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Witness: Ronald A. Klote
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Case No.: ER-2014-0370
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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2014-0370**

# DIRECT TESTIMONY

# OF

# RONALD A. KLOTE

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri**
**October 2014**

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**RONALD A. KLOTE**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2014-0370**

**DIRECT TESTIMONY**

**OF**

**RONALD A. KLOTE**

**Case No. ER-2014-0370**

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

A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri 64105.

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

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

**Q: On whose behalf are you testifying?**

A: I am testifying on behalf of KCP&L.

**Q: What are your responsibilities?**

A: My responsibilities include the preparation and review of accounting exhibits and schedules associated with Company regulatory filings. I also have responsibility for the completion and filing of certain regulatory reports to the Federal Energy Regulatory Commission ("FERC"), Department of Energy, and state regulatory commissions, among others.

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

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with KCP&L as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities.

**Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?**

A: Yes. I have testified before the MPSC, Kansas Corporation Commission, California Public Utilities Commission, and the Public Utilities Commission of Colorado.

**Q: What is the purpose of your testimony?**

A: The purpose of my testimony is to: (i) describe the revenue requirement model and schedules that are used to support the rate increase KCP&L is requesting in this proceeding (Schedules RAK-1 through RAK-3 attached to this testimony); and (ii) support various accounting adjustments listed on the Rate Base and Summary of Adjustments (Schedule RAK-2 and RAK-4 attached to this testimony).

## REVENUE REQUIREMENT MODEL AND SCHEDULES

**Q: What is the purpose of Schedules RAK-1 through RAK-3?**

A: These schedules represent the key outputs of the Company's revenue requirement model used to support the rate increase that KCP&L requests in this proceeding. Schedule RAK-1 shows the revenue requirement calculation. Schedule RAK-2 lists the rate base components, along with the sponsoring witnesses. Schedule RAK-3 is the adjusted income statement.

**Q: Were the schedules prepared either by you or under your direction?**

A: Yes, they were.

**Q: Please describe the process the Company used to determine the requested rate increase.**

A: We utilized our historical ratemaking preparation process to determine the rate increase request. We used historical test year data from the financial books and records of the Company as the basis for operating revenues, operating expenses and rate base. We then adjusted the historical test year data to reflect: (i) normal levels of revenues and expenses that would have occurred during the test year; (ii) annualizations of certain revenues and expenses; (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable changes that have been identified since the end of the historical test year. We then allocated the adjusted test year data to arrive at operating revenues, operating expenses, and rate base applicable to the Missouri jurisdiction. We subtracted operating expenses from operating revenues to arrive at operating income. We multiplied the net original cost of rate base times the requested rate of return to determine the net operating income requirement. This was compared with the net operating income available to determine the additional net operating income before income taxes that would be needed to achieve the requested rate of return. Additional current income taxes were then added to arrive at the gross revenue requirement. This requested rate increase is the amount necessary for the post-increase calculated rate of return to equal the rate of return supported by KCP&L witness Robert B. Hevert in his Direct Testimony.

**<u>TEST YEAR</u>**

**Q: What historical test year did KCP&L use in determining rate base and operating income?**

A: The revenue requirement schedules are based on a historical test year of the 12 months ending March 31, 2014, with known and measurable changes projected through April 30, 2015. We will update the schedules as of the cut-off date used by Staff in this rate case. In addition, we will then true up to actuals as part of the true-up process.

**Q: Please discuss changes that have been made to the true-up date subsequent to completion of the revenue requirement schedules.**

A: The revenue requirement schedules are based on a historical test year of the 12 months ending March 31, 2014, with known and measurable changes projected through April 30, 2015. It should be noted that the Company initially expected to file this rate case in early October of 2014, with an expected true-up date of April 30, 2015. As it turned out, however, the Company was not prepared to file in early October, and based on the actual filing date (October 30, 2014), we now expect the true-up date to be May 31, 2015. We do not expect material changes in our case to result from this change in filing and true-up dates. Additionally, because Staff and other parties to this proceeding will conduct their audits on the basis of actual historical experience of the Company, the fact that KCP&L's direct testimony filing is based on April 30, 2015 projections as opposed to May 31, 2015 projections should not be problematic. We expect to update the schedules as of the cut-off date used by Commission Staff and then true up to May 31, 2015 actuals as part of the true-up process.

**Q: Why was this test year selected?**

A: The Company used the 12-month period ending March 31, 2014 for the test year in this rate proceeding because that period reflects the most currently available quarterly financial information to provide adequate time to prepare the revenue requirement for this case.

**Q: Does test year expense reflect an appropriate allocation of KCP&L overhead to KCP&L Greater Missouri Operations Company ("GMO") and other affiliated companies?**

A: Yes, KCP&L incurs costs for the benefit of GMO and other affiliated companies and these costs are billed out as part of the normal accounting process. Certain projects and operating units are set up to allocate costs among the various affiliated companies based on appropriate cost drivers while others are set up to assign costs directly to the benefiting affiliate.

**Q: Why is a true-up period needed for this rate case?**

A: Historically, rate cases have included true-up periods which provide for updates to test year data. This process allows for changes in cost levels included in the test year to be updated to the most current information as of a specified date which is closer to the date rates are effective. This allows for a proper matching of rate base, revenues and expenses to account for known and measureable changes that have occurred since the end of the test year. A true-up is especially important in this case as the Company has a significant plant investment at the La Cygne generating station that is scheduled to go into service before June 1, 2015. A true-up date that captures this investment and other cost level changes is a critical component of this case. As stated above the Company is requesting a true-up date effective of May 31, 2015 in order to provide this update to rate base, revenues and expenses in this rate case.

**Q: Does GMO incur costs that are allocated to KCP&L?**

A: Yes, although not as significant as costs allocated by KCP&L, GMO does incur certain costs that are allocated to KCP&L.

## JURISDICTIONAL ALLOCATIONS

**Q: Why is it necessary to allocate revenues, expenses and rate base to the Company's various jurisdictions?**

A: KCP&L does not have separate operating systems for its Missouri, Kansas, and firm wholesale jurisdictions. It operates a single production and transmission system that is used to provide service to retail customers in Missouri and Kansas, as well as the full-requirements firm wholesale customers. Therefore, jurisdictional allocations of operating expenses, certain operating revenues and rate base are necessary.

**Q: Why is the method by which the allocations are made critical?**

A: First, the method of allocation is critical to ensure that the rates charged to each jurisdiction of customers reflect the full cost of serving those customers but not the cost of serving customers in other jurisdictions. Second, and very important, is the method of allocation must allow the Company the opportunity to recover fully its prudently incurred costs of serving those customers. That is, if the sum of the allocation factors allowed in each jurisdiction is less than 100%, then the Company is unable to recover its prudently incurred cost of service and return on rate base. The allocation factors presented in this case accomplish this.

**Q: What allocators did the Company use?**

A: The allocators that were utilized can be classified as input allocators and calculated allocators. The input allocators are based on weather-normalized demand and energy, described in the Direct Testimony of KCP&L witness Albert R. Bass, Jr., and customer information. Attached as Schedule RAK-6 is a listing of the allocation factors for this rate proceeding. The calculated allocators are, at their root, based on the Demand, Energy, and Customer allocators. The calculated allocators are calculated as a combination of amounts that have previously been allocated using one or more of the input allocators.

**Q: Please describe the Demand allocator.**

A: The Demand allocator used for this case is a 12-month weather normalized average of the coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale jurisdiction which covered the period April 2013 to March 2014. In addition, an adjustment was necessary for the month of June 2013 coincident peak weather normalized statistics in order to properly reflect a more historic normalized level for that month used in the development of the 12-month average.

**Q: Please describe the Energy allocator.**

A: The Energy allocator is based on the total weather-normalized kilowatt-hour usage by the Missouri and Kansas retail customers and the firm wholesale jurisdiction.

**Q: Please describe the Customer allocator.**

A: The Customer allocator is based on the average number of customers in Missouri, Kansas, and the firm wholesale jurisdiction.

**Q: Please explain how the various revenue, expense and rate base components are allocated among KCP&L's regulatory jurisdictions.**

A: Attached as Schedule RAK-7 is a narrative describing the allocation methodology.

## <u>ACCOUNTING ADJUSTMENTS</u>

**Q: Please discuss Schedule RAK-4.**

A: This schedule presents a listing of adjustments to net operating income for the 12 months ended March 31, 2014, along with the sponsoring Company witnesses. Various Company witnesses will support, in their direct testimonies, the need for each of these adjustments.

**Q: Please explain the adjustments to reflect normal levels of revenues and expenses.**

A: Adjustments are made to reflect "normal" levels of revenues and expenses; for example, retail revenues are adjusted to reflect if the weather had been "normal" during the test year.

**Q: Please explain the adjustments to annualize certain revenues and expenses.**

A: Revenues are annualized to reflect anticipated customer growth during the true-up period. Annualization adjustments have been made to reflect an annual level of expense in cost of service, such as the annualization of payroll and depreciation expenses. The former reflects a full year's impact of recent and expected pay increases, while the latter reflects the impact of a full year's depreciation on plant additions included in rate base.

**Q: Please explain the adjustments to amortize regulatory assets and liabilities.**

A: Various regulatory assets and liabilities have been established in past Missouri rate cases. These assets/liabilities are then amortized over the number of years authorized in the orders for the applicable rate cases. Adjustments are sometimes necessary to annualize the amortization amount included in the test year or remove amortizations that have ceased during the test year.

**Q: Please explain the adjustments to reflect known and measurable changes that have been identified since the end of the historical test year.**

A: These adjustments are made to reflect changes in the level of revenue, expense, rate base and cost of capital that either have occurred or are expected to occur prior to the true-up date in this case. For example, payroll expense and fuel costs have been adjusted for known and measurable changes.

**Q: Do the adjustments listed on Schedule RAK-4 and discussed throughout the remainder of this testimony entail an adjustment of test year amounts?**

A: Yes, the adjustments summarized on Schedule RAK-4 and discussed in this testimony reflect adjustments to the test year ended March 31, 2014.

**<u>RB-20 PLANT IN SERVICE</u>**

**Q: Please explain adjustment RB-20.**

A: KCP&L rolled the test year end March 31, 2014 plant balances forward to April 30, 2015, by using the Company's actual results through June 2014 and the 2014 and 2015 capital budgets for subsequent additional capital additions post June 2014. Projected plant additions net of projected retirements were added to actual balances through June 2014 to arrive at projected plant balances at April 30, 2015. For the La Cygne environmental equipment, projected plant additions through May 31, 2015 were included to coincide with the final projected in-service date of the associated significant plant additions. The La Cygne environment project is discussed by Company witnesses Robert Bell, Burton Crawford, Scott Heidtbrink, Darrin Ives and Paul Ling. In addition, as discussed below in adjustment RB-81, certain region wide transmission assets were excluded from plant in service amounts.

## RB-25/CS-111 IATAN 1 & IATAN COMMON REGULATORY ASSET

**Q: Please explain adjustment RB-25.**

A: As continued from Case No. ER-2012-0174 ("2012 Case"), KCP&L included in a regulatory asset depreciation expense and carrying costs for the Iatan Unit 1 Air Quality Control System and Iatan common plant. Adjustment RB-25 establishes the anticipated rate base value as of April 30, 2015 by rolling forward the regulatory asset balance, which is recorded on a Missouri jurisdictional basis, from March 31, 2014 to April 30, 2015.

**Q: Was this regulatory asset included in rate base in the 2012 Case?**

A: Yes.

**Q: Please explain adjustment CS-111.**

A: We continued the amortization of this regulatory asset based on the amortization levels established in the 2012 Case. The test year properly reflected the annual level of amortization expense.

## RB-26/CS-112 IATAN 2 REGULATORY ASSET

**Q: Please explain adjustment RB-26.**

A: As continued from the 2012 Case, KCP&L included in a regulatory asset construction accounting impacts which included depreciation, carrying costs, operations and maintenance expenses and fuel and revenue impacts for the Iatan Unit 2 construction project. Adjustment RB-26 establishes the anticipated rate base value as of April 30, 2015 by rolling forward the regulatory asset balance, which is recorded on a Missouri jurisdictional basis, from March 31, 2014 to April 30, 2015.

**Q: Was this regulatory asset included in rate base in the 2012 Case?**

A: Yes.

**Q: Please explain adjustment CS-112.**

A: We continued the amortization of this regulatory asset based on the amortization levels established in the 2012 Case. The test year properly reflected the annual level of amortization expense.

## RB-27/CS-113 LA CYGNE CONSTRUCTION ACCOUNTING REG ASSET

**Q: Please explain adjustment RB-27.**

A: On June 12, 2014, KCP&L filed an application in Case No. EU-2014-0255 for the issuance of an order that would allow KCP&L to treat the La Cygne environmental project under “Construction Accounting” until the effective date of rates at the conclusion of this rate case. Adjustment RB-27 is the accumulation of the regulatory asset associated with the Construction Accounting request that is best described as separating deferrals into two separate buckets. First, the Construction Accounting request provides for a deferral mechanism to record to a regulatory asset account the Missouri jurisdictional carrying costs calculated on the La Cygne environmental plant addition from the date the plant addition is placed in service to the date the plant addition is included in rates. Secondly, the Construction Accounting request provides for a deferral mechanism to record to a regulatory asset account the Missouri jurisdictional monthly depreciation expense recorded for the La Cygne environmental plant addition from the date the project is placed in service to the date the plant addition is included in rates. This adjustment estimates that the La Cygne environmental plant components will go in service in April and May of 2015 and that rates effective for this rate case proceeding will be effective September 30, 2015. RB-27 is requested to be a component of rate base.

**Q: Please explain adjustment CS-113.**

A: Adjustment CS-113 is the annual amortization amount that is calculated using the regulatory asset deferrals that are accumulated in adjustment RB-27 explained above. This regulatory asset is requested to be amortized over the remaining useful life of the La Cygne generating station.

**Q: What is the current status of Case No. EU-2014-0255?**

A: At the filing of this testimony, a procedural schedule has been established in Case No. EU-2014-0255 with hearings scheduled in December 2014.

## RB-28/CS-118 METER REPLACEMENT UNRECOVERED RESERVE

**Q: Please explain adjustment RB-28.**

A: In 2014, the Company began installing Advanced Metering Infrastructure technology that would replace all of the Company's Automated Meter Reading ("AMR") meters by the end of 2015. Company witness John Spanos discusses this meter replacement program in his Direct Testimony regarding impacts to the depreciation study that is being submitted with this rate case filing. As part of this study was the identification of an unrecovered reserve amount associated with the replaced AMR meters. Adjustment RB-28 is the quantification of the amount from the depreciation study that is being proposed to be included in the Company's rate base calculations.

**Q: Please explain adjustment CS-118**

A: Adjustment CS-118 is the annual amortization expense associated with the unrecovered reserve calculated in adjustment RB-28 associated with AMR meters. Although the AMR meters will be fully replaced by the end of 2015, the unrecovered reserve amortization period being proposed extends past this date. This is done to mitigate the annual impact. The unrecovered reserve amount is being requested to be over a ten-year period.

## RB-30 RESERVE FOR DEPRECIATION

**Q: Please explain adjustment RB-30.**

A: This adjustment rolls forward the Missouri-basis Reserve for Depreciation from March 31, 2014 to balances projected as of April 30, 2015.

**Q: How was this roll-forward accomplished?**

A: The depreciation/amortization provision component was calculated in three steps: (i) actual reserve activity from April 1 to June 30, 2014 was added to the March 31, 2014 balances; (ii) the June 2014 depreciation provision was multiplied by ten months to approximate the provision that will be charged to the Reserve for Depreciation from July 2014 through April 2015 for plant existing at June 30, 2014; and (iii) by estimating the depreciation/amortization through April 30, 2015 attributable to projected net plant additions from July 2014 through April 2015. In the third step, we assumed the net plant additions occurred ratably over this period.

**Q: Was the impact of retirements included in the roll-forward?**

A: Yes. Projected retirements were based on forecasted retirements from July 2014 through April 2015.

**RB-50 PREPAYMENTS**

**Q: Please explain adjustment RB-50.**

A: We normalized this rate base item based on a 13-month average of prepayment balances. Prepayment amounts can vary widely during the course of the year and an averaging method minimizes these fluctuations.

**Q: What accounts are included in prepayments?**

A: The most significant relate to prepaid insurance, postage and software maintenance.

**Q: What period was used for the 13-month averaging?**

A: We used the period March 2013 through March 2014.

**RB-55/CS-22 EMISSION ALLOWANCES**

**Q: Please explain adjustment RB-55.**

A: The Regulatory Plan Stipulation and Agreement ("Regulatory Plan S&A") agreed to in Case No. EO-2005-0329, with amendments approved on August 23, 2005, included an $SO_2$ Emission Allowance Management Policy. This policy provided for KCP&L to sell sulfur dioxide ("$SO_2$") emission allowances in accordance with the initial $SO_2$ Plan submitted to the MPSC, the MPSC Staff and other parties in January 2005, as updated.

The Regulatory Plan S&A required KCP&L to record all $SO_2$ emission allowance sales proceeds as a regulatory liability in Account 254. The liability was reduced by premiums that resulted from the Company's purchase of lower sulfur coal than specified under contracts, through the December 31, 2010 true-up date in Case No. ER-2010-0355 ("2010 Case"). Subsequent to December 31, 2010, the liability has been increased by sales of allowances through the Environmental Protection Agency's ("EPA") annual auction and reduced by amortization of the December 31, 2010 regulatory liability beginning in May 2011. Adjustment RB-55 reflects a net reduction in the regulatory liability balance through April 30, 2015 resulting from the amortization.

**Q: Please explain adjustment CS-22.**

A: This adjustment reflects an annualization of the amortization of this April 30, 2015 projected $SO_2$ proceeds regulatory liability.

**Q: Over what time period is this regulatory liability to be amortized?**

A: The Non-Unanimous Stipulation and Agreement As To Miscellaneous Issues in the 2010 Case, approved by the Commission on April 12, 2011, provided that the amortization period for the $SO_2$ regulatory liability would be 21 years beginning with the May 2011 effective date of rates in the 2010 Case. A small amount of proceeds have been periodically received from EPA auctions since the last rate case. This amount is being amortized over a five-year period.

**<u>RB-61/CS-61 OTHER POST-EMPLOYMENT BENEFITS</u>**

**Q: Please explain adjustment RB-61.**

A: Beginning May 4, 2011, KCP&L initiated a new tracker for Other Post-Employment Benefits ("OPEB") costs authorized in the 2010 Case, with the difference between current period costs and costs underlying rates being amortized over five years in the next case. This tracker mechanism was continued in KCP&L's most recent rate case, Case

No. ER-2012-0174. RB-61 is the continuation of this approach and includes an expected regulatory liability at April 2015 because OPEB costs decreased from the amount included in the 2012 Case. As such, a regulatory liability was created and the Missouri jurisdictional portion is reflected as a reduction of rate base.

**Q: Please explain the basis of adjustment CS-61.**

A: The Company annualized the projected 2015 OPEB expense based on the estimated total company amount provided by the Company's actuary, Towers Watson, prepared in accordance with Accounting Standards Codification 715, Compensation – Retirement Benefits, previously referred to as Financial Accounting Standards No. 106. This amount will establish the base amount to include in rates and will be used to track future actual OPEB costs against.

**Q: Is amortization of the operations and maintenance ("O&M") portion of RB-61 included in adjustment CS-61?**

A: Yes, it is. The O&M portion of the adjustment is amortized over five years and reflected in adjustment CS-61.

**Q: Does this adjustment take into consideration OPEB expense billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes, total company costs are adjusted to exclude the amortization of unrecognized OPEB costs related to the acquisition of Aquila by GPE in 2008 and adjustments were made for projected billings to affiliates and joint partners and charges to capital, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50).

**Q: Was OPEB expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?**

A: Yes, it was.

**<u>RB-65/CS-65 PENSION COSTS</u>**

**Q: Please explain adjustments RB-65 and CS-65.**

A: CS-65 is the adjustment of pension expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits to an annualized level for ratemaking purposes. Previously the accounting guidance was referred to as Financial Accounting Standards No. 87 "Employers' Accounting for Pensions (FAS 87) and No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (FAS 88) and these descriptions will continue to be used in the regulatory process.

RB-65 is the roll forward of the FAS 87, FAS 88 and prepaid pension regulatory assets to the projected April 30, 2015 balance.

**Q: Do these pension adjustments take into consideration pension expense billed to joint partners, billed to affiliated companies, and charged to capital?**

A: Adjustment CS-65 takes into account billings to joint partners and affiliates and charges to capital based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50). Adjustment RB-65 also takes into account billings to joint partners and affiliates but the balances are before charges to capital.

**Q: Do these pension adjustments include the effects of the Company's interest in the Wolf Creek generating station pension plan?**

A: Yes, they do.

**Q: Please explain the components of adjustment CS-65, pension expense.**

A: The FAS 87 cost was annualized based on the projected 2015 total company cost provided by the Company's actuarial firm, Towers Watson. In addition, annualized pension expense includes the five-year amortization of the FAS 87 and FAS 88 regulatory assets.

**Q: Was annualized pension expense determined in accordance with established regulatory practice?**

A: Yes, in the last KCP&L rate proceeding, Case No. ER-2012-0174, it was agreed to as part of the Non-Unanimous Stipulation and Agreement As To Certain Issues that the signatories will continue to abide by terms made in accordance with the methodology documented in the Nonunanimous Stipulation and Agreement Regarding Pensions and Other Post Employment Benefits in the 2010 Case, approved by the Commission on April 12, 2011.

**Q: What is the amount of FAS 87 expense on a total company Missouri basis currently built into rates?**

A: The Non-Unanimous Stipulation and Agreement in the 2012 Case established the annual amount built into rates at $41,125,866 (total company), after removal of capitalized amounts and the portion of KCP&L's annual pension cost that is allocated to KCP&L's joint partners associated with the Iatan and La Cygne generating stations, and before inclusion of the amortization of the FAS 87, FAS 88 and FAS 158 regulatory assets and <u>Supplemental Executive Retirement Plan</u> ("SERP") expense.

**Q: What is the comparable level of FAS 87 expense on a total company Missouri basis included in cost of service for this case?**

A: The comparable amount included in cost of service in this rate case is $41,581,870.

**Q: Please explain the FAS 87 regulatory asset?**

A: This regulatory asset represents the cumulative unamortized difference in FAS 87 pension expense for ratemaking purposes and pension expense built into rates for the corresponding periods.

**Q: How was the FAS 87 regulatory asset rolled forward to April 30, 2015 balance?**

A: The total company FAS 87 pension regulatory asset balance at March 31, 2012 was adjusted by the projected total company difference between FAS 87 expense for Missouri ratemaking purposes and the FAS 87 expense built into rates for the period April 1, 2012 through April 30, 2015. The regulatory asset balance was reduced by the projected amortizations for the April 1, 2012 through April 30, 2015 period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

**Q: What is the projected FAS 87 regulatory asset balance at April 30, 2015 on a total company basis?**

A: The FAS 87 regulatory asset on a total company basis is projected to be $23,646,347 at April 30, 2015.

**Q: Is the FAS 87 regulatory asset properly includable in rate base?**

A: Yes, it is included in rate base per the Non-Unanimous Stipulation and Agreement in Case No. ER-2012-0174.

**Q: Please explain the FAS 88 regulatory asset?**

A: This regulatory asset represents the cumulative deferred costs for pension plan settlements accounted for under FAS 88. Because these do not occur on a regular basis, they are tracked by vintage for ease of calculation and discussion. This case includes three vintages: (1) the 2011 vintage which was approved in Case No. ER-2012-0174 for amortization over five years; (2) the 2013 vintage for settlements related to the Joint Trusteed Pension Plan during 2013; and, (3) the projected 2014 vintage for settlements related to the Non-Union Pension Plan.

**Q: How was the FAS 88 regulatory asset rolled forward to April 30, 2015 balance?**

A: As noted above this regulatory asset is tracked by vintage. For the 2011 vintage the total company FAS 88 pension regulatory asset balance at March 31, 2012 was reduced by the projected amortizations for the April 1, 2012 through April 30, 2015 period. The projected 2013 and 2014 vintages represent KCP&L's portion of deferred settlements after billings to joint partners and affiliates.

**Q: What is the cumulative FAS 88 regulatory balance at April 30, 2015 on a total company basis?**

A: The projected FAS 88 regulatory asset at April 30, 2015 is $24,509,947 on a total company basis which consists of $6,157,626 for the 2011 vintage, $6,757,865 for the 2013 vintage and $11,594,456 for the projected 2014 vintage.

**Q: Is the FAS 88 regulatory asset included in rate base?**

A: No, it is not included in rate base in accordance with the Non-Unanimous Stipulation and Agreement in Case No. ER-2012-0174.

**Q: Please explain the prepaid pension regulatory asset?**

A: The prepaid pension regulatory asset represents the cumulative difference between the FAS 87 regulatory pension expense and contributions made to the pension trusts.

**Q: How was the prepaid regulatory asset rolled forward to April 30, 2015 balance?**

A: The total company prepaid pension regulatory asset balance at March 31, 2012 was adjusted by the projected total company FAS 87 regulatory expense and contributions for Missouri ratemaking purposes for the periods April 1, 2012 through April 30, 2015. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

**Q: What is the projected cumulative prepaid pension regulatory balance at April 30, 2015 on a total company Missouri basis?**

A: The balance for the prepaid pension regulatory asset as of April 30, 2015 is projected to be zero.

**Q: Is the regulatory treatment of pension costs in this rate filing consistent with the Non-Unanimous Stipulation and Agreement in Case No. ER-2012-0174?**

A: Yes, it is.

**Q: Does the Company request to continue the regulatory treatment of pension costs?**

A: Yes it does.

## RB-70 CUSTOMER DEPOSITS

**Q: Please explain adjustment RB-70.**

A: We examined customer deposit balances for Missouri customers from March 2013 through March 2014. The analysis observed a declining balance. Therefore, we chose to use the March 31, 2014 balance in rate base.

## RB-71 CUSTOMER ADVANCES

**Q: Please explain adjustment RB-71.**

A: We examined customer advance balances for Missouri customers from March 2013 through March 2014 and observed that the balance was unchanged during this period. Therefore, we used the March 2014 balance in rate base.

## RB-72 MATERIALS AND SUPPLIES

**Q: Please explain adjustment RB-72.**

A: We reviewed the individual materials and supplies category balances during the period March 2013 through March 2014 to determine if there was a discernable trend, either upward or downward. If there was a trend, the test year-end balance was not adjusted. Otherwise, a 13-month average was used.

## RB-75 NUCLEAR FUEL INVENTORY

**Q: Please explain adjustment RB-75.**

A: We normalized this balance based on an 18-month average, to coincide with the 18-month Wolf Creek refueling cycle. Nuclear fuel inventory balances increase significantly at the time of a refueling outage and then decrease systematically until the next refueling outage. An averaging method minimizes these changes.

**Q: What period was used for the 18-month averaging?**

A: We used the period November 2013 through April 2015.

**Q: Did the MPSC Staff use 18-month averaging for nuclear fuel inventories in the Case No. ER-2012-0174?**

A: Yes, they did.

## RB-81/R-81/CS-81 TRANSMISSION REGION WIDE PROJECTS

**Q: Please explain the proposed ratemaking treatment for regional transmission projects.**

A: Under historical retail ratemaking treatment, 100% of the cost of legacy transmission facilities that were built to serve an integrated electric utility's native load were properly charged to retail customers through inclusion in retail rate base and cost of service. That type of rate treatment, however, is no longer appropriate for regional transmission projects that are being built to serve customers throughout the region and whose costs will also be allocated to customers throughout the region.

Southwest Power Pool ("SPP") regionally allocated projects are not built by the Transmission Owner for the purpose of serving its native load. Rather, they are built to serve the entire SPP region in order to achieve one or more of the following benefits received from SPP-directed projects:

1. Provide long-term firm transmission service, which is of benefit to the Transmission Customer that requested service.
2. Enhance system reliability.
3. Lower the power supply cost of member utilities by mitigating transmission congestion and reducing energy losses.
4. Improve the ability of the grid to transport power from wind farms in order to meet renewable energy targets and reduce variable energy supply costs.

The fundamental purpose of these projects is regional, not local. Such projects would not exist if not for regional purpose, action and cost allocation. If the constructing

Transmission Owner also has retail load, and thus is served as a Transmission Customer under the SPP Open Access Transmission Tariff ("OATT"), the charges assessed to the Transmission Customer will be based on its load in the same manner as charges to every other SPP Transmission Customer taking network service.

To reiterate, the regionally allocated projects are built for the purpose of serving the entire region, not just the incumbent Transmission Owner's native load. The costs under the SPP OATT are assessed on an equal per KW basis to the entire region, not just to the incumbent Transmission Owner's native load. Therefore, a Transmission Owner that constructs a regional project is literally serving customers in all states in the SPP region.

**Q: Please explain the key differences between a regional project and a legacy transmission project.**

A: Several key differences between a regional and legacy transmission project are that: (1) the Transmission Owner makes a regional transmission investment based on acceptance of a Notification to Construct issued by SPP versus building a legacy transmission project at the Transmission Owner's own discretion; (2) the regional transmission project serves the SPP footprint versus just the Transmission Owner's native load; and (3) other Transmission Customers throughout the SPP footprint are responsible for paying for the revenue requirements associated with the regional project versus the project revenue requirement being borne by the Transmission Owner's retail customers in its service territory.

**Q: Please describe KCP&L's regional transmission projects.**

A: KCP&L has one regional transmission project, Tap of Swissvale to Stilwell 345kV line at the West Gardner Substation ("Swissvale Tap Project").

**Q: Please explain how KCP&L treated regional transmission projects in this case.**

A: KCP&L made three adjustments, RB-81, R-81 and CS-81, to remove regional project costs from the retail cost of service. Only the expense related to KCP&L's load ratio share of the Swissvale Tap Project revenue requirement charged by SPP to KCP&L, as the Transmission Customer, will be included in the retail cost of service. KCP&L's SPP load ratio share is approximately 7.6%, which means that other customers throughout the region will be allocated approximately 92.4% of the cost of KCP&L's regionally allocated transmission projects. The retail load in KCP&L's service area will pay its share of regional projects with the same rate of return as other companies' retail load pays for the same projects.

**Q: Please explain adjustment RB-81.**

A: Adjustment RB-81 removes the transmission assets and the allocated reserve associated with the Swissvale Tap Project from rate base in this rate case.

**Q: Please explain adjustment R-81.**

A: Adjustment R-81 removes from the test year amount of revenue earned for the Swissvale Tap Project during the test year. SPP charges Transmission Customers throughout the region for network and point-to-point transmission service for regional projects, like the Swissvale Tap Project, based on Schedule 11 of the SPP OATT. The Schedule 11 revenues for the regional projects are distributed to the Transmission Owners of those regional projects. This revenue adjustment is consistent with the Adjustments RB-81 and CS-81 that remove the Swissvale Tap Project from retail rate base and cost of service.

**Q: Please explain adjustment CS-81.**

A: Adjustment CS-81 removes a portion of transmission maintenance expense relating to the Swissvale Tap Project.

## RB-100/CS-100 ENERGY EFFICIENCY/DEMAND RESPONSE COSTS

**Q: Please explain adjustment RB-100.**

A: Company witness Tim Rush discusses KCP&L's energy efficiency/demand response ("EE/DR") programs in his Direct Testimony. This adjustment rolls forward the unamortized deferred EE/DR costs from August 31, 2012, the true-up period in the 2012 case, to August 31, 2015 for Vintages 1-5. Also included in this adjustment is Vintage 6 deferrals representing actual costs incurred from September 2012 through July 2014 and projected pre-Missouri Energy Efficiency Investment Act ("MEEIA") expenditures through April 30, 2015. Consistent with the Report and Order in the 2010 Case, carrying costs have also been included on costs incurred after August 31, 2012.

**Q: Please explain adjustment CS-100.**

A: This adjustment includes an annual amortization of deferred pre-MEEIA costs based on the projected deferred cost balance included in adjustment RB-100. The amortization period included for this case for all unamortized balances as of August 31, 2015 is 11 years. Company witness Tim Rush explains the basis for this amortization period in his Direct Testimony.

## RB-125 ACCUMULATED DEFERRED INCOME TAXES

**Q: Please explain adjustment RB-125.**

A: We adjusted March 31, 2014 Accumulated Deferred Income Taxes ("ADIT") in adjustment RB-125. Deferred income taxes represent the tax on timing differences for deductions and income reported on KCP&L's income tax returns compared to what is reported for book purposes. ADIT represents the accumulated balance of these income tax timing differences at a point in time.

**Q: What are the ADIT adjustments to KCP&L's rate base?**

A: Adjustment RB-125 related to items included in KCP&L's rate base or net operating income. This schedule reflects the deferred tax liabilities relating to depreciation and other expenses deducted for the tax return in excess of book deductions (including bonus depreciation for years prior to 2014), resulting in a rate base decrease. This adjustment also reflects deferred tax assets that serve to increase rate base. The most significant of the deferred tax assets is the net operating losses. For tax purposes, the deductions for accelerated depreciation (including bonus depreciation) created a net operating loss for KCP&L for 2011. Under the Internal Revenue Service ("IRS") normalization rules, deferred tax liabilities that have not been used to reduce the tax liability of the company should not be included as a rate base reduction. The inclusion of the deferred tax assets related to net operating losses created by accelerated depreciation deductions partially offsets the deferred tax liabilities for accelerated depreciation deduction in order to reflect the proper amount of deferred taxes in rate base for the Company.

**Q: Why does ADIT affect rate base?**

A: ADIT liabilities such as accelerated depreciation are considered a cost-free source of financing for ratemaking purposes. Ratepayers should not be required to provide for a return on plant in service that has been funded by the government in the form of reduced (albeit temporarily) taxes. As a result, ADIT liabilities are reflected as a rate base offset (reduction in rate base). Conversely, ADIT assets such as the timing difference related to $SO_2$ allowance proceeds and net operating losses increase rate base. KCP&L has paid taxes to the government in advance of the time when such taxes are included in cost of service and collected from ratepayers. To the extent taxes are paid, KCP&L must borrow money and/or use shareholder funds. The increase to rate base for deferred income tax assets allows shareholders to earn a return on shareholder-provided funds until recovered from ratepayers through ratemaking.

**Q: What time period was used for ADIT in this case?**

A: ADIT is based in general on March 31, 2014 general ledger balances, with the plant-related ADIT balances adjusted for projected plant activity through April 30, 2015.

**Q: Does the projected ADIT in this case include the impact of the extension of bonus depreciation to 2014 and 2015 by Congress?**

A: No. Current law does not allow for bonus depreciation for 2014 and 2015. To include the impact of bonus depreciation in the computation of ADIT in rate base when it has not been extended by Congress would also be a violation of the IRS's normalization rules. If bonus depreciation is extended by Congress to 2014 and 2015 before the anticipated true-up date in this case, the projected ADIT will be adjusted to include the impact of bonus depreciation.

## CASH WORKING CAPITAL

**Q: Please discuss Cash Working Capital.**

A: Cash working capital ("CWC") is included in rate base as summarized on Schedule RAK-5.

**Q: Why is it necessary to calculate an amount of CWC?**

A: CWC is the amount of cash required by a utility to pay the day-to-day expenses incurred to provide utility service to its customers. A lead/lag study is generally used to analyze the cash inflows from payments received by the company and the cash outflows for disbursements paid by the company. When the utility receives payment from its retail customers for utility service less quickly than it makes the disbursements for utility expenses, then the company has a positive cash working capital requirement. Conversely, when the utility receives payment from its retail customers for utility service more quickly than it makes the disbursements for utility expenses it has a negative cash working capital requirement.

**Q: How did you determine the amount of CWC?**

A: We applied lead/lag factors used consistently in the Company's previous rate cases to the appropriate cost of service amounts. The application of the individual lead/lag factors to applicable amounts is shown on Schedule RAK-5.

**Q: Were any of the factors updated from those used in the 2012 Case?**

A: We updated the retail revenue lag factor and the associated blended total revenue lag factor.

**Q: Please explain why these factors were updated.**

A: We revised the retail revenue lag factor primarily to reflect the proper collection lag. The retail revenue factor used by the Company in this case was 25.188 days, made up of three components: service period lag, billing lag and collection lag. The service period lag remained the same as last case at 15.21 days. The billing lag was retained in this case at 2.00 days. However, we reflected a change in the collection lag from 8.932 days in the 2012 Case to 7.980 days. This resulted in a total retail revenue lag of 25.188 days.

**Q: Why was it necessary to update the collection lag?**

A: The collection lag is a weighted value that reflects two components: 1) a zero-day lag for the percentage of receivables sold under KCP&L's Accounts Receivable facility (the facility is discussed later in this testimony (adjustment CS-78)); and 2) an average number of days outstanding for the percentage that is not sold. The percentage of receivables sold was revised from 65.54% in the 2012 Case to 65.19% in the current rate case. The average number of days that bills are outstanding was recalculated for the period April 1, 2013 to March 31, 2014, resulting in a revision from 25.919 days in the 2012 Case to 22.921 days in the current rate case.

**Q: What is the blended total revenue lag?**

A: Consistent with the 2012 Case, KCP&L calculated a blended revenue factor for retail revenues and for other revenues, which includes bulk power sales and miscellaneous revenues. The blended revenue factor in this case decreased to 26.68 days from the 27.38 days used in the 2012 Case.

**Q: Why was it necessary to update the associated blended total revenue lag**?

A: If the retail lag factor is updated it impacts the blended revenue lag factor. Additionally, the weighting of the components of revenues must be adjusted.

**Q: Did KCP&L make any other changes to the CWC lead/lag factors determined in the 2012 Case?**

A: Yes, the Company updated the revenue lag days for City Franchise Taxes, Ad Valorem and Sales/Use Taxes from 12.17 days in the 2012 Case to 11.47 days in the current case. This change resulted from the update of the blended revenue factor to 26.68 days compared to the 27.38 days from the 2012 Case. The expense leads remained unchanged from those settled on in the 2012 Case.

**Q: Are you aware of any changes in KCP&L's processes which would cause any of the other lead/lag factors to require modification from those used in the 2012 Case?**

A: No, none that I am aware of.

**Q: How were the resulting lead/lag factors used?**

A: Lags for both blended revenues and payments were posted to Schedule RAK-5. On this schedule, the net blended revenue/payment lag for each payment group was calculated and the result was divided by 365 days to arrive at a net lead/lag factor. These factors were subsequently applied to the applicable Missouri jurisdictional cost of service amounts on Schedule RAK-5. The total resulting CWC amount was then carried forward to Schedule RAK-2 (rate base schedule).

## R-1 GROSS RECEIPT TAXES

**Q: Please explain adjustment R-1.**

A: This adjustment removes gross receipts taxes from both retail revenue, including forfeited discounts, and general taxes, consistent with the adjustment made by both KCP&L and the MPSC Staff in prior rate cases. This adjustment is made so that annualized/normalized retail revenue reflects base or "bare" revenue only, consistent with the tariffs.

## R-21 FORFEITED DISCOUNTS

**Q: Please explain adjustment R-21.**

A: We normalized forfeited discounts by computing a Missouri-specific forfeited discount factor based on test period forfeited discounts and revenue and applying it to Missouri jurisdictional weather-normalized revenue.

## R-78 EXCESS MARGIN REGULATORY LIABILITY

**Q: Please explain the excess margin regulatory liability.**

A: In previous rate cases, KCP&L began returning to ratepayers off-system sales margins realized in excess of certain percentage levels over a 10 year period. The excess margin liability was recorded on the financial books as a credit to a regulatory liability (FERC account 254) and a debit to retail revenue (FERC account 449) in the period incurred. Interest accrues on this liability. The liability is amortized beginning with the effective date of the tariffs in which the revenue reduction is included. When the liability is amortized the liability account is reduced and retail revenue is increased.

**Q: What regulatory liabilities exist for purposes of this rate case?**

A: Excess margins were realized in 2007 ($1,082,974) and 2008 ($2,947,332), as documented in the Non-Unanimous Stipulation and Agreement in Case No. ER-2009-0089. It stated that the amortization of these regulatory liabilities, plus accrued interest, was to begin September 1, 2009, based on a ten-year amortization period. In the 2010 Case excess margins of $3,684,939 for the period September, 2009 through August, 2010 were ordered to be returned to ratepayers over ten years beginning with the effective date of new rates in that case, May 4, 2011.

**Q: Please explain adjustment R-78.**

A: Adjustment R-78 annualizes the amortization of these regulatory liabilities, including new accrued interest through April 30, 2015.

## R-80 TRANSMISSION REVENUE – ROE

**Q: Please explain adjustment R-80.**

A: This adjustment provides for the Company's retail customers to bear responsibility for the return on transmission rate base at the Commission-allowed level. Essentially, the adjustment reduces the amount of transmission revenue that is credited against the gross transmission revenue requirement so that the adjusted revenue credit is consistent with the return allowed in Missouri rather than the return allowed by the FERC. Without this adjustment, the return on equity ("ROE") included in retail rates for transmission assets would be less than that authorized by the MPSC.

**Q: Please describe the calculation of this adjustment.**

A: The Company has a transmission formula rate on file with the FERC ("Formula Rate") that is updated each year to determine the revenue requirement and rate level for transmission service provided through the SPP OATT and the KCP&L OATT. The ROE allowed by the FERC in the formula rate is 11.1 percent. However, the ROE requested by the Company in this case is 10.3 percent. The first step in calculating the adjustment is to determine the difference between the annual revenue requirement in the Formula Rate when the ROE is set at 11.1 percent and the annual revenue requirement when the ROE is set at 10.3 percent. This difference is divided by the annual revenue requirement at 11.1 percent to derive an adjustment percentage. This should be adjusted for the final ROE determined by the Commission in this case.

**Q: Please continue with the further steps required.**

A: The next step is to determine the amount of transmission revenue received by KCP&L that is derived through application of the Formula Rate in charging wholesale customers for transmission service. The preponderance of this revenue is collected as a result of service provided under the SPP OATT. A further calculation is made to exclude the portion of the revenue attributable to service that KCP&L paid for as a transmission customer. Because those service charges are included in the retail cost-of-service not only as revenue credits but also as expenses under Account 565, those amounts are removed from the revenue adjustment so that the costs born by retail customers reflect the overall ROE level of 10.3 percent. The remaining revenue, after the above-described adjustments, essentially represents the portion based on the Formula Rate that is derived from sources other than KCP&L. This revenue is then multiplied by the ROE adjustment percentage described above to arrive at the final adjustment amount. Base Plan projects built under the direction of SPP and Zonal projects are built under the Company’s own initiative. The result is a reduction in the revenue credits for KCP&L.

## CS-11 OUT-OF-PERIOD ITEMS/MISCELLANEOUS ADJUSTMENTS

**Q: Please explain adjustment CS-11.**

A: We adjusted certain expense transactions recorded during the test year from the cost of service filing in this rate case. The following is a listing of the various components:

Remove charges from test year- The Company has identified certain costs recorded during the test year for which it is not seeking recovery in this rate proceeding or which were adjustments to transactions recorded prior to the test period, netting to approximately $5.38 million (a KCP&L total company amount). These costs for which the Company is not seeking recovery primarily include director and officer long-term incentive compensation, promotional advertising costs, non-recoverable dues, and lobbying costs. We believe the costs were ordinary and reasonable business expenses, however, we are not requesting recovery of these costs from ratepayers in this case.

Miscellaneous coding corrections- The Company has identified various transactions where coding corrections were made after the end of the test year. The original transactions have been removed from test year costs netting to approximately $140,000 (a KCP&L total company amount).

## CS-18 KANSAS CITY, MISSOURI EARNINGS TAX

**Q: Please explain adjustment CS-18.**

A: This adjustment is necessary to reflect the estimated Kansas City, Missouri earnings tax expense for KCP&L's operations for 12 months that ended April 30, 2015 that would be due if bonus depreciation is extended by Congress to 2014 and 2015. Current tax law allows bonus depreciation only through the 2013 tax year. However, Congress has a history of extending bonus depreciation during years that it has expired and providing a retroactive effective date for the extension to the beginning of the tax year. At this time, the Company expects the bonus depreciation to be extended for the 2014 and 2015 tax year. If bonus depreciation has not been extended by the anticipated true–up date in this case, the Company will adjust the projected amount of Kansas City, Missouri earning tax expense in cost of service.

## CS-4/CS-20 BAD DEBTS

**Q: Please explain adjustment CS-4.**

A: This adjustment is necessary to reflect the test year provision for bad debt expense recorded on the books of Kansas City Power & Light Receivables Company ("KCRec").

**Q: Please explain adjustment CS-20.**

A: In adjustment CS-20a we adjusted bad debt expense applicable to the weather-normalized revenues sponsored by Company witness Tim M. Rush (adjustment R-20) by applying a Missouri-specific net bad debt write-off factor to Missouri weather-normalized revenue. In CS-20b, we established bad debt expense for the requested revenue adjustment in this rate case, again using the bad debt write-off factor.

**Q: How was the bad debt write-off factor determined?**

A: We examined net bad debt write-offs on a Missouri-specific basis as compared to the applicable revenues that resulted in the bad debts.

**Q: Over what period was this experience analyzed?**

A: Net bad debt write-offs were for the test year, April 2013 through March 2014, while the related retail revenue was for the 12-month period October 2012 through September 2013.

**Q: Why were different periods used for the calculation?**

A: There is a significant time lag between the date that revenue is recorded and the date that any resulting bad debt write-off is recorded due to time spent on various collection efforts. While the time expended can vary depending on circumstances, we assumed a six-month lag, representing the standard time span between when a customer is first billed and the time when an account is disconnected and the receivable subsequently written off.

**Q: The term "net" write-offs is used. What does it mean?**

A: This term refers to accounts written off less recoveries received on accounts previously written off.

**CS-35 WOLF CREEK MID-CYCLE OUTAGE**

**Q: Please explain adjustment CS-35.**

A: Adjustment CS-35 removes from the cost of service expenses that occurred during the test year that related to a planned mid-cycle outage at the Wolf Creek generating station. This mid-cycle outage began March 8, 2014 and was completed by May 13, 2014. This adjustment removes all of the test year costs associated with this one time mid-cycle outage.

**CS-36 WOLF CREEK REFUELING OUTAGE**

**Q: Please explain adjustment CS-36.**

A: This adjustment consists of three components. The first component addresses the Wolf Creek refueling outage annualization. The Wolf Creek nuclear generating station refueling cycle is normally about 18 months. The Company defers the O&M outage costs and amortizes the costs over the 18 months leading up to the next refueling. This adjustment annualizes the Wolf Creek refueling expense.

**Q: Why is a refueling annualization adjustment necessary in this case?**

A: The test period amortization includes the amortization of refueling outage number 19. Scheduled to begin in February of 2015 and be completed by April of 2015 is refueling outage number 20. Annualized expense that is included in this case should reflect the level of amortization expense associated with the most recently complete refueling outage which will be completed prior to the true-up of this rate case. As such, projected costs associated with refueling outage number 20 were used to determine the monthly amortization expense over the subsequent 18 months after completion of the refueling outage. This annualization adjustment results in a full year's amortization expense for refueling number 20.

**Q: Please discuss the second component of adjustment CS-36.**

A: In Case No. ER-2009-0089 Non-Unanimous Stipulation and Agreement, the Company was required to set up a regulatory asset, without rate base treatment, for recovery of certain Spring 2008 costs associated with refueling outage number 16 over a five-year period beginning September 1, 2009. This deferral is expected to be fully amortized by August of 2014. As such, this amortization has been removed from the test year cost of service.

**Q: Please discuss the third component of adjustment CS-36.**

A: In the 2012 Case, the Company established a regulatory asset as proposed by Staff similar to Case No. ER-2009-0089 for recovery of certain non-routine refueling costs associated with refueling outage number 18 over a five-year period beginning February

2013. The test year reflects in this case a full year of amortization associated with this deferral.

## CS-37 WOLF CREEK DECOMMISSIONING

**Q: Please explain adjustment CS-37.**

A: This adjustment annualizes the expense associated with decommissioning the Wolf Creek nuclear generating station.

**Q: What is the annualized nuclear decommissioning expense the Company seeks in this case?**

A: The Company seeks an annualized amount of $1,281,264 (Missouri jurisdictional). Since the test year cost of service reflects this amortization, net operating income is properly stated and requires no adjustment.

**Q: Is the requested annualized amount the same as that requested in the 2012 Rate Case?**

A: Yes.

**Q: Why is the amount the same?**

A: The annual expense/accrual level is based on a cost study conducted every three years. The most recent study, conducted by TLG Services, Inc., was filed with the Commission on August 29, 2014 in Case No. EO-2015-0056 along with an analysis prepared by KCP&L of funding levels necessary to defray the decommissioning cost estimated in the study. In that application, KCP&L requested that the Commission approve the continuation of the annual accrual at the current level.

## CS-40/CS-41 TRANSMISSION AND DISTRIBUTION MAINTENANCE

**Q: Please explain adjustments CS-40 and CS-41.**

A: These adjustments are for the purpose of including an appropriate level of transmission and distribution maintenance expense in this case. Since the maintenance level has been increasing and is projected to continue to increase, KCP&L included test year maintenance expenses in its direct case, as being the most representative level for ongoing expense. Therefore, net operating income is properly stated and requires no adjustment.

## CS-42 GENERATION MAINTENANCE

**Q: Please explain adjustment CS-42.**

A: This adjustment is for the purpose of including an appropriate level of generation maintenance expense in this case. Since the maintenance level has been increasing and is projected to continue to increase, KCP&L included test year maintenance expenses in its direct case, as being the most representative level for ongoing expense. Therefore, net operating income is properly stated and requires no adjustment.

**Q: Were there any other adjustments made to the test year amounts?**

A: Yes, adjustments were made to test year generation maintenance expenses related to the Iatan 2 and Common Tracker which is described in more detail below in my testimony regarding adjustment CS-48. This Tracker was established in Case No. ER-2010-0355 in order to defer and amortize Iatan 2 and Common operations and maintenance expenses. Thus, there are amounts recorded in the test year generation maintenance accounts related to this Tracker which must be removed from the test year for purposes of adjustment CS-42. To date there have been three complete vintages of this Tracker, with Vintage 1 currently being amortized during the test year and also the establishment of a regulatory liability for Vintage 3 which was recorded during the test year. In order to eliminate the impact of the tracker from test year generation maintenance expenses for adjustment CS-42, these tracker amounts were removed. In February 2014, $241,898 KCPL-MO jurisdictional amount was recorded to establish Vintage 3 as a credit to the regulatory asset account 182512. An adjustment was made to the test year in account 512000 to remove these dollars from the test year. In addition, an adjustment was made for $224,412 KCPL-MO jurisdiction to remove 12 months of amortization expense for Vintage 1 which was recorded to account 513001. By completing both of these adjustments, the test year is reduced to reflect actual generation maintenance expense recorded.

## CS-43 VEGETATION MANAGEMENT

**Q: Please explain adjustment CS-43.**

A: Adjustment CS-43 adds to test year levels costs associated with three programs included within vegetation management operations. These three programs include: 1) implementing an ash tree mitigation plan due to Emerald Ash Borer infestation, 2) expanding the vegetation management program to include triplex circuits, and 3) aligning the trim cycles for the Urban and Rural areas to 4 years. Please see the testimonies of Company witnesses James “Jamie” S. Kiely and Tim M. Rush for further discussion of these programs.

## CS-44 ECONOMIC RELIEF PILOT PROGRAM

**Q: Please explain adjustment CS-44.**

A: As part of the Non-Unanimous Stipulation and Agreement As To Certain Issues in Case No. ER-2012-0174 the Company was authorized to continue to fund its Economic Relief Pilot Program ("ERPP") by including 50% in cost of service and 50% funded by shareholders. Company witness Tim Rush discusses the ERPP program in his Direct Testimony in this case and the Company's request of an increased level of funding to be included in this case. This adjustment reflects the increased level of funding to be included in cost of service in this rate case proceeding.

## CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS

**Q: Please explain adjustment CS-45.**

A: The Company annualized transmission expense including base plan funding costs recorded in FERC account 565 based on the 12 months ending April 30, 2015.

**Q: Are transmission costs increasing significantly?**

A: Yes, primarily related to SPP base plan upgrades that have continued to increase year over year as discussed in more detail in the Direct Testimony of Company witness Tim Rush.

**Q: What is the Account 565 cost that the Company has included in its cost of service in this case?**

A: KCP&L included $49,440,273 (total company). This amount is one of the components included in the proposed fuel adjustment clause request discussed by Company witness Tim M. Rush in his Direct Testimony in this case.

## CS-48 IATAN 2 AND IATAN COMMON TRACKER

**Q: Please explain adjustment CS-48.**

A: In Case No. ER-2010-0355, the Non-Unanimous Stipulation and Agreement As To Miscellaneous Issues established a tracker for Iatan 2 and Iatan common O&M expenses. Since that time there have been three completed vintages of operations and maintenance expenses that have been tracked. Currently, the vintage 4 period of O&M expense is being tracked through January of 2015. Vintage 5 will be tracked from February to April 2015 and included in the true-up in this case. This adjustment computes the annual amortization expense over a three-year period of the vintage 1 and 2 regulatory assets and vintage 3 regulatory liability. At the true-up of this case, vintage 4 and vintage 5 will be included in the annual amortization expense.

**Q: Will this tracker continue to be utilized in the future?**

A: No. The Company is requesting that this tracker be discontinued since a level of historical operation and maintenance expenses has occurred for the Iatan 2 and Iatan common operations. As such, at the true-up date in this case the Company is requesting that the tracker mechanism be discontinued and a base level of operation and maintenance expenses be included in cost of service.

## CS-49 MISCELLANEOUS O&M

**Q: Please explain adjustment CS-49.**

A: Adjustment CS-49 includes an annual level of expense for miscellaneous maintenance anticipated to occur prior to the true-up.

## CS-50 PAYROLL

**Q: Please explain adjustment CS-50.**

A: KCP&L annualized payroll expense based on the employee headcount as of March 31, 2014 adjusted for minor labor impacts of the KCP&L Missouri jurisdiction's energy efficiency rider implementation, multiplied by salary and wage rates expected to be in effect as of April 30, 2015.

**Q: How were salary and wage rates determined?**

A: Wage rates for bargaining (union) employees were based on contractual agreements. Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of April 30, 2015.

**Q: Were amounts over and above base pay, such as overtime, premium pay, etc. included in the payroll annualization?**

A: Yes, overtime was annualized at an amount equal to the average of the amounts incurred for the 12 month periods ending December 2011, December 2012 and March 2014, adjusted for labor escalations. In addition, overtime amounts were adjusted to exclude impacts of the Wolf Creek Mid-Cycle outage in which test year amounts were removed in adjustment CS-35. Amounts were included for other categories at test year levels.

**Q: Does annualized payroll include payroll KCP&L billed to GMO and other affiliates?**

A: The annualization process includes all payroll, since all employees are KCP&L employees. However, annualized payroll included in this rate proceeding was reduced by the amount that would be billed out to these affiliated companies.

**Q: Was payroll expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?**

A: Yes, it was.

**Q: Does the payroll annualization adjustment take into consideration payroll billed to joint venture partners and payroll charged to capital?**

A: Yes, the payroll annualization adjustment takes these factors into consideration.

**Q: How was the payroll capitalization factor determined?**

A: The Company used a three-year average payroll capitalization factor, as being representative of payroll capitalization going forward. The periods included in the three-year average capitalization factor included the 12 months ending December 2011, December 2012 and March 2014.

## CS-51 INCENTIVE COMPENSATION

**Q: Please explain adjustment CS-51.**

A: KCP&L annualized incentive compensation based on the actual March 2014 payouts. Adjustments were made to the annual amount to remove all incentive compensation that was associated with metrics tied to earnings per share.

**Q: Does this adjustment take into consideration incentive compensation billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

## CS-52 401(k)

**Q: Please explain adjustment CS-52.**

A: KCP&L adjusted 401(k) expense to an annualized level by applying the average matching percentage from the March 31, 2014 payroll to the O&M adjustment for annualized payroll (adjustment CS-50), excluding bargaining unit overtime, and including eligible incentive compensation (adjustment CS-51).

**Q: Please explain the change to the 401(k) plan that occurred beginning January 1, 2014.**

A: Beginning January 1, 2014, all new hire non-union employees are no longer eligible to be a part of the company sponsored pension plan. Instead, new hire retirement benefits will be provided exclusively through the 401(k) savings plan. A non-elective contribution will be made to the new hires 401(k) account in the calendar quarter following the end of each plan year. The non-elective contribution totals 4% of actual base pay. Adjustment CS-52 includes an additional adjustment reflecting the amount that will be contributed for new hires since January 1, 2014 to 401(k) accounts prior to April 30, 2015.

**Q: Does this adjustment take into consideration 401(k) expense billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

## CS-53 PAYROLL TAXES

**Q: Please explain adjustment CS-53.**

A: The Company annualized Federal Insurance Contributions Act ("FICA") payroll tax expense by applying the average test year FICA percent (FICA expense/payroll expense) to the O&M portions of the annualized payroll adjustment (adjustment CS-50) and incentive compensation adjustment (adjustment CS-51).

**Q: Does this adjustment take into consideration payroll tax expense billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes**,** based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

**<u>CS-60 OTHER BENEFITS</u>**

**Q: Please explain adjustment CS-60.**

A: KCP&L annualized other benefit costs based on the projected costs included in the 2014 Budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

**Q: What types of benefits are included in this category?**

A: The most significant benefit is medical expense. In addition, dental, various insurance and other miscellaneous benefits are included with the other benefits adjustment.

**Q: Does this adjustment take into consideration benefits expense billed to joint venture partners, billed to affiliated companies, and charged to capital?**

A: Yes**,** based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

**Q: Was other benefit expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?**

A: Yes, it was.

**<u>CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN</u>**

**Q: Please explain adjustment CS-62.**

A: This adjustment normalizes SERP expense by using an average of the monthly annuity and lump sum SERP payouts during the 12 month periods ending December 2011, December 2012 and March 2014.

**Q: Why does this expense have to be normalized?**

A: Under the GPE SERP plan, SERP costs are funded when the benefit is paid. Given that most plan participants elect a lump-sum payment method rather than an annuity, annual funding requirements can vary significantly between years. By using an average of total funding over a typical single life annuity period, the adjustment reflects actual cash payments spread over time. The typical single life annuity factor applied to lump sum payments was 14.3 years.

**Q: By basing the normalization on actual payouts rather than FAS 87 accrued expense, is there a duplication of costs between adjustment CS-65, discussed earlier in this testimony, and adjustment CS-62?**

A: No, the SERP component is not included in adjustment CS-65 in either the test year book amount or the projected amount.

**Q: Was the SERP cost associated with the Company's interest in the Wolf Creek generating station normalized in a similar manner?**

A: Yes, it was.

## CS-70 INSURANCE

**Q: Please explain adjustment CS-70.**

A: We annualized insurance costs based on premiums projected to be in effect on April 30, 2015. These premiums include the following types of coverage: property, directors and officers, workers' compensation, bonds, fiduciary liability, excess liability, crime, cyber liability and auto liability.

**Q: Does this adjustment take into consideration insurance billed to joint venture partners and affiliated companies?**

A: Yes, it does.

## CS-71 INJURIES AND DAMAGES

**Q: Please explain adjustment CS-71.**

A: We normalized Injuries and Damages ("I&D") costs based on average payout history during the 12 month periods ending December 2011, December 2012, December 2013 and the 3 months ending March 2014 as reflected by amounts relieved from FERC account 228.2. This account captures all accrued claims for general liability, worker's compensation, property damage, and auto liability costs. The expenses are included in FERC account 925 as the costs are accrued. The liability reserve is relieved when claims are paid under these four categories.

**Q: Does account 925 also include costs charged directly to that account?**

A: Yes, for smaller dollar claims that are recorded directly to expense, the Company normalized these expenses over the 12 month periods ending December 2011, December 2012 and March 2014.

**Q: Why was a multi-year average chosen?**

A: I&D claims and settlements of these claims can vary significantly from year-to-year. A period of almost three years was used to establish an appropriate on-going level of this expense by leveling out fluctuations in the payouts from the reserve account that can exist from one year to the next depending on claims activity and settlements.

## CS-10/CS-76 CUSTOMER DEPOSIT INTEREST

**Q: Please explain adjustment CS-10.**

A: This adjustment is necessary to include test year customer deposit interest from Missouri customers in cost of service.

**Q: Please explain adjustment CS-76.**

A: We annualized customer deposit interest in accordance with the Company's tariff, which states that the interest rate established for each year for Missouri customer deposits will be based on the December 1 prime rate published in the *Wall Street Journal*, plus 100 basis points. The rate used in this adjustment for Missouri deposits is the 2013 rate of 4.25%.

**Q: What customer deposit balance was this interest rate applied to?**

A: The interest rate was applied to the Missouri customer deposit balance determined in adjustment RB-70, discussed earlier in this testimony.

## CS-77 CREDIT CARD PROGRAM

**Q: Please explain adjustment CS-77.**

A: KCP&L annualized credit card program expenses based on actual participation levels and costs at June 30, 2014.

**Q: What is the status of KCP&L's credit card payment program?**

A: KCP&L began offering credit card payment options to its residential customers in 2007, initially with submission and processing through its interactive voice response system. Also, a one-time payment option was added later that year through KCP&L's website. In February, 2008, the Company offered a recurring credit card payment option with enrollment through its website. Since that time participation levels have been steadily increasing, with credit/debit card payments representing 14% of all payments in KCP&L's territory through June 2014.

## CS-9/CS-78 ACCOUNTS RECEIVABLE SALES FEES

**Q: Please explain adjustments CS-9 and CS-78.**

A: Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by KCRec are reflected. The Company then annualized these fees by projecting annual fees based on September 2014 projections, determined by (a) calculating monthly interest, based upon the actual rate in effect at September 30, 2014, applicable to the monthly advance amount of $110 million established in the accounts receivable sales agreement renegotiated in September 2014; (b) calculating the monthly Program Fee based on this monthly advance amount and a Program Fee Rate of 62.5 bps (the applicable level for the accounts receivable securitization in the renegotiated agreement in effect at September 30, 2014); and (c) calculating the monthly Commitment Fee based upon a fee rate of 22.5 bps (again, the applicable level in the renegotiated agreement in effect at September 30, 2014). The sum of (a), (b), and (c) represents the total projected bank fees for a 30-day period. This amount was annualized and compared to test year amounts ending March 2014.

## CS-80 RATE CASE COSTS

**Q: Please explain adjustment CS-80.**

A: We annualized rate case costs by including an amortization of costs incurred in the 2012 Rate Case which are still being amortized at the time of the true-up in this case and projected costs for the current rate proceeding normalized over three years which will be trued-up as part of the true-up process in this rate case. Annualized rate case costs were then compared to rate case expense amortizations included in the test year to properly reflect rate case expense in cost of service in this rate case.

**Q: How was rate case cost related to the current Missouri rate proceeding estimated?**

A: KCP&L estimated costs based on the consultants and attorneys it anticipates will be used in this case and based on the scope of work anticipated.

**Q: In making this estimate did KCP&L anticipate a full rate case, including hearings, briefs, etc., as opposed to a settled case?**

A: Yes, a full rate case was assumed.

## CS-85 REGULATORY ASSESSMENTS

**Q: Please explain adjustment CS-85.**

A: The Company annualized Missouri regulatory assessments based on quarterly assessments in effect at July 1, 2014. KCP&L annualized FERC Schedule 12 fees based on fees projected to be in effect at April 30, 2015.

**Q: What is the amount of the Schedule 12 fees that the Company has included in its cost of service in this case?**

A: KCP&L included $964,583 (total company). This amount is one of the transmission cost components included in the fuel adjustment clause mechanism that is being requested by the Company and discussed in the testimony of Company witness Tim Rush.

**<u>CS-86 SCHEDULE 1-A FEES</u>**

**Q: Please explain adjustment CS-86.**

A: KCP&L annualized SPP Schedule 1-A fees based on rates projected to be in effect at April 30, 2015.

**Q: What is the amount of the Schedule 1-A fees that the Company has included in its cost of service in this case?**

A: KCP&L included $12,937,863 (total company). This amount is one of the transmission cost components included in the fuel adjustment clause mechanism that is being requested by the Company and discussed in the testimony of Company witness Tim M. Rush.

**<u>CS-87 IT ROADMAP O&M</u>**

**Q: Please explain adjustment CS-87.**

A: Adjustment CS-87 is an adjustment that includes capturing increased costs associated with the Company's investment and on going maintenance and support in Information Technology ("IT") systems and infrastructure. The adjustment projects annualized costs thru April 2015 in four main areas of IT investment and support which are included under our IT Roadmap umbrella and with continuing ongoing operations and maintenance IT support. The four areas include the following:

- IT Roadmap Applications and Infrastructure;
- Operations Maintenance (Including software and systems maintenance);
- Cyber Security; and
- Ongoing O&M.

Costs are accumulated in the four areas above and allocated between entities under GPE. This adjustment captures KCP&L's share of the IT Roadmap O&M costs.

**Q: Please provide some examples of the types of benefits achieved by the increased costs that are impacting the Company's IT systems.**

A: Incremental costs associated with the Company's IT Roadmap umbrella provide benefits such as allowing systems to stay on current releases, provides modern functionality for business operations, lowers the overall long term costs caused by conducting major system over-hauls every 7 – 10 years and avoids systems being maintained without vendor support. Other costs associated with new fiber and tower leases provide benefits which support new dispatch consoles, radio controller and GPS systems and which provide greater safety and resource transportability across our service territory.

**Q: What type of projects are included within the IT Roadmap?**

A: Included within the IT Roadmap are ongoing support costs for major projects such as:

- Supply Chain, Accounting, Budgeting and Enterprise Reporting (SABER) – Financial and supply chain upgrades from version 8.4 to 9.1 enabling Supply Chain Transformation and new software capabilities to align processes with best practices and includes expansion of Powerplant software for financial cost allocations and Hyperion software for expansion of budgeting and enterprise reporting.

- Human Resource (“HR”) Upgrade / People Hub – Upgrades of the current Peoplesoft HR/Payroll system and time collection system.
- SPP Day 2 – Implementation of a centralized reporting and data analysis tool and installation of transactional software to facilitate KCP&L and GMO participation in SPP Integrated Marketplace.
- Outage Management System (“OMS”) – Replacement of current OMS with the next generation system that provides the capability for customer’s service restoration and integration synergies across our other enterprise platforms.
- Energy Management System (EMS) – Replacement of our system of computer-aided tools used by operators of electric utility grids to monitor, control, and optimize the performance of the generation and/or transmission system in order to obtain best practice capability and ensure appropriate compliance.
- Meter Data Management – Install a best practice utility application to maximize benefits provided by AMI installations and improve operational efficiency in areas including billing, revenue protection, outage management and customer service.
- Land Mobile Radio – Consolidation and replacement of three legacy radio system platforms with a new radio system, acquiring new spectrum and enabling greater safety and resource transportability across our service territory.

## CS-89 METER REPLACEMENT CONTRACT RATE

**Q: Please explain adjustment CS-89.**

A: Beginning in 2014, the Company began installing AMI technology that would replace all of the Company’s Automated Meter Reading meters. Adjustment CS-89 computes the incremental increase in the meter reading contract that will be associated with the newly installed AMI meters. The new AMI meters are a new technology that will bring increased functionality such as providing load profile data for each meter and provide increased functionality around power outages and restoration events. This adjustment calculates the incremental composite meter reading cost per meter which is increasing from $.52 cents per meter to $.61 cents per meter associated with the new contract entered into to support the new meters. The incremental amount is based on the projected meter purchases at the true up date using an annualized composite meter reading cost per meter per month.

**CS-90 ADVERTISING – CONNECTIONS PROGRAM**

**Q: Please explain adjustment CS-90.**

A: Adjustment CS-90 provides for an annual level of expense associated with KCP&L's Connections program. The program's purpose is to educate customers on options for managing their account, inform them of ways to reduce their energy usage by participating in energy-efficiency programs, offer techniques to reduce their monthly bill – like the ERPP, and provide information on workable payment plans. See the Direct Testimony of Company witness Tim M. Rush for further description of this program.

**CS-97 PRE-MEEIA OPT-OUTS**

**Q: Please explain why KCP&L is making this adjustment.**

A: KCP&L is making this adjustment to comply with conditions of the MPSC Order Approving Stipulation and Agreement in Case No. EO-2014-0029. This case resulted from concerns raised by Staff in KCP&L's last general rate proceeding, Case No. ER-2012-0174, regarding KCP&L's existing practices related to customer opt-outs of demand-side management programs. In order to address these concerns, a Joint

Application was filed requesting that the Commission establish a contested case to determine the appropriate application of Section 393.1075 of MEEIA and applicable MEEIA rules.

KCP&L requested and was granted deferral treatment of the "opt out" costs for determination of recovery in a future rate case. The deferral includes two components: 1) prospective crediting of opt-out charges, and 2) retroactive crediting of opt-out charges. The prospective crediting consists of a non-MEEIA energy efficiency charge of $0.00081 per kwh that is inclusive of all energy efficiency costs included in rates for September 1, 2009 through August 31, 2012 (the true-up period in KCP&L's 2012 Case). Once those rate schedules became effective, qualifying customers who had opted out began receiving a monthly credit on their bills. The retroactive crediting consists of a non-MEEIA energy efficiency charge of $0.00036 per kwh for the period of May 4, 2011 through January 25, 2013. These rates are further described in the Non-Unanimous Stipulation and Agreement in Case No. EO-2014-0029, under paragraph 6A and 6B. Please see the Direct Testimony of Tim Rush for further discussion.

**Q: Please explain adjustment CS-97.**

A: The unamortized deferred balance includes actual opt-out costs incurred through July 2014 and projected costs through April 2015. Adjustment CS-97 amortizes the deferred non-MEEIA opt-out balance over three years.

## CS-99 FLOOD REIMBURSEMENT

**Q: Please explain adjustment CS-99.**

A: Adjustment CS-99 provides for the return of insurance proceeds to customers associated with the 2011 flooding event that impacted the Iatan 2 generation station. The insurance proceeds received were for insurable expenses over deductible amounts associated with the preservation of property and recovery of damaged items. The total amount of KCP&L insurance proceeds of $1,650,911 are proposed to be amortized and returned to customers over a 3 year period.

## CS-104 RESEARCH AND DEVELOPMENT TAX CREDIT

**Q: Please explain adjustment CS-104.**

A: In 2007 KCP&L amended its 2000-2005 federal income tax returns to take a credit for its research and development ("R&D") expenditures. In so doing the Company incurred consulting fees. In the Stipulation and Agreement As to Certain Issues in Case No. ER-2007-0291 ("2007 Case"), approved by the Commission on December 6, 2007, the parties agreed to reverse the Missouri jurisdictional consulting fees incurred related to the R&D tax credit studies from the Company's cost of service, and set up a regulatory asset for that cost. This regulatory asset was to be amortized over five years. Amortization of this regulatory asset ended in August of 2014. As such, this adjustment removes the annual amortization amount included in the test year in this case.

## CS-105 TRANSOURCE - TRANSFERRED ASSET VALUE

**Q: Please explain why KCP&L is making this adjustment.**

A: KCP&L is making this adjustment to comply with conditions of the MPSC Report and Order in Case No. EA-2013-0098. The Commission Order stated in Appendix 4: Consent Order, page 30:

> Transource Missouri will pay GMO the higher of $5.9 million or net book value for transferred transmission assets, easements, and right-of-ways that have been previously included in the rate base and reflected in the retail rates of KCP&L and GMO customers. KCP&L and GMO agree to book a regulatory liability reflecting the value of this payment to the extent it exceeds net book value. This regulatory liability shall be

> amortized over three years beginning with the effective date of new rates in KCP&L's and GMO's next retail rate cases.

**Q: Please explain adjustment CS-105.**

A. Adjustment CS-105 provides the annual amortization expense associated with the regulatory liability established for the payment of the transmission assets. This regulatory liability amount is amortized over a three-year period as provided in the Order.

## <u>CS-107 TRANSOURCE ACCOUNT REVIEW</u>

**Q: Please explain why KCP&L is making this adjustment.**

A: KCP&L is making this adjustment to comply with conditions of the MPSC Report and Order in File No. EA-2013-0098. The Commission Order stated in Appendix 4: Consent Order, pages 29 and 30:

> The Signatories agree that non-Project goods and services (defined as goods and services that are not directly related to the Projects) were to be provided and are to be provided at the higher of fair market value or fully distributed costs by KCP&L to Transource Missouri, Transource Missouri, and GPE prior to the novation or transfer of the cost of the projects. KCP&L and GMO will, by June 1, 2013, ensure that charges to Transource Missouri, Transource Missouri, and GPE regarding the development and formation of Transource Missouri and Transource Missouri reflect the higher of fair market value or fully distributed cost. The Signatories agree that KCP&L and GMO can use a 20% markup to their fully distributed cost methodology for such goods and services in lieu of using the fair market value. If the Signatories cannot agree regarding the reasonableness of these charges, this matter will be taken to the Commission for resolution. In support of the resolution of the treatment for non-Project goods and services provided prior to the novation or transfer of the Cost of the Projects, KCP&L and GMO will contribute a total of $50,000 to the State School Fund or a mutually agreeable organization. This contribution will not be recovered from KCP&L and GMO customers. The Signatories agree that all outstanding issues related to the provision of non-Project goods and services to Transource Missouri, Transource, Transource Missouri, and GPE prior to the novation or transfer of the cost of the projects are resolved, except as provided in this paragraph.

**Q: Please explain adjustment CS-107.**

A: Adjustment CS-107 proposes establishment of a regulatory liability to be amortized over three years. This regulatory liability is the result of a review of all Transource related charges from project creation in August of 2010 to August of 2013. The review consisted of the following four areas:

Labor – Labor charges of all the project participants were reviewed.

Non-Labor – All invoices were reviewed for the vendors who supported the Transource project.

Expense Reports – Expense reports of the Transource project participants were reviewed.

Facilities Allocation – A portion of common facilities was allocated to the Transource project.

At conclusion of the review any changes in coding of the four areas identified above were reviewed for impact on the test year and update periods of KCP&L's previous rate case in Case No. ER-2012-0174. The results of the review has resulted in the Company to propose a regulatory liability in KCP&L's Missouri jurisdiction in the amount of $136,880. Adjustment CS-107 amortizes this amount over a three-year period to be included in the cost of service in this case.

**Q: Did the Company make the contribution to the State School Fund?**

A: Yes. On December 10, 2013 the contribution was made.

**Q: Was the contribution of $50,000 to the State School Fund proposed to be charged to customers in this rate case proceeding?**

A: No it was not. The $50,000 was charged to below-the-line accounts and not included in cost of service in this case.

## CS-108 TRANSOURCE CWIP/FERC INCENTIVES

**Q: Please explain why KCP&L is making this adjustment.**

A: KCP&L is making this adjustment to comply with conditions of the MPSC Report and Order in Case No. EA-2013-0098. The Commission Order stated in Appendix 4: Consent Order, pages 27 and 28:

> With respect to transmission facilities located in KCP&L certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, KCP&L agrees that for ratemaking purposes in Missouri the costs allocated to KCP&L by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities that would have resulted if KCP&L's authorized ROE and capital structure had been applied and there had been no Construction Work in Progress ("CWIP") (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. KCP&L will make this adjustment in all rate cases so long as these transmission facilities are in service.

**Q: Please explain adjustment CS-108.**

A: Adjustment CS-108 reflects a change to Account 565 -Transmission of Electricity by Others that represents the difference between KCP&L's SPP load ratio share allocation of Transource Missouri's annual transmission revenue requirement ("ATRR") for the Iatan-Nashua and Sibley-Nebraska City Projects and KCP&L's SPP load ratio share allocation of the ATRR for the Nashua and Sibley-Nebraska City Projects if it had been calculated utilizing KCP&L's MPSC-authorized ROE and capital structure and did not include the FERC-authorized rate treatments and incentives listed above.

## CS-109 LEASES

**Q: Please explain adjustment CS-109.**

A: There are two components of this adjustment. First, we annualized corporate headquarters lease costs, including rent and parking. The annualized expense included in this case represents the annual cost expected to be in effect on April 30, 2015, the true-up date in this rate case.

**Q: Was there any adjustment made to the annual lease cost?**

A: Yes. By the end of December 2014, the 15th floor of the One Kansas City Place office building will no longer be occupied by KCP&L. Thus, a reduction in the annual lease expense was reflected in this adjustment.

**Q: What was the second component?**

A: In the 2010 Case, KCP&L agreed to establish a regulatory liability for lease costs that would not be incurred during an "abatement period" recognized in the lease and which ended June 2010. These costs were to be returned to ratepayers over a five-year period beginning with the effective date of new rates in that case. The test year in this rate case is reflective of an annual amount of amortization and thus no adjustment was necessary.

## CS-114 LA CYGNE REGULATORY ASSET – INVENTORY

**Q: Please explain adjustment CS-114.**

A: As a result of the La Cygne environment equipment upgrades that will go into service during 2015, there will be spare parts associated with equipment being abandoned in place or removed from service that cannot be utilized associated with the pre-existing La Cygne generating station components. Items not used prior to the units returning to service will be considered obsolete by the station since the parts cannot serve as spares for new equipment or systems being installed. As such, adjustment CS-114 proposes to amortize the equipment that will become obsolete over five years once the new environmental equipment is placed into service. The annual amount of amortization expense is included in cost of service in this rate case filing.

**<u>CS-115 LEGAL FEE REIMBURSEMENT</u>**

**Q: Please explain adjustment CS-115.**

A: This adjustment relates to two reimbursements. First, the Company received a reimbursement during the fourth quarter 2008 for legal fees incurred during 2006-2008 on a personal injury claim. Since the legal fees were included in test years used for various Regulatory Plan rate cases, KCP&L proposed in the 2010 Case that the proper regulatory treatment of this reimbursement was to record a regulatory liability to return the proceeds to ratepayers over a three-year period. This recovery period, utilized by both the Staff and the Company in the 2010 Case, was selected because the expenses were incurred and recovered by the Company in its retail rates over approximately this same time period. This amortization ended in April of 2014. This adjustment removes the annual amortization amount from the test year.

**Q: Please explain the second component.**

A: The Company received a reimbursement during the fourth quarter 2010 for legal fees incurred during 2007-2010 on a personal injury claim. In the 2012 Case, a three-year amortization was included in cost of service. The test year for this component of the adjustment is properly stated and no adjustment is necessary.

## CS-116 RENEWABLE ENERGY STANDARDS COSTS

**Q: Please explain adjustments CS-116.**

A: As part of the Second Non-Unanimous Stipulation and Agreement As To Certain Issues in Case No. ER-2012-0174, the Company was granted recovery of all Renewable Energy Standards ("RES") costs through the true-up date in that case which was August 2012. These costs are tracked as RES vintage 1 costs and are being amortized over a three-year period. In addition, the agreement stipulated that all RES costs recorded after August of 2012 would be allowed to be deferred. The Company has recorded these costs as vintage 2. Adjustment CS-116 is the proposed annual amortization of RES costs for both vintage 1 and vintage 2 costs.

**Q: How was the amortization amount for vintage 2 determined?**

A: The Company limited the total amount of annual amortization of RES costs to 1% of retail revenues from KCP&L's previous rate case. After computing 1% of retail revenues, vintage 1 costs were subtracted from the total 1% of the retail revenue amount granted. The resulting amount was divided by the total projected RES deferred costs as of April 30, 2015 and resulted in an amortization life of vintage 2 of 5.6 years.

**Q: Does the deferred cost balance include carrying costs?**

A: Yes, consistent with the Company's Second Non-Unanimous Stipulation and Agreement As To Certain Issues in Case No. ER-2012-0174, carrying costs based on a short term debt rate will be applied to the unamortized deferred balance.

## CS-117 COMMON USE BILLINGS – COMMON PLANT ADDS

**Q: What are common use billings?**

A: Common use billings represent the monthly billings of common use plant maintained by KCP&L. Assets belonging to KCP&L may be used by another entity. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. In order to ensure that KCP&L's regulated entity does not subsidize other GPE companies or jurisdictions, KCP&L charges for the use of their respective common use assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return is applied to the net plant basis. The total cost of all common use plant is then accumulated.

**Q: Why was an adjustment needed from amounts included in the test year?**

A: Included in plant adjustment RB-20 are plant additions that are expected to be placed into service prior to the true-up date in this rate case proceeding. A portion of those projected plant additions are projected to be added associated with common use software. These include additions such as those described in the IT Roadmap adjustment CS-87 which include common use assets such as Meter Data Management and Outage Management Systems. Since these common use plant additions are expected to occur after the test year, the portion of the common use assets that are billable to other GPE entities and jurisdictions needs to be removed from the cost of service in this rate case proceeding.

**Q: Please explain adjustment CS-117.**

A: Adjustment CS-117 computes the annual amortization expense and expected return on the new common use plant additions that are will be included in rate base in this rate case proceeding. The annual amortization expense for the common use software additions is based on the five or ten year life of the common use software costs. The return component is based on the expected rate of return that will be used in this rate case proceeding. These annual amounts are accumulated and multiplied by one minus the KCP&L jurisdictional share of these assets which is based on the corporate Massachusetts formula allocation factor. The resulting amount is then removed from the cost of service in this case through adjustment CS-117.

## CS-120 DEPRECIATION

**Q: Please explain adjustment CS-120.**

A: We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances. The jurisdictional rates used in the annualization were those included in the depreciation study sponsored and described by Company witness John J. Spanos in his direct testimony.

**Q: What specific action does the Company request in regard to depreciation expense?**

A: The Company requests that the Commission authorize the use of depreciation rates proposed by Company witness John Spanos which are used to compute total depreciation expense in this rate case proceeding.

## CS-121 AMORTIZATION

**Q: Please explain adjustment CS-121.**

A: We annualized amortization expense applicable to certain plant including computer software, land rights, leasehold improvements and plant accounts that utilize general plant amortization, by multiplying June 2014 amortization expense on a total company Missouri basis by twelve. To the intangible plant amounts, was added an annualized amortization expense amount on projected plant net additions for the period July 2014 through April 2015. To the plant accounts that utilize general plant amortization, the Company added an annualized amortization expense amount on actual net additions for the period January 2014 through June 2014, as well as, projected net additions for the period July 2014 through December 2014.

**Q: What amortization periods were used to amortize intangible assets?**

A: Computer software, the most significant intangible asset, is amortized over either a five or ten year amortization period, depending on the nature of the asset, consistent with the Company's past practice. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Amortization of individual Leasehold Improvements is based on the length of the lease. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

## CS-125 INCOME TAX

**Q: Please explain adjustment CS-125.**

A: We adjusted test period income tax expense based on various adjustments to test year taxable income. The adjusted income tax calculation is shown on Schedule RAK-8. The income tax adjustment includes current income taxes, deferred income taxes, and the amortization of investment tax credits and certain other amortizations.

**Q: Please explain the current income tax component in cost of service as calculated in Schedule RAK-8.**

A: Jurisdictional operations and maintenance deductions and other adjustments are applied against jurisdictional revenues to derive net jurisdictional taxable income, which is then used to compute the jurisdictional current income tax expense component (current provision) for cost of service. For book purposes, these adjustments are the result of book versus tax differences and their implementation under normalization or flow through tax methods. Each adjustment is either added to or subtracted from net income to derive net taxable income for ratemaking. For Schedule RAK-8, however, a simplified methodology is used that eliminates the need to specifically identify all book and tax differences. Most significantly, all basis differences between the book basis and tax basis of assets are ignored in the current tax provision. The reversal of deferred income taxes resulting from prior basis differences is considered in the deferred tax section of this schedule and is discussed below. Accelerated tax depreciation is used in the currently payable calculation based on the tax basis of projected Plant in Service as identified in adjustment RB-20. The difference between the accelerated depreciation deduction for tax depreciation on tax basis assets and the depreciation deduction calculated on a straight-line basis generates offsetting deferred income tax. The resulting income tax expense, considering both the current and deferred income tax components, reflects a level of total income taxes as if the depreciation deduction to arrive at taxable income was based solely on depreciation of projected tax basis assets calculated on a straight-line basis. This modified approach normalizes depreciation relating to the method differences (*e.g.*, accelerated versus straight-line) and life differences. The Company and the MPSC Staff have used this modified approach in previous rate cases.

**Q: Please describe the adjustments to derive net taxable income for ratemaking**.

A: The following are the primary adjustments to derive net taxable income for ratemaking purposes:

- Book depreciation and amortization expense (adjustments CS-120 through CS- 121), have been excluded from the deductions listed on Schedule RAK-8. As previously discussed, accelerated tax depreciation on both projected depreciable plant and projected amortizable plant is subtracted to derive taxable income.

- The deduction for nuclear fuel amortization is treated consistently with the treatment of depreciation and amortization on Plant in Service.
- A portion of Meals and Entertainment expense is added back in deriving net taxable income, since a portion of certain meals and entertainment expenses is not tax deductible. This adjustment increases taxable income and ultimately increases the current income tax provision. The amount by which taxable income was increased is equal to the amount for the 2013 federal income tax return.
- Interest expense is subtracted to derive net taxable income. It is calculated by multiplying the adjusted jurisdictional rate base by the weighted average cost of debt as recommended in this proceeding. This is referred to as “interest synchronization” because this calculation ensures that the interest expense deducted for deriving current taxable income equals the interest expense provided for in rates.
- The Manufacturer’s Deduction amount is deducted from net income in deriving taxable income. This special deduction is allowable under Internal Revenue Code (“IRC”), Section 199. The deduction is based upon taxable income derived from the production of electricity. For 2015, the deduction is 9% of electricity production taxable income. The deduction has not been adjusted to conform to Missouri jurisdictional taxable income. This deduction is not an expense for book purposes; therefore, no deferred income taxes are created. The amount of the projected deduction on Schedule RAK-8 is based upon amount deducted under IRC Section 199 for the 2013 federal income tax return. Bonus depreciation reduced the

electricity production taxable income for tax years 2011, 2012, and 2013 to $0. In addition, we expect that Congress will extend bonus depreciation to 2014 and 2015. Therefore, the Company estimates that it will have no electricity production taxable income or a Sec 199 deduction for 2015. If bonus depreciation has not been extended by the anticipated true-up date in this case, the amount of Section 199 deduction will be adjusted.

**Q: Once the deductions and adjustments have been applied to net income to derive taxable income for ratemaking, what further deductions from taxable income are applied before calculating the two components of current income tax expense: federal current income tax expense and Missouri state current income tax expense?**

A: Before calculating federal income taxes, Missouri state income taxes are deducted. Before calculating Missouri state income taxes, one-half of federal income taxes are deducted.

**Q: How are the current income tax components calculated?**

A: The current provision calculation utilizes a 35% federal tax rate, and a 6.25% Missouri state tax rate, each of which is applied independently to the appropriate level of taxable income as discussed above. The federal and state income tax rates are used to compute the composite tax rate of 38.39% which is used to calculate deferred income taxes, discussed below. The composite tax rate reflects the federal benefit relating to deductible Missouri state income tax and the Missouri benefit of deducting 50% of federal income taxes when computing the current Missouri tax provision.

**Q: Is the current federal tax expense, determined by multiplying current taxable income by the federal income tax rate, further reduced by tax credits?**

A: Yes, the wind production tax credit and R&D tax credits reduce the current federal income tax due.

**Q: Please explain the wind production tax credit on Schedule RAK-8.**

A: IRC Section 45 allows for a federal tax credit based on the amount of electricity produced by a qualifying wind generating facility. The credit is allowed for ten years after the facility is placed in service. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated production tax credits for KCP&L's wind generation facilities for the twelve months that ended April 30, 2015. This adjustment uses the presently allowable $23 per megawatt hour of generation multiplied by the annualized amount of estimated megawatt hours of wind generation to determine the amount of credit.

**Q: Please explain the R&D tax credit on Schedule RAK-8.**

A: IRC Section 41 allows for a federal tax credit based on the amount of qualified research expenses incurred. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated R&D tax credit for KCP&L's operations for twelve months that ended April 30, 2015. Current tax law allows R&D tax credits only through the 2013 tax year. However, Congress has a history of extending the period for the credit during years that the credit has expired and providing a retroactive effective date for the extension to the beginning of the tax year. At this time, the Company expects the credit to be reinstated for the 2014 and 2015 tax year. If the R&D tax credit has not been extended to 2014 and 2015 by the time of the anticipated true-up date in this case, the amount of R&D tax credit will adjusted.

**Q: Please explain the deferred income tax component of cost of service as calculated in Schedule RAK-8.**

A: The deferred income tax component of cost of service is primarily the result of applying the composite income tax rate (38.39%) to the difference between projected accelerated tax depreciation used to compute current income tax, as discussed earlier in this testimony, and projected tax basis straight-line depreciation. Tax basis straight-line depreciation is computed by multiplying annualized book depreciation by the ratio of the tax basis of depreciable plant to the book basis of depreciable plant.

Deferred income tax expense also includes the reversal of deferred income taxes on basis timing differences over the related assets' jurisdictional book lives. These basis difference adjustments serve to normalize the tax effect of items that generally are deducted for tax purposes and capitalized for book purposes. The other main deferred tax item is the average rate assumption method of deferred tax amortization. This adjustment represents the amortization of excess deferred income taxes over the remaining book lives. It reduces the income tax component of cost of service. During the 1980s, the federal tax rate was higher than today's 35% rate. Since deferred taxes were provided at the rate in effect when the originating timing differences were generated, the deferred income taxes were provided at a rate higher than the tax rate that is expected to be in existence when the timing differences reverse and the taxes are due to the government. This difference in rates is being amortized into cost of service over the remaining book lives of the assets that generated the timing differences.

**Q: Please explain the investment tax credit ("ITC") amortization component in cost of service as calculated in Schedule RAK-8.**

A: ITC amortization reduces the income tax component of cost of service. ITC is amortized ratably over the remaining book lives of the underlying assets.

**Q: Are there any other income tax amortizations that affect jurisdictional income tax cost of service?**

A: Yes, there is one additional amortization, relating to pre-1981 cost of removal which was addressed in the Stipulation and Agreement As to Certain Issues in the 2007 Case, approved by the Commission on December 6, 2007 ("2007 S&A").

**Q: Please discuss the cost of removal amortization.**

A: In accordance with the 2007 S&A, the Company adopted normalization accounting for the tax timing difference associated with the pre-1981 vintage cost of removal and began amortization of the cumulative income tax impact for the excess of KCP&L's actual cost of removal over the accrued cost included in book depreciation in prior years, over a 20 year period beginning January 1, 2008 ($7,088,760, Missouri jurisdictional). As a result, the Company's annual deferred income tax expense increased by $354,438 and this amortization is included as an increase in income tax expense on Schedule RAK-8.

**Q: Should the R&D tax credit amortization also authorized in the 2007 S&A affect jurisdictional income tax expense in cost of service?**

A: No. The 2007 S&A required the Company to amortize R&D tax credits related to the 2000 through 2005 tax years over 60 months beginning with the first rate case after tax refunds based on the credits were received from IRS. The Company entered into a settlement agreement with the IRS whereby KCP&L received the tax refunds in 2008 and amortization began with the new rates effective September 1, 2009. Therefore, the credits are fully amortize by August 31, 2014 and are not included on Schedule RAK-8 for the projected annualized income tax expense at April 30, 2015.

## <u>CS-126 PROPERTY TAX</u>

**Q: Please explain adjustment CS-126.**

A: The Company annualized the real estate and personal property tax expense and payments-in-lieu-of-taxes ("PILOT") that will be paid based on plant in service balances.

**Q: How was annualized property tax expense determined?**

A: KCP&L used a property tax ratio of estimated property tax expense for 2014 divided by plant in-service as of January 1, 2014. This ratio was then applied to the estimated January 1, 2015 plant original cost to project the 2015 property tax expense. The annual PILOT payments for Spearville One and Two were then added to the projected 2015 property tax expense to determine the Company's annualized property tax amount.

**Q: Why was the estimated January 1, 2015 original plant cost used?**

A: The property taxes paid for 2014 will be based on the plant balances at January 1, 2014. However, the property taxes paid for 2015, the first year that the new rates in this case will be in effect, will be based on plant balances as of January 1, 2015.

**Q: Do the various components of the real estate and personal property tax adjustment discussed above take into effect tax amounts allocated to vehicles and charged to accounts other than property tax expense and amounts allocated to non-utility plant?**

A: Yes, these components have been excluded from both the plant in service and property taxes paid components of the calculation.

**Q: Please explain the PILOT adjustment.**

A: The Company has placed in-service two wind generating facilities located in Ford County, Kansas. The first facility was placed in-service in 2006 and the second facility was placed in-service during 2010. Pursuant to K.S.A. 79-201 *Eleventh*, such property is exempt from real and personal property taxes.

**Q: Does Kansas law provide for a PILOT on property that is exempt from property taxes?**

A: Yes. Pursuant to K.S.A. 12-147, taxing subdivisions of the state of Kansas are authorized and empowered to enter into contracts for a PILOT with the owners of property that are exempt from ad valorem taxes.

**Q: Please explain the PILOT agreements relating to the wind generating facility located in Ford County, Kansas.**

A: Separate agreements exist with Ford County and USD #381 that provide for 30 annual payments for both facilities. The first wind farm that was in-serviced in 2006 had the first PILOT payment due in 2007 and the payments escalating between 2.5% and 3% per year. The second wind farm that was in serviced in 2010 had the first PILOT payment due in 2011 and these payments also escalate between 2.5% and 3% per year. These payments were necessary to secure agreements with landowners and community leaders to site the wind facility.

**Q: Do you expect future property tax expense to increase, decrease or remain the same for future periods?**

A: Based on the prior five years, KCP&L's property tax expense has continued to increase; in 2009 KCP&L's total property tax expense was $67.2 million and in 2013 KCP&L's

total property tax expense was $83.0 million. In each of the prior years the Company's total property tax expense has increased over the prior year; see Schedule RAK-10, a 5 year summary of KCP&L property taxes. Based upon this history of increase in property tax expense in each of the last five years I expect property taxes to continue to increase during the next few years.

**Q: Does this conclude you testimony?**

A: Yes it does.

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

| | | |
|---|---|---|
| In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service | ) ) ) | Case No. ER-2014-0370 |

**AFFIDAVIT OF RONALD A. KLOTE**

**STATE OF MISSOURI** )
) ss
**COUNTY OF JACKSON** )

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Manager, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of Seventy-six (76) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Ronald A. Klote
Ronald A. Klote

Subscribed and sworn before me this 30th day of October, 2014.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2015

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## Missouri Jurisdiction
## TY 3/31/14; Update TBD; K&M 4/30/15

### Revenue Requirement

| Line No. | Description | 7.938% Return |
|---|---|---|
| | A | B |
| 1 | Net Orig Cost of Rate Base (Sch 2) | $ 2,557,089,761 |
| 2 | Rate of Return | **7.9380%** |
| 3 | Net Operating Income Requirement | $ 202,981,785 |
| 4 | Net Income Available (Sch 9) | 128,498,511 |
| 5 | Additional NOIBT Needed | 74,483,274 |
| 6 | Additional Current Tax Required | 46,411,273 |
| 7 | Gross Revenue Requirement | $ 120,894,547 |

**Kansas City Power & Light Company**
**2015 RATE CASE - Direct**
**Missouri Jurisdiction**
**TY 3/31/14; Update TBD; K&M 4/30/15**

## Rate Base

| Line No. | Description | Amount | Witness | Adj No. |
|---|---|---|---|---|
| | A | B | C | D |
| 1 | Total Plant : | | | |
| 2 | Total Plant in Service - Schedule 3 | 5,043,175,544 | Klote | RB-20 |
| 3 | Subtract from Total Plant: | | | |
| 4 | Depreciation Reserve - Schedule 6 | 2,040,172,942 | Klote | RB-30 |
| 5 | Net (Plant in Service) | 3,003,002,603 | | |
| 6 | Add to Net Plant: | | | |
| 7 | Cash Working Capital - Schedule 8 | (58,530,428) | Klote | Model |
| 8 | Materials and Supplies - Schedule 12 | 57,386,822 | Klote | RB-72 |
| 9 | Prepayments - Schedule 12 | 6,397,922 | Klote | RB-50 |
| 10 | Fuel Inventory - Oil - Schedule 12 | 4,433,491 | Blunk | RB-74 |
| 11 | Fuel Inventory - Coal - Schedule 12 | 31,404,841 | Blunk | RB-74 |
| 12 | Fuel Inventory - Additives - Schedule 12 | 516,851 | Blunk | RB-74 |
| 13 | Fuel Inventory - Nuclear - Schedule 12 | 43,752,422 | Klote | RB-75 |
| 14 | Regulatory Asset - EE/DR Deferral-MO | 45,013,765 | Rush/Klote | RB-100 |
| 15 | Regulatory Asset - Iatan 1 and Com-MO | 11,350,877 | Klote | RB-25 |
| 16 | Regulatory Asset - Iatan 2 | 26,663,619 | Klote | RB-26 |
| 17 | Regulatory Asset - La Cygne Environ-MO | 8,251,886 | Klote | RB-27 |
| 18 | Regulatory Asset - Meter Replacement | 8,745,071 | Klote | RB-28 |
| 19 | Regulatory Asset - Pensions | 12,762,879 | Klote | RB-65 |
| 20 | Regulatory Asset - Prepaid Pension Exp | 0 | Klote | RB-65 |
| 21 | Regulatory Asset (Liab) - OPEBs Tracker | (1,495,518) | Klote | RB-61 |
| 22 | Subtract from Net Plant: | | | |
| 23 | Cust Advances for Construction-MO | 167,781 | Klote | RB-71 |
| 24 | Customer Deposits-MO | 3,567,416 | Klote | RB-70 |
| 25 | Deferred Income Taxes - Schedule 13 | 599,672,820 | Klote | RB-125 |
| 26 | Def Gain on SO2 Emissions Allowances-MO | 39,136,133 | Klote | RB-55 |
| 27 | Def Gain (Loss) Emissions Allow-Allocated | 23,191 | Klote | RB-55 |
| 28 | Total Rate Base | 2,557,089,761 | | |

**Kansas City Power & Light Company**
**2015 RATE CASE - Direct**
**Missouri Jurisdiction**
**TY 3/31/14; Update TBD; K&M 4/30/15**

## Income Statement

| Line No. | Description | Total Company | Adjustment | Adjusted Total Comany | Adjusted Jurisdictional |
|---|---|---|---|---|---|
| | A | B | C | D | F |
| 1 | Operating Revenue | 1,695,730,522 | 450,910,426 | 2,146,640,948 | 1,180,965,190 |
| | | | | | |
| 2 | Operating & Maintenance Expenses: | | | | |
| 3 | Production | 662,267,023 | 469,298,309 | 1,131,565,332 | 642,352,196 |
| 4 | Transmission | 61,202,219 | 9,727,688 | 70,929,907 | 40,407,446 |
| 5 | Distribution | 54,054,067 | 1,842,479 | 55,896,546 | 30,702,241 |
| 6 | Customer Accounting | 18,958,127 | 10,866,175 | 29,824,302 | 17,806,539 |
| 7 | Customer Services | 13,019,398 | 5,745,568 | 18,764,966 | 14,117,538 |
| 8 | Sales | 406,042 | 5,501 | 411,543 | 216,023 |
| 9 | A & G Expenses | 161,088,257 | (3,308,847) | 157,779,410 | 85,136,398 |
| 10 | Total O & M Expenses | 970,995,133 | 494,176,872 | 1,465,172,005 | 830,738,382 |
| | | | | | |
| 11 | Depreciation Expense | 183,831,146 | 32,371,768 | 216,202,914 | 116,953,542 |
| 12 | Amortization Expense | 18,515,465 | 10,798,945 | 29,314,410 | 15,665,901 |
| 13 | Taxes other than Income Tax | 156,589,365 | (48,491,412) | 108,097,953 | 58,619,563 |
| 14 | Net Operating Income before Tax | 365,799,413 | (37,945,747) | 327,853,666 | 158,987,801 |
| | | | | | |
| 15 | Income Taxes Current | (3,478,656) | 43,720,363 | 40,241,707 | 14,819,681 |
| 16 | Income Taxes Deferred | 87,808,584 | (59,087,114) | 28,721,470 | 16,252,276 |
| 17 | Investment Tax Credit | (751,440) | (321,874) | (1,073,314) | (582,667) |
| 18 | Total Taxes | 83,578,488 | (15,688,625) | 67,889,863 | 30,489,290 |
| | | | | | |
| 19 | Total Net Operating Income | 282,220,925 | (22,257,122) | 259,963,803 | 128,498,511 |

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## Missouri Jurisdiction
## TY 3/31/14; Update TBD; K&M 4/30/15

## Summary of Adjustments

| Line No. | Adj No. | Description | Witness | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|
| | A | B | | D | E | F | G |
| | | | | Adjust to 4-30-15 - Anticipated True Up Date | | | |
| 1 | **JURISDICTIONAL COST OF SERVICE** | | | **Total Adjustments** | **Allocated Adjs** | **100% MO Adjs** | **100% KS & Whsl Adjs (2)** |
| | | | | **Incr (Decr)** | **Incr (Decr)** | **Incr (Decr)** | **Incr (Decr)** |
| 2 | **OPERATING REVENUE** | | | | | | |
| 3 | **Retail Sales - Schedule 9, line** | | | | | | |
| 4 | R-1 | Remove Gross Receipts Tax revenue (MO only) | Klote | (60,149,717) | | (60,149,717) | |
| 5 | R-20 | Normalize MO retail revenues (MO only) | Rush/Bass | 4,756,296 | | 4,756,296 | |
| 6 | R-21 | Adjust MO forfeited discounts for R-20 (MO only) | Klote | (21,325) | | (21,325) | |
| 7 | R-35 | Normalize Bulk Power Sales | Crawford | 506,973,463 | 506,973,463 | | |
| 8 | R-78 | Amortize bulk power margins in excess of 25th percentile (MO only) | Klote | 16,436 | | 16,436 | |
| 9 | R-80 | Transmission Revenues - ROE | Klote | (212,768) | (212,768) | | |
| 10 | R-81 | Transmission Revenues - Region wide projects | Klote | (451,959) | (451,959) | | |
| 11 | | **Operating Revenue - Schedule 9, line** | | 450,910,426 | 506,308,736 | (55,398,310) | 0 |
| 12 | | | | | | | |
| 13 | **OPERATING EXPENSES - Schedule 9** | | | | | | |
| 14 | CS-4 | Reflect KCREC test year bad debt expense in KCP&L's COS | Klote | 7,957,257 | | 5,687,052 | 2,270,205 |
| 15 | CS-9 | Reflect KCREC test year bank commitment fees in KCP&L's COS | Klote | 1,179,349 | 1,179,349 | | |
| 16 | CS-10 | Reflect test year interest on customer deposits in COS | Klote | 150,886 | | 148,580 | 2,306 |
| 17 | CS-11 | Reverse prior period and non-recurring test year amounts. | Klote | (5,516,272) | (5,516,272) | | |
| 18 | CS-20a | Normalize bad debt expense related to test year revenue | Klote | 254,504 | | 254,504 | |
| 19 | CS-20b | Normalize bad debt expense related to jurisdictional "Ask" | Klote | 946,144 | | 946,144 | |
| 20 | CS-22 | Amortize deferred gain on sale of SO2 emissions allowances | Klote | (8,016) | (8,067) | 51 | |
| 21 | CS-24 | Normalize fuel and purchase power energy (on system) | Crawford | 469,659,131 | 467,907,292 | 1,751,839 | |
| 22 | CS-25 | Normalize purchased power capacity costs | Crawford | (549,134) | (549,134) | | |

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## Missouri Jurisdiction
## TY 3/31/14; Update TBD; K&M 4/30/15

### Summary of Adjustments

| Line No. | Adj No. | Description | Witness | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|
| | A | B | | D | E | F | G |
| | | | | Adjust to 4-30-15 - Anticipated True Up Date | | | |
| 1 | **JURISDICTIONAL COST OF SERVICE** | | | **Total Adjustments** | **Allocated Adjs** | **100% MO Adjs** | **100% KS & Whsl Adjs (2)** |
| | | | | **Incr (Decr)** | **Incr (Decr)** | **Incr (Decr)** | **Incr (Decr)** |
| 23 | CS-35 | Eliminate Wolf Creek Mid-Cycle Outage | Klote | (4,307,947) | (4,307,947) | | |
| 24 | CS-36 | Annualize Wolf Creek refueling outage amortization | Klote | (101,652) | 212,464 | (314,116) | |
| 25 | CS-37 | Adjust Nuclear decommissioning expense | Klote | 0 | | | |
| 26 | CS-40 | Normalize Transmission maintenance expense | Klote | 0 | | | |
| 27 | CS-41 | Normalize Distribution maintenance expense | Klote | 0 | | | |
| 28 | CS-42 | Normalize Production maintenance expense | Klote | (466,321) | | (466,321) | |
| 29 | CS-43 | Annualize Vegetation Management Costs | Klote | 1,832,363 | 1,832,363 | | |
| 30 | CS-44 | Adjust cost of Economic Relief Pilot Program (ERPP) (MO only) | Klote | 213,538 | | 213,538 | |
| 31 | CS-45 | Normalize transmission of electricity by others | Klote | 9,442,110 | 9,442,110 | | |
| 32 | CS-48 | Amortize Iatan 2 & Common Tracker | Klote | 197,288 | 0 | 197,288 | |
| 33 | CS-49 | Miscellaneous O&M | Klote | 385,947 | 385,947 | | |
| 34 | CS-50 | Annualize salary and wage expense for changes in staffing levels and base pay rates | Klote | 6,939,636 | 6,926,231 | 3,264 | 10,141 |
| 35 | CS-51 | Normalize incentive compensation costs- Value Link | Klote | (5,417,553) | (5,417,553) | | |
| 36 | CS-52 | Normalize 401k costs | Klote | 124,250 | 124,250 | | |
| 37 | CS-60 | Annualize other benefit costs | Klote | 713,802 | 713,802 | | |
| 38 | CS-61 | Annualize OPEB expense | Klote | (1,202,709) | (1,202,709) | | |
| 39 | CS-62 | Normalize SERP expense | Klote | (597,392) | (597,392) | | |
| 40 | CS-65 | Annualize FAS 87 and FAS 88 pension expense | Klote | 4,559,679 | 4,559,679 | | |
| 41 | CS-70 | Annualize Insurance Premiums | Klote | 1,228,162 | 1,228,162 | | |
| 42 | CS-71 | Normalize injuries and damages expense | Klote | (386,766) | (386,766) | | |
| 43 | CS-76 | Annualize interest on customer deposits | Klote | 3,035 | | 3,035 | |
| 44 | CS-77 | Annualize Customer Accounts expense for credit card payment costs | Klote | 4,878 | 4,878 | | |
| 45 | CS-78 | Annualize KCREC bank fees related to sale of receivables | Klote | (213,212) | (213,212) | | |
| 46 | CS-80 | Amortize MO Rate case expense | Klote | (840,542) | | (840,542) | |

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## Missouri Jurisdiction
## TY 3/31/14; Update TBD; K&M 4/30/15

### Summary of Adjustments

| Line No. | Adj No. | Description | Witness | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|
| | A | B | | D | E | F | G |
| | | | | Adjust to 4-30-15 - Anticipated True Up Date | | | |
| 1 | **JURISDICTIONAL COST OF SERVICE** | | | Total Adjustments | Allocated Adjs | 100% MO Adjs | 100% KS & Whsl Adjs (2) |
| | | | | Incr (Decr) | Incr (Decr) | Incr (Decr) | Incr (Decr) |
| 47 | CS-81 | Transmission O&M - Region Wide Projects | Klote | (1,000) | (1,000) | | |
| 48 | CS-85 | Annualize regulatory assessments | Klote | (210,960) | (196,293) | (14,667) | |
| 49 | CS-86 | SPP Schedule 1 Admin Fee's | Klote | 2,080,026 | 2,080,026 | | |
| 50 | CS-87 | IT Roadmap O&M | Klote | 4,102,820 | 4,102,820 | | |
| 51 | CS-89 | Meter Replacement O&M | Klote | 540,000 | 540,000 | | |
| 52 | CS-90 | Advertising Connections Program | Klote | 695,400 | 695,400 | | |
| 53 | CS-97 | MO Pre-MEEIA Opt-Outs | Klote | 328,339 | | 328,339 | |
| 54 | CS-99 | Flood Reimbursement Amortization | Klote | 320,857 | 320,857 | | |
| 55 | CS-100 | Amortize EE/DR regulatory assets | Rush/Klote | (1,896,493) | | (1,896,493) | |
| 56 | CS-104 | Eliminate Amortization of R&D tax credit consulting fee regulatory asset (MO only) | Klote | (78,846) | | (78,846) | |
| 57 | CS-107 | Transource Account Review Amortization | Klote | (45,627) | | (45,627) | |
| 58 | CS-108 | Transource CWIP/FERC Incentives | Klote | (1,753,011) | (1,753,011) | | |
| 59 | CS-109 | Adjust Lease Expense - Corporate Headquarters | Klote | (483,756) | (483,756) | | |
| 60 | CS-114 | Amortize LaCygne Reg Asset - Inventory | Klote | 197,099 | 197,099 | | |
| 61 | CS-115 | Amortize Legal Fee Reimbursement | Klote | 317,092 | | 317,092 | |
| 62 | CS-116 | Adjust Costs of Renewable Energy Standards | Rush/Klote | 6,493,103 | | 6,493,103 | |
| 63 | CS-117 | Common-use Billings | Klote | (3,585,967) | (3,585,967) | | |
| 64 | CS-120 | Annualize depr exp based on jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period - unit trains & transportation equipment | Klote | 973,354 | 973,354 | | |
| 65 | | | | 494,176,872 | 479,207,003 | 12,687,217 | 2,282,652 |
| 66 | **Depreciation Expense - Schedule 9, line** | | | | | | |
| 67 | CS-120 | Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period | Klote | 32,371,768 | 32,371,768 | | |
| 68 | | | | 32,371,768 | 32,371,768 | 0 | 0 |
| 69 | **Amortization Expense - Schedule 9, line** | | | | | | |

# Kansas City Power & Light Company
# 2015 RATE CASE - Direct
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# TY 3/31/14; Update TBD; K&M 4/30/15

## Summary of Adjustments

| Line No. | Adj No. | Description | Witness | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|
| | A | B | | D | E | F | G |
| | | | | Adjust to 4-30-15 - Anticipated True Up Date | | | |
| 1 | **JURISDICTIONAL COST OF SERVICE** | | | **Total Adjustments** | **Allocated Adjs** | **100% MO Adjs** | **100% KS & Whsl Adjs (2)** |
| | | | | **Incr (Decr)** | **Incr (Decr)** | **Incr (Decr)** | **Incr (Decr)** |
| 70 | CS-105 | Transource-Transferred Asset Value | Klote | (1,841,235) | | (1,841,235) | |
| 71 | CS-111 | Amortize Iatan 1/Common Regulatory Asset | Klote | 0 | | | |
| 72 | CS-112 | Amortize Iatan 2 Regulatory Asset | Klote | 0 | | | |
| 73 | CS-113 | Amortize LaCygne Reg Asset - Construction Acctg | Klote | 330,075 | | 330,075 | |
| 74 | CS-118 | Amortize Meter Replacement Unrecovered Reserve | Klote | 874,507 | | 874,507 | |
| 75 | CS-121 | Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period | Klote | 11,435,598 | 11,435,598 | | |
| 76 | | | | 10,798,945 | 11,435,598 | (636,653) | 0 |
| 77 | **Taxes Other than Income - Schedule, line** | | | | | | |
| 78 | R-1 | Remove Gross Receipts Tax expense (MO only) | Klote | (58,781,177) | | (58,781,177) | |
| 79 | CS-18 | Eliminate Kansas City, Missouri Earnings Tax (MO only) | Klote | (22,705) | | (22,705) | |
| 80 | CS-35 | Eliminate Wolf Creek Mid-Cycle Outage | Klote | (110,180) | (110,180) | | |
| 81 | CS-53 | Annualize payroll tax expense | Klote | 101,355 | 101,355 | | |
| 82 | CS-126 | Adjust property tax expense | Klote | 10,321,295 | 10,321,295 | | |
| 83 | | | | (48,491,412) | 10,312,470 | (58,803,882) | 0 |
| 84 | **Income Tax Expense- Schedule 9, line** | | | | | | |
| 85 | CS-125 | Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes | Klote | (15,688,625) | (16,237,174) | 548,549 | |
| 86 | | | | (15,688,625) | (16,237,174) | 548,549 | 0 |
| 87 | | | | | | | |
| 88 | | **Total Electric Oper. Expenses - Schedule 9, line** | | 473,167,548 | 517,089,665 | (46,204,769) | 2,282,652 |
| 89 | | | | | | | |
| 90 | | **Net Electric Operating Income - Schedule , line** | | (22,257,122) | (10,780,929) | (9,193,541) | (2,282,652) |
| | | | | 0 | | | |

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## Missouri Jurisdiction
## TY 3/31/14; Update TBD; K&M 4/30/15

### Summary of Adjustments

| Line No. | Adj No. | Description | Witness | Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|
| | A | B | | D | E | F | G |
| | | | | Adjust to 4-30-15 - Anticipated True Up Date | | | |
| 1 | | **JURISDICTIONAL COST OF SERVICE** | | Total Adjustments | Allocated Adjs | 100% MO Adjs | 100% KS & Whsl Adjs (2) |
| | | | | Incr (Decr) | Incr (Decr) | Incr (Decr) | Incr (Decr) |

(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the MIssouri rate case.

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## Missouri Jurisdiction
## TY 3/31/14; Update TBD; K&M 4/30/15

## Cash Working Capital

| Line No. | Account Description | Jurisdictional Test Year Expenses | Revenue Lag | Expense Lead | Net (Lead)/Lag (C) - (D) | Factor (Col E/366) | CWC Req (B) X (F) |
|---|---|---|---|---|---|---|---|
| | A | B | C | D | E | F | G |
| 1 | **Operations & Maintenance Expense** | | | | | | |
| 2 | Gross Payroll excl Wolf Creek Prod & Accrued Vac | 64,462,522 | 26.68 | 13.85 | 12.83 | 0.0351 | 2,259,711 |
| 3 | Accrued Vacation | 6,734,259 | 26.68 | 344.83 | -318.15 | -0.8693 | (5,853,837) |
| 4 | Wolf Creek Operations & Fuel, incl Payroll | 72,115,378 | 26.68 | 25.85 | 0.83 | 0.0023 | 163,540 |
| 5 | Purchased Coal & Freight | 183,202,552 | 26.68 | 20.88 | 5.8 | 0.0158 | 2,903,210 |
| 6 | Purchased Gas | 5,875,901 | 26.68 | 28.62 | -1.94 | -0.0053 | (31,145) |
| 7 | Purchased Oil, excl Wolf Creek | 4,294,593 | 26.68 | 8.5 | 18.18 | 0.0497 | 213,322 |
| 8 | Purchased Power | 304,735,754 | 26.68 | 30.72 | -4.04 | -0.0110 | (3,363,750) |
| 9 | Injuries & Damages | 4,738,551 | 26.68 | 149.56 | -122.88 | -0.3357 | (1,590,910) |
| 10 | Pension Expense | 27,146,794 | 26.68 | 51.74 | -25.06 | -0.0685 | (1,858,739) |
| 11 | OPEBs | 3,227,894 | 26.68 | 178.44 | -151.76 | -0.4146 | (1,338,429) |
| 12 | Cash Vouchers | 154,204,186 | 26.68 | 30 | -3.32 | -0.0091 | (1,398,792) |
| 13 | Total Operation & Maintenance Expense | 830,738,382 | | | | | (9,895,821) |
| 14 | **Taxes other than Income Taxes** | | | | | | |
| 15 | FICA Taxes - Employer's | 7,061,049 | 26.68 | 13.77 | 12.91 | 0.0353 | 249,066 |
| 16 | Unemployment Taxes - Federal & State | 206,174 | 26.68 | 71 | -44.32 | -0.1211 | (24,966) |
| 17 | City Franchise Taxes - 6% GRT - MO | 36,763,459 | 11.47 | 72.28 | -60.81 | -0.1661 | (6,108,158) |
| 18 | City Franchise Taxes - 4% GRT - MO | 13,958,991 | 11.47 | 39.34 | -27.87 | -0.0761 | (1,062,943) |
| 19 | City Franchise Taxes - Other MO Cities | 8,502,377 | 11.47 | 60.94 | -49.47 | -0.1352 | (1,149,215) |
| 20 | Ad Valorem / Property Taxes | 51,418,016 | 11.47 | 208.84 | -197.37 | -0.5393 | (27,727,797) |
| 21 | Sales & Use Taxes - MO | 22,112,634 | 11.47 | 22 | -10.53 | -0.0288 | (636,191) |
| 22 | **Total Taxes other than Income Taxes** | 140,022,700 | | | | | (36,460,205) |
| 23 | **Current Income Taxes-Federal** | 11,474,901 | 26.68 | 45.63 | -18.95 | -0.0518 | (594,124) |
| 24 | Current Income Taxes-State | 3,344,780 | 26.68 | 45.63 | -18.95 | -0.0518 | (173,179) |
| 25 | **Total Income Taxes** | 14,819,681 | | | | | (767,303) |
| 26 | **Interest Expense** | 69,734,395 | 26.68 | 86.55 | -59.87 | -0.1636 | (11,407,099) |
| 27 | **Total Cash Working Capital Requirement** | 1,055,315,158 | | | | | (58,530,428) |

## Kansas City Power & Light Company
## 2015 RATE CASE - Direct
## TY 3/31/14; Update TBD; K&M 4/30/15

## Allocation Factors

| Line No. | Jurisdiction Factors | Missouri | KS & Wholesale | Total |
|---|---|---|---|---|
| | A | B | C | D |
| 1 | **Jurisdiction Factors** | | | |
| 2 | Missouri Jurisdictional | 100.0000% | 0.000% | 100.0000% |
| 3 | Kansas Jurisdictional | 0.0000% | 100.000% | 100.0000% |
| 4 | Non Jurisdictional/Wholesale | 0.0000% | 100.000% | 100.0000% |
| 5 | D1 - Demand (Capacity) Factor | 53.5748% | 46.425% | 100.0000% |
| 6 | E1 - Energy Factor with Losses (E1) | 57.4935% | 42.507% | 100.0000% |
| 7 | C1 - Customer - Elec (Retail only) (C1) | 52.4911% | 47.509% | 100.0000% |
| 8 | **Blended Factors (See Calculation Below)** | | | |
| 9 | Sal & Wg - Salaries & Wages w/o A&G | 53.9740% | 46.0260% | 100.0000% |
| 10 | PTD - Prod/Trsm/Dist Plant (excl Gen) | 54.2867% | 45.713% | 100.0000% |
| 11 | Dist Plt - Weighted Situs Basis | 55.2093% | 44.791% | 100.0000% |
| 12 | **Situs Basis Plant used for Dist Depr Reserve** | | | |
| 13 | 360 - Dist Land | 50.5496% | 49.450% | 100.0000% |
| 14 | 360 - Dist Land Rights | 58.3311% | 41.669% | 100.0000% |
| 15 | 361 - Dist Structures & Improvements | 49.4968% | 50.503% | 100.0000% |
| 16 | 362 - Distr Station Equipment | 59.5213% | 40.479% | 100.0000% |
| 17 | 362 - Distr Station Equip-Communication | 54.9206% | 45.079% | 100.0000% |
| 18 | 363 - Distr Energy Storage Equipment | 100.0000% | 0.000% | 100.0000% |
| 19 | 364 - Dist Poles, Towers & Fixtures | 55.7844% | 44.216% | 100.0000% |
| 20 | 365 - Dist Overhead Conductor | 55.8193% | 44.181% | 100.0000% |
| 21 | 366 - Dist Underground Circuits | 57.8366% | 42.163% | 100.0000% |
| 22 | 367 - Dist Underground Conduct & Devices | 52.6731% | 47.327% | 100.0000% |
| 23 | 368 - Dist Line Transformers | 57.8042% | 42.196% | 100.0000% |
| 24 | 369 - Dist Services | 51.3834% | 48.617% | 100.0000% |
| 25 | 370 - Dist Meters | 53.9878% | 46.012% | 100.0000% |
| 26 | 370 - Dist AMI Meters | 50.2796% | 49.720% | 100.0000% |
| 27 | 371 - Dist Customer Premise Installations | 74.7243% | 25.276% | 100.0000% |
| 28 | 373 - Dist Street Lights & Traffic Signals | 33.9873% | 66.013% | 100.0000% |

**Kansas City Power & Light Company**
**Description of Allocators**

## NET ELECTRIC OPERATING INCOME

### Revenues

Retail revenues are the revenues received from retail customers in Missouri and Kansas. Retail revenues are not allocated; rather, they are recorded by jurisdiction.

Miscellaneous revenues include forfeited discounts, miscellaneous services, rent from electric property, transmission service for others, and other electric revenues. These miscellaneous revenues are subdivided and, where possible, assigned directly to the jurisdiction where they are recorded. The miscellaneous revenues that are not directly assignable to a jurisdiction are grouped by functional categories and allocated on a basis consistent with that functional category.

Non-firm off-system sales margins are allocated based on the Energy allocator.

The capacity and fixed cost components of firm bulk sales revenue are allocated based on the Demand allocator. The energy component of firm bulk sales revenue is allocated based on the Energy allocator.

Sales for resale revenue is revenue from the full-requirements firm wholesale customers under FERC jurisdiction. This revenue is assigned totally to the FERC jurisdiction.

### Fuel & Purchased Power Cost

Fuel cost is allocated based on the Energy allocator.

The purchased power demand (capacity) component is allocated based on the Demand allocator, while the energy component is allocated based on the Energy allocator.

### Non-Fuel Operations and Maintenance ("O&M") Costs

Production O&M cost is allocated consistent with the allocation of production plant.

Transmission O&M costs associated with company owned transmission plant is allocated consistent with the allocation of transmission plant. Transmission of electricity by others and costs associated with participation in SPP are allocated based upon the Energy allocator.

Distribution O&M cost is allocated consistent with the allocation of distribution plant.

Customer accounts expense is primarily allocated using the Customer allocator. The exception is that the uncollectible accounts expense is assigned directly to the applicable jurisdiction.

Customer services and information expense is primarily allocated using the Customer allocator. The exception is that the amortizations of Energy Efficiency/Demand Response, and Renewable Energy Standards costs are assigned directly to the applicable jurisdiction.

Sales expense is primarily allocated using the Customer allocator.

A&G expense is allocated using a number of methods depending on the cause of the cost. Salaries, employee benefits, and injuries and damages expenses are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously. Regulatory expenses are assigned directly to the applicable jurisdiction, with the exception of the FERC regulatory expense, which is allocated based on the Energy allocator. Amortization of other jurisdictional costs deferred as a result of prior regulatory orders are assigned directly to the applicable jurisdiction. Property insurance and General plant maintenance is allocated based on the composite allocation of production, transmission and distribution plant. Fleet expense is allocated based on the allocation of distribution plant. General advertising expense is allocated using the Customer allocator. The remaining A&G expenses are allocated using the Energy allocator.

**Depreciation and Amortization Expenses**

Depreciation expense is allocated based on the allocation of the plant with which they are associated. Amortization expense is allocated based on the composite allocation of production, transmission and distribution plant, with the exception of Amortizations as a result of a prior regulatory order, which are assigned directly to the applicable jurisdiction.

**Interest on Customer Deposits**

Interest on customer deposits is assigned directly to the applicable jurisdiction.

**Taxes**

Property tax is allocated based on the composite allocation of production, transmission and distribution plant. Payroll tax is allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses. Gross receipts tax is assigned directly to the Missouri jurisdiction and then eliminated through an adjustment (adjustment R-1). Other miscellaneous taxes are allocated based on the composite allocation of production, transmission and distribution plant.

Currently payable income tax is not allocated. Instead, currently payable income tax is calculated in the Revenue Requirement Model using the statutory tax rates for the appropriate jurisdiction and applying those rates to jurisdictional taxable income calculated in the Revenue Requirement Model. Deferred tax expense related to depreciation is calculated using the statutory federal and state tax rates for the appropriate jurisdiction and applying a composite tax rate to the jurisdictional difference between tax return depreciation and tax basis straight line depreciation reflected in the Revenue Requirement Model. Other deferred income tax expenses are allocated based on the composite allocation of production, transmission and distribution plant, with the exception of Amortizations as the result of prior regulatory orders are assigned directly to the applicable jurisdiction. Kansas City, Missouri Earnings Tax applies only to the Missouri jurisdiction and is therefore only calculated for the Missouri jurisdiction.

## RATE BASE

### Plant-in-Service and Reserve for Depreciation and Amortization

The Demand allocator is used to allocate production plant. The exception is for plant items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include the Missouri gross-up accounting treatment of allowance for funds used during construction ("Missouri Gross AFDC") and the Iatan 1 and Iatan 2 plant disallowances. These items are assigned directly to the applicable jurisdiction.

Transmission plant cost is allocated based primarily using the Demand allocator. Missouri Gross AFDC amounts in the transmission plant amounts are allocated directly to Missouri.

Distribution plant cost is assigned based on physical location.

General plant cost is allocated based on the composite allocation of production, transmission, and distribution plant. Missouri Gross AFDC amounts in the general plant amounts are allocated directly to Missouri.

Intangible plant consists primarily of capitalized software, which is allocated based on the allocation factor considered most appropriate for the function of the software. For example, the customer information system is allocated based on the Customer allocation factor, whereas transmission-related software is allocated consistent with the allocation of Transmission plant.

The reserves for accumulated depreciation and amortization are allocated based on the allocation of the plant with which they are associated. The exception is for reserve items that have been afforded different jurisdictional accounting treatment through past commission orders. For example, Additional Credit Ratio Amortizations were assigned to specific reserve plant accounts in each jurisdiction differently and therefore are assigned directly to the applicable jurisdiction.

### Working Capital

Cash working capital ("CWC") is not allocated. Instead, the CWC amounts are calculated in the Revenue Requirement Model by taking the net CWC factors and applying these factors to allocated jurisdictional amounts in the Revenue Requirement Model. Fuel inventory is allocated using the Energy allocator except for the Missouri Gross AFDC amount in fuel inventory that is assigned directly to Missouri. Materials and supplies ("M&S") and prepayments are grouped by function and allocated based on allocations appropriate for the function of the M&S and prepayments.

**Regulatory assets and Regulatory Liabilities**

Regulatory assets and regulatory liabilities are primarily assigned directly to the applicable jurisdiction. There are two exceptions (1) Pension and OPEB, which are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses and (2) SO2 Emission Allowances for EPA auction proceeds, which are allocated based on the Energy allocator.

**Accumulated Reserve for Deferred Taxes**

The reserve is primarily allocated based on the allocation of plant with which it is associated. However, deferred tax reserve amounts that are associated with regulatory assets and liabilities are assigned directly to the applicable jurisdiction.

**Customer Advances for Construction and the Customer Deposits**

The customer advances for construction and the customer deposits are assigned directly to the applicable jurisdiction.

**Kansas City Power & Light Company**
**2015 RATE CASE - Direct**
**Missouri Jurisdiction**
**TY 3/31/14; Update TBD; K&M 4/30/15**

**Income Tax - Schedule 11**

| Line No. | Line Description | Total Company Balance * | Juris Factor # | Juris Allocator * | Tax Rate | (Jurisdictional) Adjusted with 7.938% Return |
|---|---|---|---|---|---|---|
| | A | | | | B | C |
| 1 | Net Income Before Taxes (Sch 9) | 327,853,666 | | | | 158,987,801 |
| 2 | ***Add to Net Income Before Taxes:*** | | | | | |
| 3 | Depreciation Exp | 216,202,914 | | | | 116,953,542 |
| 4 | Plant Amortization Exp | 27,956,117 | | | | 15,176,453 |
| 5 | Amortization of Unrecovered Reserve on General Plt-KS | 1,661,925 | 100% KS | 0.0000% | | 0 |
| 6 | Book Nuclear Fuel Amortization | 27,834,000 | | | | 16,002,741 |
| 7 | Transp & Unit Train Depr-Clearing | 3,758,661 | | | | 2,036,331 |
| 8 | 50% Meals & Entertainment | 963,906 | Sal&Wg | 53.9740% | | 520,259 |
| 9 | **Total** | 278,377,523 | | | | 150,689,325 |
| 10 | ***Subtract from Net Income Before Taxes:*** | | | | | |
| 11 | Interest Expense | 134,351,864 | | | | 69,734,395 |
| 12 | IRS Tax Return Depreciation | 284,097,049 | PTD | 54.2867% | | 154,226,913 |
| 13 | IRS Tax Return Plant Amortization | 15,436,768 | PTD | 54.2867% | | 8,380,112 |
| 14 | IRS Tax Return Nuclear Amortization | 29,121,308 | E1 | 57.4935% | | 16,742,859 |
| 15 | Employee 401k ESOP Deduction | 2,480,673 | Sal&Wg | 53.9740% | | 1,338,918 |
| 16 | IRC Section 199 Domestic Production Activities | 0 | D1 | 53.5748% | | 0 |
| 17 | **Total** | 465,487,662 | | | | 250,423,197 |
| 18 | **Net Taxable Income** | 140,743,527 | | | | 59,253,929 |
| 19 | **Provision for Federal Income Tax:** | | | | | |
| 20 | Net Taxable Income | 140,743,527 | | | | 59,253,929 |
| 21 | Deduct State Income Tax @ 100.0% | 7,782,108 | | | 6.25% | 3,344,780 |
| 22 | Deduct City Income Tax | 0 | | | | 0 |
| 23 | Federal Taxable Income | 132,961,419 | | | | 55,909,149 |
| 24 | Federal Tax Before Tax Credits | 46,536,497 | | | 35.00% | 19,568,202 |
| 25 | Less Tax Credits: | | | | | |
| 26 | Wind Tax Credit | (12,333,612) | E1 | 57.4935% | | (7,091,025) |
| 27 | Research and Development Tax Credit | (1,670,621) | E1 | 57.4935% | | (960,498) |
| 28 | Fuels Tax Credit | (72,665) | E1 | 57.4935% | | (41,778) |
| 29 | **Total Federal Tax** | 32,459,599 | | | | 11,474,901 |
| 30 | **Provision for State Income Tax:** | | | | | |
| 31 | Net Taxable Income | 140,743,527 | | | | 59,253,929 |
| 32 | Deduct Federal Income Tax @ 50.0% | 16,229,800 | | | 17.50% | 5,737,450 |
| 33 | Deduct City Income Tax | 0 | | | | 0 |
| 34 | State Jurisdictional Taxable Income | 124,513,727 | | | | 53,516,479 |
| 35 | **Total State Tax** | 7,782,108 | | | 6.25% | 3,344,780 |
| 36 | **Provision for City Income Tax:** | | | | | |
| 37 | Net Taxable Income | 140,743,527 | | | | 59,253,929 |
| 38 | **Total City Tax** | 0 | | | 0.00% | 0 |
| 39 | **Effective Tax rate before Tax Cr and Earnings Tax** | 38.39% | | | | 38.39% |
| 40 | **Summary of Provision for Current Income Tax:** | | | | | |
| 41 | Federal Income Tax | 32,459,599 | | | | 11,474,901 |
| 42 | State Income Tax | 7,782,108 | | | | 3,344,780 |
| 43 | City Income Tax | 0 | | | | 0 |
| 44 | **Total Provision for Current Income Tax** | 40,241,707 | | | | 14,819,681 |
| 45 | **Deferred Income Taxes:** | | | | | |
| 46 | Deferred Income Taxes - Excess IRS Tax over Tax SL | 41,745,986 | See Computation Below | | | 23,160,831 |
| 47 | Amortization of Deferred ITC | (1,073,314) | PTD | 54.2867% | | (582,667) |
| 48 | Amort of Excess Deferred Income Taxes (ARAM) | (1,150,742) | PTD | 54.2867% | | (624,700) |
| 49 | Amort. of Prior Deferred taxes - Turnaround of Book/Tax Basis Differences | (12,228,212) | PTD | 54.2867% | | (6,638,293) |
| 50 | Amortization of R&D Credits | 0 | 100% MO | 100.0000% | | 0 |
| 51 | Amortization of Cost of Removal-ER-2007-0291 | 354,438 | 100% MO | 100.0000% | | 354,438 |

**Kansas City Power & Light Company**
**2015 RATE CASE - Direct**
**Missouri Jurisdiction**
**TY 3/31/14; Update TBD; K&M 4/30/15**

**Income Tax - Schedule 11**

| Line No. | Line Description | Total Company Balance * | Juris Factor # | Juris Allocator * | Tax Rate | (Jurisdictional) Adjusted with 7.938% Return |
|---|---|---|---|---|---|---|
| 52 | **Total Deferred Income Tax Expense** | 27,648,156 | | | | 15,669,609 |
| 53 | **Total Income Tax** | 67,889,863 | | | | 30,489,290 |
| 54 | (a) Percent of vehicle depr clearing to O&M | | | | 54.1574% | |
| 55 | Effective Tax Rate excluding City Earnings Taxes - MO juris | 38.3900% | | | | 38.3900% |

**Interest Expense Proof:**

| | |
|---|---|
| Total Rate Base (Sch. 2) | 2,557,089,761 |
| X Wtd Cost of Debt | 2.727% |
| Interest Exp | 69,734,395 |
| Less: Interest Expense from Line 7 | 69,734,395 |
| Difference | 0 |

* As Needed

**Computation of Line 43 Above:**

| Line No. | Line Description | Total Company Balance * | Juris Factor # | Juris Allocator * | Tax Rate | Adjusted with 7.938% Return |
|---|---|---|---|---|---|---|
| | **Straight Line Tax Depreciation:** | | | | | |
| 56 | Annualized Book Depreciation (Sch 5) | 216,202,914 | | | | 116,953,542 |
| 57 | Amortiz of Unrecovered Reserve on General Plt-KS | 1,661,925 | 100% KS | 0.0000% | | 0 |
| 58 | Adjusted Annualized Book Depreciation | 217,864,839 | | | | 116,953,542 |
| 59 | Straight Line Tax Ratio | 82.02% | | | | 82.02% |
| 60 | Straight Line Tax Depreciation | 178,696,880 | | | | 95,927,517 |
| | **Deferred Income Taxes - Excess IRS Tax over Tax SL:** | | | | | |
| 61 | IRS Tax Return Depreciation | 284,097,049 | | | | 154,226,913 |
| 62 | Less: Tax Straight Line Depreciation | 178,696,880 | | | | 95,927,517 |
| 63 | Excess IRS Tax Depr over Tax SL Depr | 105,400,169 | | | | 58,299,396 |
| 64 | IRS Tax Return Plant Amortization | 15,436,768 | | | | 8,380,112 |
| 65 | Less: Tax Straight Line Amortization | 18,859,019 | PTD | 54.2867% | | 10,237,939 |
| 66 | Excess IRS Tax Amort over Tax SL Amort | (3,422,251) | | | | (1,857,827) |
| 67 | IRS Tax Return Nuclear Amortization | 29,121,308 | | | | 16,742,859 |
| 68 | Less: Tax Straight Line Nuclear Amort | 22,357,402 | E1 | 57.4935% | | 12,854,053 |
| 69 | Excess IRS Tax Nuclear Amort over Tax SL Nuclear Amort | 6,763,906 | | | | 3,888,806 |
| 70 | Total Timing Differences | 108,741,824 | | | | 60,330,375 |
| 71 | Effective Tax rate | 38.39% | | | | 38.39% |
| 72 | **Deferred Income Taxes - Excess IRS Tax over Tax SL** | 41,745,986 | | | | 23,160,831 |

**Kansas City Power & Light Company**
**2015 RATE CASE - Direct**
**Missouri Jurisdiction**
**TY 3/31/14; Update TBD; K&M 4/30/15**

**Accumulated Deferred Income Tax Reserves - Schedule 13**

| LINE NO. | Account No. | Line Description | Direct/Update /True UP Adjusted Balance | Juris Factor # | Juris Allocator | Juris Adjusted Balance |
|---|---|---|---|---|---|---|
| | A | B | C | D | E | F |
| 1 | 190 | **ACCT 190 ACCUM DEFERRED TAX** | | | | |
| 2 | | Misc | 0 | PTD | 54.2867% | 0 |
| 3 | | Net Operating Loss | (69,568,216) | PTD | 54.2867% | (37,766,289) |
| 4 | | Vacation & Other Salaries & Wages Alloc | (8,345,284) | Sal&Wg | 53.9740% | (4,504,284) |
| 5 | | Advertising | 0 | 100% MO | 100.0000% | 0 |
| 6 | | Nuclear Fuel | 0 | E1 | 57.4935% | 0 |
| 7 | | **TOTAL ACCT 190** | (77,913,500) | | | (42,270,572) |
| 8 | | | | | | |
| 9 | 282 | **LIBERALIZED DEPRECIATION** | | | | |
| 10 | | Method/Life Depreciation - Non Wolf Creek | 751,932,735 | D1 | 53.5748% | 402,846,459 |
| 11 | | Method/Life Depreciation - Wolf Creek | 131,503,922 | D1 | 53.5748% | 70,452,963 |
| 12 | | Nuclear Fuel | 652,807 | E1 | 57.4935% | 375,322 |
| 13 | | Other DIT Adj for Post April 2015 Method/Life | (4,901,108) | D1 | 53.5748% | (2,625,759) |
| 14 | | **TOTAL LIBERALIZED DEPRECIATION** | 879,188,356 | | | 471,048,985 |
| 15 | | | | | | |
| 16 | | **ACCUM DIT ON BASIS DIFFERENCES** | | | | |
| 17 | | Gross AFUDC - Wolf Creek Construction | 16,503,254 | 100% MO | 100.0000% | 16,503,254 |
| 18 | | AFUDC Debt/Cap Int - W/O Fuel & Wolf Creek Constr | (22,518,781) | D1 | 53.5748% | (12,064,392) |
| 19 | | AFUDC Debt - Nuclear Fuel | 0 | E1 | 57.4935% | 0 |
| 20 | | Contributions in Aid of Construction | (26,802,192) | D1 | 53.5748% | (14,359,221) |
| 21 | | Repair Allowance | 54,396,394 | D1 | 53.5748% | 29,142,759 |
| 22 | | Repair Expense - Wolf Creek | 49,988,300 | D1 | 53.5748% | 26,781,132 |
| 23 | | Repair Expense - Production | 114,404,483 | D1 | 53.5748% | 61,291,973 |
| 24 | | Pensions Capitalized - Assigned | 509,234 | 100% MO | 100.0000% | 509,234 |
| 25 | | Pensions Capitalized - Allocated | 0 | D1 | 53.5748% | 0 |
| 26 | | Payroll Tax Capitalized - Assigned | 404,748 | 100% MO | 100.0000% | 404,748 |
| 27 | | Payroll Tax Capitalized - Allocated | 0 | D1 | 53.5748% | 0 |
| 28 | | Prop Tax Capitalized - Assigned - Wolf Creek | 0 | 100% MO | 100.0000% | 0 |
| 29 | | Prop Tax Capitalized - Assigned | 1,603,534 | 100% MO | 100.0000% | 1,603,534 |
| 30 | | Prop Tax Capitalized - Allocated - Wolf Creek | 0 | D1 | 53.5748% | 0 |
| 31 | | Prop Tax Capitalized - Allocated | 1,295,681 | D1 | 53.5748% | 694,159 |
| 32 | | Health & Welfare Capitalized | 284,235 | D1 | 53.5748% | 152,278 |
| 33 | | Other Miscellaneous | 45,112,577 | D1 | 53.5748% | 24,168,973 |
| 34 | | **TOTAL ACCUM DIT ON BASIS DIFFERENCES** | 235,181,467 | | | 134,828,431 |
| 35 | | | | | | |
| 36 | | **TOTAL ACCT 282** | 1,114,369,823 | | | 605,877,416 |
| 37 | | | | | | |
| 38 | 283 | **MISC DEFERRED INCOME TAX (RATEBASE ITEMS)** | | | | |
| 39 | | Prior Years Depr ADJ & Other Total Plant | (7,725,204) | D1 | 53.5748% | (4,138,763) |
| 40 | | SO2 Emissions & Other E1 Alloc | 9,741,769 | E1 | 57.4935% | 5,600,884 |
| 41 | | Postretirement Benefits & Other Salaries & Wages | 7,976,294 | Sal&Wg | 53.9740% | 4,305,125 |
| 42 | | Customer Demand Prog & Other 100% MO | 30,298,730 | 100% MO | 100.0000% | 30,298,730 |
| 43 | | Customer Demand Prog & Other 100% KS | 0 | 100% KS | 0.0000% | 0 |
| 44 | | **TOTAL ACCT 283** | 40,291,589 | | | 36,065,976 |
| 45 | | | | | | |
| 46 | | **TOTAL ACCUMULATED DEFERRED TAXES** | 1,076,747,912 | | | 599,672,820 |

Kansas City Power & Light Company
5-Year Summary of KCP&L Property Taxes By Calendar Year
MPSC Filings

| | Property Taxes Charged By Calendar Year | | | | |
|---|---|---|---|---|---|
| | **2013** | **2012** | **2011** | **2010** | **2009** |
| **Total Property Taxes:** | | | | | |
| Total Property Taxes (excluding PILOTs) | 82,212,720 | 76,721,385 | 74,539,929 | 71,954,230 | 66,897,155 |
| Payments in Lieu of Taxes (PILOTs) | 804,364 | 783,520 | 763,220 | 357,090 | 347,820 |
| Total Property Taxes | 83,017,084 | 77,504,905 | 75,303,149 | 72,311,320 | 67,244,975 |

| | | | | | |
|---|---|---|---|---|---|
| **Source:** | | | | | |
| MPSC Data Request # | N/A | N/A | #0214 | #0172T | #0172 |
| Date Provided Response | N/A | N/A | Apr 2012 | Jan 2011 | June 2010 |