

Opening Statement

Case No. ER-2010-0355/0356

True-Up Proceeding

KCPL Exhibit No. KCPL119
Date 3/3/11 Reporter LB
File No. ER-2010-0355 #0356

KCP&L True-Up

- Original Request--\$92.1 million
- KCP&L True-Up Request--\$66.1 Million

Reasons For Decline in Revenue Requirement

- Lower fuel and purchased power costs, primarily driven by new freight rates lower than anticipated;
- Congressional extension of bonus depreciation which significantly increases accumulated deferred income taxes which is a rate base offset;
- Cutting off the true-up of Iatan 2 and Common, as of October 31, 2010 per August 18 2010 Stipulation;
- Lowered ROE from 11.0% to 10.75%.

Staff Revenue Requirement

For KCP&L Case:

\$3.4 Million at Staff mid-point

GMO True-Up

- MPS Original Request--\$75.8 Million
- True-Up Request--\$66.0 Million

- L&P Original Request--\$22.1 Million
- True-Up Request--\$23.1 Million

Reasons for Changes in GMO

- MPS's request is lower because:
 - Lower than anticipated transmission costs
 - Lower than anticipated non-latan plant additions
 - Lower ROE request from 11.0% to 10.75%

Staff Revenue Requirements for GMO True-Up

- For GMO Case:
- MPS Revenue Requirement—
\$2.0 Million at Staff's mid-point
- L&P Revenue Requirement—
\$27.1 Million at Staff's mid-point

Issues in True-Up Proceeding

- Iatan Construction Audit and Prudence Review Issues
- Iatan Common Plant
- Spearville Legal Costs
- Iatan Regulatory Assets
- Rate Case Expenses
- Off-system Sales Margins
- Recovery of actual Long-Term Debt Costs

Iatan Construction Audit and Prudence Review Issues

- No new facts alleged;
- Staff substantially increases the “unexplained cost overrun” adjustment;
- Staff attempts to re-argue prudence of KCP&L’s decision-making on Alstom Unit 2 Settlement;
- Staff proposes to increase its Alstom Unit 2 Settlement adjustment by 15 times its original adjustment;
- Substantially increased its Liquidated Damages adjustment;
- Substantially increased its AFUDC adjustments.

Iatan Common Plant Costs

- Staff proposes five adjustments to Iatan Common Plant.
- KCP&L agrees with the first four adjustments since they reflect a fair and reasonable allocation of Common Costs, including Indirect Costs to Common Plant.
- KCP&L is amenable to any reasonable and fair allocation of Indirect Costs to Common Plant.

Iatan Common Plant

- Staff proposes to disallow \$19.6 Million of common costs because of inadequate documentation above the “Jones’ Book estimate”.
- KCP&L adamantly disagrees with this adjustment.
- The original estimate of Common Plant was on a budgeted basis.
- Actual additional Common Plant costs have been identified, tracked and booked.

Spearville Legal Costs

- Spearville 2 Project was successfully completed on time and on budget;
- Staff recommends disallowance of legal costs associated with Spearville Wind Project;
- Staff provides no analysis of why the legal costs were expended;
- No analysis of why legal costs were “unreasonable”.

Iatan Regulatory Assets

- Staff previously proposed to disallow the Iatan 1 Regulatory Asset.
- In True-Up, Staff now proposes a new issue to extend its disallowance to include a partial disallowance of both the Iatan Common and Iatan 2 Regulatory Assets.
- By excluding all or a portion of the various Iatan Regulatory Assets, Staff has proposed additional disallowances over and above the prudence disallowances it has proposed in this case.

Rate Case Expenses

- Staff is introducing completely new disallowance theories related to rate case expense in the True-Up.
- Staff excludes legal costs associated with the Case No. EO-2010-0259 case which was rolled into this rate case.
- Staff alleges that duplicative legal expenses were included in rate case expense.
- Staff substitutes a non-legal consultant's hourly rate for a law firm's hourly rate without any basis.
- Excludes witness training costs without any basis for exclusion.

	KCP&L	MPS	L&P	
Company Direct case	92.1	75.8	22.1	190.0
Company True Up case	66.1	66.0	23.1	155.2
Issues				
ROE	26.8	18.9	5.2	50.9
Prudence on Iatan (excl Dep.)	12.6	1.6	5.1	19.3
Off-system Sales	11.5			11.5
Crossroads/Phantom Turbines		12.5		12.5
FAC Rebasing		6.5	2.5	9.0
Iatan 2 Allocation		19.8	(19.8)	-
Merger Transition Costs	3.9	3.6	0.9	8.4
DSM Costs	4.6	0.8	0.1	5.5
Other	3.1	0.3	2.0	5.4
Staff True Up Case	3.6	2.0	27.1	32.7