

## Appendix of Alternative Issue Descriptions

### **KCPL's and GMO's descriptions of issues**

3. Hawthorn Selective Catalytic Reduction System (SCR): (KCPL: Hensley, Crawford; Staff: Lyons & Featherstone)
  - a. Should KCPL's rate base and expense be adjusted to reflect the performance of the Hawthorn SCR as Staff proposes?
  - b. Should KCPL's ongoing fuel expense be adjusted to reflect Staff's outage adjustment based on the performance of the Hawthorn SCR?
4. Income Tax: (KCPL: Hardesty; Staff: Hyneman) Should the amount included in revenue requirement for Iatan 2 Advanced Coal Tax Credit be based the amount utilized for federal income tax purposes on a separate income tax return basis or on a consolidated tax return basis?
5. Kansas City Missouri Earnings Tax: (KCPL: Hardesty; Staff: Hyneman)
  - a. What amount should be included in KCPL's revenue requirement for earnings tax?
    - i. If an amount for earnings tax is included in KCPL's revenue requirement should that amount be determined after allocation of a portion of KCPL's Kansas City earnings tax to GMO and to KCPL's Kansas jurisdiction?
    - ii. Should KCMO earnings tax be included in revenue requirement as an income tax applied to adjusted Missouri jurisdictional taxable income consistent with taxable income calculated for ratemaking?
  - b. Should the effective income tax rate used to gross up the authorized revenue requirement include a component for the KCMO earnings tax as well as federal and state income taxes?
8. Interim Energy Charge (IEC) proposal by the Company: (KCPL: Ives, Rush; Staff: Mantle & Featherstone; MIEC/MECG; FEA: Etheridge) Should the IEC proposed by KCP&L be approved?

### **II. KCPL – GMO Common Issues**

3. Cost of Capital: (KCPL/GMO: Hadaway, Bryant; Staff: Murray; OPC: Gorman; FEA: Kahal)
  - a. Return on Common Equity: What return on common equity should be used for determining rate of return?

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- b. Capital Structure: What capital structure should be used for determining rate of return?
  - c. Cost of Debt:
    - i. Should GPE's consolidated cost of debt be assigned to KCPL and GMO or should the cost of debt be subsidiary specific?
    - ii. In either case, should adjustments be made to holding company debt issued subsequent to GPE's acquisition of GMO?
5. Pensions, OPEBs, SERP Costs: (KCPL/GMO: Foltz; Staff: Hyneman)
- a. Should the Company's salary assumption of 4.0% for management and 4.25% for bargaining unit employees based on Company specific historical data be used to determine pension cost or should Staff's salary assumption of 3.5% based on a current Missouri utility average be used?
  - b. Should Supplemental Executive Retirement Plan ("SERP") pension costs paid by KCPL as a lump-sum be included in addition to annuity payments in revenue requirement based on a multi-year average of actual amounts paid or should SERP costs be based solely on annual annuity payments to former KCPL executives?
  - c. Should SERP pension costs paid by the Wolf Creek Generating Station ("WCNOC") as monthly annuities be included in revenue requirement based on actual amounts paid or should these amounts be subject to the Staff's reasonableness tests?
  - d. Should GMO SERP costs be included in revenue requirement at the amount proposed in the Company's rebuttal testimony without recognition of a \$50,000 reasonableness test as proposed by Staff? How should the allocation factor to determine GMO-MPS regulated operations be recalculated to only eliminate regulated operations not acquired by GPE?
  - g. Should WCNOC OPEB expense be based on the actual dollar amount of OPEB expense paid by KCPL to WCNOC or a FAS 106 accrual amount,? If it is appropriate to include FAS106, including WCNOC, in revenue requirement, then should KCP&L be required to contribute amounts collected in rates for WCNOC employees to a segregated WCNOC OPEB fund or should amounts in excess of amounts paid by KCP&L to WCNOC be deposited in a KCP&L OPEB fund?
9. Bad Debt Expense/Forfeited Discount Revenue: (KCPL/GMO: Weisensee; Staff: Lyons; MIEC/MECG: Meyer)

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- a. Should bad debt expense and forfeited discount revenue included in rates in this case include a provision for the respective impacts resulting from the revenue increase in this case?
  - b. How should normalized bad debt expense be determined?
11. Transmission Tracker: (KCPL/GMO: Ives, Carlson; Staff: Beck & Oligschlaeger; MIEC/MECG: Dauphinais) Should the Commission authorize KCPL and GMO to compare their actual transmission expenses with the levels used for setting permanent rates in these cases, and to accrue and defer the difference into a regulatory asset?
  12. Property Tax Tracker: (KCPL/GMO: Ives; Staff: Lyons; MIEC/MECG: Meyer) Should the Commission authorize KCPL and GMO to compare their actual property taxes with the levels used for setting permanent rates in these cases, and to accrue and defer the difference into a regulatory asset?
  13. RES and RES Tracker: (KCPL/GMO: Ives, Rush, Weisensee; Staff: Beck & Lyons; MIEC/MECG: Meyer)
    - a. Should RES costs be included in KCPL's and GMO's revenue requirements?
      - i. If so, what is the amount?
    - b. Should RES costs KCPL and GMO incurred from 2010 through 2012 that exceed the level of RES costs included in cost of service be given rate base treatment, i.e., should they not only get a return of those costs, but also a return on them?
    - c. What amortization period should be used to determine the annual level to include in KCPL's and GMO's revenue requirements for recovery of the RES costs KCPL and GMO incurred from 2010 through 2012 that exceed the level of RES costs used in the revenue requirements upon which their current permanent rates are based?
    - d. Should KCPL and GMO be allowed to compare their actual RES costs with the levels used for setting permanent rates in these cases, and to accrue and defer the difference into a regulatory asset?
  16. Organizational Realignment and Voluntary Separation Program ("ORVS"): (KCPL/GMO: Ives, Murphy; Staff: Hyneman; MIEC/MECG: Meyer)

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- a. Should the annual amount based on a five-year amortization of the severance and related costs associated with KCPL's ORVS Program be included in revenue requirement?
- b. Have KCPL and GMO recovered in rates at a minimum the dollar amount severance costs related to the ORVS Program employees who left the employ of KCPL in March 2011?

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17. Advanced Coal Tax Credit: (KCPL/GMO: Hardesty , Montalbano; Staff: Featherstone)
- a. What is the proper course of action to resolve whether or not the amount included for KCPL's advanced coal investment federal income tax credit for Iatan 2 be reduced to reflect a reallocation of a portion of that credit to GMO based on GMO's ownership interest in Iatan 2 and, concurrently, whether or not the amount included for GMO be increased for the benefit of that credit reallocation?
    - i. Should the Commission order KCPL, GMO and Great Plains Energy to file a private letter ruling with the IRS to determine if any of the proposed Staff recommendations (ii-iv below) for a reallocation of a portion of the advanced coal investment federal income tax credit for Iatan 2 from KCPL to GMO, based on GMO's ownership interest share, would constitute a normalization violation?
      1. If the IRS issues a private letter ruling which states that any of the Staff's recommendations for a reallocation of Iatan 2 coal credits to GMO based on its ownership share of Iatan 2 would NOT be a normalization violation, then should the Commission order KCPL to implement one of the recommendations that is not a normalization violation in order for GMO to receive an equivalent amount of tax benefits based on its ownership share of Iatan 2?
      2. If the IRS issues a private letter ruling which states that all of the Staff's recommendations for a reallocation of Iatan 2 coal credits to GMO based on its ownership share of Iatan 2 are normalization violations, then should the Commission order that no reallocation of these credits to GMO should be attempted in any manner in the future?
    - ii. Should the Commission order KCPL, GMO, and Great Plains Energy jointly to seek a revised IRS memorandum of understanding to reallocate a portion of the credit to GMO based on GMO's ownership interest in Iatan 2 for a second time?
      1. If the IRS does not agree to reallocate these Iatan 2 coal credits to GMO based on its ownership share of Iatan 2, then should the Commission order KCPL to pay the monetary equivalent to GMO of the value of the coal credits that should be allocated to GMO, or alternatively, should the Commission impute the value of the coal credits to GMO based on its ownership share of Iatan 2?
    - iii. In the alternative, should the Commission disallow certain Great Plains Energy and KCPL officers' salaries and benefits allocated to GMO?

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- iv. Or, in the alternative, should the Commission consider the Coal Credit issue when it determines the proper rate of return to use in the KCPL and GMO rate cases?
21. Revenues: (KCPL/GMO: Rush; Staff: Lyons, Won (KCPL case), Wells (GMO case), Scheperle) Should the difference in the General Ledger and the recalculation of revenues (i.e. tie amount used to verify the recalculation process) be carried forward and included in the normalized and annualized test year revenues?

### **MECG's descriptions of issues**

#### **II. KCPL – GMO Common Issues**

- 11. Transmission Tracker: Should the Commission implement a tracker mechanism for transmission costs that allows KCPL and GMO to accrue and defer, for future recovery, any difference between the amount in rates and the actual amount incurred?
- 12. Property Tax Tracker: Should the Commission implement a tracker mechanism for property taxes that allows KCPL and GMO to accrue and defer, for future recovery, any difference between the amount in rates and the actual amount incurred?
- 13. RES and RES Tracker:
  - d. Should the Commission implement a tracker mechanism for RES costs that allows KCPL and GMO to accrue and defer, for future recovery, any difference between the amount in rates and the actual amount incurred?