L's requested revenue requirement by approximately \$5.5 million.¹¹¹ In arguing the Commission should reject the updated adjustments, CURB suggests it cannot properly audit the components of the requested rate increase or investigate the Application without KCP&L filing revised schedules pursuant to K.A.R. 82-1-231(d).¹¹²

52. The Commission finds CURB's argument to be without merit. It incorrectly presupposes that KCP&L made adjustments to plant-in-service accounts after the application was filed.¹¹³ KCP&L did not make adjustments. Instead, it simply responded to Staff's data requests. As part of the audit process, Staff made adjustments which KCP&L accepted.¹¹⁴ If

¹⁰⁸ Fairchild, Tr. Vol. 3 at 849.

¹⁰⁹ KCP&L Brief at 35-36; CURB Brief at 37.

¹¹⁰ *Id.* at 38.

¹¹¹ Weisensee, Tr. Vol. 4 at 911.

¹¹² CURB Brief at 38-39.

¹¹³ *Id.* at 37.

¹¹⁴ Finger Direct at 6-7.

the Commission were to adopt CURB's position, any time KCP&L accepted adjustments suggested by Staff, it would have to file revised schedules with the Commission. Such an approach makes little sense. Not only would it create a less efficient, more costly process, it would also serve as a disincentive for KCP&L to agree not to contest adjustments by Staff that reduce the revenue requirement.

53. Changes in rates due to future or non-test year events must be known and measurable, to at least some degree.¹¹⁵ Staff found updating the information to June 30, 2012, constituted making known and measurable changes to the test year results.¹¹⁶ Staff recommends the Commission adopt Staff's adjustment, which relies on actual updated, known and measurable account balances as of June 30, 2012, whereas KCP&L's adjustment relies on budgeted, non-known and measurable account balances, and should not be used to adjust KCP&L's cost of service.¹¹⁷ Staff favors including the updates to June 30, 2012, in the rate case, finding it in the public interest.¹¹⁸ Not only is using the update consistent with the auditing practice of the Commission since at least 2004,¹¹⁹ but some of the adjustments, such as the update to payroll expenses, which reduces the revenue requirement by roughly \$1.6 million, actually benefit the ratepayers.¹²⁰ Based on Staff witnesses Grady's and Finger's testimony, the Commission finds the projections in KCP&L's Application, as updated by Staff's adjustments are known and measurable. Therefore, there was no requirement for KCP&L to file a revised schedule.

¹¹⁵ *Kansas Industrial Consumers v. State Corp. Comm'n*, 30 Kan.App.2d 332, 343, 42 P.3d 110, 117 (2002).

¹¹⁶ Grady, Tr. Vol. 4 at 1034.

¹¹⁷ Finger Direct at 6-7.

¹¹⁸ Grady, Tr. Vol. 4 at 1035.

¹¹⁹ *Id.* at 1035.

¹²⁰ Staff Brief at 29; Finger Direct at 10.

7. Pension Tracker Amortization

54. The Commission must determine KCP&L's pension expenses to allow KCP&L to implement its trackers.¹²¹ Until the next rate case, the pension expense is collected from KCP&L's ratepayers.¹²² KCP&L has two pension trackers. The applicable tracker, Tracker 1, tracks the difference between KCP&L's actual pension expense and the pension expense allowed in rates.¹²³ The Commission must establish the pension expense allowed in the cost of service.¹²⁴ Based on Staff witness William Baldry's testimony, factoring in the Commission's decision on the Pension Funding Status Adjustment, SERP, and updates to the test year through June 30, 2012, the annual pension expense to be allowed in KCP&L's cost of service on a total company basis is \$41,959,915.¹²⁵

55. In Docket No. 07-GIMX-1041-GIV (1041 Docket), KCP&L was required to track the difference between its actual pension expense and the pension expense built into rates and amortize any difference over of period of no more than five years.¹²⁶

56. KCP&L proposes a three-year amortization, while CURB proposes a five-year amortization.¹²⁷ Staff agrees with KCP&L's recommendation.¹²⁸ CURB offers two reasons for a five-year amortization. First, CURB believes it is consistent with the guidance provided in the

¹²¹ Baldry Direct at 15.

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ Weisensee Rebuttal at 5; CURB Brief at 53-54.

¹²⁷ Weisensee Rebuttal at 5; CURB Brief at 54.

¹²⁸ KCP&L Brief at 50.

1041 Docket.¹²⁹ Second, CURB believes it will mitigate the impact of the deferral on annual rates.¹³⁰

57. CURB admits the Order in the 1041 Docket “expressly permitted amortization periods of *up to* five years.”¹³¹ (emphasis added). Both the three-year period proposed by KCP&L and the five-year period proposed by CURB are consistent with the guidance provided by the 1041 Docket. The 1041 Docket offers no guidance on whether to approve a three versus five year amortization period.

58. KCP&L explained it favors a three-year amortization period because the tracker represents deferred costs incurred by KCP&L as pension expense, but not built into the rates.¹³² KCP&L believes five years is too long to receive compensation for the cost of money of carrying its pension costs.¹³³ We agree. The Commission finds a three-year recovery is appropriate and therefore adopts the three-year amortization period for the pension tracker.

8. Other Post-Employment Benefits (OPEB) Expense

59. The Commission must establish the OPEB expense allowed in the cost of service.¹³⁴ Based on the Commission’s decision above to accept Staff’s adjustment to the test year through June 30, 2012, the annual OPEB expense to be allowed in KCP&L’s cost of service is \$7,474,271, as found in Staff witness Baldry’s testimony.¹³⁵ Similar to its handling of pension expense, KCP&L is deferring the difference between its actual OPEB expense and the amount collected in rates.¹³⁶ CURB agrees the amount collected through rates has generally been below

¹²⁹ Crane Direct at 41.

¹³⁰ *Id.*

¹³¹ CURB Brief at 54.

¹³² Weisensee, Tr. Vol. 4 at 902.

¹³³ KCP&L Brief at 51.

¹³⁴ Baldry Direct at 17.

¹³⁵ *Id.*

¹³⁶ Crane Direct at 45.

KCP&L's actual expense, creating a regulatory liability.¹³⁷ The only question facing the Commission is whether the three-year amortization period proposed by KCP&L or the five-year amortization period proposed by CURB is more appropriate.

60. Applying the same logic used in addressing the pension tracker amortization, the Commission believes a shorter time period is more appropriate for amortization because it creates a shorter lag in KCP&L's recovery time. Accordingly, the Commission adopts the three-year amortization period for OPEB expense.

9. Rate Case Expense Amortization

61. In its final rate case expense update, KCP&L claimed \$1,279,072 in estimated rate case expense.¹³⁸ Updating the rate case expense to include the Commission's expenses, KCP&L's claimed rate case expense is \$1,288,914. Based on KCP&L's \$2.5 million projection for rate case expense in its Application, the Commission finds \$1,288,914 to be prudent, just and reasonable. The Commission approves \$1,288,914 in rate case expense.

62. KCP&L recommends a three-year amortization period for rate case expense, explaining that rate case expense is typically amortized for a period reflecting the frequency of rate case filings.¹³⁹ KCP&L also identified two recent Kansas rate case proceedings (Docket Nos. 12-WSEE-112-RTS and 12-ATMG-564-RTS) where the Commission approved a three-year amortization period.¹⁴⁰

63. CURB recommends a four-year amortization period for rate case expense, explaining the Commission has traditionally used a four-year period for amortizing KCP&L's

¹³⁷ *Id.*

¹³⁸ Exh. 1 to KCP&L's Final Rate Case Expense Update, Nov. 16, 2012.

¹³⁹ KCP&L Brief at 52.

¹⁴⁰ Weisensee Rebuttal at 10.

rate case expense.¹⁴¹ CURB admits the Commission ordered a three-year amortization period in the 415 Docket, but argues a one-year delay in deciding the case effectively resulted in a four-year period.¹⁴²

64. KCP&L expects to file its next full rate case in 2015 to incorporate the projected June 2015 in-service date of the LaCygne Environmental Project.¹⁴³ Staff does not object to a three-year amortization period.¹⁴⁴ Based on the evidence in the record of recent rate proceeding where the Commission approved a three-year rate case amortization period and the anticipated frequency of KCP&L rate case filings, the Commission adopts a three-year amortization period for KCP&L's rate case expense.

65. Based on the Commission's findings, the Commission approves a revenue requirement increase of \$33,156,017 for KCP&L.

B. Rate Design Issues

1. Class Cost of Service

66. Under the principle of cost causation adopted by the Kansas courts, one class of customers should not bear the costs created by another class.¹⁴⁵ Absent a reasonable basis, the Commission may not order a discriminatory rate design.¹⁴⁶ A class cost of service (CCOS) study is designed to allocate the utility's total system cost of service to the various customer classes.¹⁴⁷ There is no single, universally accepted method for allocating costs to customer classes.¹⁴⁸

¹⁴¹ Crane Direct at 60.

¹⁴² *Id.*

¹⁴³ Weisensee Rebuttal at 9.

¹⁴⁴ *Id.* at 10.

¹⁴⁵ Glass Direct at 4; *Jones*, 222 Kan. at 401.

¹⁴⁶ See Order on Petitions for Reconsideration and Clarification, ¶¶ 14-15, Docket No. 05-WSEE-981-RTS (Feb. 13, 2006).

¹⁴⁷ Myrick Direct at 13.

¹⁴⁸ Myrick Direct at 14.

67. Consistent with the Commission's directives from the 415 Docket, Paul Normand submitted a CCOS study on behalf of KCP&L using the Base, Intermediate, Peak (BIP) method to allocate production-related costs.¹⁴⁹ Staff used Normand's BIP model and made accounting adjustments.¹⁵⁰ None of the intervenors prepared an independent CCOS study.

68. The CCOS studies submitted by KCP&L and Staff are quite similar.¹⁵¹ The major difference relates to the size of the revenue requirement.

69. Both KCP&L's and Staff's CCOS studies recommend the Large General Service (LGS) class receive a slightly larger percentage increase than the system average, the Small General Service (SGS) class receive a slightly smaller percentage increase than the system average, and the Residential and Medium General Service (MGS) classes receive close to average rate increases.¹⁵² Due to the unique nature of the Lighting classes, the CCOS studies will not be used to determine the percentage increase for those customer classes.¹⁵³

70. Doubletree and Sprint both oppose the BIP methodology claiming it allocates a disproportionate amount of costs to the LGS and Large Power customers.¹⁵⁴ Doubletree favors spreading the increased costs equally, across-the-board to all classes.¹⁵⁵ Both KCP&L and CURB note applying an across-the-board rate increase would exacerbate cost causation inequities by moving the LGS and Large Power classes further below the system rate of return.¹⁵⁶ More importantly, Doubletree's and Sprint's positions ignore the Commission's directive in the 415 Docket, favoring the BIP method over the average-and-peak approach,

¹⁴⁹KCP&L Brief at 53; Staff Brief at 31; CURB Brief at 58; Normand Direct at 8.

¹⁵⁰ Staff Brief at 31.

¹⁵¹ Glass Direct at 11.

¹⁵² Staff Brief at 31-32.

¹⁵³ *Id.* at 32.

¹⁵⁴ Initial Brief of Intervenor Doubletree by Hilton Kansas City – Overland Park (Doubletree Brief) at 2; Post-Hearing Brief of Sprint (Sprint Brief) at 11.

¹⁵⁵ Johnstone Direct at 21.

¹⁵⁶ CURB Brief at 58-59.

finding the BIP method provides more structure for modeling costs and allows for a detailed examination of seasonal costs and rate allocations.¹⁵⁷

2. Rate Design

71. KCP&L requests an overall revenue increase of 12.9% for Residential and MGS classes, an increase of 10% for the SGS class, and a roughly 13.5% increase for a consolidated LGS and Large Power class.¹⁵⁸ KCP&L proposes a series of moderate changes to rate structures it believes addresses fair cost apportionment among the classes, provides revenue stability, minimizes customer dissatisfaction, simplifies the rate structure, and is consistent with the Commission's directives from the 415 Order.¹⁵⁹

72. Staff does not contest KCP&L's proposed rate design. But Staff opposes CURB's proposed changes to Residential and SGS rate design and Wal-Mart's proposed changes to LGS rate design. CURB only contests KCP&L's rate design of the Residential and SGS classes. CURB agrees with KCP&L's and Staff's proposed allocation to the MGS class and takes no position on KCP&L's or Wal-Mart's LGS rate design.¹⁶⁰ Wal-Mart's primary concern is the rate design of the LGS rate schedule.¹⁶¹ Doubletree proposes an across-the-board rate increase. Sprint takes no position on rate design, having not even put forth testimony on the subject.

73. As neither Doubletree nor Sprint conducted a CCOS study, they failed to produce any evidence supporting an across-the-board rate increase or contradicting the CCOS studies submitted by KCP&L and Staff. Therefore, the Commission rejects Doubletree's recommendation for an equal, across-the-board increase for all customer classes.

¹⁵⁷ 415 Order at 117.

¹⁵⁸ KCP&L Brief at 56.

¹⁵⁹ Lutz Direct at 10, 18.

¹⁶⁰ CURB Brief at 65.

¹⁶¹ Initial Post Hearing Brief of WalMart Stores, Inc. (Wal-Mart Brief) at 3.

A. Residential Rate Design

74. In response to the 415 Order, KCP&L proposes simplifying its residential rate structure by reducing the number of residential subclasses.¹⁶² The resulting general use rate will have specific winter energy charges and the two remaining heating rates will have the same winter energy charges.¹⁶³ CURB proposes a 20% inclining block rate during the summer months for residential customers, arguing it would give customers a greater incentive to conserve energy or reduce usage than the flat block summer rate proposed by KCP&L.¹⁶⁴

75. Staff questions whether CURB's proposal would produce the desired conservation. The benefit of an inclining block rate for KCP&L is not apparent to Staff because (1) since the 415 Docket, the amount of electricity usage has declined;¹⁶⁵ (2) even with flat rates, customers are already paying close to ten cents per kilowatt hour, which is sufficiently high to send a price signal to conserve;¹⁶⁶ and (3) assuming revenue requirements of approximately \$29.3 million, the 20% price differential between the inclining blocks is fairly minimal and may not be sufficient to promote conservation.¹⁶⁷

76. CURB admits there is no evidence in the record demonstrating a 20% price differential will cause customers to actually reduce their electricity usage.¹⁶⁸ CURB further admits there are no elasticity estimates in the record that could quantify the amount of declining energy consumption, if any.¹⁶⁹ Since there is no substantial evidence in the record to support a finding that CURB's proposal would advance energy conservation, nor is there any evidence that

¹⁶² Lutz Direct at 16-17.

¹⁶³ *Id.* at 19.

¹⁶⁴ Kalcic, Tr. Vol. 2 at 401.

¹⁶⁵ Glass, Tr. Vol. 2 at 474.

¹⁶⁶ *Id.* at 474.

¹⁶⁷ Kalcic, Tr. Vol. 2 at 398.

¹⁶⁸ *Id.* at 399.

¹⁶⁹ *Id.* at 399-400.

the proposed rates would result in unjust, unreasonable, unjustly discriminatory, or unduly preferential rates, the Commission approves KCP&L's Residential rate design.

B. Small General Service Rate Design

77. CURB notes both KCP&L's and Staff's CCOS studies show the SGS space heating subclass is being heavily subsidized through a space heating discount. Thus, CURB opposes KCP&L's proposed SGS rate design, arguing it fails to address the excess discounts currently received by space heating customers in the winter.¹⁷⁰ CURB recommends reducing the excess secondary space heating discount by approximately 50%,¹⁷¹ claiming it would not result in excessive rate impacts to customers. By CURB's calculations, its proposal would increase rates for the SGS class by 9.7% to 15.0%.¹⁷²

78. KCP&L questions CURB's contention that reducing the excess secondary space heating discount would not excessively impact customers. Claiming CURB offers no support for its position, KCP&L warns of unintended consequences resulting from CURB's failure to analyze the impact of its proposal. KCP&L fears a negative reaction if CURB's proposal is enacted, similar to the customer outrage following the elimination of certain Residential space heating discounts in the 415 Docket, which lead to hearings before the Senate Utilities Committee.¹⁷³ The lack of safeguards against customer migration in CURB's proposal also concerns KCP&L.¹⁷⁴ Staff shares KCP&L's concerns that CURB's recommendation could lead to a public outcry and customer migration.¹⁷⁵

¹⁷⁰ Kalcic Direct at 21.

¹⁷¹ *Id.* at 22.

¹⁷² *Id.* at 24.

¹⁷³ Lutz, Tr. Vol. 1 at 300.

¹⁷⁴ Lutz Rebuttal at 12-13.

¹⁷⁵ Staff Brief at 33.

79. The Commission agrees with KCP&L and Staff that there is insufficient evidence to support CURB's proposed reduction to the excess secondary space heating discount. Likewise, there is no evidence that KCP&L's proposed SGS rates will result in unjust and unreasonable rates. Accordingly, the Commission approves KCP&L's SGS rate design.

C. Medium General Service Rate Design

80. Since there is no opposition to KCP&L's MGS rate design, the Commission approves KCP&L's proposed MGS rate design. Having reviewed the record, the Commission finds KCP&L's proposed MGS rates will result in just and reasonable rates.

D. Large General Service and Large Power Rate Design

81. KCP&L proposes merging the three remaining customers in the Large Power class into the LGS class.¹⁷⁶

82. Wal-Mart believes the LGS rate schedule is unnecessarily complex and contrary to the principle of cost causation.¹⁷⁷ In particular, it claims KCP&L's recovery of a large portion of its fixed costs through the energy charge penalizes high load factor customers.¹⁷⁸ Wal-Mart urges the Commission to replace the hours-use structure for LGS energy charges with an energy charge rate based on a flat \$/kWh charge varying by winter and summer like that charged to the Residential class.¹⁷⁹ Thus, Wal-Mart advocates modifying the LGS rate schedule to have: (1) the LGS facilities and demand charges reflect all of the fixed costs of service; (2) the LGS energy charge mirror the structure of the residential energy charge; and (3) variable production costs collected through a flat \$/kWh energy charge.¹⁸⁰ As an alternative to eliminating the hours-use energy charge, Wal-Mart proposes removing a portion of demand costs currently collected in

¹⁷⁶ Lutz Direct at 17.

¹⁷⁷ Wal-Mart Brief at 3.

¹⁷⁸ *Id.*

¹⁷⁹ *Id.* at 8.

¹⁸⁰ *Id.* at 10-11.

the hours-use charge. Under that alternative, there would be no increase to the current energy charge tail-block, 75% of the system average percentage increase would be applied to the middle block energy charge, and all remaining class revenue requirement would be collected from other rate components on an equal-percentage basis.¹⁸¹

83. KCP&L argues Wal-Mart's proposal harms LGS customers who lack the ability to control their demand. Customers with 10% load factors would face rate increases of over 72%.¹⁸² Such a dramatic increase would cause customer migration to the MGS class. The resulting migration would prevent KCP&L from meeting its revenue requirement.¹⁸³ Staff shares KCP&L's concerns of possible customer migration if Wal-Mart's proposal is enacted.

84. Staff favors the concept of replacing hours-of-use rate design.¹⁸⁴ But KCP&L's estimates of the prohibitive cost of upgrading its billing system to move away from its rate design outweigh any benefits from such a shift.¹⁸⁵

85. The Commission finds KCP&L's and Staff's concerns of customer migration compelling. Wal-Mart's proposal is unduly preferential to Wal-Mart and unduly discriminatory to other members of the LGS with low load factors. While the Commission agrees with the concept of replacing hour-use charges, it believes the present costs of doing so outweigh the possible benefits. Accordingly, the Commission rejects Wal-Mart's proposed changes to LGS rate design. The Commission finds KCP&L's LGS rate design to be just and reasonable. Accordingly, the Commission approves KCP&L's LGS rate design.

¹⁸¹ *Id.* at 11-12.

¹⁸² Lutz Rebuttal at 18.

¹⁸³ *Id.*, KCP&L Brief at 61.

¹⁸⁴ Glass Direct at 19.

¹⁸⁵ *Id.* at 20.

3. ECA Rider

86. Doubletree is the only party requesting changes to KCP&L's ECA rider.¹⁸⁶ Doubletree recommends the ECA be modified to reduce the dramatic price shifts from month-to-month.¹⁸⁷ Doubletree suggests: (1) the ECA should reflect a seasonal average between the four peaking summer months and the balance of the year; (2) the current practice of capturing rate volatility resulting from extraordinary events in a single month should be changed to spread the rate change over the entire year; and (3) the ECA should not allow 100% recovery for variations in fuel costs from extraordinary events.¹⁸⁸

87. KCP&L opposes any modifications to the ECA. Addressing Doubletree's first suggestion, KCP&L explained the ECA was originally designed to reflect monthly variations in fuel prices and provide price signals to customers.¹⁸⁹ Thus, shifting to seasonal rates would dampen the intended price signals.¹⁹⁰ KCP&L also believes by spreading the off-system sales credit over the entire year, the ECA mechanism already dampens price signals.¹⁹¹ As to Doubletree's second suggestion, KCP&L explains that under the current ECA, any variations for monthly projections of fuel costs are rolled into the Annual Cost Adjustment (ACA) filing and spread over a 12-month period starting April 1 of the following year.¹⁹² Finally, KCP&L explains not allowing full recovery for variations in fuel costs would harm the Company by forcing it to absorb a portion of fuel costs, particularly when fuel costs rise.¹⁹³

¹⁸⁶ Doubletree Brief at 8.

¹⁸⁷ *Id.*

¹⁸⁸ Johnstone Direct at 11. Doubletree's Brief drops the third suggestion. Therefore, it is unclear to the Commission whether Doubletree intends to abandon it. *See* Doubletree Brief at 8.

¹⁸⁹ Blunk Rebuttal at 9.

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² *Id.* at 10.

¹⁹³ *Id.*

88. CURB believes that Doubletree's ECA recommendation has merit, but is concerned that the record does not support modifying the ECA.¹⁹⁴

89. The Commission agrees there is not enough evidence to modify the ECA. As the party advocating a change to the ECA, Doubletree bears the burden of proving a change is necessary. It failed to do so. The evidence presented suggests the modifications proposed by Doubletree are contrary to the goal of providing price signals to customers. Doubletree has not provided substantial evidence that the Commission should override that goal and further dampen price signals. The evidence also suggests Doubletree's desire to spread rate changes over the entire year is already being accomplished in the current ECA through the ACA filing process. Preventing KCP&L from recovering 100% of its fuel costs through the ECA defeats the purpose of the ECA, which is designed to allow KCP&L to function in periods of high fuel cost volatility. Under Doubletree's proposal, KCP&L would be forced to recover its costs through a costly and time-consuming rate case proceeding rather than the ECA. Again, Doubletree fails to provide sufficient evidence to convince the Commission that any modification to the ECA is necessary. Accordingly, the Commission rejects Doubletree's proposed modifications to the ECA and finds KCP&L's ECA rider appropriate.

II. PARTIAL SETTLEMENT AGREEMENT

90. On September 28, 2012, Staff, CURB and KCP&L filed a Partial Settlement Agreement (Partial S&A),¹⁹⁵ along with a Joint Motion for approval. While not signatories to the agreement or motion; the other parties do not oppose the Partial S&A. Therefore, the Partial

¹⁹⁴ CURB Brief at 65.

¹⁹⁵ On November 9, 2012, Staff, CURB and KCP&L filed Errata to the Partial Settlement Agreement in order to provide the missing Appendices to the Partial Settlement Agreement.

S&A is considered a “unanimous settlement agreement” pursuant to K.A.R. 82-1-230a. Accordingly, the Commission considers the unopposed Partial S&A under the same standards as a unanimous agreement.

91. In addressing the Joint Motion, the Commission has reviewed and considered the entire record, including all prefiled testimony of witnesses and the testimony from the hearing. The Commission’s decision, as reflected in this Order, is based upon a review of all issues raised in this rate case, taking into account the issues the parties have agreed upon.

92. The law generally favors the good faith settlement of disputed issues,¹⁹⁶ and the Commission evaluates settlements to determine whether they (a) are supported by substantial competent evidence in the record as a whole, (b) result in just and reasonable rates, and (c) are in the public interest.¹⁹⁷

93. The Commission must make an independent finding that approval of the Settlement is supported by substantial competent evidence in the record as a whole and that the Partial S&A will establish just and reasonable rates.¹⁹⁸ The Commission has established a five-factor test to determine the reasonableness of proposed settlement agreements. These factors are:

- a. Whether each party had an opportunity to be heard on reasons for opposing the settlement;
- b. Whether the settlement is supported by substantial competent evidence in the record as a whole;
- c. Whether the settlement conforms to applicable law;
- d. Whether the settlement will result in just and reasonable rates;

¹⁹⁶See *Krantz v. University of Kansas*, 271 Kan. 234, 241-242, 21 P.3d 561, 567 (2001).

¹⁹⁷See Order Approving Non-unanimous Stipulation and Agreement, ¶ 24, Docket No. 12-WSEE-112-RTS (Apr.18, 2012).

¹⁹⁸See *Citizens’ Utility Ratepayer Board v. State Corp. Comm’n*, 28 Kan.App.2d 313, 316, 16 P.3d 319, 16 P.3d 319, 323-34 (2000).

- e. Whether the results of the settlement are in the public interest.¹⁹⁹

The Commission will consider each of these factors in deciding whether to approve the Partial S&A.

A. Standard of Review

94. The Commission must separately state findings of fact, conclusions of law, and policy reasons for its decision if it is an exercise of its decision.²⁰⁰ Any findings of fact must be based exclusively upon the evidence of record in the adjudicative proceeding and on matters officially noticed in the proceeding.²⁰¹ Agency action must be based upon evidence that is substantial when viewed in light of the record as a whole.²⁰²

95. The Commission has evaluated the evidence in the record as a whole regarding the proposed Partial S&A in light of the foregoing standards of review. The Commission has previously recognized its authority to approve settlements containing final terms agreed to by the parties but that do not reveal how these terms were reached.²⁰³ Generally, the law favors compromise and settlement of disputes when parties enter into agreement settling and adjusting a dispute.²⁰⁴

96. This case involves setting rates for KCP&L's Kansas customers. Therefore, the Commission must find these rates are just and reasonable and must evaluate whether the proposed rates are within a "zone of reasonableness" by taking into account various interests of

¹⁹⁹See Order Approving Contested Settlement Agreement, ¶¶ 9-10 (280 Order), Docket No. 08-ATMG-280-RTS (May 12, 2008).

²⁰⁰K.S.A. 77-526(c).

²⁰¹K.S.A. 77-526(d).

²⁰²K.S.A. 2011 Supp. 77-621(c)(7), (d).

²⁰³See 280 Order, ¶¶ 9-10.

²⁰⁴*Krantz*, 271 Kan. at 241-242, 21 P.3d at 567.

all parties involved.²⁰⁵ The “zone of reasonableness” is an elusive range where rates are most fair to the utility and its customers; the Commission has broad discretion to determine this zone of reasonableness and should seek to set rates that are not so unreasonably low or unreasonably high as to be unlawful.

B. Provisions of the Partial Settlement Agreement

97. The Partial S&A resulted from confidential negotiations in this docket. While not resolving all of the issues, it resolved a substantial number of issues, allowing the Parties to litigate a limited number of major issues at hearing. The terms of the Partial S&A are summarized as follows:

- Distribution Field Intelligence & Technical Support Group (“DFITS”) - O&M/Rate Base: KCP&L agrees not to dispute Staff’s adjustments which remove KCP&L’s revenue requirement adjustments for its DFITS group.²⁰⁶
- Organizational Realignment and Voluntary Separation Program (“ORVS”): Staff agrees to accept KCP&L’s adjustment for ORVS.²⁰⁷
- Oracle Maintenance: The Parties agree to accept the position taken by KCP&L witness John Weisensee in his rebuttal testimony on pages 17 and 18 resulting in a net reduction to the Company’s revenue requirement request of (\$73,000) with no amortization.
- OverTime, Temporarys, & FICA Taxes on Salary and Wages: KCP&L accepts Staff’s position regarding various payroll issues.
- Officer Cash Incentive: KCP&L agrees to accept Staff’s corrected adjustment regarding officer Annual Incentive Plan.
- Depreciation Rates: Staff agrees to accept, for the purposes of settlement only, KCP&L’s depreciation rates, including KCP&L’s Account 344 - generators - life. (Interim Curve differences), with the following two exceptions: (1) removal of the La Cygne ash landfill adjustment discussed in the rebuttal testimony of KCP&L witness Chris Rogers, and (2) unit

²⁰⁵ *Farmland Industries, Inc. v. State Corp. Comm’n*, 24 Kan.App.2d 172, 195, 943 P.2d 470, 489 (1997).

²⁰⁶ Partial Settlement Agreement, p. 3, ¶ 10 (A).

²⁰⁷ *Id.*

retirement net salvage. To be clear, KCP&L does not agree with Staff witness William Dunkel's positions on these two enumerated items nor does Staff agree with KCP&L's position on the life of generators in Account 344, but each party will accept them for purposes of settlement. The final depreciation rates were included as Appendix A to the Partial S&A.

- Rate Case Expense: The Parties agree that the rate case expense amount will be determined in accordance with the process discussed in the rebuttal testimony of KCP&L witness Weisensee, including KCP&L-only expenses to be determined from the Final Rate Case Expense Update submitted by KCP&L on or before November 16, 2012, with Staff and CURB expenses to be provided by Staff through the date of the order in this docket, provided that total rate case expense does not exceed the \$2.5 million projected in the Application. The Parties reserve their claims related to the appropriate amortization period for rate case expense.

- Miscellaneous Items:
KCP&L agrees to settle the eight (8) items listed below for a total revenue requirement adjustment to miscellaneous expense of (\$310,284). In addition, the Parties agree to use a rate of 0.3975% for bad debt expense associated with any rate increase approved by the Commission.
 - Materials & Supplies;
 - Customer Advances;
 - Customer Deposits;
 - Bad Debt Expense - Uncollectible Rate;
 - Sale of Receivables Expense;
 - Credit Card Processing;
 - EEI Dues; and
 - Meals & Entertainment.

- Amortization Items: The Parties agree, again with such settlement providing no precedent for any party for future cases, the amortization periods for certain issues of the case as noted below:

○ 2010 Legal Fee Reimbursement	Three (3) year amortization period
○ ORVS	Five (5) year amortization period
○ 2011 Missouri River Flooding (Non-Fuel O&M)	Ten (10) year amortization period
○ Iatan Unit 1/Common Vintage 2	44.9 year amortization period

Amortization amounts for each item above to be identified in the Commission's Order in this proceeding.

- Ad Valorem Base Identification: The base ad valorem tax expense assumed to be collected in base rates as a result of this proceeding will be identified in the Commission's Order.

- Decommissioning Accruals for Wolf Creek: The Parties request Commission approval of the schedule of decommissioning cost accruals included in Appendix B to the Partial S&A, Commission affirmation that the decommissioning cost accruals are included in cost of service and are included in rates for ratemaking purposes, and Commission affirmation that the earnings rate assumed for the trust takes into consideration the tax rate change and the removal of the investment restrictions resulting from the Energy Policy Act of 1992.
- Uncontested Rate Design Items: The Parties agree that the following tariff, rules and regulations, and rate design issues are uncontested and will be implemented as proposed by KCP&L:

Tariff Consolidation:

1. Consolidation of *Residential General Use* (RESA) and the *Residential General Use with Water Heating* (RESB) rates into a single *Residential General Use* (RESA) rate. RESB will no longer be used.
 2. Consolidation of *Residential General Use with Space Heat-Two Meter* (RESD) and *Residential General Use and Water Heat with Space Heat - Two Meter* (RESE) into a single *Residential General Use with Space Heat - Two Meter* (RESD) rate. RESE will no longer be used.
 3. Consolidation of *Large General Service* (LGS) class and the *Large Power Service* (LPS) class into a single *Large General Service* (LGS) class. LPS class will no longer be used.
 - Customers on the *Large Power Service -Primary* rate would be moved to the *Large General Service -Primary* rate.
 - Customers on the *Large Power Service- Substation* rate would remain on that rate but the rate would be moved to the *Large General Service* tariff as the *Large General Service - Substation* rate.
 - Customers on the *Large Power Service - Transmission* rate would remain on that rate but the rate would be moved to the *Large General Service* tariff as the *Large General Service - Transmission* rate.
- New Residential - Other Use Tariff: The new *Residential - Other Use* tariff proposed by KCP&L is accepted.
 - Table of Contents: The new Table of Contents proposed by KCP&L is accepted.
 - Addition of Adjustments and Surcharges Listing to Rate Tariffs: All KCP&L rate tariffs will include a listing of the applicable adjustment and surcharge riders.

- Abbreviated Rate Proceeding: The Parties agree not to contest KCP&L's request for Commission pre-approval for KCP&L to file an abbreviated rate proceeding in accordance with K.A.R. 82-1-231(b)(3). Items for consideration in such an abbreviated proceeding include: CWIP for the La Cygne environmental project and the two regulatory asset items noted at the end of Bill Baldry's testimony.

C. Evaluation of the Partial Settlement Agreement

1. Each party had an opportunity to be heard on its reasons for opposing the Partial S&A

98. Since none of the parties oppose the Partial S&A, this factor is not applicable. The procedural schedule issued on May 29, 2012, provided an opportunity for responsive Direct Testimony by Staff and all intervenors, Cross-Answering Testimony by Staff and all intervenors, and Rebuttal Testimony by KCP&L and for all parties to participate in discovery. Additionally, all parties participated in the September 17, 2012 settlement conference. Follow-up communication regarding settlement generally, the Joint Motion, and the Partial S&A also included all parties. Thus, all parties were given sufficient opportunity to be heard on any reasons they may have had for opposing the Partial S&A, and none were expressed.

2. The Partial S&A is supported by substantial competent evidence in the record as a whole

99. All items agreed to and included in this Partial S&A are supported by substantial competent evidence in the record as a whole. Nineteen (19) KCP&L witnesses filed Direct and/or Rebuttal Testimony in support of its Application. Staff and intervenors have filed the testimony of fifteen (15) witnesses, comprising responsive Direct and Cross-Answering testimony. The terms of the Partial S&A reflect a compromise of the positions taken by the various parties in their pre-filed testimony.

3. The Partial S&A conforms to applicable law

100. “An Order is ‘lawful’ if it is within the statutory authority of the commission, and if the prescribed statutory and procedural rules are followed in making the Order.”²⁰⁸ The Partial S&A deals with revenue requirement issues that Kansas electric utilities must file with the Commission for review and approval prior to implementation. Thus, the subject matter of the Partial S&A is within the Commission’s authority. Additionally, the Joint Movants confirm their understanding that applicable statutory and procedural rules have been followed. The Partial S&A is the result of negotiations among and is not opposed by any of the parties to this proceeding. Commission approval of the Partial S&A under these circumstances is in compliance with applicable law.

101. Kansas law favors and encourages settlements.²⁰⁹ By stating, “no settlement proposal, unanimous or contested; black-box or transparent, relieves the three-member Commission of its responsibility to make an independent judgment as to whether the settlement constitutes a reasonable remedy or resolution of the issues”,²¹⁰ the Commission acknowledges the settlement standards set forth in *Farmland*²¹¹ and *CURB*²¹² regarding non-unanimous settlements apply equally to all settlement agreements before it for consideration. The Commission stated, “no settlement proposals, unanimous or contested; black-box or transparent, relieves the three-member Commission of its responsibility to make an independent judgment as to whether the settlement constitutes a reasonable remedy or resolution of the issues.”²¹³ As

²⁰⁸ *Central Kansas Power Co. v. State Corp. Comm’n*, 221 Kan. 505, 511, 561 P.2d 779, 785 (1977).

²⁰⁹ *Bright v. LSI Corp.*, 254 Kan. 853, 858, 869 P.2d 686, 690 (1994).

²¹⁰ See 280 Order, ¶ 11.

²¹¹ *Farmland Industries*, 24 Kan. App.2d at 186-88, 943 P.2d at 484-85.

²¹² *Citizens’ Utility Ratepayer Bd.* at 316-17, 16 P.3d at 319.

²¹³ See 280 Order, ¶ 11.

such, the applicable legal standard for reviewing the reasonableness of settlement agreements requires a finding, supported by substantial competent evidence from a review of the record as a whole, that the Partial S&A will establish just and reasonable rates. The Partial S&A provides just and reasonable rates, thereby meeting this legal standard.

4. The Partial S&A results in just and reasonable rates

102. Pursuant to K.S.A. 66-101b, every electric public utility is required to furnish reasonably efficient and sufficient service at just and reasonable rates. Case law suggests the “just and reasonable” standard coincides with the “zone of reasonableness” test adopted by Kansas courts. The “just and reasonable” standard was first outlined by the Supreme Court of the United States.²¹⁴ The Court emphasized that the focus of inquiry when evaluating whether rates are just and reasonable, is properly on the end result or “total effect” of the rate order, rather than on the specific rate-setting method employed. Following *Hope, Permian Basin*²¹⁵ found the Natural Gas Act’s articulated “just and reasonable” standard coincides with the applicable constitutional standards and that any rate selected by a regulatory commission within the “broad zone of reasonableness” cannot properly be attacked as confiscatory.

103. Applying *Hope* and *Permian Basin* to the Partial S&A, the terms and revenue requirement adjustments presented represent a compromise between the positions proposed by Staff, KCP&L and CURB. While not conclusive evidence of the reasonableness of the Partial S&A provisions, Kansas law indicates the Commission’s goal in a ratemaking case should be to determine a rate that falls within a “zone of reasonableness” after applying a balancing test in

²¹⁴*Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591, 64 S.Ct.281, 88 L.Ed 333 (1944).

²¹⁵*Permian Basin Area Rate Cases*, 390 U.S. 747, 770, 88 S. Ct. 1344, 20 L.Ed 2d 312, *reh. denied* 392 U.S. 917, 88 S.Ct 2050 (1968).

which the interests of all concerned parties are considered.²¹⁶ In addition, the Kansas Supreme Court has described the “zone of reasonableness” as it applies to the Commission’s ratemaking function as follows:

There is an elusive range of reasonableness in calculating a fair rate of return. A court can only concern itself with the question as to whether a rate is so unreasonably low or so unreasonably high as to be unlawful. The in-between point, where the rate is most fair to the utility and its customers, is a matter for the State Corporation Commission’s determination.²¹⁷

The rates resulting from the Partial S&A fall within the zone of reasonableness taking into account the interests of all parties involved, because the Partial S&A terms are within the original positions of the parties. The Partial S&A also satisfies the balancing test aspect of the zone of reasonableness evaluation because the Partial S&A necessarily represents the parties’ recognition of the litigation risk that a party will not prevail on every element of its prefiled case.

104. The parties represent a variety of interests, including investors, large commercial customers, small commercial customers, residential customers and the public generally. The terms of the Partial S&A are fair, reasonable, and fully supported by the evidence and by all parties to the case. The Partial S&A provisions were fully and fairly negotiated by the parties in conjunction with the acknowledgement that it is unlikely the Commission would accept wholesale any party’s prefiled position. The evidence in the record demonstrates the Partial S&A will result in just and reasonable rates.

5. The results of the Settlement are in the public interest

105. Each party has a duty to protect the interests it represents. KCP&L has a duty to both its customers and shareholders. CURB represents the interests of residential and small commercial customers. Wal-Mart, Doubletree and Sprint represent the interests of various large

²¹⁶*Kansas Gas*, 239 Kan at 488-92, 720 P.2d at 1071-72.

²¹⁷*Southwestern Bell*, 192 Kan. at 41, 386 P.2d at 520.

commercial customers. Staff represents the public interest generally, placing Staff in the unique position of being required to weigh and balance the interests of the Company, all classes of the Company's customers, and any other interests impacted by the Commission's Order that may not be party to the proceeding. Consistent with the Court's statements in *Kansas Gas*, "the focus of the inquiry (in setting "just and reasonable rates") is properly on the end result or "total effect" of the rate order, rather than upon the rate-setting method employed."²¹⁸ Because none of parties oppose this Partial S&A, the "total effect" of the terms of the Partial S&A will result in just and reasonable rates and represent an equitable balancing of the interests of all parties. It is also in the public interest to avoid a portion of the cost of litigation in this matter and the unanimous Partial S&A promotes administrative efficiency and reduces related litigation costs. Therefore, the Commission finds the Partial S&A is in the public interest.

III. FINDINGS AND CONCLUSIONS ON THE PARTIAL S&A

106. The Partial S&A contains final terms agreed to by the parties but does not reveal how the parties arrived at the terms of the agreement. The Commission has discretion to approve such agreements.²¹⁹

107. It is the Commission's duty to balance all the interests before it, those of the regulated utility, the consumers both present and future, and special interest groups such as industrial or ratepayer commercial groups. The Commission acknowledges that rate increases may be unfavorable to consumers, but necessary to provide adequate compensation to the regulated entity in exchange for the public use of its resources.

²¹⁸*Kansas Gas*, 239 Kan at 489, 720 P.2d at 1071.

²¹⁹*Zinke & Trumbo, Ltd.v. Kansas Corp. Comm'n*, 242 Kan.470, 478, 749 P.2d 21, 27 (1988); K.A.R. 82-1-231(b).

108. The Commission approves the Partial S&A. The Commission finds that the parties had an opportunity to be heard regarding the Partial S&A, the Partial S&A is supported by substantial competent evidence in light of the record as a whole, conforms to applicable law, and will result in just and reasonable rates that are in the public interest.

109. The Partial S&A satisfies the five factor test. Each party to this docket participated in the settlement negotiations and had an opportunity to present its positions and to be heard in the process. The Partial S&A is supported by substantial competent evidence established in KCP&L's Application and the parties' prefiled testimonies. The Partial S&A conforms to Kansas law and establishes just and reasonable rates for KCP&L and its customers. The Commission finds the Partial S&A resolves complex issues among the Parties, and that it was developed as a result of compromise by a diverse group of parties with divergent interests. The Parties' ability to address certain issues outside of the hearing reduced ratepayer expense and permitted the Parties to focus on the remaining contested issues during the hearing. The Partial S&A is unanimous pursuant to K.A.R. 82-1-230. There was no evidence presented suggesting the results are not just and reasonable.

IV. MISCELLANEOUS PROVISIONS

110. In paragraph 10B of the Partial S&A, the Parties agreed amortization amounts for 2010 Legal Fee Reimbursement, Organizational Realignment and Voluntary Separation (ORVS), 2011 Missouri River Flooding Non-Fuel O&M, and Iatan Unit 1/Common Vintage 2 would be determined in this Order. Accordingly, the 2010 Legal Fee Reimbursement amounts to \$-317,984 amortized over three years or \$-105,995 per year. The ORVS amounts to \$4,219,974 amortized over five years or \$843,995 per year. The 2011 Missouri River Flooding Non-Fuel

O&M amounts to \$924,928 amortized over ten years or \$92,493 per year. The Iatan Unit 1/Common Vintage 2 amounts to \$631,250 over 44.9 years or \$14,054 per year. The Commission determined these amounts by adjusting KCP&L workpapers provided in discovery to account for our decision that the 12-CP methodology is the appropriate jurisdictional allocation.

111. In paragraph 10C of the Partial S&A, the Parties agreed that the base ad valorem tax expense assumed to be collected in base rates would be determined in this Order. Accordingly, the ad valorem taxes to be collected as a result of this proceeding are \$73,741,412 on a total company basis and \$33,396,984 on a Kansas-jurisdictional basis.

112. In paragraph 10F of the Partial S&A, the Parties agreed not to contest KCP&L's request for Commission pre-approval for KCP&L to file an abbreviated rate case proceeding under K.A.R. 82-1-231(b)(3). Accordingly, the Commission approves KCP&L's request to file an abbreviated rate case proceeding under K.A.R. 82-1-231(b)(3).

113. Doubletree requests energy conservation incentive programs currently available to KCP&L's Missouri customers be made available for Kansas customers.²²⁰ Based on the sparse record presented by Doubletree on this issue, it appears Doubletree is seeking renewal of KCP&L's conservation program giving credits for installing new heating, ventilation, and air conditioning systems.²²¹ Doubletree has not provided sufficient evidence for the Commission to order KCP&L to expand the conservation incentive programs it offers to Kansas customers.

114. Doubletree also complains that unlike most businesses, the hotel industry has limited control over its electricity consumption because its guests turn on the lights, adjust the thermostat, and plug in their laptop computers upon check-in, usually during peak time for

²²⁰ Doubletree Brief at 10.

²²¹ Hite Direct at 3.

energy rates.²²² Before coming to the Commission, Doubletree would be better served taking steps to promote conservation itself, such as posting signage in the hotel reminding guests to conserve energy or establishing incentives for different check-in times.

115. The Commission considered all of the evidence in the record and considered the positions and arguments of all the parties in making its findings and conclusions. The failure to specifically address a particular item, position, or argument offered into evidence does not indicate it was not considered by the Commission.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The foregoing statements, discussion, and analysis are adopted as findings and conclusions of the Commission. These rulings are based on the specific facts of this case and on the record available. Unless otherwise specified, the findings made here should not necessarily be considered as precedent for other rate cases.

B. The Commission selects the 12-CP methodology for jurisdictional allocation of capacity-related costs to KCP&L's Kansas customers.

C. The Commission sets KCP&L's overall revenue requirement based on an operating income of \$123,932,709, a rate base of \$1,798,480,041, a return on equity of 9.5%, and an overall rate of return of 8.0054%. The Commission approves a revenue requirement increase of \$33,156,017 from KCP&L's current revenue requirement.

D. The Commission approves KCP&L's proposed rate design.

E. The corresponding rate increases shall be set in accordance with the attached schedules.

²²² *Id.* at 2.

F. The Commission grants the Joint Motion and approves the Partial Settlement Agreement in its entirety, for reasons discussed in this Order. The terms of the attached Partial Settlement Agreement are incorporated into this Order.


G. Parties have 15 days from the date of electronic service of this Order to petition the Commission for reconsideration. K.S.A. 66-118b; K.S.A. 2010 Supp. 77-529(a)(1).

H. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders it deems necessary.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chairman; Wright, Commissioner; Albrecht, Commissioner

Dated: DEC 13 2012


ORDER MAILED DEC 13 2012
ELECTRONIC
Patrice Petersen-Klein
Executive Director

BGF

Attachment A

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Received
on

SEP 28 2012

by
State Corporation Commission
of Kansas

In the Matter of the Application of)
Kansas City Power & Light Company) Docket No. 12-KCPE-764-RTS
To Modify its Tariffs to Make Certain)
Changes in Its Charges for Electric Rates.)

PARTIAL SETTLEMENT AGREEMENT

As a result of discussions between the Staff of the State Corporation Commission of the State of Kansas ("Commission") ("Staff"), Kansas City Power & Light Company ("KCP&L" or "Company"), and the Citizens' Utility Ratepayer Board ("CURB") (referred to collectively as the "Signatories" or the "Signatory Parties"), the Signatories hereby submit to the Commission for its consideration and approval the following Partial Settlement Agreement:

I. KANSAS CITY POWER & LIGHT COMPANY'S APPLICATION

1. On April 20, 2012, KCP&L filed an Application with the Commission to make certain changes in its rates and charges for electric service, which was docketed as the above-captioned proceeding. Pursuant to a Commission Order, the effective date of this Application was suspended until December 17, 2012.¹

2. The schedules filed with KCP&L's Application indicated a gross revenue deficiency of \$63.55 million, based upon normalized operating results for the 12 months ending December 31, 2011, adjusted for known and measurable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments through June 30, 2012.

¹ Suspension Order, Docket No. 12-KCPE-764-RTS, issued May 8, 2012.

3. In support of its Application, KCP&L submitted the testimony of 17 witnesses and the schedules required by K.A.R. 82-1-231.

II. STAFF AND OTHER PARTIES' PRE-FILED POSITIONS

4. On August 22, 2012, Staff filed its direct testimony in the above docket, wherein it recommended a rate increase for KCP&L of approximately \$27.495 million. Staff recommended additional adjustments to KCP&L's proposed depreciation rates. Staff also made recommendations regarding return on equity, adjustments to the income statement and rate base, and rate design.

5. Also on August 22, 2012, CURB filed testimony in which it recommended the Commission increase KCP&L's annual revenue requirement by roughly \$4.9 million. CURB also made adjustments and recommendations concerning KCP&L's return on equity, jurisdictional allocation, depreciation rates, adjustments to the income statement and rate base, and rate design.

6. Additionally, Wal-Mart and DoubleTree also filed testimony on August 22, 2012. Wal-Mart addressed only KCP&L's rate structure for Large General Service ("LGS") customers (Schedule LGS). DoubleTree addressed LGS rate design, demand-side management issues, and KCP&L's ECA mechanism. Sprint did not file any testimony in this proceeding.

7. On August 31, 2012, CURB and DoubleTree each filed cross-answering testimony.

8. On September 11, 2012, KCP&L filed rebuttal testimony to the direct testimony and cross-answering testimony submitted by the non-KCP&L parties in this proceeding.

9. Subsequently, on September 17, 2012, the parties met collectively to discuss the possible settlement of the issues in this matter and continued discussions through September 25, 2012.

III. TERMS OF THE PARTIAL SETTLEMENT

10. The Signatory Parties settle certain contested issues as outlined below, with such settlement provisions providing no precedent for future cases. This settlement is memorialized in this Partial Settlement Agreement between the Signatory Parties and filed with the Commission for approval.

A. **Items:** The Signatory Parties settle, with such settlement providing no precedent for future cases, the contested balances of the following items for the adjustment noted below to KCP&L's original filed position² for each item.

- **Distribution Field Intelligence & Technical Support group ("DFITS") – O&M/Rate Base**

(Adjustments: Staff IS-2, RB-2 / CURB ACC-5, ACC-29 / KCP&L CS-49)

KCP&L agrees that it will not dispute Staff adjustments IS-2 and RB-2 in this rate proceeding. This addresses all issues for Staff, CURB and KCP&L related to the DFITS issue. Approximate revenue requirement adjustment is (\$501,000).

- **Organizational Realignment and Voluntary Separation Program ("ORVS")**

(Adjustments: Staff IS-3 / KCP&L CS-55)

Staff agrees to KCP&L's position regarding ORVS expense and amortization period. Staff's adjustment IS-3 is eliminated. This addresses all issues for Staff, CURB and KCP&L related to the ORVS issue. Approximate revenue requirement adjustment is \$0.

² Such adjustments take into account all corrections of errors by any party associated with the issue.

- **Oracle Maintenance**

(Adjustments: Staff IS-5 / CURB ACC-34)

The Signatory Parties agree to accept the position taken by KCP&L witness John Weisensee in his rebuttal testimony on pages 17 and 18 resulting in a net reduction to the Company's revenue requirement request of (\$73,000) with no amortization. This addresses all issues for Staff, CURB and KCP&L related to the Oracle maintenance issue.

- **OverTime, Temporarys, & FICA Taxes on salary and wages**

(Adjustments: Staff IS-7, IS-8, IS-13 / KCP&L CS-50, CS-52, CS-53)

KCP&L accepts Staff's position regarding various payroll issues as presented in Staff adjustments IS-7, IS-8 and IS-13. Approximate revenue requirement adjustment is (\$909,000). This addresses all issues for Staff, CURB and KCP&L related to this issue. CURB reserves its claim regarding FICA taxes related to incentive compensation.

- **Officer Cash Incentive**

(Adjustments: Staff IS-17 / CURB ACC-18 / KCP&L CS-51)

KCP&L agrees to accept Staff's corrected adjustment IS-17 regarding officer Annual Incentive Plan. This addresses all issues for Staff, CURB and KCP&L related to this issue. Approximate revenue requirement adjustment is (\$60,000). CURB reserves its claim related to other cash incentives and officer non-cash incentives.

- **Depreciation Rates**

Staff agrees to accept, for the purposes of settlement only, KCP&L's depreciation rates, including KCP&L's Account 344 – generators – life. (Interim Curve differences), with the following two exceptions: (1) removal of the La Cygne ash landfill adjustment discussed in the rebuttal testimony of KCP&L witness Chris Rogers, and (2) unit retirement net salvage. To be

clear, KCP&L does not agree with Staff witness William Dunkel's positions on these two numerated items nor does Staff agree with KCP&L's position on the life of generators in Account 344, but each party will accept them for purposes of settlement. Such final depreciation rates will be calculated by Mr. Dunkel and provided to KCP&L for review and approval prior to final agreement. The final depreciation rates will be included as Appendix A to the Partial Settlement Agreement. This resolves all issues for Staff, CURB and KCP&L related to the depreciation issues in this rate proceeding, except for depreciation expense associated with related plant adjustments as proposed by CURB.

- **Rate Case Expense**

The Signatory Parties agree that the rate case expense amount will be determined in accordance with the process discussed in the rebuttal testimony of KCP&L witness John Weisensee, including KCP&L-only expenses to be determined from the Final Rate Case Expense Update submitted by KCP&L on or before November 16, 2012, with Staff and CURB expenses to be provided by Staff through the date of the order in this docket, provided that total rate case expense does not exceed the \$2.5 million projected in the Application. The Signatory Parties reserve their claims related to the appropriate amortization period for rate case expense.

- **Miscellaneous Items:**

➤ Materials & Supplies	(ACC-8)	(RB-72)
➤ Customer Advances	(ACC-10)	(RB-71)
➤ Customer Deposits	(ACC-11)	(RB-70)
➤ Bad Debt Expense – Uncollectible Rate	(ACC-27)	(CS-20a)
➤ Sale of Receivables Expense	(ACC-31)	(CS-78)
➤ Credit Card Processing	(ACC-35)	(CS-77)
➤ EEI Dues	(ACC-36)	
➤ Meals & Entertainment	(ACC-37)	

KCP&L agrees to settle the eight (8) items listed above for a total revenue requirement adjustment to miscellaneous expense of (\$310,284). This addresses all issues for CURB, Staff

and KCP&L regarding these issues. The Signatory parties agree to use a rate of 0.3975% for bad debt expense associated with any rate increase approved by the Commission.

B. Amortization Items: The Signatory Parties agree, again with such settlement providing no precedent for any party for future cases, the amortization periods for certain issues of the case as noted below:

- | | |
|--|------------------------------------|
| ▪ 2010 Legal Fee Reimbursement | Three (3) year amortization period |
| ▪ ORVS | Five (5) year amortization period |
| ▪ 2011 Missouri River Flooding
Non-Fuel O&M | Ten (10) year amortization period |
| ▪ Iatan Unit 1/Common Vintage 2 | 44.9 year amortization period |

Amortization amounts for each item above to be identified in the Commission's Order in this proceeding.

C. Ad Valorem Base Identification: The base ad valorem tax expense assumed to be collected in base rates as a result of this proceeding will be identified in the Commission's Order.

D. Decommissioning Accruals for Wolf Creek: The Signatory Parties request Commission approval of the schedule of decommissioning cost accruals included in Appendix B, Commission affirmation that the decommissioning cost accruals are included in cost of service and are included in rates for ratemaking purposes, and Commission affirmation that the earnings rate assumed for the trust takes into consideration the tax rate change and the removal of the investment restrictions resulting from the Energy Policy Act of 1992.

E. Uncontested Rate Design Items: The Signatory Parties agree that the following tariff, rules and regulations, and rate design issues are uncontested and will be implemented as proposed by KCP&L:

Tariff Consolidation

- Consolidation of *Residential General Use* (RESA) and the *Residential General Use with Water Heating* (RESB) rates into a single *Residential General Use* (RESA) rate. RESB will no longer be used.
- Consolidation of *Residential General Use with Space Heat – Two Meter* (RESD) and *Residential General Use and Water Heat with Space Heat – Two Meter* (RESE) into a single *Residential General Use with Space Heat – Two Meter* (RESD) rate. RESE will no longer be used.
- Consolidation of *Large General Service* (LGS) class and the *Large Power Service* (LPS) class into a single *Large General Service* (LGS) class. LPS class will no longer be used.
 - Customers on the *Large Power Service – Primary* rate would be moved to the *Large General Service – Primary* rate.
 - Customers on the *Large Power Service – Substation* rate would remain on that rate but the rate would be moved to the *Large General Service* tariff as the *Large General Service – Substation* rate.
 - Customers on the *Large Power Service – Transmission* rate would remain on that rate but the rate would be moved to the *Large General Service* tariff as the *Large General Service – Transmission* rate.

New Residential – Other Use Tariff

The new *Residential – Other Use* tariff proposed by the Company is accepted.

Table of Contents

The new Table of Contents proposed by KCP&L is accepted.

Addition of Adjustments and Surcharges Listing to Rate Tariffs

All KCP&L rate tariffs will include a listing of the applicable adjustment and surcharge riders.

F. Abbreviated Rate Proceeding: The Signatory Parties agree not to contest KCP&L's request for Commission pre-approval for KCP&L to file an abbreviated rate proceeding in accordance with K.A.R. 82-1-231(b)(3). Items for consideration in such an

abbreviated proceeding include: CWIP for the La Cygne environmental project and the two regulatory asset items noted at the end of Bill Baldry's testimony.

IV. MISCELLANEOUS PROVISIONS

A. The Commission's Rights

Nothing in this Partial Settlement Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the obligation to ensure that KCP&L is providing efficient and sufficient service at just and reasonable rates.

B. Negotiated Settlement/Interdependent Provisions

This Partial Settlement Agreement represents a negotiated settlement that fully resolves the noted issues in this docket among the Signatory Parties. The Signatory Parties represent that the terms of this Partial Settlement Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Signatory Parties shall not be prejudiced, bound by, or in any way affected by the terms of this Partial Settlement Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Partial Settlement Agreement in the instant proceeding. The provisions of this Partial Settlement Agreement have resulted from negotiations among the Signatory Parties and are interdependent. If the Commission accepts the Partial Settlement Agreement in its entirety and incorporates the same into a final order without material modification, the Signatory Parties shall be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues.

C. Termination or Modification

In the event the Commission either does not approve this Partial Settlement Agreement in total, or materially changes the Partial Settlement terms, then such Agreement shall be voidable by any Signatory Party negatively affected by such modification. Further, in such event, this Partial Settlement Agreement shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding. In the event of a termination pursuant to this Section, this Partial Settlement Agreement shall be null and void and of no further effect, with all rights, duties, and obligations of the Signatory Parties thereafter restored as if this Partial Settlement Agreement had never been executed; provided, that the Signatory Parties may, in the sole discretion of each Party, agree to attempt to modify this Partial Settlement Agreement in a manner that would resolve the adverse effect of the material change or condition.

D. Submission Of Documents To The Commission Or Staff

To the extent this Partial Settlement Agreement provides for information, documents or other data to be furnished to the Commission or Staff, such information, documents or data shall be filed with the Commission and a copy served upon the Commission's Director of Utilities. Such information, documents or data shall be marked and identified with the docket number of this proceeding.

IN WITNESS WHEREOF, the Signatory Parties have executed and approved this Partial Settlement Agreement, effective as of the 28th day of September 2012, by subscribing their signatures below.

By: Andrew O. Schulte
ANDREW O. SCHULTE (#24122)
Litigation Counsel
Telephone: (785) 271-3273
JUDY JENKINS (#23300)
Litigation Counsel
Telephone: (785) 271-3181
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, Kansas 66604
Facsimile: (785) 271-3167
a.schulte@kcc.ks.gov
j.jenkins@kcc.ks.gov

ATTORNEYS FOR STAFF

By: Darrin R. Ives
DARRIN R. IVES
Sr. Director – Regulatory Affairs
Telephone: (816) 556-2522
Kansas City Power & Light Company
1201 Walnut
Kansas City, MO 64141
Facsimile: (816) 556-2110
darrin.ives@kcpl.com

KANSAS CITY POWER & LIGHT COMPANY

By: David Springe
DAVID SPRINGE (#15619)
Telephone: (785) 271-3239
C. STEVEN RARRICK (#13127)
Telephone: (785) 271-3108
NIKI CHRISTOPHER (#19311)
Telephone: (785) 271-3112
Citizens' Utility Ratepayer Board
1500 SW Arrowhead Road
Topeka, KS 66604
Facsimile: (785) 271-3116
d.springe@curb.kansas.gov
s.rarrick@curb.kansas.gov
n.christopher@curb.kansas.gov

ATTORNEYS FOR CURB

Attachment B

KCP&L
COMMISSION ORDER
SUMMARY OF ADJUSTMENTS TO RATE BASE
FOR THE TEST YEAR ENDED DECEMBER 31, 2011

	AMOUNT
RATE BASE PER APPLICANT	***** \$1,820,789,380
<u>ADJUSTMENTS TO RATE BASE ACCEPTED BY THE COMMISSION</u>	
NO. 1 Allocation Factors	(\$34,206,710)
NO. 2 DFITS Removal	(381,951)
NO. 3 Fossil Fuel Inventory	(119,409)
NO. 4 Plant Update to June 30, 2012	8,890,212
NO. 5 Accumulated Depr. Update to June 30, 2012	(2,375,358)
NO. 6 Nucelar Fuel Inventory	2,491,470
NO. 7 LaCygne Environmental CWIP through June 30, 2012	6,842,396
NO. 8 Update of ADIT to June 30, 2012	(2,422,073)
NO. 9 Update of ADIT to June 30, 2012	(847,404)
NO. 10 Cash Working Capital	<u>513,120</u>
TOTAL ADJUSTMENTS TO RATE BASE	(21,615,707)
Cash working Capital - Pro Forma	<u>(693,632)</u>
COMMISSION ADOPTED RATE BASE	<u><u>\$1,798,480,041</u></u>

KCP&L
COMMISSION ORDER
SUMMARY OF ADJUSTMENTS TO OPERATING INCOME
FOR THE TEST YEAR ENDED DECEMBER 31, 2011

	AMOUNT
OPERATING INCOME PER APPLICANT	***** \$117,647,210
<u>ADJUSTMENTS TO OPERATING INCOME ACCEPTED BY THE COMMISSION</u>	
NO. 1 Jurisdictional Allocations	\$5,830,787
NO. 2 DFITS Removal	458,578
NO. 3 Partial Settlement Agreement--Pg. 5--Miscellaneous	310,284
NO. 4 Corporate Headquarters Normalization	95,713
NO. 5 Partial Settlement Pg. 4 Oracle Non-Recurring	73,000
NO. 6 Missouri River Flooding--Non-Recurring	832,436
NO. 7 Payroll Expense Annualization through June 30, 2012	1,544,199
NO. 8 Payroll 401(k)	63,616
NO. 9 Other Benefits Expense	868,669
NO. 10 Advertising	8,145
NO. 11 Depreciation Expense--Settltment Depreciation Rates	700,760
NO. 12 Plant Amortization Expense Annualization	331,924
NO. 13 Payroll Tax Annualization (See Adj. No. 8)	109,679
NO. 14 Penalty Removal	15,704
NO. 15 Bank Fees through June 30, 2012	31,450
NO. 16 Equity Compensation Expense	10,036
NO. 17 Short-Term Incentives Expense	60,000
NO. 18 Pension Expense Update through June 30, 2012	977,705
NO. 19 OPEB Update through June 30, 2012	64,214
NO. 20 Rate Case Expense	394,629
NO. 21 Bad Debt Expense	184,401
NO. 22 Income Tax Expense	(6,680,430)
TOTAL ADJUSTMENTS TO OPERATING INCOME	<u>\$6,285,499</u>
OPERATING INCOME ADOPTED BY THE COMMISSION	<u><u>\$123,932,709</u></u>

KCP&L
COMMISSION ORDER
REVENUE REQUIREMENT CALCULATION
FOR THE TEST YEAR ENDED DECEMBER 31, 2011

LINE NO.	DESCRIPTION	AMOUNT
1	RATE BASE AS ADOPTED	\$1,798,480,041
2	RATE OF RETURN ON RATE BASE AS ADOPTED (1)	<u>8.0054%</u>
3	NET OPERATING INCOME REQUIRED	143,975,521
4	PROFORMA OPERATING INCOME	<u>123,932,709</u>
5	DIFFERENCE	20,042,812
6	INCOME TAX FACTOR	<u>0.604500</u>
7	PROFORMA REVENUE INCREASE / (DECREASE)	<u>\$ 33,156,017</u>

(1) COMMISSION APPROVED CAPITAL STRUCTURE:

DESCRIPTION	CAPITALIZATION RATIO	COST OF CAPITAL	WEIGHTED COST OF CAPITAL
LONG TERM DEBT	47.5660%	6.4250%	3.0561%
PREFERRED STOCK	0.6142%	4.2910%	0.0264%
COMMON EQUITY	51.8198%	9.5000%	4.9229%
TOTALS	<u>100.0000%</u>		<u>8.0054%</u>

CERTIFICATE OF SERVICE

DEC 13 2012

12-KCPE-764-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Order on KCP&L's Application for Rate Change was served by electronic mail this 13th day of December, 2012, to the following parties who have waived receipt of follow-up hard copies:

REED J. BARTELS, ATTORNEY
BARTELS LLC
3100 BROADWAY STE 1209
KANSAS CITY, MO 64111
Fax: 816-756-0373
rbartels@bartelslaw.com

GLEND A CAFER, ATTORNEY
CAFER LAW OFFICE, L.L.C.
3321 SW 6TH STREET
TOPEKA, KS 66606
Fax: 785-233-3040
glenda@caferlaw.com

TERRI PEMBERTON, ATTORNEY
CAFER LAW OFFICE, L.L.C.
3321 SW 6TH STREET
TOPEKA, KS 66606
Fax: 785-233-3040
terri@caferlaw.com

NIKI CHRISTOPHER, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3116
n.christopher@curb.kansas.gov
Hand Delivered

C. STEVEN RARRICK, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3116
s.rarrick@curb.kansas.gov
Hand Delivered

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3116
d.smith@curb.kansas.gov
Hand Delivered

SHONDA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3116
sd.smith@curb.kansas.gov
Hand Delivered

DAVID SPRINGE, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3116
d.springe@curb.kansas.gov
Hand Delivered

C. EDWARD PETERSON, ATTORNEY
FINNEGAN CONRAD & PETERSON LC
1209 PENNTOWER OFFICE CENTER
3100 BROADWAY
KANSAS CITY, MO 64111
Fax: 816-756-0373
epeters@fcplaw.com

DENISE M. BUFFINGTON, CORPORATE COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PLACE 1200 MAIN STREET (64105)
P.O. BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2787
denise.buffington@kcpl.com

ORDER MAILED DEC 13 2012
ELECTRONIC

DEC 13 2012

CERTIFICATE OF SERVICE

12-KCPE-764-RTS

HEATHER A. HUMPHREY, GENERAL COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PLACE 1200 MAIN STREET (64105)
P.O. BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2787
heather.humphrey@kcpl.com

MARY TURNER, DIRECTOR, REGULATORY AFFAIRS
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PLACE 1200 MAIN STREET (64105)
P.O. BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2110
mary.turner@kcpl.com

JUDY JENKINS, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3167
j.jenkins@kcc.ks.gov
Hand Delivered

CARSON M. HINDERKS, ATTORNEY
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
Fax: 913-661-9863
carson@smizak-law.com

DAVID L. WOODSMALL
WOODSMALL LAW OFFICE
807 WINSTON CT
JEFFERSON CITY, MO 65101-2869
david.woodsmall@woodsmalllaw.com

DARRIN R. IVES, SENIOR DIRECTOR, REGULATORY
AFFAIRS
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PLACE 1200 MAIN STREET (64105)
P.O. BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2110
darrin.ives@kcpl.com

BRIAN G. FEDOTIN, ADVISORY COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3314
b.fedotin@kcc.ks.gov
Hand Delivered

ANDREW SCHULTE, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3167
a.schulte@kcc.ks.gov
Hand Delivered

JAMES P. ZAKOURA, ATTORNEY
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH ST STE 750
OVERLAND PARK, KS 66210-2362
Fax: 913-661-9863
jim@smizak-law.com



Sheryl L. Sparks
Administrative Specialist

ORDER MAILED DEC 13 2012
ELECTIONS