

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of KCP&L Greater Missouri Operations)
Company’s Request for Authority to Implement)
A General Rate Increase for Electric Service) Case No. ER-2016-0156

**KCP&L GREATER MISSOURI OPERATIONS COMPANY
POSITION STATEMENT**

KCP&L Greater Missouri Operations Company (“GMO” or “Company”), states the following for its Position Statement:

List of Issues

I. Cost of Capital

A. Return on Common Equity – what return on common equity should be used for determining rate of return?

GMO Position: 9.90%

B. Capital structure – what capital structure should be used for determining rate of return?

GMO Position: The actual per book capital structure of GMO at the end of the true-up period ending July 31, 2016, adjusted by OPC witness Gorman (Direct, p. 30) and KCP&L witness Bryant (Rebuttal, p. 6): 51.4178% Common Equity and 48.5822% Long-Term Debt.

C. Cost of debt – what cost of debt should be used for determining rate of return?

GMO Position: 5.09%

II. Crossroads

A. Should the increased transmission costs GMO incurs to transmit energy from its Crossroads Energy Center at Clarksdale, Mississippi to its service area in Missouri due to Entergy’s entry in MISO be included in GMO’s revenue requirement?

GMO Position: The Company is only seeking additional transmission expenses resulting from the Entergy’s integration into MISO. These additional costs should be included in GMO’s revenue requirement because they are not the result of Crossroads Energy Center’s distance from GMO’s service territory, but rather the result of Entergy’s

integration into MISO. The analysis which ultimately resulted in the disallowance of transmission expense from Crossroads Energy Center is inapplicable to the additional transmission expense incurred due the MISO/SPP seam.

B. Should Crossroads be excluded from GMO's rate base?

GMO Position: No. Crossroads Energy Center remains the lowest cost capacity option for a peaking facility, adding optionality and fuel supply diversity to GMO's resource capacity portfolio. The Commission has twice found Crossroads Energy Center to have been a prudent acquisition (minus transmission costs). Crossroads should remain in GMO's rate base at the fair market value established by the Commission.

III. Fuel Adjustment Clause

A. Has GMO met the criteria for the Commission to authorize it to continue to have a fuel adjustment clause?

GMO Position: Yes.

B. Should the Commission authorize GMO to continue to have a fuel adjustment clause?

GMO Position: Yes.

C. What costs should flow through GMO's fuel adjustment clause?

GMO Position: All costs currently recovered in the FAC should continue to be recovered. In addition, all costs for the transmission of electricity by others, as reflected in charges assessed to GMO by Southwest Power Pool, Inc. ("SPP") and Midcontinent Independent System Operator, Inc. ("MISO"), should be included in the FAC, with the exception of certain transmission costs related to the Crossroads generating station that have previously been disallowed by the Commission.

D. What revenues should flow through GMO's fuel adjustment clause?

GMO Position: The revenues include off system sales revenues, the revenues from the sale of renewable energy credits, as well as transmission revenues.

E. How should the Commission address in GMO's fuel adjustment clause moving from district specific rates to GMO-wide rates?

GMO Position: The FAC tariff should reflect the proposed consolidation of the MPS and L&P rate bases, as depicted by Schedules TMR-3 and TMR-4, attached to the Direct Testimony of Tim Rush, where the existing separate base factors are combined.

- F. What is the appropriate sharing mechanism of the difference between actual and base fuel costs in GMO's FAC?

GMO Position: The 95%/5% sharing mechanism should continue. If there is a change, it should be to eliminate the sharing mechanism, not increase it.

- G. What FAC-related reporting requirements should the Commission impose?

GMO Position: No additional reporting requirements should be imposed beyond those contained in GMO's existing FAC tariff and as modified by the exemplar FAC tariff sheets contained in Schedules TMR-3 and TMR-4, attached to the Direct Testimony of Tim Rush.

IV. Transmission Fees Expense and Transmission Revenues

- A. What level of transmission fees expense should the Commission recognize in GMO's revenue requirement?

GMO Position: The annualized transmission fees at the end of the true-up period ending July 31, 2016, should be recognized in rates and included in the FAC or afforded tracking treatment. If transmission fees are not included in the FAC, \$31,246,210 of annual forecast Missouri jurisdiction transmission fees expense should be added to the revenue requirement. If the forecast amount recognized in revenue requirement exceeds actual transmission fee expense during the period rates are in effect, such amounts shall be credited to customers in a subsequent rate case.

- B. Should the Commission authorize GMO prospectively to compare its actual transmission expenses that it does not recover through its fuel adjustment clause with the level of transmission expense used for setting permanent rates in this case, and to accrue and defer the difference for potential return to customers in future rate cases, i.e., to employ an asymmetrical tracker?

GMO Position: Yes, if the transmission fees are not included in the FAC.

- C. What level of transmission revenues should the Commission recognize in GMO's revenue requirement?

GMO Position: The Company annualized transmission revenue recorded in FERC accounts 456009, 456100 and 456109 based on an average of 2017-2018 forecasted levels. This was due to the overall increase in transmission revenues that GMO is incurring over test year levels. By using this projected level, GMO is better able to match the actual transmission revenues levels with the rate period in which they are offsetting rates for customers.

- D. Should the Commission authorize GMO prospectively to compare its actual transmission revenues that do not flow through its fuel adjustment clause with the level of transmission revenue used for setting permanent rates in this case, and to accrue and defer the difference for potential return to customers in future rate cases, i.e., to employ an asymmetrical tracker?

GMO Position: Yes.

- E. What level of RTO administrative fees should the Commission recognize in GMO's revenue requirement?

GMO Position: The Commission should include RTO administrative fees in GMO's revenue requirement. There are two main components to the SPP Administrative Charge that should be recognized in GMO's rates. First is the administrative charge rate cap under Schedule 1-A, the maximum amount allowed to be collected by the SPP on a \$/MWh basis, that is approved by FERC. This cap serves as a limit on the annual administration charge in order to provide SPP customers a level of certainty and predictability regarding SPP's year-to-year administrative costs. Since 2014 SPP's Administrative Charge cap has been set at \$0.39/MWh.

Second is the actual tariff administrative charge under Schedule 1-A that is approved by the SPP Board of Directors based on SPP's financials. For 2016 the administrative charge is \$0.37/MWh, and it was approved by the SPP Board of Directors at its November 10, 2015 meeting. There was a drop in the Administrative Charge from 2014 (\$0.381/MWh) and 2015 (\$0.39/MWh), primarily due to the Integrated System joining the SPP.

The Commission should also recognize in GMO's revenue requirement the FERC Assessment Charge that SPP assesses GMO and other SPP members under Schedule 12.

- F. Should the Commission authorize GMO prospectively to compare its actual RTO administrative fees with the level of RTO administrative fees used for setting permanent rates in this case, and to accrue and defer the difference for potential return to customers in future rate cases, i.e., to employ an asymmetrical tracker?

GMO Position: Yes.

- V. **Line Loss Study:** Which data set containing the results of a loss analysis of the individual rate districts should be used in calculating GMO company-wide energy loss factors that are then utilized in the determination of GMO's hourly loads, fuel costs, revenue requirement, and rate design?

GMO Position: The Company recommends that as a result of the consolidated rate proposal, the consolidated losses from the loss study filed in this case be used in deriving the FAC rate and other rate elements which use losses.

- VI. **Lake Road Plant Electric/Steam Allocation Factors:** What factors should the Commission use to allocate GMO's total rate base, expenses and revenues of its Lake Road Plant to its electric customers to account for GMO contemporaneously using the Lake Road Plant to serve its steam customers?

GMO Position: As a result of substantial changes such as at the Lake Road plant due to the cessation of burning coal on unit 4/6 and SPP's integrated marketplace, it was necessary to modify the allocation methodology at the Lake Road Plant to fit the current and future operating characteristics of the plant. The Company's proposed plant allocation methodology is based on plant capabilities and the demands of the steam customers. The remaining allocations are essentially unchanged. For example, the administrative and general and operations and maintenance allocation factors used to allocate expenses between electric and industrial steam businesses are unchanged, but the allocations simply use the new demand allocation factors created by the whole plant allocation methodology.

- VII. **RESRAM Prudence Review (Solar Rebates):** Should the Commission authorize GMO to recover through its RESRAM (renewable energy standard rate adjustment mechanism) charges the \$2.6 million in solar rebates it paid to qualifying customers that GMO incurred subsequent to August 31, 2012, and paid in excess of the Commission-approved \$50 million aggregate level it agreed to in Case No. ET-2014-0059?

GMO Position: Yes. Customers had made decisions to install solar facilities based on the fact that they were offered a rebate at the time of their application. Often, customers already had contractual agreements with their selected installer based on the fact that they had received a rebate offer. It would not have been fair or reasonable for GMO to reverse the offer after the customer had already moved forward with the project. It was therefore prudent and reasonable for GMO to have paid customers the \$2.6 million in solar rebates in excess of the \$50 million aggregate level agreed to in Case ET-2004-0059, and GMO should be authorized to recover the full amount through its RESRAM.

- VIII. **MEEIA Cycle 1 (2013-2015):** Should billing determinants—customer usage data required to develop the rates that appear on the rate schedules—be adjusted in this rate case, and outside of the MEEIA Cycle 1 Stipulation, for MEEIA measures installed during the period August 1, 2014 – March 31, 2016? If so, how?

Alternatively, should GMO's annualized and normalized sales and sales revenues and net system input reflect decreased energy and demand due to MEEIA programs in Cycle 1 from the test period up to and including the true-up?

GMO Position: The Company's sales, sales revenues and net system input must be adjusted to reflect actual conditions faced by the Company in the test year and true up period. Adjustments are made to reflect normal weather, customer annualizations (e.g. establish customer levels at a time closer to when rates go into effect) and adjustments for known and measurable changes from the test period, such as customer usage changes not reflected in the weather normalization process. This can include anything from specific customers whose usage has specifically increased or decreased from the test period to where a new customer was added and the respective changes in load, to an adjustment for energy efficiency. Without this adjustment, the Commission is setting rates on a level of revenues that is not achievable by the Company.

IX. Depreciation Rates: What depreciation rates should the Commission order GMO to use?

GMO Position: The depreciation rates set forth in the Depreciation Study filed by GMO in the Direct Testimony of John Spanos are the most appropriate. These rates reflect the combined analyses of all GMO assets through 2014 and include the most appropriate recovery methods and service value of all assets. Staff's recommendation of continued utilization of current rates is not a good option. Recommending depreciation rates that were developed many years ago before retirement dates for these facilities were known is unreasonable and ignores the critical changes that have occurred in plant activity; plans for assets; combinations of assets into a consolidated company; and the most appropriate recovery patterns of the assets during their life cycle.

X. Depreciation Study Costs: What level of depreciation study costs should the Commission recognize in GMO's revenue requirement?

GMO Position: GMO recommends that depreciation study costs be amortized over three years.

XI. Amortization Periods Ending Before the End of the True-up Period

A. Should the Commission include in GMO's revenue requirement amounts designed to return to retail customers the amounts related to amortizations that GMO collected from those customers through its rates for GMO's 2010 and 2012 rate case expense, FAS 87 prepaid pension asset, St. Joseph Light & Power transition costs, Renewable Energy Standard costs and Iatan 2 operations & maintenance costs from the time the amortization periods amortizations ended until new rates in this case? If so, how?

GMO Position: No. Staff's retroactive adjustments change the ratemaking and regulatory accounting framework for the items above as understood at the

conclusion of the Company's last rate case. In doing so, Staff violates the prohibition against retroactive ratemaking.

- B. Should the Commission include in GMO's revenue requirement amounts designed to return to retail customers the amounts related to amortizations that GMO collected from those customers through its rates for L&P prepaid pension asset, and should those amounts be included in GMO's pension tracking mechanism?

GMO Position: No. The recapture of the amortization of pension costs from over ten years ago under a recovery method different than that which was previously agreed to and approved by the Commission in ER-2004-0034 (and other rate cases) is unreasonable and constitutes retroactive ratemaking.

XII. Hedging and Cross-Hedging

- A. Should GMO cease hedging its natural gas purchases?

GMO Position: No.

- B. Should GMO cease cross-hedging purchased power with natural gas futures?

GMO Position: No.

- C. How should GMO account for its hedging costs?

GMO Position: GMO should continue to account for its hedging costs as it has in the past and as approved by the Commission in its Report & Order in GMO's 2011 FAC prudence review, No. EO-2011-0390 (Sept. 4, 2012).

XIII. Advanced Meter Infrastructure Meters

- A. Should the Commission order GMO to allow customers the option of not having an Advanced Meter Infrastructure meter at the customer's residence?

GMO Position: No. There have been very few complaints regarding AMI meters which use the same technology as meters previously used by the Company for many years. Requiring an opt-out option will lead to inefficient processes, underutilized systems and people and additional costs that would not be necessary with a fully automated meter reading system.

- B. If so, what is the appropriate opt-out charge?

GMO Position: Staff's proposal (\$10 per monthly) is inadequate as it does not cover the costs of providing an opt-out option.

XIV. Greenwood Solar Energy Center: Should the Commission allocate any of the capital costs, operating and maintenance costs, revenues, energy, SRECs, etc., attributable to the Greenwood Solar Energy Center between GMO and KCP&L? If so, how should it be allocated?

GMO Position: All of the Greenwood Solar Energy Center capital costs, operating and maintenance costs, revenues, SRECs etc. should be allowed in GMO's rates.

The Company is opposed to any allocation of these costs to KCP&L. The energy-based allocator proposed by Staff which would allocate more than 65% of the plant and expenses associated with the Greenwood Solar facility away from GMO to be paid by KCP&L customers is clearly unjustified and inappropriate. However, the Company understands that this pilot project was built and operated to gain experience with a utility scale solar project. One possible allocation methodology for the solar facility could be based on an allocation between an alternative renewable energy source capital costs versus the cost of the solar facility, with the difference between the two allocated equally between KCP&L and GMO. If the Commission ordered the Company to make an allocation, GMO recommends an allocation of no more than \$100,000 to KCP&L in expenses to be reflected in KCP&L cost of service and future ratemaking.

XV. Bad Debt Expense: What level of bad debt expense should the Commission recognize in GMO's revenue requirement?

GMO Position: Bad debt expense should be increased for the revenue requirement change that the Commission finds for GMO in this case as this will be the total revenue from which uncollectable amounts will be written off.

XVI. Prepayments

A. What level of prepayments should the Commission recognize when determining GMO's revenue requirement?

GMO Position: The Commission should continue to allow the Company to include all appropriately recorded current balances in Account 165 in rate base. The PSC Assessment is a true prepaid item and is paid on a quarterly basis. The prepaid amount is amortized on a monthly basis. This is consistent with past rate cases and is consistent with the rate base treatment of Staff in this rate case.

B. Where should GMO record its PSC assessments?

GMO Position: The PSC Assessment fees are properly accounted for as a prepayment for services in account 165 as they are prepaid on a quarterly basis, and cover the expenses incurred by the MPSC in regulating the public utilities of the state of Missouri.

XVII. Late Payment Revenues: What level of late payment revenues should the Commission recognize when determining GMO’s revenue requirement?

GMO Position: If the Commission applies the bad debt factor to the increased revenue requirement in this rate case then the same methodology should be applied to late payment fees as these fees are also likely to increase at a higher level due to the rate increase.

XVIII. Transource Missouri FERC Incentives: Has GMO proposed to include CWIP FERC incentives in its cost of service for the Iatan-Nashua and Sibley-Nebraska City transmission projects that it agreed to forego in File No. EA-2016-0098?

Alternatively, what level of adjustment should be made, per File No. EA-2013-0098, to the transmission expenses that are allocated to GMO by SPP for the Transource Missouri Sibley-Nebraska City and Iatan-Nashua transmission projects?

GMO Position: The Company made an adjustment to the transmission expenses that are allocated to GMO by SPP for the Transource Missouri Sibley-Nebraska City and Iatan-Nashua transmission projects per the *Report and Order* in File No. EA-2013-0098. The Staff recommended that the Company’s adjustment be revised in various respects related to the treatment of: 1) depreciation rates, 2) state income taxes, 3) cost of debt, and 4) Allowance for Funds Used During Construction (“AFUDC”). The Company’s positions regarding the Staff’s revisions are as follows:

- 1) Depreciation Rates – The Company is willing to accept Staff’s revision regarding depreciation rates, provided that Staff’s methodology continues to be consistently applied in future rate cases.
- 2) State Income Taxes – The Company agrees with Staff’s revision regarding state income taxes.
- 3) Cost of Debt – The Company does not agree with Staff’s revision regarding the cost of long term debt. Staff’s revision is premised on its illogical and unsupported belief that differences in the assumed cost of long term debt do not result from FERC transmission incentives. It is highly unlikely that Transource Missouri would have been able to acquire debt financing on the terms that it did without the rate incentives that FERC granted. Staff’s removal of the rate incentives while keeping the debt rates at the same level is inappropriate.
- 4) AFUDC – The Company is willing to accept Staff’s AFUDC rate calculation, provided that the actual GMO and KCP&L AFUDC rates are being adjusted to reflect the additional CWIP associated with the projects.

This adjustment should be revised to reflect the ROE ultimately authorized by the MoPSC in this case.

XIX. Payroll Expense: What level of payroll expense should the Commission recognize in GMO’s revenue requirement?

GMO Position: The Company is in agreement Staff’s payroll annualization position in this rate case.

XX. Dues and Donations: What level of dues and donations expense should the Commission recognize when determining GMO’s revenue requirement?

GMO Position: Staff made adjustments for membership dues that the Company has paid that fall into two categories. First, Staff removed membership dues which it considers to be personal in nature to a GMO employee or of no direct benefit to ratepayers. Secondly, Staff eliminated the dues paid to Edison Electric Institute (“EEI”). In general, the benefits that the dues provide to GMO ratepayers are that they allow the utility to maintain and protect its infrastructure while also providing safe and reliable service to ratepayers through dues paid to energy associations and other regulatory groups where expertise and energy best practices are obtained helping assist in management of the utility. Also, dues paid to regional chambers and community foundations helps the Company partner with area organizations to ensure that the Kansas City region is a valuable destination point and brings tourism to the city. Also, the dues paid to EEI support the providing of essential services and resources, industry best practices and products as well as national leadership that contribute to the long-term viability and service of the electric power industry. Additionally, EEI helps its member companies operate more reliably, more effectively, at lower cost, with less environmental impact, and more efficiencies. All of these efforts benefit GMO customers.

XXI. Short-term Incentive Compensation: What level of short-term incentive compensation should the Commission recognize in GMO’s revenue requirement?

GMO Position: The Commission should include the Company’s target incentive payout (less the EPS metric for the Officers AIP) that the Company has proposed as it reflects the level of ongoing incentive expense to the Company.

XXII. Supplemental Employee Retirement Plan (SERP)

A. What level of SERP expense should the Commission recognize in GMO’s revenue requirement?

GMO Position: The Company has requested an annualized level of SERP cost for both annuity payments and lump sum payments averaged over a three year period.

B. Should SERP expense be capitalized?

GMO Position: Yes. SERP costs are a corporate benefit cost similar to other corporate benefits provided by the Company and should follow how labor is recorded in operating

and managing the Company. Therefore, it is appropriate to capitalize a portion of the annualized SERP costs.

C. Should KCP&L employee SERP expense be allocated to GMO?

GMO Position: Yes, the corporate SERP costs are a common corporate cost that is incurred to manage and operate both operating utilities, KCP&L and GMO. The SERP benefit costs should follow the common corporate cost allocation that is currently in effect as the SERP program benefits both utilities.

XXIII. Rate Case Expense

A. Should the Commission require GMO's shareholders to bear part of GMO's rate case expense?

GMO Position: No, all prudently incurred rate case expenses should be included in the rates.

B. What level of rate case expense should the Commission recognize in GMO's revenue requirement?

GMO Position: \$330,000 should be included in the cost of service.

XXIV. Class Cost of Service, Rate Design, Tariff Rules and Regulations

A. Should the Commission eliminate the MPS and L&P rate districts, and order GMO-wide rates?

GMO Position: Yes. In GMO's last rate case, the Commission ordered GMO to perform, prepare and file in its general electric rate case the results of a comprehensive study on the impacts on its retail customers of eliminating the MPS and L&P rate districts and implementing company-wide uniform rate classes, and rates and rate elements for each rate class, taking into account the potential future consolidation of GMO rates with those of KCP&L. The Company has completed a comprehensive study which demonstrates that it is feasible to consolidate the rates of MPS and L&P in this case. GMO strongly recommends that the consolidation of rates be approved.

B. Rate design

a) What is an appropriate residential rate design?

GMO Position: GMO proposes the following for the residential rate design:

- Retain two-part rates (Customer and Energy billing components).
- Set the customer charge at the full amount supported by the CCOS study.
- Retain seasonally differentiated energy charges.

- Using guidance from the CCOS study, balanced by estimated customer impacts to set seasonal rate differentials.
- Freeze availability of Residential Time of Use (“TOU”) rates. The Residential TOU rate current does not have any customers.

b) What is an appropriate residential customer charge under the appropriate rate design?

GMO Position: The Company recommends a residential customer charge at \$14.50.

c) What customer impact mitigation measures, if any, should be used for the LPS, LGS, and SGS classes?

GMO Position:

GMO supports mitigation of customer impacts where deemed appropriate and continues to work with the parties to define an actionable mechanism that balances the interests of each group.

d) What billing determinants should be used for determining the rates to collect GMO’s cost of service?

GMO Position: The revenues for this case were established by GMO by combining the revenues produced by the current MPS and L&P rates and billing determinants. The simple combination of these separate revenue amounts created the basis for the consolidated class revenues. These revenue amounts were then incremented to include the requested revenue increase. (See Direct Testimony of Bradley D. Lutz, Schedule BDL-7 for a summary of the revenues.)

The billing determinants for the consolidated rates were produced by processing the separate, MPS and L&P determinants through the UI application, and the structures of the proposed consolidated rates. This processing reassigned the determinants based on the new blocks, minimums, and ratchets, to build up the final consolidated determinants. The consolidated kWh determinants were reconciled back to the original, separate determinants to ensure consistency.

Differences were observed but explained due to assignment of rates to new classes or differences in the class weather normalization. The remaining step was to establish consolidated rates that, when applied to the consolidated determinants, would produce the consolidated revenues.

e) What adjustment should be made to account for any changes in retail revenue attributable to customers being placed on their most advantageous rate as a result of the rate design approved in this case?

GMO Position: The Company used an iterative process to determine adjustments that should be made to account for any changes in retail revenue attributable to customers being placed on their most advantageous rate as a result of the rate design approved in this case. Early in the effort it became clear that it would be impossible to simply assign customers to a new rate and expect that it would represent the “best rate” for that customer. Given the design of the proposed rate structure, particularly the use of minimum charges, it was expected that many customers would receive a lower rate by migrating to an adjacent rate. The Company’s goal became to minimize the migration as much as practical, but accept that ultimately this “best fit” effort would result in the movement of customers and the revenue they are expected to produce. To ensure the revenue requirement requested could be obtained, the outgoing and incoming class revenue flows were identified and used to modify the base revenues and establish adjusted class revenue targets. The adjustment was made such that the class receiving the migrating customers would bear the revenue impact of this migration. (See Direct Testimony of Bradley D. Lutz, Schedule BDL-6 for details concerning the migration adjustments.)

- f) When should GMO revise its load research to account for the elimination of the MPS and L&P rate districts?

GMO Position: Staff recommends the Commission order GMO to do new and/or reassigned load sampling, and to derive new load research data that is appropriate for the classes resulting from this case. Staff then recommends the Commission order GMO to file a rate design case upon the completion of one year’s worth of load research data. Conceptually the Company supports the spirit of this recommendation but has concerns about the details of the proposal. First, concerning load research sampling, as load research data serves as the fundamental data supporting ratemaking, the Company believes it is unnecessary for the Commission to order anything in this regard. If the Commission approves the consolidated rates, GMO will work to complete conversion of the load research processes to reflect the new structures.

- g) Should the Commission order GMO to file a rate design case once a year of hourly data is available under the new classes and implemented rates?

GMO Position: No. Such an order from the Commission is unnecessary. The Company will file another case if the rate structures do not deliver the approved revenue, or Staff can initiate a case if the rate structures produce too much revenue, and finally the Company is bound by the rate case filing requirements of the Fuel Adjustment Clause, Demand Side Investment Mechanism, and Renewable Energy Standard Rate Adjustment Mechanism to ensure filings occur.

- h) Should the Commission order GMO to file a Class Cost of Service Study with supporting data in its next rate case?

GMO Position: No. This order is unnecessary since the Company routinely files Class Cost of Service Studies in its rate cases.

- i) Should the Commission allow GMO to freeze its time differentiated rates, including Time of Use (“TOU”)?

GMO Position: Yes. The Company proposes freezing or eliminating special rates not used or no longer functional including time differentiated rates such as Time of Use rates.

- j) Should the Commission order GMO to file a proposal to make TOU rates available to all customers including a study of applicable TOU determinants?

GMO Position: No. As discussed above, these TOU rates need to be frozen. The Company’s review of these TOU rates revealed that these special rates are not working as intended and have little customer adoption.

- k) Should the Commission order GMO specifically to study time of use rates and summer/shoulder/winter rates, and to include its proposals for such rates in its next rate filing?

GMO Position: No. The Company recommends the Commission reject the proposals offered by Brightergy, LLC and Staff. The Company agrees that an appropriately designed TOU rate should be part of the Company’s portfolio of rates offered to customers however, the time is not right for offering a rate. However, there are three projects underway that need to be in place as they would fundamentally impact a TOU design--Automated Metering Infrastructure, Meter Data Management, and Customer Care & Billing systems. The Company needs to understand more about the capabilities of these systems so GMO may design a rate that is effective to manage and delivers the results expected from a TOU rate. Additionally, a TOU rate should complement the goals of GMO’s Integrated Resource Plans and the goals of our MEEIA programs. The Company would be willing to incorporate a study of TOU rates for GMO as part of the study already ordered by the Commission for our KCP&L-Missouri jurisdiction in ER-2014-0370.

- l) Should the Commission order a working group be formed to evaluate the impacts, for residential and small general service class, of transitioning to inclining block rates on lower income and electric space heating and cooling users and to consider the merits of more extensive block rate modifications?

GMO Position: No. GMO supports a working group to discuss rate designs generally, and finding appropriate methods to structure our rates. However, the Company does not support a discussion that presupposes that inclining block rates are specifically appropriate. Instead GMO recommends that the Commission set forth a goal, such as a conservation target or a policy position, and direct the Parties to find the most appropriate way to achieve that goal or policy position. Identifying inclining block rates as the topic for discussion presupposes that inclining block rates are a desired result. Depending on the established goal or policy some other rate design, program, or mechanism might prove to be more appropriate.

C. Tariff rules and regulations

- 1) Special Contracts—Should GMO’s tariff include a “special contract rate” schedule?

GMO Position: Yes. The Special Contract Rate Schedule is distinct from the Economic Development Rider and should be made available to all GMO customers.

- 2) Service extensions—Should GMO be allowed to modify its line extension tariff provisions?

GMO Position: Yes. The Company proposes to make its line extension tariffs consistent with the KCP&L line extension tariffs. The Company would like to have a single document with a common name to communicate line extension related terms.

- 3) Miscellaneous tariff changes- Should the Commission allow the miscellaneous proposed tariff changes not specifically addressed elsewhere in this list?

GMO Position: Yes. The Commission should approve the miscellaneous proposed tariff changes included in the Direct Testimony of Bradley D. Lutz, Schedules BDL-4 and BDL-5.

D. Customer Disclaimer

- 1) Should the Commission order GMO to deploy a disclaimer indicating “rebates are subject to change” for net metering/solar rebate and MEEIA programs?

GMO Position: The Company does not contest the proposed disclaimer language suggested by OPC witness Marke in his rebuttal testimony for the Company’s Solar Rebate, Net Metering, and select MEEIA programs.

XXV. Income-Eligible Weatherization Program

- A. At what level should low-income weatherization program be funded when the program transitions out of GMO's Cycle 2 MEEIA back to a ratepayer funded program?

GMO Position: The Company believes the program should be funded at approximately \$400,000.

XXVI. Economic Relief Pilot Program: Should the funding levels of the program be modified?

GMO Position: The Company accepts Staff's recommendations on this issue.

- A. At what level should Economic Relief Pilot Program be funded?

GMO Position: The Company accepts Staff's recommendations on this issue.

- B. Should the Commission order a third party to evaluate the program?

GMO Position: No, the Company does not believe a third party evaluator is appropriate.

XXVII. Expense Trackers in Rate Base: Should GMO's expense trackers in rate base be excluded from rate base? Should there be a general policy concerning the inclusion of expense trackers in rate base?

GMO Position: GMO's Iatan 1 & Common Regulatory Asset, Iatan 2 Regulatory Asset and FAS 87 Pension Regulatory Asset have already been established and included in rate base in two previous rate cases and should be continued in this proceeding until the assets are fully amortized.

The Company agrees with Staff witness Mark Oligschlaeger that no general policy is needed governing the establishment and inclusion of tracker balances in rate base. On such important issues where regulatory assets or liabilities are established for tracked balances that provide a "return on" the tracked amount for either the Company or the customer each event should be evaluated on a case-by-case basis rather than formulation of a general policy that does not consider the unique facts surrounding the tracked issue.

XXVIII. Employee Meal Expense Policy: Should there be an adjustment associated with GMO's expense accounts?

GMO Position: No. OPC's proposed disallowance of \$150 per employee per month is arbitrary and unreasonable.

XXIX. Income Taxes: What level of GMO's income tax expense should the Commission recognize in GMO's revenue requirement?

GMO Position: Beyond the adjustments GMO has already made in calculating income tax expense, no further adjustments are warranted.

The computation of income tax expense should not ignore the current income tax expense component, as suggested by OPC. The current income tax component of the income tax expense computation replicates the amount of tax that would be needed for a GMO tax return using the rate case amount of revenue and expenses. This current amount of income tax affects the amount of cash GMO needs to pay its tax liabilities for the current period. If GMO did not compute this amount, the amount of cash taxes included in the working capital computations would not accurately show the amount of cash taxes needed to pay for GMO's tax liabilities. The deferred income tax component of this computation is then added to get total income tax expense in order to normalize the amount of overall income tax expense needed in this case under long-standing ratemaking principles.

XXX. Transmission Revenue ROE Adjustment/Transource Adjustment: Should transmission revenues be adjusted to reflect differences between MoPSC and FERC authorized ROEs?

GMO Position: Yes. This adjustment recalculates the transmission for others revenues received from other transmission customers, which are credited against the gross retail revenue requirement, by changing the return on equity ("ROE") in the GMO Transmission Formula Rate ("TFR") to the ROE that GMO has requested in this case. This adjustment corrects the situation where the crediting of transmission for others revenues results in Missouri retail customers paying less than the MoPSC authorized return. This adjustment should be revised to reflect the ROE ultimately authorized by the MoPSC in this case.

WHEREFORE, KCP&L Greater Missouri Operations Company files with the Commission the above Position Statement.

Respectfully Submitted,

/s/ Robert J. Hack

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served upon all parties of record on this 9th day of September, 2016.

/s/ Robert J. Hack

Attorney for KCP&L Greater Missouri Operations
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