MISSOURI PUBLIC SERVICE COMMISSION

SURREBUTTAL TESTIMONY AND

TRUE-UP DIRECT TESTIMONY

SCHEDULES

of

CARY G. FEATHERSTONE

KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2018-0145

and

KCP&L GREATER MISSOURI OPERATIONS COMPANY
CASE NO. ER-2018-0146

Jefferson City, Missouri
September 2018

** Denotes Confidential Information **

INDEX OF

SURREBUTTAL SCHEDULES OF

CARY G. FEATHERSTONE

SCHEDULES	SCHEDULE DESCRIPTION
Confidential Schedule CGF-s1	**Crossroads Energy Center**
Schedule CGF-s2	**Cost of Crossroads per Kilowatt- support**
Confidential CGF-s3	**Confidential Data Request 206 in Case No. ER-2007-0004— February 22, 2006 Self-Build Proposal to Aquila**
Confidential CGF-s4	**Confidential November 22, 2004 Self-Build Proposal to Aquila**
Schedule CGF-s5	**October 31, 2008 Crossroads Energy Center Transfer Memorandum**
Confidential CGF-s6	**Confidential July 9, 2004 Resource Plan**
Confidential CGF-s7	**Confidential February 9, 2004 Resource Plan**
Confidential CGF-s8	**Confidential Aquila August 9, 2002 Letter to Kansas City Power & Light**
Confidential CGF-s9	**Confidential February 2, 2007 Resource Plan**

KCP&L Greater Missouri Operations Company

Case No. ER-2018-0146

Surrebuttal Attachment to Staff Witness Cary G. Featherstone

CROSSROADS ENERGY CENTER

Mr. Crawford states at page 5 through 7 of his rebuttal that Crossroads was determined to be the lowest cost option. GMO has presented its view that Crossroads was determined in an analysis performed in 2007 to be the lowest cost option in each of its last four rate cases since Great Plains Energy acquired Aquila July 2008. The first rate case GMO made the claim Crossroads was lowest cost option started with the 2009 rate case (ER-2009-0090). In each of those rate cases, and again in this case, Staff disputed and continues to dispute this claim.

The Commission determined there were other lower cost options to add capacity generation besides Crossroads. The Commission relied on two former Aquila Merchant combustion turbine facilities sold to Ameren Missouri (Union Electric) in 2006 to value Crossroads in GMO's 2010 rate case and also the 2012 rate case. The Commission used the value of $205.88 per kilowatt as the basis of its decision in both of these cases. Contrary, to Mr. Crawford's belief Crossroads represented the low cost option, the actual sale transaction of two facilities purchased by Ameren Missouri supported the position GMO had several opportunities to construct generating capacity at a lower cost than Crossroads. This low cost option made available to Ameren Missouri was used by the Commission to determine the value to include Crossroads in GMO's rate base starting in the 2010 rate case, and again in the 2012 rate case.

The basis for the Commission's findings in the 2010 rate case was the selling of these generating facilities by Aquila Merchant to Union Electric for $175 million. The total generating capacity for these two facilities was 850 megawatts (850,000 kilowatts) resulting in the $205.88 per kilowatt installed costs the Commission used as basis to value Crossroads. This is a substantial cost reduction to the $383 per kilowatt cost identified in Mr. Crawford's rebuttal testimony. Clearly, the Commission demonstrated Crossroads was not the least cost generation option when it determined the reduced value was the appropriate cost to be included in rates.

There have been many other options that demonstrate better choices at reduced costs had Aquila took advantage of the numerous opportunities to add generating capacity from 2004 to 2007. Aquila simply did not make proper decisions regarding capacity planning. Ignoring those other options to replace the Aries capacity in 2005 and even options in 2006, directly places GMO in the unfortunate position it finds itself today incurring imposing transmission costs. In my surrebuttal there is a table identifying different options available to Aquila, demonstrating a lower cost option to Aquila. Had Aquila acted on these lower cost options, GMO would not find

itself in the situation it is today incurring transmission costs relating to a peaking generating facility located outside the Southwest Power Pool regional transmission organization.

Mr. Crawford claims at page 5 of his rebuttal testimony that Aquila received several other offers for generating capacity, all more costly than Crossroads' $383 per kilowatt amount. However, Aquila determined in February and July 2004 and presented at the integrated resource planning meetings with Staff, that its least cost option was the building of five combustion turbines to replace the Aries purchased power agreement. Each of these units were 105 megawatts, with a total capacity of 525 megawatts of capacity that would have replaced all of the 500 megawatts of Aries power agreement.[1] Attached as Confidential surrebuttal Schedule CGF-s6 is the Resource Planning presentation made to Staff on July 9, 2004 that supported the 5 combustion turbine addition. Also, consistent with this study is a February 9, 2004 presentation attached as Confidential surrebuttal Schedule CGF-s7. Of course, these generating units would have been built in Missouri and would have had no transmission costs that would have to be paid over the 40 or more years expected life of the facility.

Also, the above referenced self-build option in the 2005 Aquila study adding four combustion turbines like those installed at Crossroads to Aquila's fleet in 2007 was at a lower cost than Crossroads-- ** _____ ** per kilowatt compared to Crossroads at $383 per kilowatt. When transmission plant is added the total installed costs increases to ** _____[2] ** per kilowatt. Adding Crossroads transmission plant results in a $466 per kilowatt level for Crossroads compared to the $383 per kilowatt cited by MR. Crawford in his rebuttal testimony[3], other new generating plant options would have been far more attractive to Aquila and its customers. And none of these new generating plant additions would have any annual transmission expenses charged to the Company and its customers.

Aquila had other opportunities to add generating capacity to its regulated electric system. Aquila could have installed the same type of peaking unit as Crossroads using four General Electric model 7 EAs (the same 75 megawatt generators installed at Raccoon Creek, Goose Creek and Crossroads). Aquila had in its possession 3 of 4 model 7 EAs and the purchasing rights to a fourth unit but sold those units to third party, non-Aquila utilities in 2003. Aquila sold these turbines to two separate utilities in Nebraska and Colorado at an average price of ** _____ ** per turbine. See detailed discussion on these sales in next section of this surrebuttal schedule. If those turbines would have been installed for MPS customers,

[1] Both the July 9, 2004 Resource Plan and the February 9, 2004 Resource Plan, attached as Confidential surrebuttal Schedules CGF-s6 and CGF-s7 found least cost plan was the installation of 5 combustion turbines in MPS service territory. However, Aquila only constructed 3 of those 5 turbines, which were not enough to replace the full 500 megawatt Aries purchased power contract that ended May 31, 2005, resulting in a shortfall of capacity.

[2] 2004 IRP Request for Proposals for Capacity and Energy for Aquila Networks – Missouri Issued: October 15, 2004 Aquila Regulated Generation response dated November 22, 2004.

[3] Crawford rebuttal testimony, page 6.

the estimate of its installed costs would have been $369 per kilowatt, well below the $466 per kilowatt of Crossroads with transmission facilities added to its cost, and even below what GMO contends is Crossroads cost at $383 per kilowatt. (*See* below Schedule CGF-s1)

COMBUSTION TURBINES UNDER AQUILA OWNERSHIP CONTROL SHOULD HAVE BEEN USED FOR ITS REGULATED OPERATIONS

Raccoon Creek and Goose Creek Purchased by Ameren—

Because the 2003 to 2005 time period was a very good time to buy combustion turbines, Aquila had many opportunities to take advantage of purchasing generating equipment at steep discounted prices in this "buyers-market" that would have provided customers with capacity badly needed on the MPS system. Aquila failed to do so resulting in the capacity shortfalls experienced by the MPS for several years, causing the need to have short-term purchased power agreements that were more costly in the long-term.

Other utilities such as Ameren Missouri took advantage of the buyers' market and purchased combustion turbines at Raccoon Creek and Goose Creek on extremely favorable terms benefiting both the company and its Missouri customers-- but not Aquila.

Aquila had several options to add generating capacity to its system. In 2001, Aquila Merchant purchased a total of 18 combustion turbines from General Electric ("GE") – Model 7 EA and three turbines from Siemens Westinghouse—Model 501 D. After Aquila couldn't sell the three Westinghouse turbines to non-Aquila parties, the three Westinghouse turbines ultimately were installed at South Harper.

Four (340 megawatts) of the 18 General Electric turbines were installed at Raccoon Creek at a site located in Flora, Illinois, approximately 120 miles east of St. Louis, with transmission integration with AmerenCIPS. Six (510 megawatts) of the 18 General Electric turbines were installed at Goose Creek at a site located in Monticello, Illinois, in central Illinois, with transmission integration with AmerenIP. Four of the 18 General Electric turbines were installed at Crossroads. All of these facilities were constructed in 2002. By 2006, Aquila Merchant offered to sell all three of these generating facilities to Ameren Missouri, but Ameren only agree to buy Raccoon Creek and Goose Creek at the cost of $205 per kilowatt price— the basis the Commission used to value Crossroads in the 2010 GMO rate case. Ameren Missouri did not show any interest in Crossroads when it purchased the other two facilities leaving Crossroads as a stranded investment. Even though Aquila tried to sell Crossroads, this unit had no buyers interested.

Turbines Sold to Third Parties in Nebraska and Colorado—

The last of the remaining four General Electric turbines, were sold to third party utilities-- two were sold to Nebraska municipality and one to Colorado municipality and one turbine was never delivered to Aquila. Aquila had to pay a reservation payment to General Electric to not

take possession of this last unit. In essence, Aquila lost over one million dollars for the "right" not to take the unit.

In 2003 and 2004, Aquila had other buying opportunities to acquire economic generation. Not only were there plenty of opportunities to take advantage of a depressed turbine market to buy turbines at deeply discounted prices, Aquila actually had several generating units under its ownership control. MPS needed the capacity but was completely shut out of any opportunity to acquire any of these units.

In 2003, Aquila Merchant sold three General Electric 7 EA turbines with rated capacity of 75 megawatts each to two non-affiliates after the 2002 collapse of Aquila and the decline of the turbine market. Two of these units sold to a utility in Beatrice, Nebraska for ** _____ ** million or ** ___ ** million each and a third turbine was sold to a utility in Colorado for ** ___ ** million (Data Request No. 0043 in Case No. EO-2005-0156). All three turbines were sold substantially below the original purchase price of ** ___ ** million each (Data Request No. 0077 in Case No. EO-2005-0156). The average price that Aquila Merchant sold these units in 2003 was ** ___ ** million— (** ___ ** million plus ** ___ ** million divided by three). Using this average price, Aquila would have had a much better price at which to deploy these three General Electric turbines to meet its regulated system requirements. It would have been very economical for Aquila to have installed any or all of these three Model 7 EAs in its service territory to meet its regulated load and increase its generating capacity. And important today, installing these generating units which would have avoided transmission costs because they would have been located in the Southwest Power Pool.

These prices compare with the Crossroads turbine values of ** ___ ** million per unit price for the same GE 7 EA model but priced at 2001 costs, when the turbines were actually purchased by Aquila Merchant.

The total costs for the three General Electric turbines Aquila Merchant sold to third parties was ** ___ ** million with a total capacity of 225 megawatts, or ** _____ ** per kilowatt. This per kilowatt cost is below the per kilowatt cost of the three Siemens turbine costs GMO installed at South Harper, which had a cost of approximately $66 million level, or around $210 per kilowatt[4] before any construction costs to install the units.

In 2004, Aquila determined building five turbines was the most cost effective to any option studied, but chose to pursue what it calls its preferred plan to build only three CTs, that eventually became the South Harper facility.

With each Westinghouse 501D5A turbines installed at South Harper having a capacity rating of 105 megawatts, and a combined rating of 315 megawatts, Aquila would have been able to replace all the Aries 500 megawatt purchased power agreement using the three GE turbines sold in Nebraska and Colorado. The three General Electric units sold to other utilities have a total capacity of 225 megawatts. It would have been cost effective to install these three 7 EAs with the 225 megawatts of capacity than adding two additional Westinghouse units installed at

[4] South Harper turbine costs are approximately $66 million compared to the 315 megawatt total, or 315,000 kilowatts (the three units at 105 megawatts each) resulting in $209.52 per kilowatt.

South Harper, which would have resulted in only an additional 210 megawatts [105 megawatts times 2]. With the 315 megawatts of South Harper Westinghouse turbines in addition to the 225 megawatts for the three 7 EAs units, would have provided Aquila the needed capacity to fully replace the Aries 500 megawatt power agreement in May 2005.

A table can illustrate this point.

Turbine Type	Megawatt Capacity Per Unit	Total Megawatt Capacity	Turbine Costs Only	Turbine Costs per kW
3 Westinghouse 501D5A	105 MW	315 MW	$66 million	$209.52
3 General Electric 7 EAs	75 MW	225 MW	** __ ** million	** _____ **
Total		540 MW	** _____ ** million	** _____ **

To contrast above, if Aquila built the five turbines determined in the 2004 Study to be least cost plan, this five unit site would have had a total capacity of 525 megawatts [Westinghouse turbines 105 megawatts each times 5]. The cost on a $ per kW basis would likely been higher than the $209.52 amount, resulting in significantly higher over all costs with less megawatt capacity, than the 540 megawatts if three Westinghouse turbines were combined with the three turbines sold to Nebraska and Colorado utilities at a substantial loss to Aquila. And Aquila would have completely replaced the 500 megawatt capacity agreement from Aries, with capacity for growth.

Turbines Offered to Kansas City Power & Light—

Aquila Merchant made offers to sell the four General Electric combustion turbines before executing the contracts under which they were sold to the Nebraska and Colorado utilities. The Westinghouse turbines installed at South Harper, were also offered to KCPL before the decision was made to install those turbines for regulated purposes. Aquila Merchant offered the General Electric turbines to other entities, including KCPL. In August 2002, Aquila Merchant offered the four General Electric turbines identified above to KCPL. In fact, KCPL was offered a combination of two, three or all four units at ** _____ ** for each turbine, or $196.67 per kilowatt. KCPL did not act and Aquila withdrew the offer.

(*See* Confidential surrebuttal Schedule CGF-s8, page 49 of 50.)

As noted above, three of the General Electric 7 EAs offered to KCPL were eventually sold in 2003 to Nebraska and Colorado utilities at even less costs than offered to KCPL in 2002.

Aquila did not consider making using these peaking units available to MPS despite MPS being in need of generating units. Aquila never considered using these turbines for its regulated operations, even though MPS needed to replace the Aries purchased power agreement by June 2005. Aquila indicated that these turbines were sold in 2003.[5] In reality, Aquila should have used these units to meet the capacity shortfall of MPS. Instead, these units sold to other utilities at extremely deep discounted prices, resulting in significant losses to Aquila. Thus, customers of these Nebraska and Colorado utilities are enjoying the benefits are these units, acquired at a time when the turbine market was a buyers' market and at the time MPS needed to replace the Aries purchased power agreement in 2005. The failure of Aquila to fully replace the full 500 megawatt Aries capacity in 2005 directly results in GMO's high transmission costs today. Had Aquila adequately planned to replace needed capacity with generating facilities within its RTO, Crossroads would not be needed to meet the capacity needs of customers today and, therefore, would not be incurring the transmission costs it is.

AQUILA HAD BUILD OPPORTUNITIES FOR NEW GENERATION

In November 2004, Aquila determined it could install self-build option using three Siemens generating units for ** _____ ** per kilowatt at an existing site. Again below Crossroads cost of $466 per kilowatt (with transmission investment).

In 2002, Aquila Merchant offer to sell four 75 megawatt General Electric model 7 EAs for ** _____ ** each unit and three 105 MW Seimens 501 D5A for ** _____ ** (These units are currently installed at South Harper and included in rate base at $66,760,000 at $211.94/ kW or $22,253,000 per unit.) Source: October 11, 2002 letter from Aquila Merchant to KCPL (*See* Confidential surrebuttal Schedule CGF-s8, page 49)

At the time in 2002 when Aquila offered to other utilities deeply discounted turbines when Aquila needed capacity for its regulated MPS division, Aquila Merchant was negotiating with MPS for a 20 year PPA for peaking capacity using three 501 D units called Aries II. After the collapse of the power markets in mid-2002, and the announced discontinued operations of Aquila Merchant those three generating units were eventually installed for MPS in June 2005 at South Harper.

AQUILA'S CORPORATE POLICY NOT TO BUILD REGULATED GENERATING ASSETS

The last power plant built by Aquila before South Harper facility was built in 1983. After completion of the Jeffrey 3 unit in the spring 1983, Aquila went over 20 years before it built any generating units despite being short on capacity. Aquila placed South Harper in service in June 2005. Of all the Missouri electric utilities, only Aquila did not construct generating capacity during this 20 year period.

[5] Aquila response to Date Request No. 0043 in Case No. EO-2005-0156.

Aquila never entertained the option of building a regulated power plant during this extended period. During an October 28, 2003, interview with Mr. Frank DeBacker, (former Aquila Vice President) and Mr. Robert Holzwarth, (former Vice President and General Manager of UtiliCorp Power Services) they indicated there was a corporate policy at Aquila that no new generation would be built as a regulated unit subject to being rate based. The following accurately summarizes the information provided at the October 28, 2003 interviews on this topic of corporate policy:

> The **philosophy of "buy/not build" in regard to power supply, taken in response to perceived electric industry uncertainty, was an Aquila (UtiliCorp) corporate strategy in place by 1998;** it wasn't just Mr. DeBacker's and Mr. Holzwarth's belief at that time. The Aquila (UtiliCorp) philosophy was consistent with MPS' strategy in 1998. **MPS took the position to depend on purchased power for short-term power needs, no construction of regulated power plants.** The Aquila (UtiliCorp) divisions in Colorado and Kansas followed this same approach. Bob Green, Jim Miller and Harvey Padawer communicated the "buy/not build" strategy for the regulated entities. This strategy is not set down in writing, to DeBacker's and Holzwarth's knowledge, but was no secret within Aquila. Mr. Holzwarth was present at one meeting where Bob Green expressed the "buy/not build" philosophy. Among senior officers still with Aquila, Rick Green, currently Chairman, President and Chief Executive Officer could address this philosophy if necessary.
>
> Both Mr. DeBacker and Mr. Holzwarth indicated that UtiliCorp was concerned about the future of retail competition / retail access and was concerned about the "stranded costs" relating to loss of customers to completion from "customer choice". The Company wanted to "stay short in the market" (stay in market 3 to 5 years only). **The decision to "stay short" in the market was made by UtiliCorp in 1996/1997 time frame.** Mr. Holzwarth said, "what would happen if you build big units (generating units) and half your customers went away?" When asked if either of them knew of any system (electric system) where half the customers "went away" neither Mr. DeBacker nor Mr. Holzwarth knew where this had occurred. Mr. Holzwarth cited the competition that was occurring in other states such as Pennsylvania, New Jersey, New York and Illinois.
>
> [October 28, 2003 interview with DeBacker and Holzwarth, Data Request No. 0548 in Case No. ER-2004-0034; Emphasis added.]

The least cost option developed for meeting the capacity needs of Aquila's Missouri regulated utility operations was to build the Combined Cycle Unit that later became Aries (and now called Dogwood), as an Exempt Wholesale Generator ("EWG") in the 1999 and early 2000 time period as part of the regulated operations of Aquila (then called UtiliCorp).

Resource Planning Presentations—

Mr. Crawford indicates at page 5 of his rebuttal testimony the analysis used by Aquila to justify using the merchant Crossroads plant located in Mississippi in rate base, was made in October 2007.

Just before the Aquila acquisition by Great Plains Energy announced February 2007, Aquila made another presentation resource plan to Staff on February 2, 2007. In this February 2007 analysis, Aquila indicated its preferred plan based on the lowest 20-year net present value of revenue requirement was 300 megawatts of purchased power agreements for 2008 and 2009 with 225 megawatts installed combustion turbines in 2010. This presentation was made by Scott Heidtbrink, then Aquila's Vice President, Energy Resources and GMO's current Executive Vice President and Chief Operating Officer.

Crossroads was not considered as an option in this February 2007 presentation. At that time, Aquila was developing a site in Sedalia to add generating capacity to meet its shortfall. This site was the only one discussed with Staff until the late 2007 presentation when Crossroads was first mentioned to be used as a generating asset in October 2007.

The February 2007 resource plan is attached to this surrebuttal testimony as Confidential surrebuttal Schedule CGF-s9. See page 7 of this schedule for the "Least Cost/ Preferred" plan.

The resource planning process at the time, and for several years, Aquila/ UtiliCorp made presentations to Staff and Public Counsel twice a year, as did the other Missouri electric utilities. I attended most of the meetings for Empire, KCPL and Aquila/ UtiliCorp. These meetings were intended to provide updates to resource planning that included load forecasting, demand side management and energy efficiency and supply resources (generation) on a more frequent basis than the IRP process. The two times a year meetings were part of agreements reached with the electric utilities operating in Missouri in lieu of the integrated resource planning filings.

Public Counsel witness Lean Mantle, then employed with Staff, was instrumental in creating and conducting these meetings on behalf of Staff. Ms. Mantle did extensive work in the resource planning process and facilitated the meetings. Ms. Mantle attended IRP meetings for all the electric utilities operating in Missouri I attended in addition to Ameren Missouri.

KCP&L Greater Missouri Operations Company

Case No. ER-2018-0146

Surrebuttal Attachment to Staff Witness Cary G. Featherstone

Production Plant	**September 30, 2008 (approximates the July 2008 Aquila acquisition date) (A)**	**Installed Cost per Kilowatt (assumes 300,000 kw)**	**Aquila's 2007 Study Value**	**Installed Cost per Kilowatt (assumes 308,000 kw) (B)**	**Aquila's 2007 Study Value**	**Installed Cost per Kilowatt (assumes 300,000 kw typical rating GE turbines)**
Plant	$118.8 million	$396/ kW	$117.9 million	$382.79/ kW (Crawford rebuttal)	$117.9	$393/ kW
Less: Reserve	(21.2 million)					
Net Production	$97.6 million					
Transmission Plant						
Plant Account 303.02	$21.9 million		$21.9 million (assumes 9/30/08 cost)		$21.9 million (assumes 9/30/08 cost)	
Less: Reserve	(3.1 million)					
Net Transmission	$18.8 million					
Total Production & Transmission						
Plant	$140.7 million	**$469/ kW**	**$139.8 million**	**$453.90/ kW**	**$139.8 million**	**$466/ kW**
Less: Reserve	(24.3 million)					
Net Crossroads	$116.4 million					

(A) Source: Accounting Schedule 3, page 1, line 4 & page 3, line 78 and Schedule 6, page 1, line 4 & page 2, line 78 in Case No. ER-2009-0090 EFIS #79.

(B) Case No. ER-2016-0156 Crawford rebuttal, page 4 General Electric model 7 EAs – Note- typically four units total 300 MWs – see pages 16 & 27 of Crawford rebuttal Schedule BLC-9 where self-build & Crossroads identified as 300 megawatts in 2007 Study. (Aquila used 308 MWs in its 2007 Study to arrive at $382.79 per kilowatt.)

(C) 2007 Study attached to Crawford rebuttal Schedule BLC-9, page 18.

SCHEDULE CGF-s3

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE CGF-s4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

GREAT PLAINS™
ENERGY

To: Files

From: Ron Klote, Senior Manager Regulatory Accounting

CC: Darrin Ives

Date: October 31, 2008

Subject: Crossroads Energy Center Transfer to the KCP&L Greater Missouri Operations Company Regulated Jurisdiction's MOPUB Business Unit

Purpose:
To document the reason for and the timing of the property accounting move of the Crossroads Energy Center to the books and records of KCP&L Greater Missouri Operations Company's ("GMO") MOPUB business unit. In addition, documenting the recording of the Crossroads Energy Center as a capital lease and how the accumulated deferred income taxes ("ADIT") should be treated associated with the plant.

Relevant Guidance Researched:
Code of Federal Regulations Title 18 Part 101

Background:
The Crossroads Energy Center is an approximately 300MW combustion turbine power plant consisting of four General Electric 7EA units. It was built in 2002 by a non-regulated subsidiary of Aquila, Inc. titled Aquila Merchant Services. It is located in Mississippi and is owned by the City of Clarksdale for property tax abatement purposes. GMO holds a purchase option that provides the opportunity for GMO to purchase the plant from the City of Clarksdale at any time for $1,000. This purchase would eliminate the property tax abatement treatment of the plant. The Crossroads Energy Center is controlled by GMO through a long-term tolling agreement. The plant is recorded as a capital lease on the books and records of MOPUB.

The placement of the Crossroads Energy Center on the books and records of Aquila, Inc. was as follows. In October 2002, the Crossroads Energy Center was moved from business unit MEP (Merchant Energy Partners Investment LLC) CWIP account into business unit ACEC (Crossroads Energy Center) plant accounts. ACEC was a business unit under the non-regulated subsidiary of MEP. In March 2007, due to the wind down of Aquila's Merchant operations and their inability to effectively dispatch power from the Crossroads Energy Center, there was a negotiation of the rights and obligations of the plant to Aquila, Inc. This transfer was governed by a Master Transfer Agreement dated March 31, 2007. Aquila, Inc. paid $117.9 million to Aquila Merchant which was equivalent to the net book value of Crossroads at this time. Rather than pay a cash purchase price, the purchase price took the form of a credit that reduced the amount of indebtedness owed by Aquila Merchant to Aquila parent. On March 31, 2007, Crossroads Energy Center was recorded at Net Book Value to a nonregulated business unit CECAQ (Crossroads Energy Center Aquila) where it resided at the time of the acquisition of Aquila, Inc. by Great Plains Energy (GPE).

On March 19, 2007, the regulated jurisdictional operations of GMO issued a request for proposal for a long-term supply option. The Crossroads Energy Center was bid into the request for proposal at net book value to satisfy the long-term supply option. The candidates submitting bids for the long-term supply option were evaluated and the Crossroads Energy Center was selected as the least cost and preferred option for long-term supply. The evaluation process and selection of the Crossroads Energy Center as the preferred option was presented to the Missouri Public Service Commission Staff on October 31, 2007.

On approximately May 14, 2008 Aquila's management presented a review of the IRP process presented to Staff in October 2007 with GPE management. During this presentation, the Request for Proposal process was discussed with GPE management and Aquila's decision to select Crossroads as the least cost and preferred option was reviewed. At this meeting, GPE concurred with Aquila's recommendation to use Crossroads as a long-term supply option. (Added by Tim Rush on 1/6/09: Attendees, Todd Kobayashi, Kevin Bryant, Tim Rush, Scott Heidtbrink, Davis Rooney, Gail Allen, Gary Clemens, Denny Williams, Jeremy Morgan. As a note, in the initial evaluation of the acquisition of Aquila, GPE had not made a decision on how it would address the Crossroads facility.)

On August 31, 2008 the Crossroads Energy Center was moved from GMO's business unit NREG, where it was recorded after the acquisition of Aquila, Inc. by Great Plains Energy on July 14, 2008, to MOPUB's books and records. MOPUB is the regulated business unit which previously served the territory known as Missouri Public Service. On September 5, 2008 GMO regulated jurisdictions filed a rate case including the Crossroads Energy Center in MPS's rate base at net book value.

Conclusion:

The following actions regarding the accounting of the Crossroads Energy Center are appropriate:

1. The Crossroads Energy Center should be recorded at net book value on the books and records of KCP&L Greater Missouri Operations Company's MOPUB business unit.
2. August 2008 was the appropriate time to move the Crossroads Energy Center to the MOPUB business unit.
3. The Crossroads Energy Center is appropriately recorded as a capital lease as part of the continuing property records.
4. The ADIT associated with the time period that the Crossroads Energy Center was recorded on the non-regulated subsidiary of Aquila, Inc. should be recorded on the non-regulated business unit AQP (GMO's non-regulated subsidiary). The ADIT balances from March 2007 when the Crossroads Energy Center was moved to a business unit under Aquila, Inc. parents books and records until the present should be recorded on the business unit MOPUB.

Support of Conclusion:

Recorded at Net Book Value on MOPUB's Books and Records

The support for the decision by GPE's management to record the Crossroads Energy Center at net book value can be directly linked to the Request for Proposal process by GMO. As discussed in the background section above, on March 19, 2007 the regulated jurisdictional operations of GMO sent out a Request for Proposal to evaluate and choose a long-term supply option. Aquila, Inc. bid the Crossroads Energy Center into the Request for Proposal process at net book value. All bids were accumulated and evaluated. The Crossroads Energy Center was selected as the least cost and most preferred option. This was presented to Missouri Public Service Commission Staff on October 31, 2007.

Additionally, with the acquisition of Aquila, Inc. by Great Plains Energy, PricewaterhouseCoopers was engaged to complete a Purchase Accounting Valuation. As part of this analysis, there was an assessment of the fair market value of the Crossroads Energy Center. This evaluation resulted in an amount that was in excess of the Net Book Value that was offered into the Request for Proposal process initiated by Aquila Inc. GPE's management made the decision to not record a fair market value adjustment on the Crossroads Energy Center, but instead record the plant at net book value and include the property as part of GMO's regulated jurisdiction. This amount is being requested to be part of rate base at net book value in GMO's current rate case filing, case number ER-2009-0090.

Recorded at August 2008 on Business Unit MOPUB

The support to move the Crossroads Energy Center to MOPUB's business unit in August 2008 can be linked to a series of events ultimately concluding in GPE management's decision to include the Crossroads Energy Center in the GMO's regulated jurisdiction rate base calculation in the September 5, 2008 rate case filing (ER-2009-0090). The series of events as discussed in the background section of this whitepaper are detailed below:

- On March 31, 2007, the non-regulated subsidiary Merchant Energy Partners negotiated an assignment of the rights and obligations of the Crossroads Energy Center to the Parent company Aquila, Inc.
- Subsequently, Aquila, Inc. bid the Crossroads Energy Center into a Request for Proposal by GMO's regulated jurisdiction for a long-term supply option.
- GMO's evaluation of the bids offered concluded that the Crossroads Energy Center was the least cost and preferred option for the long-term supply option.
- On October 31, 2007, a presentation was made to the Missouri Public Service Commission Staff communicating the results of the Request for Proposal process.
- Approximately May 14, 2008 Aquila's management reviewed the results of the IRP process and the results of the Request for Proposal process with GPE's management. GPE's management concurred with the decision that Crossroads was the least cost and preferred long-term supply option.
- On July 14, 2008 Great Plains Energy completed their acquisition of Aquila, Inc.
- August 2008, GPE's management decided to include the Crossroads Energy Center in rate base in its GMO regulated jurisdiction.
- On August 25, 2008, GPE's management met with Missouri Public Service Commission Staff and discussed GPE's decision to move the Crossroads Energy Center onto the books and records of GMO's regulated jurisdiction and include the net book value of the plant in rate base in the upcoming rate case filing.
- August 31, 2008 Crossroads Energy Center was transferred to GMO's regulated jurisdiction.
- September 5, 2008, GMO filed a rate case under the docket number ER-2009-0090 including the Crossroads Energy Center in rate base at net book value.

Recorded as a Capital Lease

The "General Instructions" number 19 of 18 CFR part 101 states the following:

> *If at the inception a lease meets one or more of the following criteria, the lease shall be classified as a capital lease. Otherwise, it shall be classified as an operating lease.*
>
> 1. *The lease transfers ownership of the property to the lessee by the end of the lease term.*
> 2. *The lease contains a bargain purchase option.*
> 3. *The lease term is equal to 75 percent or more of the estimated economic life of the leased property.*
> 4. *The present value at the beginning of the lease term of the minimum lese payments, excluding that portion of the payments representing executory costs such as insurance, maintenance and taxes to be paid by the lessor, including any profit theron, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor.*

The Crossroads Energy Center has been recorded on the books and records since October 2002 as a capital lease. This is supported by the following:

- Criteria number 3 states that the lease term is equal to 75 percent or more of the estimated economic life of the leased property. The Crossroads Energy Center meets this criteria. The lease term agreed to with the City of Clarksdale was for an original term of 30 years and two 5 year extension options. The economic life of the plant is estimated at 40 years. This equates to 75 percent of the economic life when considering the original terms and 100 percent of the economic if the two 5 year extension periods are exercised. Both meet or exceed the 75 percent criteria discussed above.
- In addition, criteria number 2 states that the lease must contain a bargain purchase option. Effective March 28, 2008 GMO finalized a purchase option that allows it to purchase the Crossroads Energy Center from the City of Clarksdale at any time for $1,000. $1,000 would be considered a bargain purchase option as it is significantly less than the fair market value of the plant. Crossroads would meet this requirement.

Recording of ADIT Balances
ADIT balances to date associated with the Crossroads Energy Center can be grouped into two separate categories as follows:

- ADIT accumulated from original in service date during 2002 to the date the plant was transferred to Aquila, Inc.'s parents books CECAQ in March 2007.
- ADIT accumulated on Aquila, Inc.'s parents books from March 2007 to present.

The ADIT in the first grouping when the Crossroads Energy Center was recorded on Aquila's non-regulated subsidiary Merchant Energy Partner's with a business unit titled ACEC is attributable to the deferred intercompany gain from when the Plant was transferred to Aquila, Inc.'s parents books. The transfer of these ADIT balances to Parent would not be appropriate as the Parent or the future GMO jurisdiction has not received any benefits of the accelerated depreciation that was recognized on the non-regulated subsidiary books. As such, the ADIT associated with this time period is recorded presently on the non-regulated business unit AQP.

The ADIT associated with the time period of when the plant was recorded on Aquila Inc.'s parents books to the present is attributable to the tax effected difference between book and tax depreciation. Due to tax normalization rules, these amounts are required to follow the plant as it gets transferred to the GMO regulated jurisdiction of MOPUB. These ADIT amounts will be used as rate base offsets to the plants net book value that will be included in GMO's rate case filings.

SCHEDULE CGF-s6,

SCHEDULE CGF-s7,

SCHEDULE CGF-s8 and

SCHEDULE CGF-s9

HAVE BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY