

Exhibit No.:  
Issue: Revenue Requirement Schedules;  
Test Year; Utility Allocations;  
Accounting Adjustments  
Witness: Ronald A. Klote  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Aquila, Inc. dba KCP&L Greater  
Missouri Operations Company  
Case No.: HR-2009-\_\_\_\_  
Date Testimony Prepared: September 5, 2008

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: HR-2009-\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**RONALD A. KLOTE**

**ON BEHALF OF**

**AQUILA, INC. dba  
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
September 2008**

*KCP&L* Exhibit No. 7  
Date 8-27-19 Reporter BjK  
File No. EO-2019 #67  
EO-2019 #68  
ER-2019-0199

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**RONALD A. KLOTE**

**KANSAS CITY POWER & LIGHT GREATER MISSOURI OPERATIONS COMPANY**

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**DIRECT TESTIMONY**

**OF**

**RONALD A. KLOTE**

**Case No. HR-2009-\_\_\_\_\_**

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

2 A: My name is Ronald A. Klote. My business address is 1201 Walnut, Kansas City,  
3 Missouri 64106.

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

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

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

8 A. My responsibilities include the preparation and review of accounting exhibits and schedules  
9 associated with regulatory filings in KCP&L and Aquila, Inc. dba KCP&L Greater Missouri  
10 Operations Company ("Company" or "GMO Steam") territory. I also have responsibility for  
11 the completion and filing of certain regulatory reports to the Federal Energy Regulatory  
12 Commission ("FERC") and Department of Energy, among others.

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

14 A.. In 1992, I received a Bachelor of Science Degree in Accountancy from the University of  
15 Missouri-Columbia. I am a Certified Public Accountant holding a certificate in the State  
16 of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of  
17 increasing responsibilities in the auditing division. I conducted and led various auditing  
18 engagements of company financial statements. In 1995, I joined Water District No. 1 of  
19 Johnson County as a Senior Accountant. This position involved extensive operational

1 A. Schedule RAK-1 represents the revenue deficiency calculated with a return on equity of  
2 10.75%. GMO Steam witness Samuel C. Hadaway supports the return on equity.

3 **Q. What information is included on Schedule RAK-2?**

4 A. This schedule illustrates the detailed components of rate base. Rate base represents  
5 GMO Steam investment to provide safe and reliable service to GMO Steam customers.

6 **Q. Please describe Schedule RAK-3.**

7 A. Schedule RAK-3 is the adjusted income statement, which reflects net income available to  
8 GMO Steam after all known and measurable changes have been made.

9 **Q. What is the purpose of RAK-4?**

10 A. Schedule RAK-4 is an explanation of all adjustments to test-year revenues and expenses.

11 **Q. Are you sponsoring all of the adjustments on Schedule RAK-4?**

12 A. No. There will be other GMO Steam witnesses sponsoring adjustments in Schedule  
13 RAK-4.

14 **Q. Please describe Schedule RAK-5.**

15 A. Schedule RAK-5 is the Cash Working Capital schedule.

16 **TEST YEAR**

17 **Q. What historical test year did the GMO Steam jurisdiction use in determining rate  
18 base and operating income?**

19 A. GMO Steam used the test year ending December 31, 2007 for the purposes of its rate  
20 case filing.

21 **Q. Please explain the period used to make adjustments to reflect known and  
22 measurable changes that have been identified since the end of the historical test year  
23 end.**

1 A. Adjustments are made to reflect changes in the level of revenue, expenses and rate base  
2 that either have occurred or are expected to occur by the time of the April 30, 2009 true-  
3 up in this rate case. We used March 31, 2009 as a proxy since that is a quarter-end  
4 reporting period and we do not expect any major changes from March to April. We will  
5 true up actuals as part of the true-up process.

6 **JURISDICTIONAL AND UTILITY ALLOCATIONS**

7 **Q. Have utility allocation factors been developed for the GMO Steam jurisdiction?**

8 A. Yes. The Company's operations include costs associated with the provision of electric  
9 service and steam service. As such, allocation factors have been developed to separate  
10 costs between the two utility services.

11 **Q. Please describe the GMO Steam operations at its Lake Road generation facility?**

12 A. Two separate products are produced at the Company's Lake Road Station: electricity for  
13 Aquila, Inc. dba KCP&L Greater Missouri Operations Company electric power grid, and  
14 process steam (referred to as "Industrial Steam") delivered to industrial customers  
15 located near the Lake Road Station. The two business operations are referred to as the  
16 electric and steam jurisdictions.

17 **Q. Briefly describe each allocation factor used in the current rate case to separate the  
18 Company's rate base and cost of service between electric and steam products.**

19 A. The allocation factors are:

20 1. Allocated Plant Base Factor – this is the ratio of all allocated steam plant to total  
21 regulated electric and steam plant.

- 1 2. Land Factor, Structures Factor, Access Electric Equipment Factor, Electric/Steam  
2 Plant Factor (FERC 310, 311, 315, 341-346)– this is the ratio of all allocated steam  
3 production plant to total electric and steam production plant.
- 4 3. Boiler Plant Factor (FERC 312) – this is the ratio of all allocated steam boiler plant  
5 equipment to total regulated electric and steam boiler plant equipment.
- 6 4. Turbogenerators (“turbogen”) Factor (FERC 314) – this is the ratio of all allocated  
7 steam turbogen units to total regulated electric and steam turbogen units.
- 8 5. 900# Steam Demand Factor - this is used in steam production allocation calculations,  
9 and Miscellaneous Steam Gen Equipment Factor (FERC 316) – this is the weighted ratio  
10 of the highest maximum steam coincident peaks over the previous three years and the  
11 total highest maximum coincident peaks over the previous three years.
- 12 6. Electric after Steam operation and maintenance (“O&M”) allocation (O&M Factor) –  
13 this is the ratio of allocated payroll applicable to steam business to the total generation  
14 payroll charged to O&M. The allocated payroll applicable to steam business is  
15 calculated using the ratio of the previous three years of steam coal burn to total Lake  
16 Road coal burn applied against total Lake Road payroll charged to O&M.
- 17 7. Electric after Steam administrative and general (“A&G”) allocation (A&G Factor) –  
18 this factor is comprised of the sum of a 50% weighting of steam O&M to total O&M  
19 from Annual Report Form 1, page 323 and a 50% weighting of total allocated steam plant  
20 to total steam and electric plant.

21 **Q. Will the Company continue to allocate the cost of Lake Road operations?**

22 A. Yes. In Case No. HR-2005-0450, it was stipulated that “Aquila will continue to allocate  
23 the cost of Lake Road operations between steam and electric in the Aquila Networks - L&P

1 division.” The Company plans to continue to allocate costs between the electric and steam  
2 businesses.

### 3 PLANT IN SERVICE

4 **Q. Please explain how plant in service was derived.**

5 A. The GMO Steam plant in service includes plant that is directly assigned and allocated to  
6 the GMO Steam jurisdiction and corporate common plant that is allocated to the GMO  
7 Steam jurisdictions.

8 **Q. Explain what is meant by direct plant in service.**

9 A. Direct plant in service represents assets that specifically relate to the GMO Steam  
10 jurisdiction and provide use to the entity in order to serve their respective customers with  
11 steam utility operations.

12 **Q. How are the direct plant in service balances derived?**

13 A. The GMO Steam direct plant in service balances are obtained from the December 31,  
14 2007 fixed asset subledger system, which provides asset detail by FERC plant account.

15 **Q. Explain what is meant by allocated corporate common plant in service.**

16 A. Allocated corporate common plant in service assets includes assets that support the  
17 Company’s overall infrastructure. These assets include items such as the general ledger  
18 system and billing system.

19 **Q. Are any other allocations employed?**

20 A. Yes. As previously discussed in my testimony, utility allocation factors are applied to  
21 direct and common plant. An allocation methodology is applied to the electric generation  
22 assets in an effort to segregate and allocate appropriately the portion of generation plant  
23 used in both the production of electricity and the production of industrial steam.