

Exhibit No.:  
Issue: Miscellaneous Revenue Requirement  
Issues and Accounting Adjustments  
Witness: Ronald A. Klote  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2014-0370  
Date Testimony Prepared: May 7, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

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

**REBUTTAL TESTIMONY**

**OF**

**RONALD A. KLOTE**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
May 2015**

**Certain Schedules Attached To This Testimony Designated “(Highly Confidential)”  
Have Been Removed  
Pursuant To 4 CSR 240-2.135.**

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**REBUTTAL TESTIMONY**

**OF**

**RONALD A. KLOTE**

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

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

2 A: My name is Ronald A. Klotz. My business address is 1200 Main, Kansas City, Missouri  
3 64105.

4 **Q: Are you the same Ronald A. Klotz who pre-filed Direct Testimony in this matter?**

5 A: Yes, I am.

6 **Q: What is the purpose of your Rebuttal Testimony?**

7 A: I will offer rebuttal testimony addressing the following items:

- 8 1. Transmission Revenues and Related Adjustments (response to Staff)
- 9 2. Staff's Retroactive Tracking/Ratemaking Proposals (response to Staff)
  - 10 a. DOE Fees
  - 11 b. Wolf Creek Nuclear Refueling Outage Amortization
  - 12 c. Research & Development ("R&D") tax credit Amortization
  - 13 d. Regulatory Liabilities and Asset Amortizations
- 14 3. Payroll (response to Staff)
- 15 4. 401k (response to Staff)
- 16 5. Incentive Compensation (response to Staff)
- 17 6. OPEB Funding and Tracker Issue (response to Staff)
- 18 7. Bad Debts – (response to Staff)
- 19 8. Advertising – (response to Staff)

- 1 9. Transmission Expense (response to Staff)
- 2 10. Affiliate Transactions (response to Staff and MECG/OPC)
- 3 a. Corporate General Allocator
- 4 b. Utility General Allocator
- 5 c. Common Use Allocator
- 6 d. Allconnect
- 7 e. Consolidated Adjustment of \$750,000
- 8 11. La Cygne Construction Accounting (response to Staff)
- 9 a. Staff's Disallowance Recommendation Should be Rejected
- 10 b. Staff's Other Ratemaking Recommendations for the La Cygne Environmental
- 11 Project
- 12 12. DSM Deferral Amortizations (response to Staff)
- 13 13. Pre-MEEIA Opt Outs (response to Staff)
- 14 14. Jurisdictional Allocations (response to Staff)
- 15 15. Items Still Pending Staff Acceptance/Correction

16 1. **Transmission Revenues and Related Adjustments**

17 **Q: What issues do you have with Staff's Report regarding Transmission Revenue and**

18 **Related Adjustments?**

19 A: Staff addressed the following issues in regards to the Company's transmission revenue

20 and related adjustments requests in this rate case:

- 21 • Staff included transmission revenues updated for the 12 months ending December 31,
- 22 2014.

- 1 • Staff did not include Company’s adjustment R-80 to transmission revenue for the  
2 difference between KCP&L’s authorized FERC ROE of 11.1% and KCP&L’s  
3 requested ROE in this case of 10.3%.
- 4 • Staff did not include Company’s adjustment R-81 for reduction of transmission  
5 revenues for region-wide projects.
- 6 • Staff did not include Company’s adjustment RB-81 for the reduction of transmission  
7 plant for region-wide projects.
- 8 • Staff did not include Company’s adjustment CS-81 for the reduction of transmission  
9 O&M for region-wide projects.

10 **Q: What is the Company’s position regarding Staff’s transmission revenue adjustment**  
11 **updated to December 31, 2014?**

12 A: The Company is in agreement with the level of transmission revenues that Staff has  
13 included in its Staff Report updating revenues through December 31, 2014. Transmission  
14 revenues are primarily driven by the Annual Transmission Revenue Requirement  
15 (“ATRR”) calculated in KCP&L’s Transmission Formula Rate (“TFR”) and charged to  
16 Transmission Customers (“TCs”) under the SPP Open Access Transmission Tariff  
17 (“OATT”). The ATRR is primarily driven by the level of KCP&L-owned transmission  
18 net plant and associated transmission depreciation and O&M expenses. The adjustments  
19 that Staff has made to update plant and reserve balances to December 31, 2014 levels are  
20 consistent with updating the transmission revenues. The adjustments to net plant and the  
21 resulting impacts on calculated depreciation and returns in the retail revenue requirement  
22 largely capture what would drive changes in the ATRR. Had Staff not made the net plant

1 adjustment, it would be inconsistent and inappropriate to adjust the transmission  
2 revenues.

3 **Q: What is the Company's position regarding adjustment R-80 which Staff did not**  
4 **include in its revenue requirement calculation?**

5 A: The Company does not agree with Staff's exclusion of adjustment R-80 nor does the  
6 Company agree with Staff's flawed rationale for its exclusion of the adjustment. The R-  
7 80 adjustment was proposed to correct a situation where the crediting of transmission  
8 revenue results in Missouri retail customers paying less than the Missouri Commission  
9 authorized return.

10 **Q: Why does the transmission revenue crediting result in Missouri retail customers**  
11 **paying less than the Missouri Commission has authorized?**

12 A: Under the current Missouri retail ratemaking methodology, all of the Company-owned  
13 transmission assets and related expenses are included in the calculation of the retail  
14 revenue requirement. This retail revenue requirement is based on a Missouri  
15 Commission authorized ROE. The revenue crediting occurs when the Company charges  
16 other Transmission Customers through the SPP OATT for their use of the Company-  
17 owned transmission assets. Because all of the Company-owned transmission assets and  
18 related expenses have been included in the retail revenue requirement calculation,  
19 transmission revenues received through the SPP OATT for the use of those same  
20 Company-owned transmission assets should rightfully be credited against the retail  
21 revenue requirement. The problem with this revenue crediting, however, is that  
22 transmission revenues that are being received from other Transmission Customers  
23 through the SPP OATT are based on an ATRR calculated in the KCP&L TFR that is

1 based on a FERC-authorized ROE. The FERC-authorized ROE is different than the  
2 Missouri Commission authorized ROE. When the FERC-authorized ROE is higher than  
3 the Missouri Commission authorized ROE, the transmission revenues from other  
4 Transmission Customers that are being credited against the retail revenue requirement are  
5 greater than that which was calculated in the retail revenue requirement. Essentially  
6 Missouri retail customers would be credited back more than they would have been  
7 charged.

8 **Q: How does the R-80 adjustment fix this problem?**

9 A: The R-80 adjustment recalculates the transmission revenues received from other  
10 transmission customers through the SPP OATT by changing the ROE in the KCP&L  
11 TFR to the Missouri Commission authorized ROE. The adjusted transmission revenues  
12 from other transmission customers that reflect the Missouri Commission authorized ROE  
13 are then credited against the retail revenue requirement. This adjustment fixes the  
14 problem and creates a situation where the Missouri retail customers are paying the  
15 Missouri Commission authorized return.

16 **Q: You also mentioned above that Staff's rationale for not including the R-80**  
17 **adjustment was flawed. What was Staff's rationale?**

18 A: Staff's rationale for not including the R-80 adjustment, which is discussed on Page 81 of  
19 Staff's Cost of Service Report, is also shown below:

20 As mentioned above, Staff reviewed KCPL's adjustment to reduce  
21 transmission revenues for the difference in KCPL's authorized  
22 FERC ROE of 11.1% and KCPL's proposed ROE in this case of  
23 10.3%. KCPL received the transmission revenues from SPP for  
24 point to point and base plan upgrades. The wholesale transmission  
25 revenue adjustment is calculated using the Annual Transmission  
26 Revenue Requirement (ATTR) using KCPL's authorized FERC  
27 ROE of 11.1%, not the 10.3% equity rate of return. The ATTR is

1 used by SPP to allocate revenues and expenses to all transmission  
2 owners and transmission customers of SPP. The transmission  
3 owners receive allocated revenues based on the ATTR and the  
4 transmission customers are charged for allocated costs based on  
5 the ATTR. The ATTR includes incentives such as allowing CWIP  
6 in the revenue requirement, ROE adders, etc. KCPL's authorized  
7 FERC ROE of 11.1% includes a ROE adder for being a member of  
8 an [sic] regional transmission organization (RTO) of 50 basis  
9 points.

10 Other SPP transmission owners submit the ATTR that may include  
11 the previously discussed incentives. KCPL will then receive its  
12 allocated share of the transmission costs that include incentives.  
13 Since no adjustment was made to its transmission expense for the  
14 incentives that are included in the costs KCPL receives from SPP,  
15 Staff did not reduce transmission revenues for the difference in  
16 KCPL's authorized FERC ROE of 11.1% and its proposed ROE of  
17 10.3%.

18 **Q: Why is Staff's rationale flawed?**

19 A: First, as a point of clarification, while KCP&L's TFR template has a placeholder for  
20 CWIP in ratebase and some of the other ROE incentives mentioned by Staff, KCP&L  
21 does not currently have FERC approval to apply those incentives to any projects in its  
22 TFR. The only incentive that KCP&L currently has FERC approval for in its TFR is the  
23 50 basis point ROE adder for being a member of an RTO. The application of any of the  
24 other incentives would require KCP&L to get specific FERC approval on a project-  
25 specific basis. That being said, however, the real flaw in Staff's rationale is in the second  
26 paragraph of Staff's discussion above where Staff suggests that the R-80 adjustment to  
27 adjust transmission revenues that KCP&L receives from other transmission customers  
28 should not be included because KCP&L made no adjustment for "its transmission  
29 expense for the incentives that are included in the costs KCPL receives from SPP."  
30 There would be absolutely no basis, however, for KCP&L to make such an adjustment to  
31 the "Transmission by Others" expenses booked in FERC Account 565 that are charged to



1 KCP&L as a transmission customer under the SPP OATT for the allocated use of  
2 transmission facilities that are owned by other transmission owners in SPP. These  
3 charges are for ATRRs calculated in the other transmission owners' FERC-approved  
4 TFRs and charged to transmission customers under the FERC-approved SPP OATT.  
5 KCP&L has no option to pay any other amounts for the allocated use of transmission  
6 owned by other transmission owners that have been lawfully charged to KCP&L as a  
7 transmission customer under the FERC-approved SPP OATT. Staff's rationale that the  
8 R-80 adjustment should not be included because KCP&L did not make a similar  
9 adjustment to unrelated and lawfully-incurred payments for its allocated use of other  
10 transmission owners' transmission facilities is flawed.

11 **Q: Within the "Transmission Expense-FERC Account 565" section of Staff's Cost of**  
12 **Service Report on Page 143, Staff also discussed the fact that they did not include**  
13 **Company adjustments associated with the Swissvale-Stilwell Tap and Stilwell-West**  
14 **Gardner Substation. What is the Company's position regarding adjustment R-81**  
15 **(and the related adjustments, RB-81 and CS-81), which Staff did not include in its**  
16 **revenue requirement calculation?**

17 A: The Company does not agree with Staff's decision to not include adjustment R-81 (and  
18 the related adjustments, RB-81 and CS-81). These three adjustments remove from the  
19 retail revenue requirement calculation the revenues (R-81), ratebase (RB-81), and O&M  
20 expense (CS-81) associated with the KCP&L-owned SPP Base Plan Projects that were  
21 constructed at the direction of SPP and are subject to 100% region-wide cost allocation  
22 under the SPP OATT. KCP&L currently has two such SPP Base Plan Projects (the

1 Swissvale-Stilwell Tap project and the Stilwell-West Gardner Substation (West Gardner  
2 Line Terminals) Project) that are subject to 100% region-wide cost allocation.

3 **Q: Why did the Company propose these adjustments?**

4 A: The Company proposed these adjustments because these projects were constructed at the  
5 direction of SPP in order to provide region-wide benefits. These projects were not  
6 constructed to solve a local reliability concern and would not have been built but for the  
7 regional purpose. The region-wide cost allocation for the portfolio of SPP Base Plan  
8 Projects is intended to be roughly commensurate with the region-wide benefits. Under  
9 the SPP OATT region-wide cost allocation methodology for these projects, KCP&L pays  
10 only for its regional Load Ratio Share of the ATRRs for these projects. KCP&L's  
11 current regional Load Ratio Share is less than 8%, so KCP&L is responsible for less than  
12 8% of the costs of these projects. In other words, because of the regional purpose for  
13 these projects and the related region-wide cost allocation, transmission customers within  
14 SPP, other than KCP&L, are responsible for over 92% of the costs of these projects.  
15 Without these adjustments 100% of the ratebase and expenses related to these KCP&L-  
16 owned projects is being included in the retail revenue requirement calculation and 100%  
17 of the revenues related to these projects is being credited in the retail revenue requirement  
18 calculation. In addition, the charges for KCP&L's regional Load Ratio Share (<8%) of  
19 the projects, which are booked to Account 565(Transmission by Others) are included in  
20 the retail revenue requirement calculation. The only amount that needs to be included in  
21 the retail revenue requirement calculation is the charge that KCP&L receives for its  
22 regional Load Ratio Share (<8%) of the cost of the projects, which is booked to Account  
23 565.

1 **Q: What was Staff's rationale for not including these adjustments (R-81, RB-81, and**  
2 **CS-81) and why is the rationale flawed?**

3 A: Staff's rationale for not including these adjustments, which is discussed on Page 143 of  
4 Staff's Cost of Service Report, is also shown below:

5 The Swissvale-Stilwell Tap and Stilwell-West Gardner Substation  
6 upgrades were placed in service on January 31, 2013, and are  
7 within KCPL's service territory and therefore regulated utility  
8 assets which should be included in KCPL's cost of service.

9 Staff's rationale, that because these projects are within KCP&L's service territory they  
10 should be included in KCP&L's cost of service, is flawed because of the regional purpose  
11 and cost allocation associated with these projects. The fact that they are physically  
12 located with the KCP&L service territory is irrelevant, because KCP&L as a transmission  
13 customer is only responsible for its regional Load Ratio Share (<8%) of the costs, just as  
14 it is responsible for its regional Load Ratio Share (<8%) of the cost of the Base Plan  
15 Projects subject to region-wide cost allocation that are constructed and owned by other  
16 Transmission Owners elsewhere in SPP.

17 **2. Staff's Retroactive Tracking/Ratemaking Proposals**

18 **Q: What is this issue?**

19 A: On a retroactive basis, Staff proposes a number of adjustments that, if adopted, change  
20 the ratemaking and regulatory accounting framework regarding a number of items from  
21 the framework for those items as understood at the conclusion of the Company's last rate  
22 case. In doing so, Staff not only violates the prohibition against retroactive ratemaking,  
23 but also ignores the fact that KCP&L's earnings since its rates were last changed in

1 January of 2013 have fallen well short of the Commission-authorized level. The Staff's  
2 proposed adjustments are as follows:

- 3 a. Department of Energy Nuclear Waste Storage fees ("DOE fees") (pp. 97-100 of  
4 Staff's Cost of Service Report);
- 5 b. Wolf Creek Nuclear Refueling Outage (pp. 114-115 of Staff's Cost of Service  
6 Report);
- 7 c. Iatan Unit 2 O&M Expenses (pp. 117-118 of Staff's Cost of Service Report);
- 8 d. Research and Development Tax Credit Amortization (p. 145 of Staff's Cost of  
9 Service Report); and
- 10 e. Regulatory Liabilities and Assets Amortizations (pp. 145-148 of Staff's Cost of  
11 Service Report).

12 I will address each of these items in turn.

13 a. DOE Fees

14 **Q: How does Staff propose to treat DOE fees no longer being paid by KCP&L?**

15 A: Staff proposes to reduce KCP&L's future nuclear fuel cost recovery to account for the  
16 fact that although KCP&L's rates currently include an allowance for DOE fees, KCP&L  
17 has not been required to pay those fees since May 16, 2014. (Staff Cost of Service  
18 Report, pp. 97-98).

19 **Q: Does KCP&L agree with this Staff proposal?**

20 A: No.

21 **Q: Why is Staff's proposed treatment of DOE fees unreasonable?**

22 A: The effect of this Staff proposal would be to reduce KCP&L's earnings levels for the  
23 period May 16, 2014 through September 29, 2015 (the operation of law date in this

1 general rate case) by removing – on a book basis – the DOE fee rate allowance from  
2 KCP&L’s current rates and deferring those amounts to a regulatory liability for that  
3 period. That this Staff proposal is patently unreasonable can be readily observed by  
4 looking at the significant earnings shortfalls KCP&L has experienced, and continues to  
5 experience, since its last rate order. Specifically, since rates last took effect in early  
6 2013, KCP&L’s actual Missouri-jurisdictional return on equity (“ROE”) has fallen  
7 substantially short of the 9.7% ROE authorized by the Commission in Case No. ER-  
8 2012-0174, as follows:

- 9 a. For 2013, KCP&L’s actual Missouri-jurisdictional ROE was 6.5% (a shortfall  
10 of about \$33.8 million compared to KCP&L’s Commission-authorized ROE);
- 11 b. For 2014, KCP&L’s actual Missouri-jurisdictional ROE was 5.9% (another  
12 earnings shortfall of about \$45 million); and
- 13 c. For 2015, KCP&L does not expect improved earnings performance –  
14 compared to 2013 and 2014 – until after new rates take effect in late  
15 September of 2015.

16 Because KCP&L’s earnings levels have fallen so significantly below the Commission-  
17 authorized level since its rates were last set, there is no basis whatsoever to reduce those  
18 earnings levels further by granting the treatment of DOE fees proposed by Staff.

19 b. Amortization of Wolf Creek Nuclear Refueling Outage #16

20 **Q: How does Staff propose to treat the amortization of Wolf Creek nuclear refueling**  
21 **outage #16?**

22 A: Staff proposes to reduce KCP&L’s future rates to account for the fact that although  
23 KCP&L’s rates currently include an allowance for amortization of Wolf Creek nuclear

1 refueling outage #16 costs, KCP&L has not been required to record such expense since  
2 the amortization expired in September of 2014. (Staff's Cost of Service Report, p. 115).

3 **Q: Does KCP&L agree with Staff's proposed treatment of the amortization of Wolf**  
4 **Creek nuclear refueling outage #16?**

5 A: No. If the Commission had ordered that the amortization of Wolf Creek nuclear  
6 refueling outage #16 be accorded tracker treatment in the Company's last rate case,  
7 KCP&L would have no basis to object to Staff's proposed treatment of such amounts in  
8 this proceeding. But no such tracking treatment was ordered in Case No. ER-2012-0174  
9 and Staff's proposal to utilize tracking treatment on a retroactive basis now is  
10 unreasonable.

11 **Q: Why is Staff's proposed treatment of the amortization of Wolf Creek nuclear**  
12 **refueling outage #16 unreasonable?**

13 A: The effect of this Staff proposal would be to reduce KCP&L's earnings level for the  
14 period October 2014 through September 29, 2015 (the operation of law date in this  
15 general rate case) by removing – on a book basis – the rate allowance for amortization of  
16 Wolf Creek refueling outage #16 from KCP&L's current rates and applying those  
17 amounts as an offset (i.e., reduction) to the amortization of Wolf Creek nuclear refueling  
18 outage #18 to be reflected in future rates. Once again, it can be seen that this Staff  
19 proposal is patently unreasonable based upon the discussion earlier in my testimony  
20 reflecting the significant under-earnings by the Company in the last two years and  
21 expected in 2015 as well.

1 Because KCP&L's earnings levels have fallen so significantly below the Commission-  
2 authorized level since its rates were last set, there is no basis whatsoever to reduce those  
3 earnings levels further by granting the retroactive tracking treatment proposed by Staff.

4 c. Research and Development ("R&D") Tax Credit Amortization

5 **Q: How does Staff propose to treat amortization of the R&D tax credit?**

6 A: Staff proposes to reduce KCP&L's future rates to account for the fact that although  
7 KCP&L's rates currently include an allowance for amortization of R&D tax credit costs,  
8 KCP&L has not been required to record such expense since the amortization expired on  
9 August 31, 2014. (Staff's Cost of Service Report, p. 145-148).

10 **Q: Is Staff's proposed treatment of the amortization of R&D tax credit costs**  
11 **reasonable?**

12 A: No. If the Commission had ordered that amortization of R&D tax credit costs be  
13 accorded tracker treatment in the Company's last rate case, KCP&L would have no basis  
14 to object to Staff's proposed tracking of such amounts in this proceeding. But no such  
15 tracking treatment was ordered in Case No. ER-2012-0174 and Staff's proposal to utilize  
16 tracking treatment on a retroactive basis now is unreasonable.

17 **Q: Why is Staff's proposed treatment of the amortization of R&D tax credit costs**  
18 **unreasonable?**

19 A: The effect of this Staff proposal would be to reduce KCP&L's earnings level for the  
20 period September 2014 through September 29, 2015 (the operation of law date in this  
21 general rate case) by removing – on a book basis – the rate allowance for amortization of  
22 R&D tax credit costs from KCP&L's current rates and applying those amounts as an  
23 offset (i.e., reduction) to the amortization of regulatory assets to be reflected in future

1 rates (Staff Cost of Service Report, pp. 146-148). As referenced earlier in my testimony,  
2 the significant earnings shortfalls KCP&L has experienced, and continues to experience,  
3 since its last rate order makes this Staff proposal patently unreasonable.

4 d. Amortization of Regulatory Liabilities and Assets

5 **Q: In addition to DOE fees, amortization of Wolf Creek nuclear refueling outage #16**  
6 **costs, amortization of previously tracked Iatan Unit 2 O&M expenses and**  
7 **amortization of R&D tax credit costs, does Staff propose retroactive**  
8 **tracking/ratemaking treatment for any other items?**

9 A: Yes. Staff also proposes to apply retroactive tracking and ratemaking treatment to the  
10 amortization items denominated as Legal Fee Reimbursement 1, Legal Fee  
11 Reimbursement 2, Rate Case Expense Vintage 1 and Rate Case Expense Vintage 2.  
12 (Staff's Cost of Service Report, pp. 145-148).

13 **Q: Is Staff's proposed treatment of the amortization items denominated as Legal Fee**  
14 **Reimbursement 1, Legal Fee Reimbursement 2, Rate Case Expense Vintage 1 and**  
15 **Rate Case Expense Vintage 2 reasonable?**

16 A: No. If the Commission had ordered that amortization of items denominated as Legal Fee  
17 Reimbursement 1, Legal Fee Reimbursement 2, Rate Case Expense Vintage 1 and Rate  
18 Case Expense Vintage 2 be accorded tracker treatment in the Company's last rate case,  
19 KCP&L would have no basis to object to Staff's proposal of such amounts in this  
20 proceeding. But no such tracking treatment was ordered in Case No. ER-2012-0174 and  
21 Staff's proposal to utilize tracking treatment on a retroactive basis now is unreasonable.



1 **Q: Why is Staff's proposed treatment of the amortization of items denominated as**  
2 **Legal Fee Reimbursement 1, Legal Fee Reimbursement 2, Rate Case Expense**  
3 **Vintage 1 and Rate Case Expense Vintage 2 unreasonable?**

4 A: Based upon their amortization schedules, I'll speak of these items separately. First, the  
5 effect of this Staff proposal relating to Legal Fee Reimbursement 1, a regulatory liability  
6 that currently decreases expense, would increase KCP&L's earning level for the period  
7 April 2014 through September 29, 2015 (the operation of law date in this general rate  
8 case) by removing the rate allowance for amortization of this item from KCP&L's  
9 current rates and applying this amount as an offset (i.e., increase) to the amortization of  
10 regulatory liabilities to be reflected in future rates. On the other hand, Staff's proposal  
11 relating to Rate Case Expense Vintage 1, a regulatory asset, would be to reduce  
12 KCP&L's earnings level for the same period referenced above by removing the rate  
13 allowance for amortization of this item from KCP&L's current rates and applying those  
14 amounts as an offset (i.e., reduction) to the amortization of regulatory assets to be  
15 reflected in future rates (Staff Cost of Service Report, pp. 146-148). Second, relating to  
16 the Legal Fee Reimbursement 2 and Rate Case Expense Vintage 2, these costs were  
17 allowed in rates in Rate Case No. ER-2012-0174 and began amortizing February 2013.  
18 Amortization is scheduled to end January 2016. Based upon Staff's proposal, KCP&L  
19 would be unable to recover the full costs associated with the amortization of Rate Case  
20 Expense Vintage 2 as authorized in its last case causing further degradation of earnings  
21 and on the contrary, KCP&L would be unable to refund the total amount due to  
22 ratepayers for Legal Fee Reimbursement 2 as authorized in Case No. ER-2012-0174.

1 As referenced earlier in my testimony, the significant earnings shortfalls KCP&L has  
2 experienced, and continues to experience, since its last rate order makes these Staff  
3 retroactive ratemaking proposals patently unreasonable. In sum, because KCP&L's  
4 earnings levels have fallen so significantly below the Commission-authorized level since  
5 its rates were last set, there is no basis whatsoever to reduce those earnings levels further  
6 by granting the retroactive tracking treatment proposed by Staff.

### 7 **3. Payroll**

8 **Q: Did the Staff and company use the same methodology to compute the payroll**  
9 **annualization?**

10 **A:** Yes. But there were some differences. Staff followed the Company's methodology in  
11 computing its payroll annualization calculation, but they updated all information with  
12 activity through December 31, 2014. This included using base pay as of December 31,  
13 2014 and updating the following 3 year averages which are embedded in Staff's and  
14 Company's calculation by using the activity through December 31, 2014. The 3 year  
15 averages that were updated include the KCP&L capitalization rate, KCP&L overtime  
16 payroll and the WCNOOC capitalization rate. Yet, Staff chose to only include a 2 year  
17 amortization including years 2013 and 2014 in their payroll annualization calculation for  
18 Wolf Creek overtime. They state on page 106 of their Staff Report that "For Wolf Creek  
19 overtime, no discernable trend was found, so Staff included an average amount of the  
20 calendar years 2013 and 2014. Staff did not include 2012 in its average because the 2012  
21 amount of overtime was unusually high."

1 **Q: Does the Company agree with this approach?**

2 A: No it does not.

3 **Q: Why not?**

4 A: The Company believes that a 3 year average is appropriate in this circumstance. It  
5 appears Staff is simply attempting to remove the year 2012 because they claim the  
6 amount was unusually high with no explanation other than the number is higher than  
7 2013 and 2014. This approach is inconsistent with the approach that was used  
8 throughout the remainder of the payroll annualization calculation. Staff used 3-year  
9 averages for the capitalization rate from both KCP&L and WCNOG and for KCP&L  
10 overtime costs. Yet, for WCNOG overtime they chose only to use 2 years since they  
11 deemed 2012 to be high. The very reason that averages are used in this payroll  
12 annualization calculation is to smooth out periods that are higher and lower over  
13 historical norms. This adjustment is contrary to the consistency of using either test year /  
14 update period data or 3 year averages for fluctuating components of the calculation. The  
15 Company requests that a 3 year average be maintained for the WCNOG overtime. In  
16 addition, as part of this 3 year average, 2012 overtime has been reduced by \$3.1M  
17 (KCP&L' share) for a forced outage that occurred during the year. By calculating a 3  
18 year average, Staff's payroll annualization would increase by approximately \$232k total  
19 KCP&L calculation.

20 **Q: Were there any other differences that Staff did not include in their payroll  
21 annualization calculation?**

22 A: Yes. As part of the Company's request was that included in the overtime averaging  
23 calculation for both KCP&L and WCNOG was an index to ensure that past years

1 overtime worked was appropriately indexed to current period dollars. This ensures that  
2 overtime dollars paid in previous periods are indexed to current wage rates to reflect  
3 merit and pay increases over time. The index rate that was used in the calculation was a  
4 3% annual wage applied to the appropriate annual overtime amount calculation. This  
5 ensures that there is an appropriate “apples to apples” comparison of overtime dollars  
6 included in the averaging calculations over multiple periods. Staff did not include this  
7 index in its overtime calculations for KCP&L overtime or WCNOG overtime. By  
8 including this amount Staff’s payroll annualization would increase by approximately  
9 \$1.084M total KCP&L calculation.

#### 10 **4. 401k Costs**

11 **Q: What is this issue?**

12 A: Staff proposes to disallow recovery of 401k contributions made by KCP&L in the form  
13 of company stock, based on the apparent belief that because these are not cash  
14 transactions, they do not reflect real costs and, as the Staff argument goes, should  
15 therefore not be recovered in rates. (Staff Report, p. 106, lines 28-30)

16 **Q: Do you agree with this Staff position?**

17 A: No.

18 **Q: Why is Staff’s proposal to exclude 401k contributions made by KCP&L in the form  
19 of company stock unreasonable?**

20 A: KCP&L has a defined contribution savings plan (401k). FASB Accounting Standards  
21 Codification 715-70, Defined Contribution Plans, paragraph 35-1 states that to the extent  
22 a plan's defined contributions to an individual's account are to be made for periods in

1 which that individual renders services, the cost for a period shall be the contribution  
2 called for in that period. Pursuant to this guidance, the defined contribution that KCP&L  
3 makes to the 401k plan is recognized as expense. The defined contribution amount is  
4 determined by the 401k plan. KCP&L funds the defined contribution amount by 1)  
5 paying cash into employee's 401k accounts and 2) paying cash to Great Plains Energy to  
6 purchase stock and then contributing the stock into employee's 401k accounts. This is  
7 therefore a real expense that KCP&L pays cash for and is properly recoverable through  
8 rates. In this regard it should be noted that KCP&L's rates currently include this item in  
9 cost of service, and KCP&L is unaware of any Commission ruling that such costs are not  
10 recoverable through rates.

11 **Q: How are the shares of company stock that KCP&L contributes to electing**  
12 **employees' 401k accounts obtained?**

13 A: Great Plains Energy periodically issues common equity specifically for this purpose. See  
14 the shelf registration attached hereto as Schedule RAK-11.

15 **Q: Why does KCP&L contribute company stock to employees' 401k accounts?**

16 A: Some employees desire to have this as an investment they may choose, and KCP&L has  
17 elected to make this choice available to employees. KCP&L has done so, however, based  
18 on the belief that the associated costs are recoverable in rates which has been the  
19 historical practice in Missouri (and Kansas). If, contrary to this historical practice, the  
20 Commission decides that these costs are not recoverable in rates, the Company will take  
21 steps to eliminate company stock as an option available to employees within their 401k  
22 accounts. If necessary, this can be done very quickly. By eliminating the company stock

1 option, the employee will be required to direct their matching contribution to other  
2 investments. The Staff appears to accept of the recoverability of these types of costs.

3 **Q: Does the Company have any other issues regarding the Staff's 401k adjustment?**

4 A: Yes it does.

5 **Q: Please explain.**

6 A: At the beginning of 2014 the Company discontinued the Pension Plan for new non-union  
7 employees. As such, these new employees are eligible for contributions to their accounts  
8 equal to 4% of actual base pay for each Plan year in which they are credited with at least  
9 1,000 hours of service. This contribution is made to each employee's accounts in the  
10 calendar quarter following the end of each plan year. The employee must be employed  
11 on the last day of the Plan year to receive a contribution. The contribution made in the 1<sup>st</sup>  
12 quarter of 2015 was approximately \$40k total company. Staff did not include this change  
13 in the program in their adjustment to cost of service.

## 14 **5. Incentive Compensation**

15 **Q: Is the Company in agreement with Staff's incentive compensation calculation?**

16 A: Yes. The Company is in agreement with the incentive compensation calculation  
17 proposed by Staff. The Company believes that based on the elimination of the metrics  
18 tied to EPS that the amount proposed by Staff is representative of an annual level of cost.



1 **Q: Is KCP&L following the regulatory and statutory funding requirements for OPEB?**

2 A: Yes, KCP&L believes it is following both the regulatory and statutory funding  
3 requirements. Annually KCP&L reviews the Missouri and Kansas requirements with the  
4 total amounts funded to ensure compliance. While KCP&L generally doesn't fund its  
5 share of the WCNOF FAS 106 amount to the WCNOF plan, KCP&L funds any  
6 differences to one of the Company's plans. The total amounts KCP&L funds to the  
7 Company's VEBA plans consistently meet or exceed regulatory and statutory funding  
8 requirements.

9 **Q: What is the correct level of OPEB expense to include in this case?**

10 A: KCP&L believes OPEB expense for each of its plans, including its portion of the  
11 WCNOF plan, should be based on the FAS 106 amounts as calculated by the Company's  
12 actuaries. This fulfills the intent of Missouri statute, Section 386.315 and the  
13 Nonunanimous Stipulation and Agreement Regarding Pension and Other Post  
14 Employment Benefits agreed to in Case ER-2010-0355.

15 **Q: Should KCP&L's share of the WCNOF FAS 106 amount be included in the OPEB**  
16 **trackers?**

17 A: Yes, the WNCOC FAS 106 amount should be included in the trackers. This will help  
18 ensure that over time, total company funding, FAS 106 amounts and the amount in rates  
19 will equal.



1 **7. Bad Debt Expense**

2 **Q: Please discuss the bad debt issue.**

3 A: There are two bad debt issues: (1) determining the proper bad debt write-off factor to  
4 apply to weather normalized revenue; and (2) deciding whether bad debt write-offs to be  
5 incurred as a result of the rate increase ordered by the Commission in this rate case  
6 should be factored into the revenue requirement calculation.

7 **Q: Does the Company agree with Staff's write-off factor to apply to weather**  
8 **normalized revenue.**

9 A: Yes. The Company and Staff are in agreement concerning the methodology of the bad  
10 debt write-off factor.

11 **Q: Please discuss the issue related to a bad debt factor being applied to the rate**  
12 **increase in this case.**

13 A: After reviewing Staff's Cost of Service Report, it appears that the Staff Report was silent  
14 on the issue regarding the application of the bad debt write-off factor to the rate increase  
15 in this case. The application of the bad debt factor to the rate increase was approved by  
16 the Commission in Case No. ER-2006-0314. The application of the bad debt write-off  
17 percentage should be applied not only to the weather normalized revenue in this case, but  
18 also be applied to the revenue requirement increase in this case.

19 **8. Advertising**

20 **Q: What is Staff's position regarding advertising in this rate case?**

21 A: It appears that Staff relied on principles established by the Commission as a result of the  
22 1986 KCP&L rate case. This is a methodology that the Staff has followed in recent rate

1 cases. After reviewing Staff's Report, Staff has removed advertising costs that KCP&L  
2 classified as "Other Advertising." Staff does go on to state that once a response to a  
3 Company data response is reviewed they will reevaluate their position associated with the  
4 advertising adjustment.

5 **Q: Please discuss the amounts classified as "Other Advertising" that Staff has referred**  
6 **too?**

7 A: The Company has reviewed this data request response and believes that the advertising  
8 included in this response that was recorded to an "Other Advertising" resource code does  
9 fall into either of the categories of General or Safety which were the principles  
10 established in the 1986 KCP&L rate case. These amounts were appropriately recorded to  
11 above-the-line accounts and should be considered in the cost of service in this case. By  
12 doing so, Staff's advertising adjustment would be increased by \$17,865 total KCP&L.  
13 See Schedule RAK-12 (HC) for the details.

## 14 **9. Transmission Expense**

15 **Q: Please discuss transmission expense as addressed in the Staff Report.**

16 A: Staff addresses transmission expenses recorded to FERC account 565 by including the 12  
17 months ending December 31, 2014. Included in their Staff Report are discussions  
18 concerning the increases that have been seen in this area in recent years. Staff states on  
19 page 143 of its Staff Report that "Since KCP&L's transmission expense has significantly  
20 escalated, Staff will review this adjustment in it True-Up audit based on updated events  
21 and cost information."

1 **Q: What is the Company's position regarding the annualization of transmission**  
2 **expenses?**

3 A: Staff appears to be in agreement that the cost of transmission expense continues to  
4 increase and that this issue should be considered in the True-Up. The critical issue that  
5 will need to be addressed in the True-Up of this rate case regarding transmission expense  
6 is the method to annualize transmission expense in cost of service at the True-Up date.  
7 As such, it is critical that when preparing an annualization adjustment for this issue to  
8 recognize that simply taking the previous 12 months does not provide an annualized  
9 amount that is reflective of going forward costs. Transmission expense is forecasted to  
10 continue to increase. Therefore, annualizing based on current monthly activity is a more  
11 appropriate approach for inclusion of transmission costs in this case. This approach is  
12 appropriate for setting the base level of transmission costs, because these costs are  
13 forecasted to continue increasing significantly after the true-up period and while rates  
14 from this case are effective. These transmission expense increases are largely driven by  
15 charges to KCP&L under Schedule 11 of the SPP OATT for KCP&L's regional Load  
16 Ratio Share of the ATRRs for SPP-directed Base Plan Projects that are subject to region-  
17 wide cost allocation. Most of these Base Plan Projects are owned by other Transmission  
18 Owners in SPP. The reason why it is inadequate to annualize based on the previous 12  
19 months and that, at a minimum, annualizing based on a current month is necessary, can  
20 be demonstrated by simply examining the total region-wide ATRR that is the basis for  
21 charges under Schedule 11. The total region-wide ATRR used in the calculation of  
22 Schedule 11 rates effective 1/1/2015 is \$406 million compared to the \$360 million total  
23 region-wide ATRR that was used in the calculation of Schedule 11 rates effective

1 10/16/2014. The increase in the total region-wide ATRR from \$360 million to \$406  
2 million means that the currently effective Schedule 11 region-wide rates are more than  
3 12% higher than they were at the end of 2014. Likewise, the total region-wide ATRR  
4 that was used in the calculation of Schedule 11 rates effective 1/1/2014 was \$335 million,  
5 which means that the currently effective Schedule 11 region-wide rates are more than  
6 21% higher than they were at the beginning of 2014. The current and historical total  
7 region-wide ATRRs (SPP OATT Attachment H Table 2 Line 5) can be found in the  
8 “Revenue Requirements & Rates” (“RRR”) files, which are available on the SPP website  
9 at <http://www.spp.org/section.asp?group=3091&pageID=27>. Because these rapidly  
10 rising Transmission by Others costs are primarily related to region-wide projects that are  
11 owned by other Transmission Owners in SPP, and are, thus, beyond the control of the  
12 Company, these costs should also be included in the fuel adjustment clause or, if that is  
13 not possible for some reason, be accorded tracker treatment.

## 14 10. Affiliate Transactions

### 15 a. Corporate General Allocator

16 **Q: Please explain this issue.**

17 A: Staff has proposed an adjustment to test year costs that have been charged to a corporate  
18 common operating unit that was allocated during the test year using the Corporate  
19 Massachusetts Formula. This operating unit houses residual common charges that are not  
20 directly assignable and that are a common benefit to business units under the GPE  
21 corporate umbrella. Beginning January 1, 2015, KCP&L made a change to the allocation  
22 methodology used for this operating unit which provided for a “general allocator” which

1 is based on direct and indirect costs that are charged to all GPE affiliates compared to  
2 total costs included under the GPE umbrella. Staff has reflected this change in allocation  
3 methodology to the test year costs in this case because they believe this to be a more  
4 representative way to allocate common corporate residual costs.

5 **Q: What is the Company's position regarding this change in allocation methodology?**

6 A: The Company agrees with this change in allocation methodology. The Company  
7 implemented this change in allocation methods in January 2015 which was after the filing  
8 of this rate case. The change in methodology was the result of discussions with Staff in  
9 KCP&L's Cost Allocation Manual docket in File No. EO-2014-0189. Since KCP&L's  
10 cost structure on a going forward basis will implement this allocation methodology and  
11 be used when rates are effective in this rate case proceeding, the Company believes this  
12 change to the general allocator to allocate residual corporate costs in the test year is  
13 appropriate and should be reflected in the revenue requirement calculation.

14 **Q: Was there any other parties that had issues with the Corporate Massachusetts**  
15 **formula?**

16 A: Yes. Witness Kollen representing Midwest Energy Consumers' Group ("MECG") and  
17 Office of Public Counsel ("OPC") expressed concern with the Massachusetts formula.  
18 They have recommended that the general allocator be used in place of the Corporate  
19 Massachusetts formula similar to the Staff's proposal above. As stated above, the  
20 Company agrees with this change. In addition, they have recommended three additional  
21 changes to the general allocator which include:

- The general allocator should be modified to reflect greater allocation to GPE

- 1           • The income tax expense input into the general allocator should be modified to  
2           remove negative amounts
- 3           • The interest expense and income tax expense inputs into the general allocator  
4           should be modified to reflect KCP&L's cost of capital

5 **Q: Does the Company agree with any of these issues raised by MECG and OPC?**

6 A: Yes. The Company agrees with the modification of the income tax expense inputs that  
7       are negative be set to \$0 due to their impact on the general allocator.

8 **Q: What is the Company's position regarding the general allocator modification  
9       proposed by MECG/OPC?**

10 A: The Company disagrees with this modification. MECG and OPC are requesting that  
11 KCP&L charge GPE a management fee of 5% to manage its portfolio of regulated and  
12 unregulated affiliates. This management fee is a completely arbitrary number that is not  
13 based on any structural analysis of the operations of GPE or KCP&L. The fee is based  
14 on the operations of Ameren Services Company and Southern Company Services. There  
15 was no comparison of the similarities and differences between KCP&L operations and  
16 the operations are of Ameren Services Company and Southern Company Services.  
17 KCP&L is a wholly integrated electric company and not a services company whereas  
18 Ameren Services Company and Southern Company Services are services companies. ,  
19 Services are provided by KCP&L employees to affiliates of KCP&L including GMO.  
20 These services are charged by directly assigning costs to affiliates or indirectly assigning  
21 costs through the cost allocation processes. Second, there was no recognition of the  
22 management services that KCP&L provides its affiliates. MECG and OPC are requesting  
23 that approximately \$1,030,663 be charged by KCP&L on a total Company basis to GPE.

1 This request is not realistic since the total amount of net income in 2014 produced by  
2 GPE affiliates is \$7.6 million (excluding Great Plains Energy, Inc. because it is a holding  
3 company and does not own or operate any significant assets other than the stock of its  
4 subsidiaries). Thus, the proposed 5% management fee is vastly overstated and  
5 demonstrates MECG and OPC's lack of actual analysis of the operations of GPE and  
6 KCP&L. Finally, MECG and OPC ignored the fact that approximately \$621,174 of labor  
7 and benefit dollars were directly and indirectly assigned to GPE during the test year.  
8 This amount of charges assigned to GPE are commiserate with the operational and  
9 management oversight required by the affiliates of GPE and is a more appropriate  
10 amount as it is based on actual activity recorded during the test year.

11 **Q: What is the Companies position regarding the interest expense and income tax**  
12 **expense inputs into the general allocator?**

13 A: The Company disagrees with the approach suggested by MECG and OPC and believes  
14 that the inputs into the general allocator for interest expense and income tax expense are  
15 appropriate for the general allocation calculation. This method was recommended by the  
16 Commission Staff and adopted by the Company in its calculation of the general allocator.  
17 The parties agreed that all costs should be included in the calculation of the allocator.

18 b. Utility General Allocator

19 **Q: Please explain this issue.**

20 A: In Staff's Report, there is an adjustment that is proposed which is similar to the allocation  
21 adjustment described above in regards to the Corporate Mass Allocator. KCP&L  
22 maintains an operating unit that houses costs that are common between the two operating  
23 utilities of GPE which are KCP&L and KCP&L Greater Missouri Operations. Costs

1 charged to this operating unit are allocated to the two operating utilities using the  
2 Massachusetts Formula. Staff has again proposed an adjustment to this operating unit's  
3 costs which reflects the use of a general allocator based on direct and indirect costs  
4 compared with total costs charged to all affiliates of GPE.

5 **Q: What is the Company's position on this proposed allocation methodology change for**  
6 **costs common to the operating utilities of GPE?**

7 A: The Company disagrees with this adjustment methodology change and believes the use of  
8 the Utility Massachusetts Formula is appropriate for this operating units costs.

9 **Q: Why is this?**

10 A: First, unlike the Corporate Massachusetts Formula operating unit costs which houses  
11 costs that are common to all GPE entities, the Utility Massachusetts Formula only houses  
12 costs that are applicable to the operating utilities of the Company. The Company  
13 believes the Massachusetts Formula is the appropriate allocation methodology to use to  
14 allocate common costs since it employs factors such as Net Plant, Revenues and Payroll  
15 which represent key components of a utility's operations. Secondly, unlike the Corporate  
16 Massachusetts Formula, the Company did not make a change January 1, 2015 to  
17 implement the use of the general allocator for the allocation of costs common between  
18 the two operating utilities. As such, Staff's adjustment to this operating unit is surprising.  
19 Thirdly, costs charged to this operating unit do not benefit all entities under the GPE  
20 corporate umbrella, but instead only benefit the operating utilities. Thus, use of the  
21 general allocator is not appropriate. The costs in the Utility Mass operating unit are  
22 distinguishable from common costs charged to the Corporate Mass operating unit by the



1 very fact that they benefit only the utilities. Using a general allocator that has factors  
2 which benefit other entities outside the operating utilities would not be appropriate.

3 **Q: What other factors exist for your disagreement with Staff?**

4 A: On page 154 line 26 to line 28 of the Staff Report it states the following:

5 Staff has no problem with the use of the Massachusetts Formula allocation  
6 factor for KCP&L CAM purposes for specific transactions that are only  
7 between the regulated operations of KCP&L and GMO.

8 This statement seems to indicate that Staff is in agreement with using the Massachusetts  
9 Formula for exactly the purpose that it is being used for today and that is allocating  
10 common costs between the regulated utilities. The Company is confused as to why the  
11 Staff chose to make this adjustment when they seem to advocate the use of the  
12 Massachusetts Formula for these types of common costs.

13 **Q: What is the Company recommendation regarding this adjustment by Staff?**

14 A: The Company recommends that this adjustment not be accepted by the Commission and  
15 that common costs charged to the Utility Mass operating unit be allocated as they  
16 currently are by using the Utility Massachusetts Formula Allocator.

17 c. Common Use Allocator

18 **Q: What is the Company's position regarding the use of the Corporate Massachusetts  
19 Formula in the common use plant billing?**

20 A: Staff has proposed replacing the Corporate Massachusetts Formula which is used to  
21 allocate common plant costs between the entities supporting the GPE corporate umbrella.  
22 Similarly as discussed above, the Company is in agreement that the Corporate  
23 Massachusetts Formula should be replaced with the general allocator and is in agreement  
24 with this Staff Adjustment.

1 d. Allconnect

2 **Q: What is this issue?**

3 A: Staff proposes to increase KCP&L's regulated cost of service for costs associated with  
4 time KCP&L contact center employees spend to transfer certain calls to Allconnect.  
5 KCP&L, on the other hand, proposes to exclude these costs from regulated cost of  
6 service.

7 **Q: Do you agree with Staff's recommendation?**

8 A: No. Although the initial purpose of transferring these calls is to serve the regulated  
9 business by having Allconnect confirm the accuracy of customer information (i.e., name,  
10 service address, etc.) input by KCP&L employees into the billing system, the transferred  
11 calls also result in non-regulated revenue paid by Allconnect to KCP&L. This is the  
12 reason KCP&L allocated these contact center costs below the line (that is, excluded the  
13 costs from regulated cost of service) in the first place. Staff's proposal would therefore  
14 eliminate one of the benefits KCP&L customers obtain from the contractual relationship  
15 with Allconnect, and KCP&L does not support elimination of this customer benefit.

16 e. Consolidated Adjustment of \$750,000

17 **Q: What is this issue?**

18 A: Staff recommends a disallowance of \$750,000 (see pp. 156 – 158 of Staff's Cost of  
19 Service Report) which Staff calls a "consolidated corporate allocations adjustment" and,  
20 according to Staff, is intended to accomplish the following three objectives:

21 1. To protect customers from KCP&L's alleged lack of compliance with the  
22 Affiliate Transactions rule (4 CSR 240-20.015) (lines 32-33 on page 156 of  
23 Staff's Cost of Service Report);

- 1           2. To reflect the dollar impact of what Staff alleges to be a more reasonable and  
2           accurate General Allocation Factor than the one currently used by KCP&L (lines  
3           8-9 on page 157 of Staff's Cost of Service Report); and  
4           3. To reflect on a going forward basis what Staff alleges to be a more accurate  
5           allocation of corporate costs among the KCP&L and Great Plains affiliated  
6           entities and non-regulated operations (lines 21-23 on page 157 of Staff's Cost of  
7           Service Report).

8 **Q: Do you agree with Staff's recommended consolidated corporate allocations**  
9 **adjustment?**

10 A: No.

11 **Q: Why is Staff's recommended consolidated corporate allocations adjustment**  
12 **unreasonable?**

13 A: Staff's proposal is unreasonable because 1) the amount of the disallowance is arbitrary:  
14 2) Staff's allegations of non-compliance by KCP&L with the Affiliate Transactions rule  
15 are vastly over-stated; 3) Staff's allegations regarding the degree to which KCP&L is or  
16 will be emphasizing non-regulated operations is also vastly over-stated.

17 **Q: How did Staff calculate the amount of the \$750,000 disallowance it recommends?**

18 A: I thoroughly reviewed pages 156-158 of the Staff's Cost of Service Report and Staff does  
19 not discuss how it calculated its proposed \$750,000 disallowance. I also thoroughly  
20 reviewed Staff's work papers in connection with its affiliate transactions adjustments and  
21 those Staff workpapers contained no information indicating how Staff calculated its  
22 proposed \$750,000 disallowance. From this lack of information, I can only conclude that  
23 Staff made the number up which is clearly an arbitrary and unsupportable approach.

1 **Q: How do you respond to Staff’s allegations (line 1, page 156 through line 2 of page**  
2 **157 of the Staff’s Cost of Service Report) that “Staff has found numerous and**  
3 **significant noncompliance with the Affiliate Transactions Rule on the part of KCPL**  
4 **over a long period of time.”?**

5 A: The only Staff allegation of KCP&L non-compliance with the Affiliate Transactions rule  
6 that can be found in the Staff’s Cost of Service Report (on page 15, lines 13-16) relates to  
7 Allconnect. While the Company disputes this Staff allegation, it should be noted that the  
8 violation of the Affiliate Transactions rule alleged by Staff related to Allconnect has  
9 nothing to do with the allocation of corporate costs. Furthermore, because Staff indicates  
10 that it will be filing a complaint related to the Allconnect matters noted in the Staff’s Cost  
11 of Service Report, KCP&L will await the Staff’s filing of that complaint to discuss its  
12 position on Allconnect in detail and I address Allconnect only briefly in this testimony.

13 **Q: Has Staff supported its allegation of “numerous and significant noncompliance with**  
14 **the Affiliate Transactions Rule on the part of KCPL over a long period of time”?**

15 A: No. Although Staff made a similarly sweeping allegation in Case No. EO-2014-0189,  
16 Staff listed just two instances of past noncompliance in its filings in that case. Both of  
17 these examples took place many years ago and were fully examined by the Commission  
18 in past rate case proceedings. I will briefly address the specifics of each of these Staff  
19 claims in turn.

20 First, the Great Plains Power (“GPP”) issue discussed on p. 9 of the Staff Examination in  
21 Case NO. EO-2014-0189 was examined in KCP&L’s 2010 rate case (Case No. ER-2010-  
22 0355). In its Report and Order in that case, the Commission rejected the disallowance  
23 proposed by the Staff, finding that “it would have been of no value to complete a market

1 review of what it would cost to do an environmental permitting and engineering study at  
2 the time of the purchase of the GPP work as the study was being purchased at cost.” *Re:*  
3 *Kansas City Power & Light Company*, Report & Order, p. 57, para. 168 (issued April 12,  
4 2011).

5 Second, the Crossroads Energy Center (“Crossroads”) issue has been discussed at length  
6 in at least two of the Company’s past rate cases (i.e., Case Nos. ER-2010-0356 and ER-  
7 2012-0175). On p. 10 of its Examination in Case No. EO-2014-0189, Staff alleged that  
8 KCP&L “apparently failed to do any analysis to determine the fair market price of  
9 Crossroads and just simply recorded the purchase at fully distributed cost and made no  
10 serious effort to obtain a fair market price and make a comparison of the two amounts as  
11 required by the Affiliate Transactions Rule.” As Staff should have been well aware, the  
12 Company undertook extensive analysis regarding the fair market value of Crossroads.  
13 The Company first bid the plant in a request for proposal process at net book value. All  
14 bids from the market were evaluated and Crossroads was selected as the least cost and  
15 most preferred option. The Company then engaged a third party to assess the fair market  
16 value of Crossroads. This evaluation determined an amount that was in excess of the net  
17 book value that was offered into the request for proposal. Attached to the Rebuttal  
18 Testimony (Schedule CGF-REB-4) of Cary Featherstone in Case No. ER-2012-0175, is a  
19 Company memo which includes discussion of GMO’s analysis of the fair market price of  
20 Crossroads.

21 While the Company admittedly erred in not reporting these transactions, the issues were  
22 inarguably surfaced such that they could be addressed by the Commission. Moreover,  
23 the Staff’s claims that the Company inappropriately failed to undertake fair market value

1 assessments in connection with these transactions have been shown above to be wrong.  
2 More to the point, however, the existence of two examples of failure to report  
3 transactions does not mean that the Company has “numerous and significant” instances of  
4 non-compliance “over a long period of time”.

5 **Q: In Case No. EO-2014-0189, did Staff also list, beginning at p. 10 of the Staff**  
6 **Examination, five topics that, in Staff’s words, “needed to be addressed to provide**  
7 **reasonable assurance that KCP&L is not subsidizing its non-regulated activities or**  
8 **affiliates.”?**

9 A: Yes.

10 **Q: How did the Company respond?**

11 A: The Company addressed four of the five topics (one, the money pool, appeared to be just  
12 an item to discuss with Staff, so it was not addressed), showing that the topics did not  
13 have meaningful cross-subsidization concerns as follows:

14 **Allconnect, Inc. (“Allconnect”)** On pages 11-12 of its Examination in Case No. EO-  
15 2014-0189, the Staff discussed Allconnect. Allconnect is a separate company and not an  
16 affiliate of KCP&L. Allconnect identifies home service opportunities for customers who  
17 are moving their residences. The Commission has opened an investigatory docket  
18 regarding Allconnect (Case No. EO-2014-0306) at the request of Staff, so I will not  
19 address all of the Staff’s contentions. At p. 11 of its Examination, Staff alleged that the  
20 proposed CAM does not mention the Allconnect transaction. Because Allconnect is not  
21 an affiliate of the Company, the Company saw no reason for the transaction to be  
22 mentioned in the CAM. The Company does charge costs to non-regulated service  
23 Federal Energy Regulatory Commission accounts for customer representative time and

1 assets associated with the transfer of calls to Allconnect and the charging of these costs to  
2 this unregulated service is governed by the Company’s proposed Cost Allocation Manual  
3 (“CAM”) in Case No. EO-2014-0189. Staff also alleged that Great Plains Energy  
4 Services (“GPES”) is engaged in an affiliated transaction involving the transfer of  
5 KCP&L and GMO customer information. The only role for GPES with respect to  
6 Allconnect is that it is a contracting entity for the purposes of administrative efficiency.  
7 GPES does not transfer customer information to Allconnect. Customer information is  
8 transferred to Allconnect by KCP&L and GMO in a manner that the Company believes is  
9 consistent with section 2(C) of the affiliate transaction rule.

10 **KCP&L and GMO Receivables (A/R Sales Program)** The Company was surprised  
11 that Staff raised this issue— because it has been a Company initiative generally  
12 commended by Staff in a number of recent KCP&L and GMO rate cases. In fact, at  
13 pages 123-124 of its Cost of Service Report, Staff KCP&L Receivables Company  
14 (“KCREC”) and recommends rate recovery of the associated bank fees out of the  
15 apparent belief that

16 [A]s long as the fees KCPL pays to accelerate its cash recovery through  
17 the sale of its receivables is less than the revenue requirement decrease  
18 from the shorter collection lag, there is a likelihood that the sales of  
19 accounts receivable provides a customer benefit. (Staff Report, p. 123, l.  
20 30 through p. 124, l. 3).

21 As explained by Staff witness Bret Prenger in his Surrebuttal Testimony (pp. 2-3) in Case  
22 No. ER-2010-0356 (involving GMO):

23 An A/R Sales Program is a way to enhance cash flow and reduce a  
24 company’s need for short-term loans from investors, banks and other  
25 financial institutions. Typically, a bank purchases the Company’s  
26 accounts receivables under agreement providing a discounted cash amount  
27 to the utility.

28 \* \* \*

1 [B]oth the Company and its customers benefit from such a program. The  
2 ratepayers benefit from a reduced revenue lag in the CWC calculation,  
3 thereby decreasing the amount of funds that the ratepayer must contribute  
4 to the Company. The Company benefits from the accounts receivable  
5 program by receiving immediate funds at a cost less than a financial  
6 institution might charge for a short-term debt loan.

7 In fact, Staff was so enamored with the benefits of an A/R Sales Program that it proposed  
8 to impute an A/R Sales Program for GMO in a rate case. Yet Staff contended in Case  
9 No. EO-2014-0189 that the CAM proposed by the Company was deficient because it did  
10 not indicate whether Kansas City Power & Light Receivables Company (“KCREC”) (the  
11 affiliate that purchases the accounts receivables) is being charged the higher of fully  
12 distributed cost or fair market price for services that KCP&L provides in collecting the  
13 receivables for KCREC. Staff’s contention made no sense in the context of an A/R Sales  
14 Program. First, KCREC is a subsidiary of KCP&L. There is no incentive for the  
15 Company to charge KCREC less than the actual cost of the service it provides because  
16 any profit that KCREC makes is consolidated with KCP&L and this arrangement has  
17 been subject to full scrutiny in the Company’s rate proceedings. Next, the rates that  
18 KCP&L charges KCREC for the services provided by KCP&L employees are market  
19 based rates in that the Company conducts market surveys to ensure that KCP&L salaries  
20 and benefits are consistent with the market. Thus, KCP&L’s charging of its fully  
21 distributed servicing costs to KCREC is appropriate.

22 **Wolf Creek Nuclear Operating Company (“WCNOC”)** This issue is mentioned on p.  
23 13 of the Staff Examination in Case No. EO-2014-0189. WCNOC operates the Wolf  
24 Creek nuclear generation station. Staff has known about WCNOC since Wolf Creek  
25 began operation in the mid-1980s. Staff generally reviews all transactions with WCNOC  
26 in KCP&L rate cases. The Company has not listed transactions with WCNOC in the



1 yearly affiliate transaction report as it has always viewed WCNOG as part and parcel of  
2 KCP&L's regulated operations and therefore has historically not viewed WCNOG as an  
3 affiliated entity under 4 CSR 240-20.015(1)(A).

4 **Consolidated Tax Entities** Staff alleged on p. 13 of its Examination in Case No. EO-  
5 2014-0189 that certain affiliates are not being charged for tax services. The matrix  
6 provided by Staff as Attachment 8 to its Examination in Case No. EO-2014-0189  
7 purports to show that several entities that are part of Great Plains Energy, Inc. and  
8 subsidiaries consolidated federal tax return had no charges allocated to them in 2013 in  
9 connection with preparing tax returns for 2012. Each entity identified by the Staff as  
10 filing a tax return and not having CAM charges has very little activity for tax purposes  
11 and therefore very little resources were used to prepare each return.

12 In order to facilitate time reporting in the tax department, time (if any) spent on these  
13 returns was allocated to the affiliate's parent company. For the majority of the entities  
14 identified by Staff, a non-regulated holding company is being charged for the preparation  
15 of a tax return. For example, the time to prepare the consolidated tax return for Golden  
16 Bear Hydro, Inc. was charged to MPS Merchant Services, Inc. and therefore, ratepayers  
17 did not pay for the tax services. For other entities, such as MPS Europe, Inc. no time was  
18 allocated to this company because there were no assets or income to report and its name  
19 is simply added to a consolidated return.

20 **Q: How do you respond to Staff's allegations that KCP&L is or will be placing**  
21 **significant emphasis on non-regulated operations, and that this increased emphasis**  
22 **requires adoption of Staff's proposed \$750,000 disallowance to more accurately**

1 **reflect the allocation of corporate costs among affiliated entities and nonregulated**  
2 **operations?**

3 A: First, as stated above, Staff has provided no information regarding how it calculated its  
4 proposed \$750,000 disallowance. It is therefore not possible to establish that its adoption  
5 results in a more accurate allocation of costs.

6 Second, Staff points to Transource Energy LLC and KCP&L Solar, Inc. as evidence that  
7 KCP&L is increasing its emphasis on non-regulated operations. Although KCP&L  
8 agrees that these endeavors demonstrate KCP&L's increased emphasis on non-regulated  
9 operations, "increased emphasis" alone is not sufficient justification for imposition of a  
10 disallowance that has no calculation methodology to support it. In fact, the Company's  
11 affiliates which engage in unregulated activities represent a very small portion of Great  
12 Plains Energy, Inc.'s overall business activities.

13 For example, all non-regulated entities (excluding Great Plains Energy, Inc. because it is  
14 a holding company and does not own or operate any significant assets other than the  
15 stock of its subsidiaries) had 2014 net income of approximately \$7.6 million dollars. The  
16 \$7.6 million includes an \$8.6 million tax benefit related to former GMO non-regulated  
17 operations. To put this amount in context, all Great Plains Energy, Inc. and subsidiaries  
18 total net income for 2014 was \$243 million, so from a materiality perspective in 2014, the  
19 Company's unregulated affiliates (excluding Great Plains Energy, Inc.) generated 3.1%  
20 of Great Plains Energy, Inc. and subsidiaries total net income. Of this 3.1%, 3.5% was  
21 from the \$8.6 million tax benefit related to former GMO non-regulated operations and  
22 (0.4) % was from the remaining loss of \$1 million from the Company's unregulated  
23 affiliates (excluding Great Plains Energy, Inc.).

1                                    **11.    La Cygne Construction Accounting**

2    **Q:    What is this issue?**

3    A:    At pages 226-229 of its Cost of Service Report, Staff recommends that rate recovery not  
4        be allowed for La Cygne Environmental Project construction accounting deferrals  
5        recorded by the Company pursuant to authorization granted by the Commission in Case  
6        No. EU-2014-0255.  Additionally, if the Commission decides, contrary to the Staff's  
7        recommendation, that rate recovery of the La Cygne Environmental Project should be  
8        allowed, then Staff raises eight considerations regarding the ratemaking treatment to be  
9        accorded those deferrals.  I will address these items in turn.

10       a.    Staff's Disallowance Recommendation Should be Rejected

11   **Q:    Do you agree with this Staff recommendation to disallow rate recovery of La Cygne**  
12       **Environmental Project construction accounting deferrals?**

13   A:    No.

14   **Q:    What is your understanding of the basis of Staff's recommendation to disallow rate**  
15       **recovery of the La Cygne Environmental Project construction accounting deferrals?**

16   A:    The entire basis of Staff's disallowance recommendation is found on page 228 (lines 24-  
17        32) of Staff's Cost of Service Report.  Staff argues that rate recovery should be  
18        disallowed because the La Cygne Environmental Project 1) does not rise to the level of  
19        the cost of other KCPL construction projects for which KCPL has received construction  
20        accounting treatment in the past; and 2) does not meet the Commission's standard for  
21        accounting authority orders being associated with events that are extraordinary, unusual  
22        and infrequent.  In sum, it appears to me that Staff is arguing that rate recovery of the La

1 Cygne Environmental Project construction accounting deferrals should be disallowed  
2 because the Staff witness, Mr. Majors, believes the Commission should never have  
3 granted construction accounting authority to KCP&L in the first place.

4 **Q: How do you respond?**

5 A: I'm surprised that Staff witness Majors would make these arguments in this context after  
6 Staff's signing of the *Second Non-Unanimous Stipulation and Agreement* ("*La Cygne 2<sup>nd</sup>*  
7 *Stipulation*") that was approved by the Commission and pursuant to which KCP&L  
8 recorded the construction accounting deferrals now at issue. These arguments were the  
9 very same positions advanced by Mr. Majors prior to Staff signing, and the Commission  
10 approving, the *La Cygne 2<sup>nd</sup> Stipulation*. What value Staff or Mr. Majors believes is to  
11 be obtained by re-litigating those same positions now that the La Cygne Environmental  
12 Project construction accounting deferrals are presented for rate recovery is not at all  
13 apparent to me. Nevertheless, I cannot ignore the arguments.

14 **Q: Does KCP&L agree with Staff's positions?**

15 A: No.

16 **Q: Why?**

17 A: Staff continues to misapply the standard the Commission has used to analyze accounting  
18 authority order ("AAO") applications such as KCP&L's request approved by the  
19 Commission in Case No. EU-2014-0255 by failing to undertake an objective assessment  
20 of the nature of the La Cygne Environmental Project and its impact on the Company in  
21 light of the current environment. More specifically, in arguing that the Company's  
22 request for authority to use construction accounting for the La Cygne Environmental  
23 Project should never have been granted by the Commission, even though Staff signed the

1        *La Cygne 2<sup>nd</sup> Stipulation* and to the Company's knowledge every significant  
2        environmental retrofit undertaken by electric utilities in the past seven or eight years has  
3        received Commission authorization to use construction accounting, Staff did not give  
4        sufficient recognition to the following facts:

- 5            1. The La Cygne Environmental Project is necessary for KCP&L to meet  
6            governmentally-mandated emissions requirements;
- 7            2. The La Cygne Environmental Project will not enable KCP&L to supply additional  
8            kWh or new customers;
- 9            3. The La Cygne Environmental Project will, upon the second phase going in-  
10           service in the second quarter of 2015 (the first phase become operational in March  
11           of 2015), increase KCP&L's Missouri rate base by approximately 16% compared  
12           to the rate base used in KCP&L's last Missouri rate case; and
- 13           4. Since new rates last took effect in early 2013, KCP&L's actual Missouri-  
14           jurisdictional ROE has fallen substantially short of the 9.7% ROE authorized by  
15           the Commission in Case No. ER-2012-0174, specifically
  - 16            a. For 2013, KCP&L's actual Missouri-jurisdictional ROE was 6.5% (a shortfall  
17            of about \$33.8 million compared to KCP&L's Commission-authorized ROE);
  - 18            b. For 2014, KCP&L's actual Missouri-jurisdictional ROE was 5.9% (another  
19            earnings shortfall of about \$45 million); and
  - 20            c. For 2015, KCP&L does not expect improved earnings performance –  
21            compared to 2013 and 2014 – until after new rates take effect in late  
22            September of 2015.

1 In light of the Company's recent, current and expected earnings shortfalls, Staff's  
2 recommendation to disallow rate recovery of the La Cygne Environmental Project  
3 construction accounting deferrals because construction accounting should never have  
4 been authorized in the first place (especially after signing the *La Cygne 2<sup>nd</sup> Stipulation*  
5 pursuant to the Commission's approval of which KCP&L recorded the construction  
6 accounting deferrals at issue here) is unreasonable and needlessly complicates and adds  
7 costs that would otherwise be unnecessary to this proceeding. As explained above, an  
8 appropriate and objective analysis reveals that the La Cygne Environmental Project meets  
9 the standard previously used by the Commission of extraordinary, unusual and unique,  
10 and not recurring and that the costs of the La Cygne Environmental Project are material  
11 such that rate recovery of the La Cygne Environmental Project construction accounting  
12 deferrals should be allowed.

13 b. Staff's Other Ratemaking Recommendations for the La Cygne Environmental Project

14 **Q: If, contrary to Staff's recommendation, the Commission determines that the La**  
15 **Cygne Environmental Project construction accounting deferrals should be included**  
16 **in rates, the Staff raises eight ratemaking considerations on page 229 of its Cost of**  
17 **Service Report (lines 5-25). Please address those considerations.**

18 A. I will address each item in turn below.

19 **Q: What is Staff's proposed consideration no. 1?**

20 A: Staff has proposed the following:

- 21 • Offset the base on which carrying costs are calculated by the additional non-  
22 environmental La Cygne depreciation reserve from the true-up date through the  
23 effective date of rates.

1 **Q: What is the Company's position regarding Staff consideration no. 1?**

2 A: Staff recommends that the Commission order an offset to the base used to calculate  
3 carrying costs by the amount of non-environmental La Cygne depreciation reserve from  
4 the true-up date through the effective date of rates. Mr. Majors has in the past attempted  
5 to justify this by noting that KCP&L incurs depreciation expense on plant at La Cygne  
6 that is not part of the La Cygne Environmental Project, thereby increasing the  
7 depreciation reserve balance. This Staff recommendation completely ignores the fact that  
8 KCP&L will also incur construction costs during the period between true-up and rate  
9 effectiveness for both non-environmental projects at La Cygne and for other projects  
10 elsewhere on KCP&L's system (i.e., while ongoing depreciation expense increases  
11 KCP&L's depreciation reserve, KCP&L is at the same time expending capital on  
12 construction costs which serves to increase plant balances). Staff consideration no. 1  
13 would, therefore, effectively eliminate a portion of the mitigating effect that continuation  
14 of construction accounting would otherwise provide KCP&L. Given KCP&L's already  
15 significant earnings deficiency, this Staff recommendation is unwarranted and  
16 unreasonable.

17 **Q: What is Staff's proposed consideration no. 2?**

18 A: Staff has proposed the following:

- 19 • Offset the base on which carrying costs are calculated by the monthly depreciation  
20 expense deferral recorded to the regulatory asset.

21 **Q: What is the Company's position regarding Staff consideration no. 2?**

22 A: The Company disagrees with this Staff consideration. The base plant additions on which  
23 carrying costs are calculated should not be reduced by the depreciation expense deferral  
24 recorded to the regulatory asset. Carrying costs should be calculated on the gross plant

1 additions until the plant additions are included in rate base and rates reflect recovery of  
2 the depreciation expense. While these plant expenditures were included in construction  
3 work-in-progress, AFUDC provided for the accumulation of the true cost of the use of  
4 funds. For continued construction accounting, carrying cost treatment replaces associated  
5 AFUDC that ceased being recorded at in-service of the plant additions to the time the  
6 plant additions are included in rate base. During this time, Staff is recommending that  
7 any depreciation expense recorded once the asset is placed in service should offset the  
8 gross plant additions base that the carrying cost rate is applied to. While depreciation  
9 expense has begun to be recorded, the effect of continued construction accounting is that  
10 the depreciation expense will be recorded as a deferral to a regulatory asset. Therefore,  
11 there is no true reduction in gross plant additions to be considered in the calculation of  
12 carrying costs. The carrying cost impact in this continuation of construction accounting  
13 should be the same as if plant additions were not placed in service and depreciation had  
14 not started – an offset of deferred depreciation would deviate from the concept of  
15 construction accounting continuation. Staff consideration no. 2 would, therefore,  
16 effectively eliminate a portion of the mitigating effect that continuation of construction  
17 accounting would otherwise provide KCP&L.

18 **Q: What are Staff’s proposed considerations no. 3 and no. 4?**

19 **A:** Staff has proposed the following:

- 20
- 21 • Offset the base on which carrying costs are calculated by the accumulated deferred income taxes (“ADIT”) created by the La Cygne environmental plant.
  - 22 • Offset the base on which carrying costs are calculated by the ADIT created by the  
23 monthly regulatory asset deferral.



1 **Q: Does the Company agree with the proposed consideration 3 and consideration 4 to**  
2 **the computation of carrying costs?**

3 A: No.

4 **Q: Why are consideration 3 and consideration 4 for deferred income taxes**  
5 **inappropriate?**

6 A: Mr. Majors explained in his rebuttal testimony in Case No. EU-2014-0255 that deferred  
7 income taxes “represents a net prepayment of income taxes by KCP&L’s customers in  
8 rates before the actual payment of the income taxes to the IRS.” (Case No. EU-2014-  
9 0255, Majors Rebuttal, p. 38, ll. 8-10). The Company agrees that this statement is true if  
10 you are looking at an annual period or a 12 month test period as it relates to income taxes.  
11 Over a 12 month period the deferred income taxes would impact the cash taxes paid by  
12 KCP&L by the full amount estimated for a year. However, since the deferral period for  
13 carrying costs is expected to be only from April 2015 to September 2015, the timing of  
14 when actual cash payment for KCP&L income taxes should be taken into account.  
15 During this period, the deferred income taxes estimated in consideration 3 and  
16 consideration 4 would have no impact to actual cash tax payments by KCP&L.  
17 Therefore, the adjustments should not be included in the carrying cost computation.

18 **Q: Why don’t the deferred income taxes computed in consideration 3 and**  
19 **consideration 4 impact cash tax payments made by KCP&L prior to September**  
20 **2015?**

21 A: KCP&L makes quarterly estimated income tax payments in accordance with IRS  
22 requirements on April 15, June 15, September 15 and December 15 each year. The April  
23 15 and June 15 estimates are based on taxable income computed through March 31<sup>st</sup>, and

1 then annualized. The September 15 estimate is based on taxable income computed  
2 through June 30<sup>th</sup> and then annualized. And, the December 15 estimate is based on  
3 taxable income computed through September 30<sup>th</sup> and then annualized.

4 The majority of KCP&L's income is generated in the months of July, August and  
5 September. Therefore, most of KCP&L's cash tax payments are made on December 15  
6 each year. In fact, we do not expect to make any cash tax payments for KCP&L until  
7 December 15 for the 2015 tax year. Even if the deductions for accelerated tax  
8 depreciation on La Cygne environmental equipment are removed, we would not expect  
9 the cash tax paid to change for period before December 2015. Since there is no impact  
10 on cash taxes paid until after the expected deferral period in this case, no adjustment  
11 should be made to the computation of carrying costs for deferred income taxes.

12 **Q: Will accumulated deferred income taxes impact the deferred amount related to**  
13 **continued construction accounting?**

14 A: Yes. Accumulated deferred income taxes are a fundamental component of the  
15 ratemaking process. The appropriate amount of deferred income taxes on the deferral are  
16 included in accumulated deferred income tax adjustment in Case No. ER-2014-0370.

17 **Q: What is Staff's proposed consideration no. 5?**

18 A: Staff has proposed the following:

- 19 • Use actual depreciation and carrying costs based on the actual unadjusted Allowance  
20 for Funds Used During Construction (AFUDC) rate, less Staff's adjustments to the  
21 equity rate.

22 **Q: What is the Company's position regarding Staff's proposed consideration no. 5?**

23 A: What is important in this proposed consideration is that a carrying cost should be used  
24 that is based on conditions that exist prior to when the La Cygne construction project is  
25 recorded to plant-in-service. In this way, the actual magnitude of the construction

1 expenditures will be reflected in determining the appropriate carrying cost rate just as it  
2 was used to determine the AFUDC rate when the capital expenditures were recorded in  
3 construction work-in-progress accounts.

4 **Q: What is Staff's proposed consideration no. 6?**

5 A: Mr. Major's has proposed the following:

- 6 • For the calculation of the AFUDC rate, a 250 basis point (2.50%) reduction to the  
7 authorized ROE used in the calculation should be assumed in the cost rate of common  
8 equity components of the AFUDC rate;

9 **Q: What is the Company's position regarding Staff's proposed consideration no. 6?**

10 A: The Company disagrees with Staff's proposed consideration no. 6. This proposal is  
11 nothing more than another effort by Staff to modify the continuation of construction  
12 accounting and effectively eliminate a portion of the mitigating effect that continuation of  
13 construction accounting would otherwise provide KCP&L.

14 The USOA defines exactly how the cost of equity rate should be computed in the  
15 overall AFUDC rate calculation as follows:

16 The cost rate for common equity shall be the rate granted common  
17 equity in the last rate proceeding before the ratemaking body having  
18 primary rate jurisdictions. If such cost rate is not available, the average  
19 rate actually earned during the preceding three years shall be used.

20 The cost of equity rate granted in the previous rate case, Case No. ER-2012-0174, is  
21 known at 9.7% and should be the equity rate used in the carrying cost calculation. The  
22 Staff has offered no principled basis to use a different calculation.

23 **Q: What is Staff's proposed consideration no. 7 and no. 8?**

24 A: Staff has proposed the following:

- 25 • No additions to the base on which carrying costs or depreciation are calculated after  
26 the true-up in Case No. ER-2014-0370 (agreed to in the *La Cygne 2<sup>nd</sup> Stipulation* and  
27 ordered by the Commission in Case No. EU-2014-0255); and

- 1 • No additional deferrals after the effective date of rates in Case No. ER-2014-0370  
2 (agreed to in the *La Cygne 2<sup>nd</sup> Stipulation* and ordered by the Commission in Case  
3 No. EU-2014-0255).

4 **Q: What is the Company’s position regarding proposed consideration no. 7 and 8?**

5 A: As they were a part of the *La Cygne 2<sup>nd</sup> Stipulation* to which the Company was a  
6 signatory and which the Commission approved, the Company agrees with Staff  
7 considerations no. 7 and 8.

8 **12. DSM Deferral Amortization**

9 **Q: What was KCP&L’s proposal in this case regarding pre-MEEIA amortization of**  
10 **DSM costs for all vintages?**

11 A: KCP&L proposed to include the unamortized balances of Vintages 1-6 at the effective  
12 date of rates in this case in rate base and amortized the unamortized balance for that same  
13 period over 11 years. The 11 years was proposed since it is equivalent to the weighted  
14 average measure life of the as filed Missouri Energy Efficiency Investment Act  
15 (“MEEIA”) programs in Case No. EO-2014-0095.

16 **Q: What is Staff’s recommendation regarding pre-MEEIA amortization of DSM costs**  
17 **in this case?**

18 A: Consistent with prior Commission orders, Staff recommends the inclusion of the  
19 unamortized balances for Vintages 1-6 in rate base and has included in cost of service the  
20 annual amortization for each vintage based on a 10-year amortization for Vintages 1-4, a  
21 6-year amortization for Vintage 5 and has recommended a 6-year amortization for  
22 Vintage 6.

1 **Q: Does KCP&L agree with Staff's recommendation?**

2 A: Yes, as discussed in Staff's Cost of Service Report at p. 215, Staff references the  
3 Commission's Report & Order in Case No. ER-2010-0355, where parties agreed to the  
4 treatment of both past and future DSM costs. In that case, the Commission agreed with  
5 the parties that old regulatory assets should be governed by previous Commission  
6 decisions and directed KCP&L to continue to amortize Vintages 1-3 over a period of 10  
7 years. The Commission also directed KCP&L to amortize Vintage 4 costs over a ten-  
8 year period in that case. In addition, parties agreed on the treatment of future investments  
9 made from December 31, 2010, until a future recovery mechanism was in place (Vintage  
10 5), with those costs placed in a regulatory asset and amortized over six years. Finally,  
11 Staff's recommendation of a six year amortization period for Vintage 6 costs is consistent  
12 with Vintage 5 treatment ordered in KCP&L's prior case, Case No. ER-2012-0174.

13 **13. Pre-MEEIA Opt-Outs**

14 **Q: Please explain Adjustment CS-97 for Pre-MEEIA Opt-Outs.**

15 A: Based on the MPSC Order Approving Stipulation and Agreement in Case No. EO-2014-  
16 0029 related to KCP&L practices regarding customer opt-outs of demand-side  
17 management (DSM) programs, KCP&L was granted deferral treatment of the "opt out"  
18 costs for determination of recovery in a future rate case. The deferral of charges  
19 represents the credits that qualifying customers received on their bills who had opted out  
20 of the DSM programs. KCP&L has taken the unamortized deferred balance, subject to  
21 true-up through May 31, 2015, and amortized the costs over a 3-year period.

1 **Q: What is Staff's recommendation regarding recovery of Pre-MEEIA Opt-Out costs?**

2 A: Following Staff's review of charges recorded to the non-MEEIA deferral account, Staff  
3 recommends that these amounts be included in KCP&L's base rates, subject to true-up.  
4 Staff also recommends that these amounts be included in KCP&L Adjustment CS-100,  
5 which is the recalculated Pre-MEEIA rate. (Staff's Cost of Service Report, p. 213)

6 **Q: What is the issue?**

7 A: While Staff agrees that these costs should be included in KCP&L's base rates, Staff did  
8 not make an adjustment in their direct filing for the amortization of the regulatory asset.

9 **Q: What is KCP&L's recommendation?**

10 A: KCP&L requests that Staff include an adjustment to its cost of service for the annual  
11 amount associated with a 3-year amortization of Pre-MEEIA Opt-Outs, subject to true-  
12 up.

13 **14. Jurisdictional Allocations**

14 **Q: What is the Company's position in regard to jurisdictional allocations ?**

15 A: There are two jurisdictional allocations that the Company would like to address. They  
16 include the demand allocator and the situs basis allocator for distribution plant accounts  
17 370000 and 370002.

18 **Q: Do you agree with Staff's usage of a 4-CP (coincident peak) methodology for the  
19 demand allocator?**

20 A: Yes. Although the Company did file in its direct case a demand allocator that would  
21 utilize a 12-CP methodology in order to attempt to provide a more consistent approach  
22 among its electric jurisdictions in allocating costs, the Company is willing to accept the

1 4-CP methodology that was proposed by Staff and by MIEC/MECG witness Maurice  
2 Brubaker .

3 **Q: What time periods did Staff select in regard to the energy and demand**  
4 **jurisdictional allocations in this case?**

5 A: On page 180 of the Staff Report, Staff identified what they used for the demand  
6 jurisdictional allocator:

7 Staff determined the demand allocation factor for each jurisdiction using the  
8 following process:

- 9 a. Identify KCPL's peak hourly load in each month for the four – month  
10 period June 2014 through September 2014 and sum the hourly peak  
11 loads.

12 In addition, on page 181 I noted the following in Staff's Report that for the energy  
13 allocation factor chose to use a different time period.

14 Variable expenses, such as fuel and purchased power, are allocated to the  
15 jurisdictions based on energy consumption. The energy allocation factor  
16 for each jurisdiction is the ratio of the total kWh used by the particular  
17 jurisdiction in the 12-month period ending March 2014, to KCPL's total  
18 system kWh usage during the test year.

19 **Q: Do you agree with time periods Staff used for jurisdictional allocators?**

20 A: Yes. I agree with the test period usage of the energy allocator. But, no I do not agree  
21 with the time period Staff chose to use for the Demand allocator.

22 **Q: What do you disagree with in his statement?**

23 A: Two different time periods are being used in the calculation to determine the demand  
24 allocator and the energy allocator. Staff is using the time period of June 2014 through  
25 September 2014 for the demand allocator and April 2013 through March 2014, the test  
26 period in this case, for the energy allocator. As can be seen Staff is using a time period  
27 outside of the test year to calculate the demand allocator. First, demand allocator is based

1 on the months of June 2014 through September 2014 which is not consistent with months  
2 that the energy allocator is based on. Secondly, June 2014 through September 2014 is  
3 outside the test period in this case. Specifically, it is outside of the period in which retail  
4 revenues are weather normalized and included in this rate case proceeding. I am  
5 concerned about the consistency in time periods that Staff has taken in calculating the  
6 demand allocation. I believe a consistent time period based on the test period should be  
7 used to calculate jurisdictional allocation factors unless there is a compelling reason to  
8 deviate from this process.

9 **Q: Has Staff provided a compelling reason to deviate from the test period?**

10 A: No. Not that I was able to determine.

11 **Q: What would the demand allocation factor be if test period coincident peaks were  
12 used?**

13 A: The demand allocation factor would be 54.8121%.

14 **Q: What recommendation does the Company have in regards to the situs based  
15 allocation for distribution plant?**

16 A: In its Staff Report, the Staff used a situs based allocation factor for plant accounts 370000  
17 and 370002 which provided for the allocation of plant associated with meters based on  
18 the time period December 31, 2014. During this time period the Company was in the  
19 midst of its meter replacement program and thus the allocation based on situs has been  
20 significantly skewed and will not represent the location of how plant associated with  
21 meters will be represented on the books as of the true-up period in this case. This is  
22 because a significant amount of the replaced metered plant was located in the Kansas  
23 jurisdiction. A significant portion of the Missouri meter purchases occurred in the first



1 quarter of 2015 and installations are occurring during 2015. As such, the Company  
2 recommends that this allocator due the timing of this case with the purchase and  
3 installation of new meter technology should be updated at the true-up in this case to  
4 ensure that the appropriate allocation of meter plant is represented in the Missouri  
5 jurisdiction.

6 **15. Items Still Pending Staff Acceptance/Correction**

7 **Q: Are there items that you believe are non-issues but have not been finalized at this**  
8 **time?**

9 A: Yes. The Company and the other parties to this case have been in discussions regarding  
10 certain issues. Based upon these discussions, the Company believes that no issue exists  
11 or that errors identified have been corrected. Due to timing, some of these changes  
12 and/or agreements have not been confirmed. Therefore, the Company would like to gain  
13 further information on the following issues before making its determination on  
14 agreement:

15 Double reduction of labor associated with the Wolf Creek Refueling Outage  
16 Wolf Creek Mid-Cycle Outage Adjustment correction

17 **Q: Does this conclude your testimony?**

18 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 ) Case No. ER-2014-0370  
A General Rate Increase for Electric Service )

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 Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of fifty-five (55) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

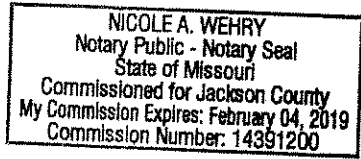
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Ronald A. Klote  
Ronald A. Klote

Subscribed and sworn before me this 7<sup>th</sup> day of May, 2015.

Nicole A. Wehry  
Notary Public

My commission expires: Feb. 4 2019



S-8 1 s8401kadd.htm FORM S-8

As filed with the Securities and Exchange Commission on March 23, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM S-8**  
**REGISTRATION STATEMENT**

**UNDER THE SECURITIES ACT OF 1933**

**GREAT PLAINS ENERGY INCORPORATED**

(Exact name of registrant as specified in its charter)

**Missouri**  
(State or other jurisdiction of incorporation or organization)

**43-1916803**  
(I.R.S. Employer  
Identification Number)

**1200 Main Street**  
**Kansas City, Missouri**  
(Address of Principal Executive Offices)

**64105**  
(Zip Code)

**GREAT PLAINS ENERGY INCORPORATED**  
**401(K) SAVINGS PLAN**  
**(FORMERLY KNOWN AS GREAT PLAINS ENERGY INCORPORATED CASH OR DEFERRED**  
**ARRANGEMENT (“EMPLOYEE SAVINGS PLUS”))**

(Full title of the plan)

**HEATHER A HUMPHREY**  
**GENERAL COUNSEL AND SENIOR VICE PRESIDENT – HUMAN RESOURCES**  
**1200 MAIN STREET**  
**KANSAS CITY, MISSOURI 64105**  
(Name and address of agent for service)

**(816) 556-2200**  
(Telephone number, including area code, of agent for service)

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities To Be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share (2)(3)	Proposed Maximum Aggregate Offering Price (2)(3)	Amount of Registration Fee
Common Stock, no par value	2,000,000 shares	\$20.05	\$40,100,000.00	\$4,595.46

(1) This amount represents shares available for future issuance under the Company’s 401(k) Savings Plan (formerly

Schedule RAK-11

known as the Company's Cash or Deferred Arrangement ("Employee Savings Plus"). Pursuant to Rule 416(c) under the Securities Act of 1933, as amended, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plan described herein.

- (2) The estimated price of \$20.05 per share was computed in accordance with paragraphs (c) and (h) of Rule 457 under the Securities Act by averaging the high and low sales prices of Great Plains Energy Incorporated Common Stock as quoted on the New York Stock Exchange on March 19, 2012.
  - (3) Estimated solely for the purpose of calculating the registration fee.
-

## EXPLANATORY NOTE

The purpose of this Registration Statement is to register 2,000,000 additional shares of Common Stock, no par value (the “Common Stock”), of Great Plains Energy Incorporated, a Missouri corporation (the “Company”), for issuance under the Company’s 401(k) Savings Plan (formerly known as the Company’s Cash or Deferred Arrangement (“Employee Savings Plus”)) (hereinafter referred to as the “Plan”). The Plan was originally filed pursuant to Registration Statement No. 33-17403. Additional securities were registered for use in the Plan pursuant to Registration Statement No. 33-33377, Registration Statement No. 33-42187, Registration Statement No. 33-62942, Registration Statement No. 33-58917, Registration No. 333-49353, Registration No. 333-32636, Registration No. 333-98781, Registration No. 333-120172, Registration No. 333-132828 and Registration No. 333-147939. The appropriate portions of those Registration Statements are incorporated by reference. In accordance with General Instruction E of Form S-8, the information required by Part II is omitted, except as supplemented by the information set forth below.

### PART I

#### INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

##### Item 1. Plan Information.\*\*

##### Item 2. Registrant Information and Employee Plan Annual Information.\*\*

\*\* The documents containing the information specified in Part I of Form S-8 will be delivered to participants in the Plan, covered by this Registration Statement, in accordance with Form S-8 and Rule 428(b)(1) under the Securities Act of 1933, as amended (the “Securities Act”). Such documents are not required to be, and are not, filed with the Securities and Exchange Commission (the “Commission”) either as part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 of the Securities Act. These documents and the documents incorporated by reference into this Registration Statement pursuant to Item 3 of Part II of this Registration Statement, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

### PART II

#### INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

##### Item 3. Incorporation of Documents by Reference.

The following documents filed with the Commission by the Company or Plan, pursuant to the Exchange Act of 1934, as amended (the “Exchange Act”), are incorporated by reference in this Registration Statement:

- The Company’s annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 28, 2012, including portions of the Company’s Definitive Proxy Statement on Schedule 14A, filed with the Commission on March 21, 2012, that are incorporated by reference therein;
- The Company’s Current Reports on Form 8-K filed with the Commission on February 10, 2012, February 21, 2012, and March 23, 2012;
- The description of the Company’s Common Stock included under the caption “Description of Common Stock” in the Registration Statement on Form S-3 of the Company (Registration No. 333-180105) filed with the Commission on March 14, 2012, including any amendment or report filed for the purpose of updating such information; and

- 
- The Plan’s annual report on Form 11-K for the year ended December 31, 2010, filed with the Commission on June 20, 2011.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment to this Registration Statement, which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents with the Commission.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Registration Statement shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained in this Registration Statement, or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this Registration Statement, modifies or supersedes such prior statement. Any statement contained in this Registration Statement shall be deemed to be modified or superseded to the extent that a statement contained in a subsequently filed document that is or is deemed to be incorporated by reference in this Registration Statement modifies or supersedes such prior statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Upon written or oral request, any of the documents incorporated by reference in Item 3 of Part II of this Registration Statement (which documents are incorporated by reference in the Section 10(a) prospectus), other documents required to be delivered to eligible employees pursuant to Rule 428(b) of the Securities Act or additional information about the Plan are available without charge to participants by contacting Great Plains Energy Incorporated, 1200 Main Street, Kansas City, Missouri 64105 (Telephone No.: 816-556-2200), Attention: Corporate Secretary.

#### **Item 4. Description of Securities.**

Not applicable.

#### **Item 5. Interests of Named Experts and Counsel.**

The validity of the shares of common stock offered hereby has been passed upon for us by Heather A. Humphrey, the Company's General Counsel and Senior Vice President – Human Resources. A copy of this opinion is attached as Exhibit 5.1 to this Registration Statement. Ms. Humphrey beneficially owns or has rights to acquire an aggregate of less than 1% of the total outstanding Common Stock of the Company.

#### **Item 6. Indemnification of Directors and Officers.**

Missouri Revised Statutes (“RSMo”) Section 351.355 (2011) provides as follows:

1. A corporation created under the laws of this state may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

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2. The corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the defense or settlement of the action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that

the court in which the action or suit was brought determines upon application that, despite the adjudication of liability and in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

3. Except as otherwise provided in the articles of incorporation or the bylaws, to the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in subsections 1 and 2 of this section, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the action, suit, or proceeding.

4. Any indemnification under subsections 1 and 2 of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in this section. The determination shall be made by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the action, suit, or proceeding, or if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the shareholders.

5. Expenses incurred in defending any civil, criminal, administrative, or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of the action, suit, or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this section.

6. The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the articles of incorporation or bylaws or any agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7. A corporation created under the laws of this state shall have the power to give any further indemnity, in addition to the indemnity authorized or contemplated under other subsections of this section, including subsection 6, to any person who is or was a director, officer, employee or agent, or to any person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, provided such further indemnity is either (i) authorized, directed, or provided for in the articles of incorporation of the corporation or any duly adopted amendment thereof or (ii) is authorized, directed, or provided for in any bylaw or agreement of the corporation which has been adopted by a vote of the shareholders of the corporation, and provided further that no such indemnity shall indemnify any person from or on account of such person's conduct which was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct. Nothing in this subsection shall be deemed to limit the power of the corporation under subsection 6 of this section to enact bylaws or to enter into agreements without shareholder adoption of the same.

8. The corporation may purchase and maintain insurance or another arrangement on behalf of any person who

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is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of this section. Without limiting the power of the corporation to procure or maintain any kind of insurance or other arrangement the corporation may for the benefit of persons indemnified by the corporation create a trust fund, establish any form of self insurance, secure its indemnity obligation by grant of a security interest or other lien on the assets of the corporation, or establish a letter of credit, guaranty, or surety arrangement. The insurance or other arrangement may be procured, maintained, or established within the corporation or with any insurer or other person deemed appropriate by the board of directors regardless of whether all or part of the stock or other securities of the insurer or other person are owned in whole or in part by the corporation. In the absence of fraud the judgment of the board of directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability on any ground regardless of whether directors participating in the approval are beneficiaries of the insurance arrangement.

9. Any provision of this chapter to the contrary notwithstanding, the provisions of this section shall apply to all existing and new domestic corporations, including but not limited to banks, trust companies, insurance companies, building and loan associations, savings bank and safe deposit companies, mortgage loan companies, corporations formed for benevolent, religious, scientific or educational purposes and nonprofit corporations.

10. For the purpose of this section, references to “the corporation” include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he or she would if he or she had served the resulting or surviving corporation in the same capacity.

11. For purposes of this section, the term “other enterprise” shall include employee benefit plans; the term “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and the term “serving at the request of the corporation” shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this section.

The officers and directors of the Company have entered into indemnification agreements with the Company indemnifying such officers and directors to the extent allowed under the above RSMo Section 351.355 (2011).

Article XIII of the Articles of Incorporation of the Company provides as follows:

#### ARTICLE THIRTEEN.

(a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Company or is or was an employee of the Company acting within the scope and course of his or her employment or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Company to the fullest extent authorized by The Missouri General and Business Corporation Law, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid to or to be paid in settlement) actually and reasonably incurred by such person in

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connection therewith. The Company may in its discretion by action of its Board of Directors provide indemnification to agents of the Company as provided for in this ARTICLE THIRTEEN. Such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(b) Rights Not Exclusive. The indemnification and other rights provided by this ARTICLE THIRTEEN shall not be deemed exclusive of any other rights to which a person may be entitled under any applicable law, By-laws of the Company, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in such person’s official capacity and as to action in any other capacity while holding the office of director or officer, and the Company is hereby expressly authorized by the shareholders of the Company to enter into agreements with its directors and officers which provide greater indemnification rights than that generally provided by The Missouri General and Business Corporation Law; provided, however, that no such further indemnity shall indemnify any person from or on account of such director’s or officer’s conduct which was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct. Any such agreement providing for further indemnity entered into pursuant to this ARTICLE THIRTEEN after the date of approval of this ARTICLE THIRTEEN by the Company’s shareholders need not be further approved by the shareholders of the Company in order to be fully effective and enforceable.

(c) Insurance. The Company may purchase and maintain insurance on behalf of any person who was or is a director, officer, employee or agent of the Company, or was or is serving at the request of the Company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise against any liability asserted against or incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the



Company would have the power to indemnify such person against such liability under the provisions of this ARTICLE THIRTEEN.

(d) Amendment. This ARTICLE THIRTEEN may be hereafter amended or repealed; however, no amendment or repeal shall reduce, terminate or otherwise adversely affect the right of a person entitled to obtain indemnification or an advance of expenses with respect to an action, suit or proceeding that pertains to or arises out of actions or omissions that occur prior to the later of (a) the effective date of such amendment or repeal; (b) the expiration date of such person's then current term of office with, or service for, the Company (provided such person has a stated term of office or service and completes such term); or (c) the effective date such person resigns his or her office or terminates his or her service (provided such person has a stated term of office or service but resigns prior to the expiration of such term).

Pursuant to RSMo Section 351.355 (2011) and the Articles of Incorporation of the Company, the Company maintains directors' and officers' liability coverage.

#### **Item 7. Exemption From Registration Claimed.**

Not applicable.

#### **Item 8. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
4.1*	Articles of Incorporation of Great Plains Energy Incorporated as amended effective May 7, 2009 (Exhibit 3.1.1 to Form 10-Q for the quarter ended March 31, 2009).
4.2*	By-Laws of Great Plains Energy Incorporated, as amended May 4, 2010 (Exhibit 3.1 to Form 8-K filed with the Commission on May 6, 2010).
5.1	Opinion of Heather A. Humphrey, General Counsel and Senior Vice President – Human Resources of Great Plains Energy Incorporated, regarding the validity of the securities.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Heather A. Humphrey, General Counsel and Senior Vice President – Human Resources of Great Plains Energy Incorporated (included in Exhibit 5.1).
24.1	Powers of Attorney.

\* Incorporated by reference herein as indicated.

#### **Item 9. Undertakings.**

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required in Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

*provided, however*, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the registration statement is on Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered

which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby further undertakes, that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 6 above, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## SIGNATURES

**The Registrant.** Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the city of Kansas City, State of Missouri, on this 23<sup>rd</sup> day of March, 2012.

### GREAT PLAINS ENERGY INCORPORATED

By: /s/ Michael J. Chesser  
 Name: Michael J. Chesser  
 Title: Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Michael J. Chesser	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 23, 2012

Schedule RAK-11

Michael J. Chesser	Senior Vice President – Finance and Strategic Development and Chief Financial Officer (Principal Financial Officer)	March 23, 2012
/s/ James C. Shay James C. Shay		
	Vice President – Business Planning and Controller (Principal Accounting Officer)	March 23, 2012
/s/ Lori A. Wright Lori A. Wright		
/s/ Terry Bassham Terry Bassham	Director	March 23, 2012
*	Director	March 23, 2012
David L. Bodde	Director	March 23, 2012
*	Director	March 23, 2012
Randall C. Ferguson, Jr.	Director	March 23, 2012
*	Director	March 23, 2012
Gary D. Forsee	Director	March 23, 2012
*	Director	March 23, 2012
Thomas D. Hyde	Director	March 23, 2012
*	Director	March 23, 2012
James A. Mitchell	Director	March 23, 2012
*	Director	March 23, 2012
William C. Nelson	Director	March 23, 2012
*	Director	March 23, 2012
John J. Sherman		
*	Director	March 23, 2012
Linda H. Talbott	Director	March 23, 2012
*	Director	March 23, 2012
Robert H. West		

\*By: /s/ Michael J. Chesser  
Michael J. Chesser  
Attorney-in-fact

**The Plan.** Pursuant to the requirements of the Securities Act of 1933, the Administrative Committee of the Great Plains Energy Incorporated 401(k) Savings Plan (formerly known as the Great Plains Energy Incorporated Cash or Deferred Arrangement (“Employee Savings Plus”)) has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Kansas City, State of Missouri, on the 23<sup>rd</sup> day of March, 2012.

**GREAT PLAINS ENERGY INCORPORATED  
401(k) SAVINGS PLAN**

By: /s/ Charles A. Caisley  
Name: Charles A. Caisley

By: /s/ Ellen E. Fairchild  
Name: Ellen E. Fairchild

By: /s/ Heather A.  
Humphrey  
Name: Heather A. Humphrey

By: /s/ John M. Wallis  
Name: John M. Wallis

By: /s/ Lori A. Wright  
Name: Lori A. Wright

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**INDEX OF EXHIBITS**

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24.1	Powers of Attorney.

\* Incorporated by reference herein as indicated.



**SCHEDULE RAK-12**

**THIS DOCUMENT CONTAINS  
HIGHLY CONFIDENTIAL  
INFORMATION NOT AVAILABLE  
TO THE PUBLIC**