Exhibit No.:	
Issue:	Revenue Requirement Schedules; Accounting Adjustments
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Kansas City Power & Light Company
Case No.:	ER-2018-0145
Date Testimony Prepared:	January 30, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2018-0145

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
January 2018

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KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2018-0145

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DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2018-0145

Q: Please state your name and business address.

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

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

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

Q: On whose behalf are you testifying?

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

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with Company rate case filings and other regulatory filings.

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

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with KCP&L as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs responsible for the coordination, preparation and filing of rate cases in our electric jurisdictions.

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

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

Q: What is the purpose of your testimony?

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

REVENUE REQUIREMENT MODEL AND SCHEDULES

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

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

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

A: Yes, they were.

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

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

Q: Are the effects of the Tax Cuts and Jobs Act of 2017 (TCJA) reflected in the revenue requirement model attached to this testimony?

A: Yes. An estimate of the impact of the Tax Cuts and Jobs Act of 2017 has been included in the CS-125 Income Tax adjustment. Please see the section for CS-125 Income Taxes for more details.

TEST YEAR

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

A: The revenue requirement schedules are based on a historical test year of the 12 months ending June 30, 2017, with known and measurable changes projected through June 30, 2018. At the true-up date, we plan to true up to actuals as part of the true-up process associated with this rate case proceeding.

Q: Why was this test year selected?

A: The Company used the 12-month period ending June 30, 2017 for the test year in this rate proceeding because that period reflects the most currently available quarterly financial information to provide adequate time to prepare the revenue requirement and rate design schedules for this case.

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

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

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

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

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

A: Historically, rate cases have included true-up periods which provide for updates to test year data. This process allows for changes in cost levels included in the test year to be updated to the most current information as of a specified date which is closer to the date rates are effective. This allows for a proper matching of rate base, revenues and expenses to account for known and measureable changes that have occurred since the end of the test year. As stated above the Company is requesting a true-up date effective of June 30, 2018 in order to provide this update to rate base, revenues and expenses in this rate case. This update will also include a true-up of the impact of the Tax Cuts and Jobs Act of 2017 on income tax expense.

JURISDICTIONAL ALLOCATIONS

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

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

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

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

Q: What allocators did the Company use?

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

Q: Please describe the Demand allocator.

A: The Demand allocator used for this case is a 4-month average of the actual coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale jurisdiction which covered the period June 2017 to September 2017.

Q: Please describe the Energy allocator.

A: The Energy allocator is based on the total weather-normalized kilowatt-hour usage by the Missouri and Kansas retail customers and the firm wholesale jurisdiction which covered the test period July 2016 to June 2017 with customer growth through June 2018.

Q: Please describe the Customer allocator.

A: The Customer allocator is based on the average number of customers in Missouri, Kansas, and the firm wholesale jurisdiction which covered the test period July 2016 to June 2017 with customer growth through June 2018.

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

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

ACCOUNTING ADJUSTMENTS

Q: Please discuss Schedule RAK-4.

A: This schedule presents a listing of adjustments to net operating income for the 12 months ended June 30, 2017, along with the sponsoring Company witnesses. Various Company witnesses will support, in their direct testimonies, the need for each of these adjustments.

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

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

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

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

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

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

Q: Did the Company comply with the prospective tracking of regulatory assets and liabilities as agreed to in the Non-Unanimous Partial Stipulation and Agreement from Rate Case No. ER-2016-0285 ("2016 Case")?

A: Yes. In this rate case filing KCP&L complied with this agreement and reflected the prospective tracking treatment of regulatory assets and liabilities in accordance with this agreement. Please see the individual regulatory asset and regulatory liability adjustments that describe the prospective treatment where applicable in the Direct Testimony of Company witness Linda Nunn.

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

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

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

A: Yes, the adjustments summarized on Schedule RAK-4 and discussed in this testimony reflect adjustments to the test year ended June 30, 2017.

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

Q: Please explain adjustment RB-20.

A: KCP&L rolled the test year end June 30, 2017 plant balances forward to June 30, 2018, by using the Company's actual results through June 2017 and the 2017-2018 capital budgets for subsequent additional capital additions post June 2017. Projected plant additions net of projected retirements were added to actual balances through June 2017 to arrive at projected plant balances at June 30, 2018.

Q: Does RB-20 include amounts associated with the Clean Charge Network?

A: Yes, In January 2015 KCP&L announced a plan to install and operate more than 1,000 electric vehicle charging stations throughout the Greater Kansas City region. Included in adjustment RB-20 are the actual capital costs for the Clean Charge Network through June

2017. Any additional capital costs post June 2017 will be included at the true-up date in this case June 30, 2018. Please see the testimony of Company witnesses Charles Caisley and Tim Rush for further explanation of the Clean Charge Network and on its inclusion in this case.

Q: Does the capital additions through June 2018 include projections for the new Customer Information System ("CIS")?

A: Yes. The CIS system and all of its related parts is expected to be in service prior to the June 30, 2018 true-up date in this case. As such, projected costs have been included in plant-in-service estimates in this case. The Company expects the actual amount incurred as of June 30, 2018 will be included in the true-up in this case. Please see the testimony of Company witnesses Forrest Archibald and Charles Caisley for more information on the CIS project.

<u>RB-30 RESERVE FOR DEPRECIATION</u>

Q: Please explain adjustment RB-30.

A: This adjustment rolls forward the Missouri-basis Reserve for Depreciation from June 30, 2017 to balances projected as of June 30, 2018.

Q: How was this roll-forward accomplished?

A: The depreciation/amortization provision component was calculated in two steps: (i) the June 2017 depreciation provision was multiplied by twelve months to approximate the provision that will be charged to the Reserve for Depreciation from July 2017 through June 2018 for plant existing at June 30, 2017; and (ii) by estimating the depreciation/amortization through June 30, 2018 attributable to projected net plant additions from July 2017 through June 2018. In the second step, we assumed the net plant additions occurred ratably over this period.

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

A: Yes. Projected retirements for the period July 2017 through June 2018 were based on actual test period retirements with adjustments to exclude retirements that occurred in the test period for AMR meters and two material streetlight sales in Olathe, KS and Prairie Village, KS.

CS-61/RB-61 OTHER POST-EMPLOYMENT BENEFITS

Q: Please explain adjustments CS-61 and RB-61.

A: CS-61 is the adjustment of other post-employment benefits (OPEB) expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits to an annualized level for ratemaking purposes for KCP&L's portion of the GPE Non-Union and Joint Trusteed Post Employment Retirement Plans. Previously the accounting guidance was referred to as Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106) and this description will continue to be used in the regulatory process. CS-61 also includes an adjustment for the Wolf Creek generation station's OPEB expense based on the cash amount paid to Wolf Creek (WCNOC) rather than the FAS 106 expense amount.

RB-61 is the roll forward of the FAS 106 regulatory liability and the prepaid OPEB regulatory asset to the projected June 30, 2018 balance.

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

A: Yes, for adjustment CS-61 total company costs are adjusted for projected billings to affiliates and joint partners and charges to capital, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50). Adjustment RB-61 also takes into account billings to joint partners and affiliates but the balances are before charges to capital.

Q: Please explain the components of adjustment CS-61.

A: CS-61 has three components which include (1) the annualized FAS 106 expense for the Company's Non-Union and Joint Trusteed plans based on the projected 2018 total company amount provided by the Company's actuary, Willis Towers Watson; (2) the Company's portion of the Wolf Creek generation station OPEB benefits based on the amount contributed to the plan, also referred to as the "pay as you go" amount; and (3) the five-year amortization of the FAS 106 regulatory liability.

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

A: Yes, annualized OPEB expense was determined based on the methodology established in the Non-Unanimous Stipulation and Agreement in the 2016 Case.

Q: What is the amount of FAS 106 expense on a total company Missouri basis currently built into rates?

A: The Non-Unanimous Stipulation and Agreement in the 2016 Case established the annual FAS 106 amount in rates at $1,174,808 (total company), after removal of capitalized amounts and the portion of KCP&L's annual OPEB cost allocated to KCP&L's joint partners, but before the inclusion of FAS 106 amortization and the Company's portion of WCNOC OPEB benefits.

Q: What is the comparable level of FAS 106 expense on a total company Missouri basis included in cost of service for this case?

A: The comparable amount included in cost of service in this case is $1,816,513.

Q: Please explain the FAS 106 regulatory liability.

A: The regulatory liability represents the cumulative unamortized difference in FAS 106 OPEB expense for ratemaking purposes and the post retirement expense built into rates.

Q: How was the FAS 106 regulatory liability rolled forward to the June 30, 2018 balance?

A: The total company FAS 106 OPEB regulatory liability balance at December 31, 2016 was adjusted by the projected total company difference between FAS 106 expense for Missouri ratemaking purposes and the FAS 106 amount built into rates for the period January 1, 2017 through June 30, 2018. The balance was also adjusted for the projected amortizations for the January 1, 2017 through June 30, 2018 time period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: Was the Company's portion of WCNOC costs included in the FAS 106 regulatory liability adjustment for the January 1, 2017 through June 30, 2018 period?

A: No, the WCNOC portion was not included per the Non-Unanimous Stipulation and Agreement in the 2016 Case.

Q: What is the projected FAS 106 regulatory liability balance at June 30, 2018 on a total company basis?

A: The FAS 106 regulatory liability on a total company basis is projected to be $5,607,311 at June 30, 2018.

Q: Is the FAS 106 regulatory liability properly includable in rate base?

A: Yes, the FAS 106 regulatory liability is included in rate base consistent with the Non-Unanimous Stipulation and Agreement in the 2016 Case.

Q: Please explain the prepaid OPEB regulatory asset.

A: The prepaid OPEB regulatory asset represents the cumulative difference between the FAS 106 OPEB expense and contributions made to the OPEB trusts.

Q: How was the prepaid OPEB regulatory asset rolled forward to June 30, 2018?

A: The total company prepaid OPEB regulatory asset balance at December 31, 2016 was adjusted by the projected FAS 106 expense and contributions for Missouri ratemaking purposes for the period January 1, 2017 through June 30, 2018.

Q: What is the projected cumulative prepaid OPEB regulatory balance at June 30, 2018 on a total company Missouri basis?

A: The balance for the prepaid regulatory asset at June 30, 2018 is projected to be zero.

Q: Is the regulatory treatment of OPEB costs in this rate filing consistent with the Non-Unanimous Stipulation and Agreement in the 2016 Case?

A: Yes it is consistent.

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

A: Yes it does.

CS-65/RB-65 PENSION COSTS

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

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

RB-65 is the roll forward of the FAS 87, FAS 88 and prepaid pension regulatory assets to the projected June 30, 2018 balance.

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

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

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

A: Yes, they do.

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

A: The FAS 87 cost was annualized based on the projected 2018 total company cost provided by the Company's actuarial firm, Willis Towers Watson. In addition, annualized pension expense includes the five-year amortization of the FAS 87 and FAS 88 regulatory assets.

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

A: Yes, annualized pension expense was determined based on the methodology documented in the 2016 Case.

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

A: The Non-Unanimous Stipulation and Agreement in the 2016 Case established the annual amount built into rates at $38,656,955 (total company), after removal of capitalized amounts and the portion of KCP&L's annual pension cost that is allocated to KCP&L's joint partners associated with the Iatan and La Cygne generating stations, and before inclusion of the amortization of the FAS 87 and FAS 88 regulatory assets and Supplemental Executive Retirement Plan ("SERP") expense.

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

A: The comparable amount included in cost of service in this rate case is $40,352,453 (total company).

Q: Please explain the FAS 87 regulatory asset.

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

Q: How was the FAS 87 regulatory asset rolled forward to the June 30, 2018 balance?

A: The total company FAS 87 pension regulatory asset balance at December 31, 2016 was adjusted by the projected total company difference between FAS 87 expense for Missouri ratemaking purposes and the FAS 87 expense built into rates for the period January 1, 2017 through June 30, 2018. The regulatory asset balance was also reduced by the projected amortizations for the January 1, 2017 through June 30, 2018 period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: What is the projected FAS 87 regulatory asset balance at June 30, 2018 on a total company basis?

A: The FAS 87 regulatory asset on a total company basis is projected to be $8,318,331 at June 30, 2018.

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

A: Yes, it is included in rate base per the Non-Unanimous Stipulation and Agreement in the 2016 Case.

Q: Please explain the FAS 88 regulatory asset.

A: This regulatory asset represents the cumulative deferred costs for pension plan settlements accounted for under FAS 88. Because these do not occur on a regular basis, they are tracked by vintage for ease of calculation and discussion. This case will include three vintages: (1) the 2013 vintage for settlements related to the Joint Trusteed Pension Plan during 2013 which was approved in the 2014 Case for amortization over five years; (2) the 2014 vintage for settlements related to the Non-Union Pension Plan also approved in the 2014 Case and amortized over five years and (3) 2017 settlement costs which have not been finalized yet and will be included in the adjustments to the direct filing.

Q: How was the FAS 88 regulatory asset rolled forward to the June 30, 2018 balance?

A: As noted above this regulatory asset is tracked by vintage. For both the 2013 and 2014 vintages, the December 31, 2016 balances were reduced by the projected amortization for January 1, 2017 through June 30, 2018.

Q: What is the cumulative FAS 88 regulatory balance at June 30, 2018 on a total company basis?

A: The projected FAS 88 regulatory asset at June 30, 2018 is $7,564,444 on a total company basis before the inclusion of the 2017 vintage. The balance consists of $3,041,039 for the 2013 vintage and $4,523,405 for the 2014 vintage.

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

A: No, it is not included in rate base consistent with the Non-Unanimous Stipulation and Agreement in the 2016 Case.

Q: Please explain the prepaid pension regulatory asset.

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

Q: How was the prepaid regulatory asset rolled forward to the June 30, 2018 balance?

A: The total company prepaid pension regulatory asset balance at December 31, 2016, was adjusted by the projected FAS 87 regulatory expense and contributions for Missouri ratemaking purposes for the periods January 31, 2016 through June 30, 2018. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: What is the projected cumulative prepaid pension regulatory balance at June 30, 2018 on a total company Missouri basis?

A: The balance for the prepaid pension regulatory asset as of June 30, 2018 is projected to be zero.

Q: Is the regulatory treatment of pension costs in this rate filing consistent with the Non-Unanimous Stipulation and Agreement in the 2016 Case?

A: Yes it is.

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

A: Yes it does.

RB-125 ACCUMULATED DEFERRED INCOME TAXES

Q: Please explain adjustment RB-125.

A: We adjusted June 30, 2017 Accumulated Deferred Income Taxes ("ADIT") in adjustment RB-125. Deferred income taxes represent the tax on timing differences for deductions and income reported on KCP&L's income tax returns compared to what is reported for book purposes. ADIT represents the accumulated balance of these income tax timing differences at a point in time.

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

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

Q: Why does ADIT affect rate base?

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

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

A: ADIT is based in general on June 30, 2017 general ledger balances, with the plant-related ADIT balances adjusted for projected plant activity through June 30, 2018 as reflected in rate case adjustment RB-20. In addition, Pension related ADIT balances were adjusted for projected activity through June 30, 2018 as reflected in rate case adjustments RB-65.

Q: Does the projected ADIT in this case include the impact of the Tax Cuts and Jobs Act enacted on December 22, 2017?

A: Yes. However, there is minimal impact of the Tax Cuts and Jobs Act of 2017 on ADIT included in rate base. The amount of ADIT computed using the historical statutory rates versus the new federal tax rate of 21%, is considered excess ADIT. This excess ADIT remains in rate base until it is amortized and has been included in the income tax expense component of cost of service. The amortization of the excess ADIT for plant related temporary differences is computed using the normalization rules included in the Tax Cuts and Jobs Act of 2017. All other excess ADIT is amortized using the appropriate time period for those items. See the adjustment for CS-125 Income Taxes for more detailed information related to the amortization of excess ADIT.

Q: Will the impact of the Tax Cuts and Jobs Act of 2017 on ADIT in rate base be included in the true-up of rate base as of June 30, 2018?

A: Yes. The Company will true-up the ADIT included in rate base (including impacts of the Tax Cuts and Jobs Act of 2017) at the true-up date of June 30, 2018.

CASH WORKING CAPITAL

Q: Please discuss Cash Working Capital ("CWC").

A: CWC is included in rate base as summarized on Schedule RAK-5.

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

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

Q: How did you determine the amount of CWC?

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

Q: Were any of the factors updated from those used in the 2016 Case?

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

Q: Please explain why these factors were updated.

A: We revised the retail revenue lag factor primarily to reflect the proper collection lag. The retail revenue factor used by the Company in this case was 28.467 days, made up of three components: service period lag, billing lag and collection lag. The service period lag remained the same as last case at 15.21 days. The billing lag was retained in this case at 2.00 days. However, we reflected a change in the collection lag from 10.625 days in the 2016 Case to 11.259 days . This resulted in a total retail revenue lag of 28.467 days .

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

A: The collection lag is a weighted value that reflects two components: 1) a zero-day lag for the percentage of receivables sold under KCP&L's Accounts Receivable facility (the facility is discussed in the Direct Testimony of Company witness Linda Nunn (adjustment CS-78)); and 2) an average number of days outstanding for the percentage that is not sold. The percentage of receivables sold was revised from 55.31% in the 2016 Case to 54.85% in the current rate case. The average number of days that bills are outstanding was recalculated for the period July 1, 2016 to June 30, 2017, resulting in a revision from 23.773 days in the 2016 Case to 24.938 days in the current rate case.

Q: What is the blended total revenue lag?

A: Consistent with the 2016 Case, KCP&L calculated a blended revenue factor for retail revenues and for other revenues, which includes bulk power sales and miscellaneous revenues. The blended revenue factor in this case increased to 29.16 days from the 28.66 days used in the 2016 Case.

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

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

Q: Did KCP&L make any other changes to the CWC lead/lag factors determined in the 2016 Case?

A: Yes, the Company updated the revenue lag days for City Franchise Taxes, Ad Valorem and Sales/Use Taxes from 13.46 days in the 2016 Case to 13.95 days in the current case. This change resulted from the update of the blended revenue factor to 29.16 days compared to the 28.66 days from the 2016 Case. The expense leads remained unchanged from the 2016 Case.

Q: Are you aware of any changes in KCP&L's processes which would cause any of the other lead/lag factors to require modification from those used in the 2016 Case?

A: No, none that I am aware of.

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

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

R-80 TRANSMISSION REVENUE – ROE

Q: Please explain adjustment R-80.

A: This adjustment provides for the Company's retail customers to bear responsibility for the return on transmission rate base at the MPSC-authorized level. Essentially, the adjustment reduces the amount of transmission revenue that is credited against the gross transmission revenue requirement so that the adjusted revenue credit is consistent with the Company's MPSC-authorized ROE rather than the ROE allowed by the Federal Energy Regulatory Commission ("FERC").

Q: Please describe the calculation of this adjustment.

A: The Company has a transmission formula rate ("Formula Rate") on file with the FERC that is updated each year to determine the revenue requirement and rate level for transmission service provided through the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("OATT"). The ROE allowed by the FERC in the Formula

Rate is 11.1 percent. However, the ROE requested by the Company in this case is 9.85 percent. The first step in calculating the adjustment is to determine the difference between the annual revenue requirement in the Formula Rate when the ROE is set at 11.1 percent and the annual revenue requirement when the ROE is set at 9.85 percent. This difference is divided by the annual revenue requirement at 11.1 percent to derive an adjustment percentage. This adjustment percentage should be adjusted for the final ROE determined by the Commission in this case.

Q: Please continue with the further steps required.

A: The next step is to determine the amount of transmission revenue received by KCP&L that is derived through application of the Formula Rate in charging wholesale customers for transmission service. The preponderance of this revenue is collected as a result of service provided under the SPP OATT. A further calculation is made to exclude the portion of the revenue attributable to service that KCP&L paid for as a transmission customer. Because those service charges are included in the retail cost-of-service not only as revenue credits but also as expenses under Account 565, those amounts are removed from the revenue adjustment so that the costs borne by retail customers reflect the overall ROE level of 9.85 percent. The remaining revenue, after the above-described adjustments, essentially represents the portion based on the Formula Rate that is derived from sources other than KCP&L. This revenue is then multiplied by the ROE adjustment percentage described above to arrive at the final adjustment amount. This adjustment applies to transmission revenues related to both the Company's Base Plan projects, which were built under the direction of SPP, and to the Company's legacy zonal projects, which were built under the Company's own initiative. The result is a reduction in the revenue credits for KCP&L.

Q: Please explain why adjustment R-80 is necessary.

A: Absent this adjustment, the effective ROE included in retail rates for transmission assets would be less than that authorized by the MPSC. This effect is exacerbated as the spread widens between the FERC-authorized ROE of 11.1% and the MPSC-authorized ROE.

R-82 TRANSMISSION REVENUE – ANNUALIZED

Q: **Please explain adjustment R-82.**

A: The Company annualized transmission revenue recorded in FERC accounts 456009 and 456100 based on forecasted levels from July 2017 to June 2018.

Q: **Does Adjustment R-82 reflect the transmission revenue impacts resulting from the final Balanced Portfolio reallocation under Section IV.2 of Attachment J of the Southwest Power Pool ("SPP") Open Access Transmission Tariff ("OATT").**

A: Yes. The Balanced Portfolio is a specific set of projects that meet the requirements in Sections IV.3 and IV.4 of Attachment O of the SPP OATT. The Balanced Portfolio is subject to unique cost allocation under Section IV of the SPP OATT. In general, this Balanced Portfolio cost allocation allows for the reallocation of zonal charges to region-wide charges over a ten-year period in order to ensure that all zones within SPP are receiving benefits at least equal to the costs that they are being assessed for the Balanced Portfolio. The final Balanced Portfolio reallocation described in Section IV.2 of Attachment J of the SPP OATT incorporates a true-up of the costs of Balanced Portfolio projects and the resulting true-up of zonal reallocation amounts for Years 6-10 of the

Balanced Portfolio reallocation process. Year 6 of the reallocation process began in October of 2017.

Q: **What is the impact of this final Balanced Portfolio reallocation true-up on KCP&L transmission revenues?**

A: The final Balanced Portfolio reallocation will result in KCP&L, as a transmission owner, receiving approximately $3.3 million less annually in transmission revenues for Years 6-10 of the Balanced Portfolio than it received in Year 5.

Q: What is the annualized amount of adjustment R-82 Transmission Revenue - Annualized that the Company has included in its revenue requirement calculation in this case?

A: KCP&L included an annualized amount of $12,024,089 (total company) in adjustment R-82.

CS-27 WOLF CREEK WATER CONTRACT

Q: Please explain adjustment CS-27.

A: The Company annualized costs for a water purchase contract at the Wolf Creek nuclear power plant. The plant has an agreement for rights to use water from the lake adjacent to the plant to ensure proper lake levels for cooling purposes. The agreement includes a minimum of 4,836,000,000 gallons of water billed annually. Beginning in January 2018, the rate per 1,000 gallons will increase from $0.10 to $0.392. Since this contract is set to substantially increase during the first part of 2018, the adjustment includes the new contract amount that will be in place at the true-up date.

CS-35 WOLF CREEK MID-CYCLE OUTAGE

Q: Please explain adjustment CS-35.

A: In the 2014 case, KCP&L's test year included a planned mid-cycle outage at Wolf Creek. An adjustment was included in the rate case which included a 5-year amortization of the mid-cycle outage costs. Effective October 1, 2015, KCP&L began amortizing the mid-cycle outage costs over 5-years. Since the test year already reflects an annualized level of the 5-year amortization of the mid-cycle outage costs, there was no adjustment necessary.

CS-36 WOLF CREEK REFUELING OUTAGE

Q: Please explain adjustment CS-36.

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

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

A: The test period amortization includes the end of the amortization period for refueling outage number 20, and also the beginning of the amortization period for refueling 21. Annualized expense that is included in this case should reflect the level of amortization expense associated with the most recently completed refueling outage. As such, costs associated with refueling outage number 21 were used to determine the monthly amortization expense. This annualization adjustment results in a full year's amortization expense for refueling number 21.

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

A: In the 2012 Case, the Company established a regulatory asset as proposed by Staff similar to Case No. ER-2009-0089 for recovery of certain non-routine refueling costs associated with refueling outage number 18 over a five-year period beginning February 2013. The amortization period for this regulatory asset is set to end in January 2018, therefore, this component removes the amortization expense recorded during the test year.

<u>CS-37 WOLF CREEK DECOMMISSIONING</u>

Q: Please explain adjustment CS-37.

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

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

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

Q: Is the requested annualized amount the same as that requested in the 2016 Rate Case?

A: Yes.

Q: Why is the amount the same?

A: The annual expense/accrual level is based on a cost study conducted every three years. The most recent study, conducted by TLG Services, Inc., was filed with the Commission on September 1, 2017 in Case No. EO- 2018-0062 along with an analysis prepared by

KCP&L of funding levels necessary to defray the decommissioning cost estimated in the study. The Commission recently approved the continuation of the annual accrual at the current level.

<u>CS-39 IT SOFTWARE MAINTENANCE</u>

Q: Please explain adjustment CS-39.

A: Adjustment CS-39 was made to include an annualized level of contracted software maintenance costs in this rate case. The annualized level of these costs has been historically increasing and is projected to continue to increase during 2018. KCP&L included an annualized June 2018 budgeted amount to reflect an annual level of expense. The types of maintenance contracts that were annualized include: Microsoft premier support and software licenses, Oracle systems and service contracts, PowerPlan system, and various hardware and software maintenance contracts.

<u>CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS</u>

Q: Please explain adjustment CS-45.

A: The Company annualized transmission expenses recorded in FERC accounts 565000, 565020, 565027 and 565003 based on actual costs in July 2017 and forecasted costs through June 2018.

Q: **Does Adjustment CS-45 reflect the transmission expense impacts resulting from the final Balanced Portfolio reallocation under Section IV.2 of Attachment J of the Southwest Power Pool ("SPP") Open Access Transmission Tariff ("OATT").**

A: Yes. The Balanced Portfolio is a specific set of projects that meet the requirements in Sections IV.3 and IV.4 of Attachment O of the SPP OATT. The Balanced Portfolio is subject to unique cost allocation under Section IV of the SPP OATT. In general, this

Balanced Portfolio cost allocation allows for the reallocation of zonal charges to region-wide charges over a ten-year period in order to ensure that all zones within SPP are receiving benefits at least equal to the costs that they are being assessed for the Balanced Portfolio. The final Balanced Portfolio reallocation described in Section IV.2 of Attachment J of the SPP OATT incorporates a true-up of the costs of Balanced Portfolio projects and the resulting true-up of zonal reallocation amounts for Years 6-10 of the Balanced Portfolio reallocation process. Year 6 of the reallocation process began in October of 2017.

Q: **What is the impact of this final Balanced Portfolio reallocation true-up on KCP&L transmission expenses?**

A: The final Balanced Portfolio reallocation will result in KCP&L, as a transmission customer, paying approximately $2.1 million less annually in transmission expenses for Years 6-10 of the Balanced Portfolio than it paid in Year 5.

Q: What is the annualized amount of adjustment CS-45 Transmission of Electricity By Others that the Company has included in its cost of service in this case?

A: KCP&L included an annualized amount of $68,984,304 (total company) in adjustment CS-45.

<u>CS-50 PAYROLL</u>

Q: Please explain adjustment CS-50.

A: KCP&L annualized payroll expense based on the employee headcount as of June 30, 2017 adjusted for labor impacts of the KCP&L Missouri jurisdiction's energy efficiency rider implementation, multiplied by salary and wage rates expected to be in effect as of June 30, 2018.

Q: How were salary and wage rates determined?

A: Wage rates for bargaining (union) employees were based on contractual agreements. Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of June 30, 2018.

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

A: Yes, overtime was annualized at an amount equal to the average of overtime hours incurred for the 12 month periods ending December 2014, December 2015 and June 2017, multiplied by a current period composite hourly rate. In addition, overtime amounts were adjusted to exclude impacts of the Wolf Creek Mid-Cycle outage in which test year amounts were reflected in adjustment CS-35. Wolf Creek overtime was also annualized at an amount equal to the average overtime amounts incurred for the same 12 month periods, which was then escalated to equivalent 2018 levels. Temporary and summer employees O&M labor were annualized at an average of these same 12 months periods as well. Amounts were included for other categories at test year levels.

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

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

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

A: Yes, it was.

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

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

Q: How was the payroll capitalization factor determined?

A: The Company used a three-year average payroll capitalization factor, for both total KCP&L and Wolf Creek, as being representative of payroll capitalization going forward. The periods included in the three-year average capitalization factor included the 12 months ending December 2014, December 2015 and June 2017.

CS-51 INCENTIVE COMPENSATION

Q: Please explain adjustment CS-51.

A: KCP&L annualized incentive compensation based on the March 2018 projected payout amount. Adjustments were made to the annual amount to remove all incentive compensation that was associated with metrics tied to earnings per share for the AIP Plan (executives only), and also the non-regulated portion included in the ValueLink Plan (non-union management personnel).

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

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

CS-52 401(k)

Q: Please explain adjustment CS-52.

A: KCP&L adjusted 401(k) expense to an annualized level by applying the average matching percentage which is based on five separate pay periods during the test year

(6/30/2016, 9/30/2016, 12/31/2016, 3/31/2017 and 6/30/2017) to the O&M adjustment for annualized payroll (adjustment CS-50), excluding bargaining unit overtime, and including eligible incentive compensation (adjustment CS-51).

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

A: Beginning January 1, 2014, all new hire non-union employees are no longer eligible to be a part of the company sponsored pension plan. Instead, new hire retirement benefits will be provided exclusively through the 401(k) savings plan. A non-elective contribution will be made to the new hires 401(k) account in the calendar quarter following the end of each plan year. The non-elective contribution totals 4% of actual base pay. Adjustment CS-52 includes an additional adjustment reflecting the actual amount that was contributed for new hires in March 2017.

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

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

<u>CS-53 PAYROLL TAXES</u>

Q: Please explain adjustment CS-53.

A: The Company annualized FICA, Medicare, and FUTA payroll tax expense by applying the tax rate (assuming the FUTA and SUTA ceiling had been achieved) to the annualized O&M portions of base salary plus ValueLink, executive incentive compensation, overtime, premium, temporary wages, and KCPL' share of Wolf Creek.

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

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

CS-60 OTHER BENEFITS

Q: Please explain adjustment CS-60.

A: KCP&L annualized other benefit costs based on the projected costs included in the 2018 Budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

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

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

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

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

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

A: Yes, it was.

CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Q: Please explain adjustment CS-62.

A: This adjustment normalizes SERP expense by using an average of the monthly annuity and lump sum SERP payouts for the five year period from 2013 through 2017 .

Q: Why does this expense have to be normalized?

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

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

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

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

A: Yes, it was.

<u>CS-70 INSURANCE</u>

Q: Please explain adjustment CS-70.

A: We annualized insurance costs based on premiums projected to be in effect on June 30, 2018. These premiums include the following types of coverage: property, directors and officers, workers' compensation, bonds, fiduciary liability, excess liability, crime, cyber liability and auto liability.

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

A: Yes, it does.

<u>CS-95 AMORTIZATION OF MERGER TRANSITION COSTS</u>

Q: Please explain this adjustment.

A: This adjustment reflects KCP&L's share of the annualized level of transition costs that are being amortized over a four-year period. These transition costs are currently being incurred for activities relating to the merger of Great Plains Energy, Inc. and Westar Energy, case number EM-2018-0012. The adjustment calculates actual transition costs incurred through September 2017 and adds forecasted transition costs through June 2018. The total transition costs are then amortized over four year period.

Q: What is the Company's proposal regarding rate recovery of transition costs?

A: First, the Company is requesting the Commission to defer any transition costs incurred through the true-up date of June 2018. Secondly, the Company is requesting to recover an amortized amount over a 4 year period provided that demonstrated Merger savings exceed the requested recovery of transition costs. The adjustment calculates the merger savings that will be reflected in rates and demonstrates that the merger efficiency savings are greater than the annualized amortized transition costs.

Q: Please explain the terms "transition costs" and "transaction costs".

A: Transition costs are necessary to effectively integrate Westar and Great Plains Energy in order to create the merger efficiencies and savings. Some examples of transition costs are voluntary severance, costs incurred in integration planning as well as costs incurred to enable network connectivity for the merged company. In contrast, transaction costs are different from transition costs in that they support efforts to evaluate, negotiate and complete a transaction and its agreements through and including approval of the transaction.

Q: Is the Company seeking recovery of transaction costs in this rate case proceeding?

A: No. The Company is not seeking recovery of transaction costs in this rate case proceeding.

Q: What is the amount of transition costs incurred to date and projected through June 30, 2018?

A: The table below depicts actual transition costs incurred through September 2017, and also forecasted transition costs through the true-up date of June 2018. Transition costs through June 2018 total $49.8 million, of which $9 million has been allocated to KCP&L Missouri retail operations.

GPE & Westar Transition Costs Costs by Resource Category	Actuals 2016	Actuals YTD Sep-2017	**Total Actuals**	2017 Forecast (Oct - Dec)	2018 Forecast (Jan - Jun)	**Total thru True-Up**
Severance	1,081,528	4,899,655	5,981,183	-	11,060,537	**17,041,720**
Consulting fees and outside services	14,413,311	9,639,637	24,052,948	2,073,578	3,202,680	**29,329,206**
Contractor costs	207,262	1,046,886	1,254,148	-	275,000	**1,529,148**
Travel & meals	121,633	158,639	280,272	-	-	**280,272**
IT hardware	57,199	24,952	82,151	-	-	**82,151**
IT software		165,051	165,051	-	50,000	**215,051**
Other costs	28,583	131,387	159,970	-	1,195,333	**1,355,303**
	15,909,516	**16,066,207**	**31,975,723**	**2,073,578**	**15,783,550**	**49,832,851**

Q: Please explain in more detail the types of transition costs.

A: Each category of transition costs is further described below:

Severance – consists of two voluntary separation plans that were offered to both GPE and Westar non-union employees.

Consulting fees and outside services – costs were incurred for integration planning as a whole (including organizational design and Day-1 requirements); such as IT systems planning and technical integration consulting, and also in the Supply Chain function around combined spend, inventory levels, and prioritization of competitive solicitation.

Contractor costs –primarily IT contractors working on specific projects in preparation for Day 1 network and system integration.

IT hardware **–** primarily costs incurred to enable network connectivity for the merged company.

IT software –primarily software to synchronize employee access across the two company networks and software to optimize supply chain and inventory planning.

Other costs **-**primarily data network fiber capacity fees to enable network connectivity for the merged company and modifications to certain physical access systems to permit employee access between the two companies.

Q: How did you allocate the amortized transition costs to KCP&L Missouri rate payers?

A: We allocated transition costs to each jurisdiction based on the allocation of projected efficiency savings identified by the integration teams as part of the merger integration process. Each merger efficiency was analyzed separately to determine the appropriate allocation methodology based on the most representative cost driver. Cost drivers are defined as an activity that causes a cost to be incurred. For purposes of allocating transition costs to each jurisdiction, cost drivers were developed based on 2016 data.

This period was selected as it reflected the last full calendar year of stand-alone financial information and statistics prior to the application of the merger.

Q: Please summarize your testimony regarding transition cost amortization.

A: The Company is requesting that the Commission authorize transition costs amortization in this rate case in the amount of $2.2M. This level of amortization reflects the annual recovery over a four-year period of KCP&L Missouri's jurisdictional share of transition costs projected through June 30, 2018 incurred during integration of GPE's and Westar's operations.

CS-108 TRANSOURCE CWIP/FERC INCENTIVES

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

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

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

Q: Please explain adjustment CS-108.

A: Adjustment CS-108 reflects a change to Account 565 -Transmission of Electricity by Others that represents the difference between KCP&L's SPP load ratio share allocation of

Transource Missouri's annual transmission revenue requirement ("ATRR") for the Iatan-Nashua and Sibley-Nebraska City Projects and KCP&L's SPP load ratio share allocation of the ATRR for the Iatan-Nashua and Sibley-Nebraska City Projects if it had been calculated utilizing KCP&L's MPSC-authorized ROE and capital structure and did not include the FERC-authorized rate treatments and incentives listed above.

CS-117 COMMON USE BILLINGS – COMMON PLANT ADDS

Q: What are common use billings?

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

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

A: Included in plant adjustment RB-20 are plant additions that are expected to be placed into service prior to the true-up date in this rate case proceeding. These include capital additions associated with network systems and software that will become a part of the Common Use Billing Process. Since these common use plant additions are expected to occur after the test year, the portion of the common use assets that are billable to other GPE entities and jurisdictions needs to be removed from the cost of service in this rate case proceeding.

Q: Please explain adjustment CS-117.

A: Adjustment CS-117 computes the annual amortization expense and expected return on the new common use plant additions that will be included in rate base in this rate case proceeding. The annual amortization expense for the common use system and software additions is based on lives lasting five to fifteen years. The return component is based on the expected rate of return that will be used in this rate case proceeding. These annual amounts are accumulated and multiplied by one minus the KCP&L jurisdictional share of these assets which is based on the General Allocator. The resulting amount is then removed from the cost of service in this case through adjustment CS-117.

CS-120 DEPRECIATION

Q: Please explain adjustment CS-120.

A: We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances. The jurisdictional rates used in the annualization were those authorized by the Commission in ER-2016-0285, approved by the Commission on May 3, 2017.

Q: Were there any additional depreciation rate requests in this case?

A: Yes. Account 37101 Distribution Electric Vehicle Charging Stations is being proposed to include a depreciation rate of 10%. This is the same rate proposed by the Company in the 2016 Case.

CS-121 AMORTIZATION

Q: Please explain adjustment CS-121.

A: We annualized amortization expense applicable to certain plant including computer software, land rights and leasehold improvements, by multiplying June 2017 amortization expense on a total company Missouri basis by twelve. We added to the intangible plant amounts, an annualized amortization expense amount on projected intangible plant net additions for the period July 2017 through June 2018.

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

A: Computer software is amortized over either a five or ten year amortization period, depending on the nature of the asset, consistent with the Company's past practice. However, we have included in the current case and are proposing a new 15 year amortization period on the new CIS project. Please see the testimony of Company witness Forrest Archibald for more details on this project. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Amortization of individual Leasehold Improvements is based on the length of the lease. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

<u>CS-125 INCOME TAX</u>

Q: Please explain adjustment CS-125.

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

Q: Does the adjustment include the impact of the Tax Cuts and Jobs Act of 2017?

A: Yes. The reduction of the federal tax rate in 2018 to 21% and an estimate of the annual amount of amortization related to excess ADIT (included in certain other amortizations) created as a result of the legislation is included in the income tax expense calculation.

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

A: Jurisdictional operations and maintenance deductions and other adjustments are applied against jurisdictional revenues to derive net jurisdictional taxable income, which is then used to compute the jurisdictional current income tax expense component (current provision) for cost of service. For book purposes, these adjustments are the result of book versus tax differences and their implementation under normalization or flow through tax methods. Each adjustment is either added to or subtracted from net income to derive net taxable income for ratemaking. For Schedule RAK-8, however, a simplified methodology is used that eliminates the need to specifically identify all book and tax differences. Most significantly, all basis differences between the book basis and tax basis of assets are ignored in the current tax provision. Accelerated tax depreciation is used in the currently payable calculation based on the tax basis of projected Plant in Service as identified in adjustment RB-20. The difference between the accelerated depreciation deduction for tax depreciation on tax basis assets and the book depreciation deduction calculated on a straight-line basis generates offsetting deferred income tax. The resulting income tax expense, considering both the current and deferred income tax components, reflects a level of total income taxes as if the depreciation deduction to arrive at taxable income was based solely on depreciation of projected tax basis assets calculated on a straight-line basis. This modified approach normalizes depreciation relating to the method differences (*e.g.*, accelerated versus straight-line) and life differences. The Company and the MPSC Staff used this modified approach since the 2014 Case.

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

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

- Book depreciation and amortization expense (adjustments CS-120 through CS- 121), have been excluded from the deductions listed on Schedule RAK-8. As previously discussed, accelerated tax depreciation on both projected depreciable plant and projected amortizable plant is subtracted to derive taxable income.
- The deduction for nuclear fuel amortization is treated consistently with the treatment of depreciation and amortization on Plant in Service.
- A portion of Meals and Entertainment expense is added back in deriving net taxable income, since a portion of certain meals and entertainment expenses is not tax deductible. This adjustment increases taxable income and ultimately increases the current income tax provision. The amount by which taxable income was increased is equal to the amount for the 2016 federal income tax return.
- Interest expense is subtracted to derive net taxable income. It is calculated by multiplying the adjusted jurisdictional rate base by the weighted average cost of debt as recommended in this proceeding. This is referred to as "interest synchronization" because this calculation ensures that the interest expense deducted for deriving current taxable income equals the interest expense provided for in rates.

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

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

Q: How are the current income tax components calculated?

A: The current provision calculation utilizes the new 21% federal tax rate for 2018, and a 6.25% Missouri state tax rate, each of which is applied independently to the appropriate level of taxable income as discussed above. The federal and state income tax rates are used to compute the composite tax rate of 25.45% which is used to calculate deferred income taxes, discussed below. The composite tax rate reflects the federal benefit relating to deductible Missouri state income tax and the Missouri benefit of deducting 50% of federal income taxes when computing the current Missouri tax provision.

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

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

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

A: IRC Section 45 allows for a federal tax credit based on the amount of electricity produced by a qualifying wind generating facility. The credit is allowed for ten years after the facility is placed in service. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated production tax credits for KCP&L's wind generation facilities for the twelve months ending June 30, 2018. This adjustment uses the presently allowable $24 per megawatt hour of generation multiplied by the annualized amount of estimated megawatt hours of wind generation to determine the amount of credit.

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

A: IRC Section 41 allows for a federal tax credit based on the amount of qualified research expenses incurred. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated R&D tax credit for KCP&L's operations for the twelve months ending June 30, 2018.

Q: Please explain the federal excise tax credit on Schedule RAK-8.

A: IRC Section 212 allows for a federal tax credit for excise taxes paid on fuel used for off-highway business use by a taxpayer in a trade or business or in an income-producing activity. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the federal excise tax credit reported on KCP&L's 2016 federal tax return.

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

A: The deferred income tax component of cost of service is primarily the result of applying the composite income tax rate (25.45%) to the difference between projected accelerated tax depreciation used to compute current income tax, as discussed earlier in this testimony, and projected book depreciation.

The other main deferred tax item is the average rate assumption method of deferred tax amortization, AFUDC Equity reversal, and other miscellaneous flow-through items.

This average rate assumption method adjustment represents the amortization of excess deferred income taxes. It primarily reduces the income tax component of cost of service. During the 1980s and up until 2017, the federal tax rate was higher than 2018's 21% rate. Since deferred taxes were provided at the rate in effect when the originating timing differences were generated, the deferred income taxes were provided at a rate higher than the tax rate that is expected to be in existence when the timing differences reverse and the taxes are due to the government. This difference in rates is being amortized into cost of service over the remaining book lives of the assets that generated the timing differences for plant related temporary differences and over the appropriate period of time for other non-plant related temporary differences. The AFUDC Equity reversal adjustment represents the reversal of the book amortization of AFUDC Equity placed in service in prior years not allowed for tax purposes. The other miscellaneous flow-through items represent the reversal of book amortization of other small items placed in service and flowed-through to ratepayers in prior years.

Q: Please explain the ITC amortization component in cost of service as calculated in Schedule RAK-8.

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

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

A: Yes, there is one additional amortization, relating to pre-1981 cost of removal which was addressed in the Stipulation and Agreement As to Certain Issues in the Case No. ER-2007-0291, approved by the Commission on December 6, 2007 ("2007 S&A").

Q: Please discuss the cost of removal amortization.

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

CS-126 PROPERTY TAX

Q: Please explain adjustment CS-126.

A: The Company annualized the real estate and personal property tax expense and payments-in-lieu-of-taxes ("PILOT") that will be paid based on the estimated plant in-service balances at January 1, 2018.

Q: How was annualized property tax expense determined?

A: KCP&L used a property tax ratio of estimated property tax expense for 2017 divided by the actual plant in-service as of January 1, 2017. This ratio was then applied to the estimated January 1, 2018 plant original cost to project the 2018 property tax expense. The annual PILOT payments for Spearville One and Two were then added to the projected 2018 property tax expense to determine the Company's annualized property tax amount.

Q: Why was the estimated January 1, 2018 original plant cost used?

A: The property taxes paid for 2017 are based on the plant balances at January 1, 2017. However, the property taxes paid for 2018, the first year that the new rates in this case will be in effect, will be based on plant balances as of January 1, 2018.

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

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

Q: Please explain the PILOT adjustment.

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

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

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

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

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

CS-128 KCMO EARNINGS TAX

Q: Please explain adjustment CS-128.

A: We annualized KCMO Earnings Tax by multiplying the estimated net income projected for the Federal Income Tax Return, for the 12 months ending June 30, 2018, by an Apportionment Factor. The resulting amount was then multiplied by the 1% earnings tax rate.

Q: Does this conclude you testimony?

A: Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2018-0145

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 Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of fifty-one (51) 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 29th day of January 2018.

Anthony R Westenkirchner

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021

Kansas City Power & Light Company
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Revenue Requirement

Line No.	Description	7.454% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 2,626,773,107
2	Rate of Return	**7.4542%**
3	Net Operating Income Requirement	$ 195,804,921
4	Net Income Available (Sch 9)	183,606,023
5	Additional NOIBT Needed	12,198,898
6	Additional Current Tax Required	4,164,460
7	Gross Revenue Requirement	$ 16,363,358

Kansas City Power & Light Company
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Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	5,564,493,533	Klote	RB-20
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	2,245,853,467	Klote	RB-30
5	Net (Plant in Service)	3,318,640,066		
6	Add to Net Plant:			
7	Cash Working Capital - Schedule 8	(58,635,031)	Klote	Model
8	Materials and Supplies - Schedule 12	64,704,386	Nunn	RB-72
9	Prepayments - Schedule 12	7,053,628	Nunn	RB-50
10	Fuel Inventory - Oil - Schedule 12	4,814,780	Tucker	RB-74
11	Fuel Inventory - Coal - Schedule 12	30,827,190	Tucker	RB-74
12	Fuel Inventory - Additives - Schedule 12	558,944	Tucker	RB-74
13	Fuel Inventory - Nuclear - Schedule 12	31,301,190	Nunn	RB-75
14	Regulatory Asset - EE/DR Deferral-MO	20,054,490	Nunn	RB-100
15	Regulatory Asset - Iatan 1 and Com-MO	9,717,039	Nunn	RB-25
16	Regulatory Asset - Iatan 2	24,731,473	Nunn	RB-26
17	Regulatory Asset - Pensions	4,437,256	Klote	RB-65
18	Regulatory Asset - Prepaid Pension Exp	0	Klote	RB-65
19	Regulatory Asset (Liab) - OPEBs Tracker	(2,991,114)	Klote	RB-61
20	Subtract from Net Plant:			
21	Cust Advances for Construction-MO	1,668,576	Nunn	RB-71
22	Customer Deposits-MO	4,337,669	Nunn	RB-70
23	Deferred Income Taxes - Schedule 13	789,779,808	Klote	RB-125
24	Def Gain on SO2 Emissions Allowances-MO	31,794,080	Nunn	RB-55
25	Def Gain (Loss) Emissions Allow-Allocated	0	Nunn	RB-55
26	Income Eligible Weatherization	861,057	Nunn	RB-101
27	Total Rate Base	2,626,773,107		

Kansas City Power & Light Company
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Income Statement

Line No.	Description	Total Company	Adjustment	Adjusted Total Comany	Adjusted Jurisdictional
	A	B	C	D	F
1	Operating Revenue	1,877,552,069	274,464,828	2,152,016,897	1,174,314,363
2	Operating & Maintenance Expenses:				
3	Production	576,894,888	397,029,634	973,924,522	540,020,412
4	Transmission	82,831,499	9,485,393	92,316,892	51,655,724
5	Distribution	56,024,481	80,628	56,105,109	30,938,370
6	Customer Accounting	19,784,014	10,556,481	30,340,495	17,457,991
7	Customer Services	50,879,891	(30,193,792)	20,686,099	20,134,944
8	Sales	497,657	(3,036)	494,621	261,185
9	A & G Expenses	168,470,728	(17,922,140)	150,548,588	80,394,685
10	Total O & M Expenses	955,383,159	369,033,167	1,324,416,326	740,863,310
11	Depreciation Expense	236,542,943	10,875,884	247,418,827	124,617,389
12	Amortization Expense	23,571,354	12,079,030	35,650,384	25,525,373
13	Taxes other than Income Tax	180,368,718	(59,504,373)	120,864,345	64,993,344
14	Net Operating Income before Tax	481,685,895	(58,018,880)	423,667,015	218,314,947
15	Income Taxes Current	61,714,784	5,766,320	67,481,104	32,259,407
16	Income Taxes Deferred	67,061,442	(66,309,795)	751,647	3,025,912
17	Investment Tax Credit	(962,914)	(110,401)	(1,073,315)	(576,395)
18	Total Taxes	127,813,312	(60,653,876)	67,159,436	34,708,924
19	Total Net Operating Income	353,872,583	2,634,996	356,507,579	183,606,023

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness	Increase (Decrease) D Total Adjustments Incr (Decr)	E Allocated Adjs Incr (Decr)	F 100% MO Adjs Incr (Decr)	G 100% KS & Whsl Adjs (2) Incr (Decr)
				Adjust to 06-30-18 - Anticipated True Up Date			
	JURISDICTIONAL COST OF SERVICE						
1	**OPERATING REVENUE**						
2	**Retail Sales - Schedule 9, line 39**						
3	R-1	Remove Gross Receipts Tax revenue (MO only)	Nunn	(71,915,116)		(71,915,116)	
4	R-20	Normalize MO retail revenues (MO only)	Bass / Miller	(42,561,428)		(42,561,428)	
5	R-21a	Adjust MO forfeited disc for R-20a LPC (MO only)	Nunn	55,323		55,323	
6	R-21b	Adjust MO forfeited disc for R-20b LPC - ASK (MO only)	Nunn	36,170		36,170	
7	R-35	Normalize Bulk Power Sales	Crawford	391,149,955	391,149,955		
8	R-49	CNN Revenue	Nunn	128,376	128,376		
9	R-78	Amortize bulk power margins in excess of 25th percentile (MO only)	Nunn	38,870		38,870	
10	R-80	Transmission Revenues - ROE	Klote	(955,717)	(955,717)		
11	R-82	Transmission Revenues - Annualized	Klote	(1,511,605)	(1,511,605)		
12		**Operating Revenue - Schedule 9, line 39**		274,464,828	388,811,009	(114,346,181)	0
13	**OPERATING EXPENSES - Schedule 9, line 296**						
14	CS-4	Reflect KCREC test year bad debt expense in KCP&L's COS	Nunn	7,988,592		5,826,173	2,162,419
15	CS-9	Reflect KCREC test year bank commitment fees in KCP&L's COS	Nunn	1,755,812	1,755,812		
16	CS-10	Reflect test year interest on customer deposits in COS	Nunn	189,409		177,808	11,601
17	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	(3,138,291)	1,666,301	(4,804,592)	
18	CS-20a	Normalize bad debt expense related to test year revenue	Nunn	(631,144)		(631,144)	
19	CS-20b	Normalize bad debt expense related to jurisdictional "Ask"	Nunn	90,207		90,207	
20	CS-22	Amortize deferred gain on sale of SO2 emissions allowances	Nunn	0	0	0	
21	CS-23	Remove FAC Under Recovery	Nunn	32,083,781		32,083,781	
22	CS-24	Normalize fuel and purchase power energy (on system)	Crawford	366,508,253	366,337,043	171,210	
23	CS-25	Normalize purchased power capacity costs	Crawford	0	0		
24	CS-27	Wolf Creek Water Contract	Klote	751,942	751,942		

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 06-30-18 - Anticipated True Up Date			
	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
25	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage (See Line 81)	Klote	0	0		
26	CS-36	Annualize Wolf Creek refueling outage amortization	Klote	(1,535,457)	(728,192)	(807,265)	
27	CS-37	Adjust Nuclear decommissioning expense	Klote	0			
28	CS-39	IT Software Maintenance	Klote	1,066,031	1,066,031		
29	CS-40	Normalize Transmission maintenance expense	Nunn	0	0		
30	CS-41	Normalize Distribution maintenance expense	Nunn	0	0		
31	CS-42	Normalize Generation maintenance expense	Nunn	0	0		
32	CS-44	Adjust cost of Economic Relief Pilot Program (ERPP) (MO only)	Nunn	129,029		129,029	
33	CS-45	Normalize transmission of electricity by others	Klote	9,091,088	9,091,088		
34	CS-48	Annualize non-labor O&M expenses for Iatan 2	Nunn	(1,218,176)	0	(1,218,176)	
35	CS-49	CNN O&M	Nunn	187,918	187,918		
36	CS-50	Annualize salary and wage expense for changes in staffing levels and base pay rates	Klote	3,149,814	3,123,303	13,859	12,652
37	CS-51	Normalize incentive compensation costs- Value Link	Klote	(2,000,619)	(2,000,619)		
38	CS-52	Normalize 401k costs	Klote	(42,606)	(42,606)		
39	CS-53	Payroll Taxes (see Line 82)	Klote				
40	CS-60	Annualize other benefit costs	Klote	883,474	883,474		
41	CS-61	Annualize OPEB expense	Klote	(1,166,871)	(1,166,871)		
42	CS-62	Normalize SERP expense	Klote	(937,563)	(937,563)		
43	CS-65	Annualize FAS 87 and FAS 88 pension expense	Klote	(6,521,364)	(6,521,364)		
44	CS-70	Annualize Insurance Premiums	Klote	385,038	385,038		
45	CS-71	Normalize injuries and damages expense	Nunn	(10,153,195)	(10,153,195)		
46	CS-76	Annualize interest on customer deposits	Nunn	20,850		17,387	3,463
47	CS-77	Annualize Customer Accounts expense for credit card payment costs	Nunn	157,816	157,816		
48	CS-78	Annualize KCREC bank fees related to sale of receivables	Nunn	282,641	282,641		
49	CS-80	Amortize MO, KS and FERC rate case expenses	Nunn	251,323		251,323	
50	CS-85	Annualize regulatory assessments	Nunn	329,911	44,484	342,892	(57,465)
51	CS-86	SPP Schedule 1 Admin Fee's	Nunn	235,550	235,550		
52	CS-88	CIPS/Cyber Security O&M	Nunn	3,765,930	3,765,930		
53	CS-89	Meter Replacement O&M	Nunn	579,497	579,497		

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Line No.	Adj No. A	Description B	Witness	Increase (Decrease) D Total Adjustments Incr (Decr)	E Allocated Adjs Incr (Decr)	F 100% MO Adjs Incr (Decr)	G 100% KS & Whsl Adjs (2) Incr (Decr)
				Adjust to 06-30-18 - Anticipated True Up Date			
	JURISDICTIONAL COST OF SERVICE						
54	CS-90	Advertising	Nunn	164,830	164,830		
55	CS-91	Amortize advertising MO regulatory asset	Nunn	0	0		
56	CS-92	Dues/Donations	Nunn	(30,484)	(30,484)		
57	CS-95	Amortization of Merger Transition Costs	Klote	4,033,969	4,033,969		
58	CS-98	MEEIA	Nunn	(31,893,002)		(31,720,509)	(172,493)
59	CS-99	Flood Reimbursement Amortization	Nunn	180,840		180,840	
60	CS-100	Amortize EE/DR regulatory assets	Nunn	295,503		295,503	
61	CS-101	Income Eligible Weatherization	Nunn	(286,784)		(286,784)	
62	CS-107	Transource Account Review Amortization	Nunn	45,627		45,627	
63	CS-108	Transource CWIP/FERC Incentives	Klote	171,729	171,729		
64	CS-110	Amortize 2011 Flood	Nunn	(282,458)		(282,458)	
65	CS-113	Amortize Prospective Tracking	Nunn	(66,168)		(66,168)	
66	CS-114	Amortize LaCygne Obsolete Inventory	Nunn	0		0	
67	CS-116	Adjust Costs of Renewable Energy Standards	Nunn	1,235,539		1,235,539	
68	CS-117	Common-use Billings	Klote	(7,147,868)	(7,147,868)		
69	CS-120	Annualize depr exp based on jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period - unit trains & transportation equipment	Klote	73,275	73,275		
70				369,033,167	366,028,909	1,044,081	1,960,177
71	**Depreciation Expense - Schedule 9, line 300**						
72	CS-120	Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Klote	10,875,884	10,875,884		
73				10,875,884	10,875,884	0	0
74	**Amortization Expense - Schedule 9, line 312**						
75	CS-111	Amortize Iatan 1/Common Regulatory Asset	Nunn	0			
76	CS-112	Amortize Iatan 2 Regulatory Asset	Nunn	0			
77	CS-121	Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period	Klote	12,079,030	12,079,030		
78				12,079,030	12,079,030	0	0
79	**Taxes Other than Income - Schedule, line 322**						
80	R-1	Remove Gross Receipts Tax expense (MO only)	Nunn	(69,845,702)		(69,845,702)	

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness	Increase (Decrease) D	E	F	G
				Adjust to 06-30-18 - Anticipated True Up Date			
	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
81	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage	Klote	0		0	
82	CS-53	Annualize Payroll tax expense	Klote	701,514	701,514		
83	CS-126	Adjust property tax expense	Klote	9,258,093	9,258,093		
84	CS-128	KCMO Earnings Tax	Klote	381,722		381,722	
85				(59,504,373)	9,959,607	(69,463,980)	0
86	**Income Tax Expense- Schedule 9, line 335**						
87	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Klote	(60,653,876)	(61,008,314)	354,438	
88				(60,653,876)	(61,008,314)	354,438	0
89		**Total Electric Oper. Expenses**		271,829,832	337,935,116	(68,065,461)	1,960,177
90		**Net Electric Operating Income - Schedule , line 337**		2,634,996	50,875,893	(46,280,720)	(1,960,177)

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated
(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the MIssouri rate case.

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Cash Working Capital

Line No.	Account Description	Jurisdictional Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/366)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
1	**Operations & Maintenance Expense**						
2	Gross Payroll excl Wolf Creek Prod & Accrued Vac	61,618,133	29.16	13.85	15.31	0.0419	2,584,585
3	Accrued Vacation	6,627,673	29.16	344.83	-315.67	-0.8648	(5,731,938)
4	Wolf Creek Operations & Fuel, incl Payroll	56,775,690	29.16	25.85	3.31	0.0091	514,870
5	Purchased Coal & Freight	129,944,530	29.16	20.88	8.28	0.0227	2,947,783
6	Purchased Gas	4,851,992	29.16	28.62	0.54	0.0015	7,178
7	Purchased Oil, excl Wolf Creek	3,008,371	29.16	8.50	20.66	0.0566	170,282
8	Purchased Power	275,438,518	29.16	30.72	-1.56	-0.0043	(1,177,217)
9	Injuries & Damages	3,941,627	29.16	149.56	-120.4	-0.3299	(1,300,197)
10	Pension Expense	23,683,183	29.16	51.74	-22.58	-0.0619	(1,465,113)
11	OPEBs	916,691	29.16	178.44	-149.28	-0.4090	(374,914)
12	Incentive Compensation	3,328,390	29.16	256.5	-227.34	-0.6228	(2,073,085)
13	Cash Vouchers	170,728,513	29.16	30.00	-0.84	-0.0023	(392,909)
14	Total Operation & Maintenance Expense	740,863,310					(6,290,675)
15	**Taxes other than Income Taxes**						
16	FICA Taxes - Employer's	6,883,206	29.16	13.77	15.39	0.0422	290,226
17	Unemployment Taxes - Federal & State	74,006	29.16	71.00	-41.84	-0.1146	(8,483)
18	City Franchise Taxes - 6% GRT - MO	43,849,705	13.95	72.28	-58.33	-0.1598	(7,007,543)
19	City Franchise Taxes - 4% GRT - MO	16,730,440	13.95	39.34	-25.39	-0.0696	(1,163,797)
20	City Franchise Taxes - Other MO Cities	10,428,623	13.95	60.94	-46.99	-0.1287	(1,342,578)
21	Ad Valorem / Property Taxes	57,411,957	13.95	208.84	-194.89	-0.5339	(30,654,839)
22	Sales & Use Taxes - MO	25,814,913	13.95	22.00	-8.05	-0.0221	(569,343)
23	**Total Taxes other than Income Taxes**	161,192,850					(40,456,357)
24	Current Income Taxes-Federal	24,433,084	29.16	45.63	-16.47	-0.0451	(1,102,501)
25	Current Income Taxes-State	7,826,323	29.16	45.63	-16.47	-0.0451	(353,149)
26	**Total Income Taxes**	32,259,407					(1,455,651)
27	**Interest Expense**	66,349,662	29.16	86.55	-57.39	-0.1572	(10,432,348)
28	**Total Cash Working Capital Requirement**	1,000,665,229					(58,635,031)

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Allocation Factors

Line No.	Jurisdiction Factors	Missouri	KS & Wholesale	Total
	A	B	C	D
1	**Jurisdiction Factors**			
2	Missouri Jurisdictional	100.0000%	0.0000%	100.0000%
3	Kansas Jurisdictional	0.0000%	100.0000%	100.0000%
4	Non Jurisdictional/Wholesale	0.0000%	100.0000%	100.0000%
5	D1 - Demand (Capacity) Factor	52.6727%	47.3273%	100.0000%
6	E1 - Energy Factor with Losses (E1)	55.8377%	44.1623%	100.0000%
7	C1 - Customer - Elec (Retail only) (C1)	52.8051%	47.1949%	100.0000%
8	**Blended Factors**			
9	Sal & Wg - Salaries & Wages w/o A&G	53.3431%	46.6569%	100.0000%
10	PTD - Prod/Trsm/Dist Plant (excl Gen)	53.7023%	46.2977%	100.0000%
11	Dist Plt - Weighted Situs Basis	55.4326%	44.5674%	100.0000%
12	**Situs Basis Plant used for Dist Depr Reserve**			
13	360 - Dist Land	50.3909%	49.6091%	100.0000%
14	360 - Dist Land Rights	58.3324%	41.6676%	100.0000%
15	361 - Dist Structures & Improvements	56.7346%	43.2654%	100.0000%
16	362 - Distr Station Equipment	62.4933%	37.5067%	100.0000%
17	362 - Distr Station Equip-Communication	55.8321%	44.1679%	100.0000%
18	363 - Distr Energy Storage Equipment	100.0000%	0.0000%	100.0000%
19	364 - Dist Poles, Towers & Fixtures	54.1802%	45.8198%	100.0000%
20	365 - Dist Overhead Conductor	55.8481%	44.1519%	100.0000%
21	366 - Dist Underground Circuits	57.8959%	42.1041%	100.0000%
22	367 - Dist Underground Conduct & Devices	52.2152%	47.7848%	100.0000%
23	368 - Dist Line Transformers	56.7843%	43.2157%	100.0000%
24	369 - Dist Services	51.7528%	48.2472%	100.0000%
25	370 - Dist Meters	51.7304%	48.2696%	100.0000%
26	370 - Dist AMI Meters	54.4784%	45.5216%	100.0000%
27	371 - Dist Customer Premise Installations	68.8758%	31.1242%	100.0000%
28	371 - Dist Electric Vehicle Charging Stations	51.6339%	48.3661%	100.0000%
29	373 - Dist Street Lights & Traffic Signals	47.4385%	52.5615%	100.0000%

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Description of Allocators

NET ELECTRIC OPERATING INCOME

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

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

Non-firm off-system sales and energy related firm bulk sales revenue are allocated based on the Energy allocator. Fixed and capacity related firm bulk sales revenue are allocated based on the Demand allocator.

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

Fuel & Purchased Power Cost
Fuel cost is primarily allocated based on the Energy allocator. The exception is that the amortization of SO2 Allowances are assigned directly to the applicable jurisdiction.

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

Non-Fuel Operations and Maintenance ("O&M") Costs
Production O&M cost is allocated consistent with the allocation of production plant.

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

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

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

Customer services and information expense is primarily allocated using the Customer allocator. However, amortizations for Energy Efficiency/Demand Response, income eligible weatherization and Renewable Energy Standards costs are assigned directly to the applicable jurisdiction.

Sales expenses are allocated using the Customer allocator.

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

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

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

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

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

RATE BASE

Plant-in-Service and Reserve for Depreciation and Amortization

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

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

Distribution plant cost is assigned based on physical location.

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

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

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

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

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

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

Customer Advances for Construction and the Customer Deposits
The customer advances for construction and the customer deposits are assigned directly to the applicable jurisdiction.

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Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.454% Return
1	Net Income Before Taxes (Sch 9)	423,667,015				218,314,947
2	***Add to Net Income Before Taxes:***					
3	Depreciation Exp	247,418,827				124,617,389
4	Plant Amortization Exp	45,434,314				24,399,272
5	Amortization of Unrecovered Reserve-KS	2,777,264	100% KS	0.0000%		0
6	Book Nuclear Fuel Amortization	26,634,045				14,871,838
7	Transp & Unit Train Depr-Clearing	2,815,918				1,506,291
8	50% Meals & Entertainment	585,681	Sal&Wg	53.3431%		312,420
9	**Total**	325,666,049				165,707,210
10	***Subtract from Net Income Before Taxes:***					
11	Interest Expense	130,316,078				66,349,662
12	IRS Tax Return Depreciation	265,729,627	PTD	53.7023%		142,702,921
13	IRS Tax Return Plant Amortization	44,033,594	PTD	53.7023%		23,647,053
14	IRS Tax Return Nuclear Amortization	22,659,583	E1	55.8377%		12,652,590
15	Employee 401k ESOP Deduction	2,310,000	Sal&Wg	53.3431%		1,232,226
16	IRC Section 199 Domestic Production Activities	0	D1	52.6727%		0
17	**Total**	465,048,882				246,584,452
18	**Net Taxable Income**	284,284,182				137,437,705
19	**Provision for Federal Income Tax:**					
20	Net Taxable Income	284,284,182				137,437,705
21	Deduct State Income Tax @ 100.0%	16,164,105				7,826,323
22	Deduct City Income Tax	0				0
23	Federal Taxable Income	268,120,077				129,611,382
24	Federal Tax Before Tax Credits	56,305,216			21.00%	27,218,390
25	Less Tax Credits:					
26	Wind Tax Credit	(4,036,728)	E1	55.8377%		(2,254,016)
27	Research and Development Tax Credit	(875,000)	E1	55.8377%		(488,580)
28	Alternate Refueling Property Tax Credit (Charging Stations)	0	371	68.8758%		0
29	Fuels Tax Credit	(76,489)	E1	55.8377%		(42,710)
30	**Total Federal Tax**	51,316,999				24,433,084
31	**Provision for State Income Tax:**					
32	Net Taxable Income	284,284,182				137,437,705
33	Deduct Federal Income Tax @ 50.0%	25,658,500			10.50%	12,216,542
34	Deduct City Income Tax	0				0
35	State Jurisdictional Taxable Income	258,625,682				125,221,163
36	**Total State Tax**	16,164,105			6.25%	7,826,323
37	**Provision for City Income Tax:**					
38	Net Taxable Income	284,284,182				137,437,705
39	**Total City Tax**	0			0.00%	0
40	**Effective Tax rate before Tax Cr and Earnings Tax**	25.45%				25.45%
41	**Summary of Provision for Current Income Tax:**					
42	Federal Income Tax	51,316,999				24,433,084
43	State Income Tax	16,164,105				7,826,323
44	City Income Tax	0				0
45	**Total Provision for Current Income Tax**	67,481,104				32,259,407
46	**Deferred Income Taxes:**					
47	Deferred Income Taxes - Excess IRS Tax over Book D&A	4,923,623	See Computation Below			5,102,262
48	Amortization of Deferred ITC	(1,073,315)	PTD	53.7023%		(576,395)
49	Amort of Excess Deferred Income Taxes	(4,526,414)	PTD	53.7023%		(2,430,788)
50	Amortization of Cost of Removal-ER-2007-0291	354,438	100% MO	100.0000%		354,438
51	**Total Deferred Income Tax Expense**	(321,668)				2,449,517

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Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.454% Return
52	**Total Income Tax**	67,159,436				34,708,924
53	(a) Percent of vehicle depr clearing to O&M				41.7950%	
54	Effective Tax Rate excluding City Earnings Taxes - MO juris	25.45%				25.45%

Interest Expense Proof:

Total Rate Base (Sch. 2)	2,626,773,107
X Wtd Cost of Debt	2.526%
Interest Exp	66,349,662
Less: Interest Expense from Line 7	66,349,662
Difference	0

* As Needed

Computation of Line 43 Above:

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.454% Return
	Deferred Income Taxes - Excess IRS Tax over Book D&A:					
55	IRS Tax Return Depreciation	265,729,627				142,702,921
56	Less: Book Depreciation	250,196,091				124,617,389
57	Excess IRS Tax Depr over Book Depreciation	15,533,536				18,085,532
58	IRS Tax Return Plant Amortization	44,033,594				23,647,053
59	Less: Book Amortization	45,434,314	PTD	53.7023%		24,399,272
60	Excess IRS Tax Amort over Book Amortization	(1,400,720)				(752,219)
61	IRS Tax Return Nuclear Amortization	22,659,583				12,652,590
62	Less: Book Nuclear Amortization	26,634,045	E1	55.8377%		14,871,838
63	Excess IRS Tax Nuclear Amort over Book Nuclear Amort	(3,974,462)				(2,219,248)
64	Total Timing Differences	10,158,354				15,114,065
65	AFUDC Equity	8,357,974	PTD	53.7023%		4,488,424
66	MO ITC Coal Basis Adjustment	427,672	PTD	53.7023%		229,670
67	MO Miscellaneous Flow Through	402,258	PTD	53.7023%		216,022
68	Total Timing Differences after Flow Through	19,346,258				20,048,181
69	Effective Tax rate	25.45%				25.45%
70	**Deferred Income Taxes - Excess IRS Tax over Tax SL**	4,923,623				5,102,262