Exhibit No.:	
Issues:	*Regulatory Lag, Kansas City Earnings Tax, Transource Missouri Adjustments, Allconnect, Severance Expenses, SERP*
Witness:	*Keith Majors*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*ER-2016-0285*
Date Testimony Prepared:	*January 27, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KEITH MAJORS

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
January 2017

** **Denotes Highly Confidential Information** **

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SURREBUTTAL TESTIMONY

OF

KEITH MAJORS

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Q. Please state your name and business address.

A. Keith Majors, Fletcher Daniels Office Building, 615 East 13th Street, Room 201, Kansas City, Missouri, 64106.

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

A. I am a Utility Regulatory Auditor employed by the Missouri Public Service Commission ("Commission").

Q. Are you the same Keith Majors who previously testified in this case?

A. Yes. I provided testimony in Staff's revenue requirement cost of service report filed November 30, 2016, in this case. I provided testimony concerning income tax expense, accumulated deferred income taxes, pensions, and other post-employment benefits. I also filed rebuttal testimony on December 30, 2016 responding to several Kansas City Power & Light Company ("KCPL" or "Company") witnesses.

Q. What is the purpose of your surrebuttal testimony?

A. I respond to the rebuttal testimony of KCPL witnesses Tim M. Rush, Melissa K. Hardesty, Don A. Frerking, Ronald A. Klote, and The Office of the Public Counsel ("OPC") witness Charles R. Hyneman.

EXECUTIVE SUMMARY

Q. Please summarize your rebuttal testimony.

A. I will respond to KCPL witness Rush's and Klote's rebuttal testimony concerning KCPL's view of regulatory lag and KCPL's ability to achieve its authorized return on equity ("ROE"), and the impact of regulatory lag.

I respond to KCPL witness Hardesty's rebuttal testimony concerning the Kansas City earnings tax. Staff did not include any ongoing level of Kansas City earnings taxes in the cost of service. Any amount included in the cost of service should be "known and measurable."

I respond to KCPL witness Frerking's rebuttal testimony concerning Adjustment CS-108 – "Transource CWIP/FERC Incentives." KCPL performed a calculation of the differential between Federal Energy Regulatory Commission ("FERC") and Missouri ratemaking treatments concerning the transmission projects transferred to Transource Missouri, LLC ("Transource Missouri") in File No. EO-2012-0367. Staff recommends an adjustment to the calculations to conform to the *Report and Order* in File No. EA-2013-0098. (File No. EO-2012-0367 was consolidated by the Commission into File No. EA-2013-0098.)

I respond to the rebuttal testimony of witness Klote concerning severance expenses. Severance expenses are recovered by regulatory lag through the savings of salaries, wages, and benefits expenses related to the terminated employees. Staff recommends no amount of ongoing severance expenses should be included in the cost of service.

I also respond to the rebuttal testimony of KCPL witness Klote and OPC witness Hyneman concerning Supplemental Executive Retirement Plan ("SERP") expense. Staff recommends allocation of a portion of SERP expenses to capital accounts as appropriate.

REGULATORY LAG

Q. On page 6 of his rebuttal testimony, witness Rush makes the following statement:

> As the Company has seen case after case, the Company is not recovering its transmission costs, due to the rising costs the Company is experiencing.

Do you agree with this statement?

A. Not at all. Witness Rush isolates transmission costs as costs that are rising above the level included in a prior rate case. The fact that a certain cost exceeds the level of that cost included in rates does not lead to the conclusion that the cost was not recovered. Rates are not designed to recover costs in isolation; rates are designed to recover the entire cost of service set in a rate case. In evaluating whether or not KCPL recovered its overall costs, the totality of all costs and revenues must be taken into consideration. If a positive ROE was realized, then KCPL in fact recovered all of its expenses, including transmission expense.

Q. Has the recent financial impact of increased transmission expenses cause KCPL to incur financial losses?

A. No. KCPL was able to earn a positive ROE during the entire period since new rates were effective on September 29, 2015. At no point since at least 1993 has KCPL earned a negative ROE.[1] This means that KCPL was still receiving sufficient revenues to fully recover all of its expenses, though its profits may have been reduced if it did not fully achieve its authorized ROE.

Q. What was KCPL's authorized and actual earned return on equity since the last prior KCPL rate case, Case No. ER-2014-0370?

[1] See Majors Rebuttal, ER-2016-0285, pages 24-25.

A. The table below lists the Commission authorized return on equity for the quarters ending December 31, 2014 through the most recent available, September 30, 2016:

KCPL Surveillance ROE 12 Month Period Ending	Earned Return on Equity	Authorized Return on Equity
December 31, 2014	** ____ **	9.70%
March 31, 2015	** ____ **	9.70%
June 30, 2015	** ____ **	9.70%
September 30, 2015	** ____ **	9.70%
December 31, 2015	** ____ **	9.50%
March 31, 2016	** ____ **	9.50%
June 30, 2016	** ____ **	9.50%
September 30, 2016	** ____ **	9.50%

Rates from Case No. ER-2014-0370 became effective September 29, 2015. KCPL's most recent Missouri earned return on equity, as shown in the quarterly FAC surveillance reports, was **** ____ ****. I have attached the most recent quarterly surveillance report as Highly Confidential Schedule KM-s1. The Commission authorized the use of the Fuel Adjustment Clause ("FAC") by KCPL in Case No. ER-2014-0370, and the most recent quarterly surveillance report includes the impact of a full year of KCPL utilizing the FAC.

Q. Have these rates of return been adjusted for any ratemaking adjustments?

A. No. These rates of return on equity are taken from the quarterly surveillance reports as submitted by KCPL. The revenues reported are not weather-normalized, nor are any of the expenses adjusted from actual results, as opposed to the substantial normalization or annualization adjustments made during the ratemaking process. For these reasons, the

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ROE results reported in the FAC surveillance reports do not necessarily correspond with the revenue requirement calculations used in general rate proceedings to determine whether a utility's rates should be increased or decreased. The surveillance reports do reflect actual operating results for KCPL.

Q. Does KCPL rely on returns from surveillance reports to justify alternative ratemaking treatment for some costs?

A. Yes. Throughout the testimony in this case and the previous case, Case No. ER-2014-0370, KCPL witnesses repeatedly reference KCPL's past reported returns on equity to justify KCPL's requests for alternative ratemaking for transmission and property tax expense. ** ____ ** the argument that KCPL's actual earned ROE justifies these requests is completely inapt. The Commission has previously rejected the use of a tracking mechanism for these types of on-going operating expenses, and should reject these requests in this case.

Q. In the above quote, witness Rush references "case after case". How many rate increases has KCPL received since 2006?

A. KCPL has received six rate increases, with this being the seventh rate case. Below are the rate increases, amounts requested, amounts authorized, and effective date of rates[2]:

continued on next page

[2] Source: Commission Report and Orders from each rate case.

Date Filed	**Amount Requested**	**Amount Authorized**	**Effective Date of Rates**
February 1, 2006	$57 million 11.5% increase	$50.6 million 10.2% increase	January 1, 2007
February 1, 2007	$45 million 8.3% increase	$35.3 million 6.5% increase	January 1, 2008
September 5, 2008	$101 million 17.5% increase	$95 million 16.5% increase	September 1, 2009
June 4, 2010	$92.1 million 13.8% increase	$34.8 million 5.2% increase	May 4, 2011
February 27, 2012	$105 million 15.1% increase	$67.4 million 9.7% increase	January 26, 2013
October 30, 2014	$120.9 million 15.8% increase	$89.6 million 11.8% increase	September 29, 2015
July 1, 2016	$90.1 million 10.8% increase	Pending	May 28, 2017

KCPL has received a total of approximately $372.7 million in rate increases since 2007. While KCPL made commitments to upgrade its infrastructure through significant investments, its customers also made substantial commitments to the Company through increases in rates of around 65% in total over this ten-year period. KCPL's overall retail rates in Missouri have increased from 5.65 cents per kilowatt hour in 2005 to 9.34 cents per kilowatt hour in 2015.[3] A comparison of KCPL's Missouri and Kansas rates to other Missouri and Kansas utilities' rates, as well as the regional and nation averages can be found in the next section.

Q. Does KCPL claim in its rebuttal testimony it is experiencing an earnings shortfall in Missouri?

[3] KCPL's total rates - Missouri 2015 of 9.34 cents per kWh compared to 2005 of 5.65 cents per kWh representing a 65% increase.

A. Yes. KCPL witnesses Rush, Frerking, and Klote indicate that KCPL Missouri has not earned its authorized rate of return in recent years in the rebuttal testimony of Rush, page 8, Frerking, page 21, and Klote, page 39.

Q. Has earning below authorized levels impacted KCPL's parent company, Great Plains Energy ("GPE")?

A. In comparison to other utilities, including gas, electric, and diversified, GPE's earnings before interest, taxes, depreciation, and amortizations ("EBITDA") consistently ranks in the middle of the 25 "Most profitable US utilities by recurring EBITDA margin" as ranked by SNL Energy. I have attached these reports as Schedule KM-s2. A summary of EBITDA margin[4] and operating margin[5] is listed below:

Date	**Ranking**	**Operating Margin**	**EBITDA Margin**
Quarter 3 2015	15th	20.70%	36.56%
Quarter 4 2015	11th	21.19%	37.37%
Quarter 1 2016	11th	21.78%	38.10%
Quarter 2 2016	10th	23.86%	40.14%

It is noteworthy that GPE's EBITDA results were higher than both Empire District Electric Company ("Empire") and Ameren Corporation, the parent companies to Missouri's other electric utilities, in all four of these reports. GPE's operating margin and EBITDA margin has increased in each quarter of these reports.

Q. Has GPE had other positive results from their earnings?

[4] EBITDA margin defined as EBITDA divided by total revenues.
[5] Operating margin defined as operating income divided by total revenue.

A. Yes. In the 2013 GPE Annual Report to Shareholders, GPE touted its total shareholder return:

> In 2013, Great Plains Energy continued down a determined path to improve our total shareholder return. Our mantra of "Execute, Execute, Execute" focused on our ability to achieve operational excellence, manage costs and significantly reduce regulatory lag. I am proud to report that we delivered on this goal. Our 2013 total shareholder return of 24 percent placed us in Tier 1 of investor-owned utilities, which compares to a 13 percent return for the Edison Electric Institute Index.[6]

Total shareholder return is the change in Great Plains stock price from the beginning of the year to the end of one annual period plus any dividends paid in the year.

The 2014 GPE Annual Report to Shareholders also touted positive results:

> 2014 was a year of solid returns for our shareholders. We delivered a total shareholder return of 21 percent and over the past two years a return of 51 percent. Confidence in our business plan allowed us to increase our common stock dividend by more than 6 percent, and we remain on target to grow the dividend 4 to 6 percent by 2016, with a payout ratio range of 55 to 70 percent of earnings. In the future, we expect to narrow our dividend payout ratio even further to 60 to 70 percent.
>
> Our efforts to strengthen key credit metrics and further solidify our credit profile were validated by ratings upgrades by both Standard and Poor's and Moody's Investor Service. These ratings reduce borrowing costs, which also help us manage customer rates.[7]

Most recently, the 2015 GPE Annual Report also noted positive results:

> We have increased our dividend for the fifth consecutive year, delivering total shareholder returns of 71 percent in that same timeframe. Our targeted future dividend growth profile of 5 to 7 percent, together with our annualized targeted earnings

[6] 2013 GPE Annual Report, page 1, Terry Bassham's Letter to Shareholders.
[7] 2014 GPE Annual Report, page 2, Terry Bassham's Letter to Shareholders.

> growth profile of 4 to 5 percent from 2016 to 2020 make us excited about our longer-term opportunities for growth.

Q. Have GPE's dividends to shareholders been increasing?

A. Yes. The table below details the increase in dividends since 2010:

	2016	2015	2014	2013	2012	2011	2010
Annual Cash Dividend Per Common Share	$1.0625	$0.9975	$0.9350	$0.8825	$0.8550	$0.8350	$0.8300

Q. Does KCPL incur costs that it does not recover in rates?

A. Yes. The Commission can disallow for rate treatment costs that KCPL incurs. Those disallowed costs will have an adverse impact on KCPL's ability to earn its authorized return. In the 1985 KCPL rate case, the Commission disallowed certain costs relating to the construction of Wolf Creek. In the 2010 KCPL rate case, the Commission disallowed certain costs relating to Iatan 2 construction costs. Those disallowances also affect authorized returns.

KCPL removed several expense items from its rate request that it incurs but for which it is not seeking rate recovery, thus putting downward pressure on Missouri's earned returns. KCPL removed costs relating to long-term incentive plans paid to its officers and executives. Other examples of costs KCPL incurs but does not seek rate recovery of are:

- charitable contributions
- certain advertising costs
- costs incurred by officers and executives, including officers expense reports, that KCPL voluntarily removed from rate recovery
- costs incurred by the Board of Directors that KCPL voluntarily removed from rate recovery

KCPL incurred these expenses at its own discretion, adversely impacting the authorized rate of returns for a given period because no balancing revenue recovery is received in rates.

Q. How does weather affect KCPL's ability to earn an authorized return on equity?

A. Rates are set on the basis of normalized costs and normalized sales. The normalized weather loads determine sales levels for revenues and costs to develop rates that the Commission will authorize in this case. Those normalized costs and sales are different than those actually incurred by KCPL in its yearly operations. Therefore, the actual earned returns will be different as well.

Q. How do differences in allocation methods affect KCPL's ability to earn its authorized return in Missouri?

A. KCPL uses different allocation methods in Missouri and Kansas, and has for a number of years. KCPL has been unsuccessful in persuading Kansas to use the correct allocation methodology for both its demand factor and energy factor. Several years ago, KCPL agreed to a demand factor in Kansas based on the 12 coincident peak method. However, KCPL has presented in testimony in both jurisdictions that the 4 coincident peak method is the proper basis for the demand allocation factor.

KCPL also agreed to a methodology in Kansas to develop an energy factor to allocate variable fuel and purchased power costs and margin costs for off-system sales. This allocation methodology is referred to as an "unused energy" allocation factor. KCPL attempted to use this factor in Missouri, but the Commission rejected such an approach in KCPL's 2006 rate case, Case No. ER-2006-0314.

Every dollar KCPL fails to properly collect from its respective jurisdictions causes an understatement of costs and an overstatement of revenues affecting its ability to earn at or near authorized levels. KCPL is already on record indicating that it is using the correct allocation methodology in Missouri, but Kansas has not followed in using the correct allocation methods.

Q. On page 21 of his rebuttal testimony, witness Frerking states that increased costs have contributed to regulatory lag. Has KCPL experienced the disincentives of regulatory lag?

A. Yes. Conversely, while KCPL certainly had experienced adverse impacts on its earnings recently because of higher costs, KCPL has also greatly benefited from positive regulatory lag, a fact that was absent from witness Frerking's testimony. Regulatory lag provided KCPL substantial benefits during a period of post-Wolf Creek and power plant construction in late 1980s. In fact, the 1985 Wolf Creek rate case was the last rate case filed until February 2006.

For over twenty years, KCPL avoided rate increase cases because of the benefits it recognized through the incentives built into regulatory lag. KCPL experienced, and continues to experience, both increases and decreases in the individual elements of the cost of service. Through the ratemaking framework of regulatory lag, KCPL constructed power plants, starting in 1997 with the completion of Hawthorn 6, a 136 megawatt natural gas-fired combustion turbine, and the construction of several natural gas-fired combustion turbines in 2000 and 2003, for a total of 805 megawatts.[8] All these units were completed without the need for a rate case. In fact, KCPL had several rate reductions during this two-decade period of rate stability enabled by regulatory lag ratemaking benefits.

KCPL also rebuilt its Hawthorn 5 unit after the February 1999 explosion. Incurring substantial costs and higher fuel and purchased power costs as well as lost off-system sales

[8] 2010 Great Plains Energy Incorporated Annual Report, page 22.

opportunities resulted in downward pressure to KCPL's earnings, yet the Company did not file for a rate increase until the 2006 rate case.

Q. During the 20 years in which regulatory lag worked in KCPL's favor, what rate reductions occurred?

A. Since the 1985 Wolf Creek rate case and two subsequent Wolf Creek rate phase-in increases contemplated in that rate case, there were several rate reductions as result of Staff earnings reviews. The following table identifies the rate activity for KCPL after Wolf Creek was placed in rates in April 1986, through the 2006 rate case filing:

Order Date	**Case Number**	**Original Rate Request**	**Commission Decision**
April 23, 1986	EO-85-185	$194.7 million	$78.3 million increase
April 1, 1987	EO-85-185	Not Applicable	$7.7 million increase
May 5, 1988	EO-85-185	Not Applicable	$8.5 million increase
December 29, 1993	ER-94-197	Not Applicable	($12.5 million) reduction
July 3, 1996	EO-94-199	Not Applicable	($9.0 million) reduction
October 7, 1997	EO-94-199	Not Applicable	($11.0 million) reduction
April 13, 1999	ER-99-313	Not Applicable	($15.0 million) reduction

All of these reductions directly resulted from the concept of regulatory lag. KCPL experienced significant cost reductions after the Wolf Creek rate case concluded. KCPL retained the vast majority of these cost reductions as well as revenue growth for a substantial period of years.

Q. What cost reductions did KCPL experience during the 20 years it did not make rate case filings?

A. KCPL experienced reductions in employee levels, decreased fuel and freight costs, cost of capital decreases and substantial reduction in income taxes. KCPL also experienced sustained revenue growth, especially in off-system sales during much of the non-rate case period. The improvement in the economy in the late 1980s and much of the 1990s, along with operational events experienced by KCPL, allowed for a general decline in costs because:

- Construction of new plant declined significantly, causing rate base to decline during a period of post-Wolf Creek in service
- The newly constructed power plants enabled KCPL to actively engage in the off-system market, substantially increasing revenues
- Substantial reduction in payroll and benefit costs as employee levels decreased through down-sizing and right-sizing programs resulting from productivity gains through technology and improvements in work processes
- Substantial reductions in fuel and freight costs
- Reductions in costs from material management improvements and inventory controls including better utilization of fuel inventories
- Significant reduction of inflation that reduced the pressure of cost increases for goods and services used by the utility industry
- Significant reduction in income taxes as result of the 1986 Tax Reform Act
- Customer growth and increased usage increased revenues

The cost of capital decreased substantially for both equity returns and debt costs. The returns on equity awarded by the Commission declined substantially, as identified in my rebuttal testimony in this case, pages 26-28.

Q. What employee reductions were experienced by KCPL during the time it was not filing rate cases?

A. In 1987, KCPL had over 3,100 employees; the first full year after Wolf Creek rates became effective. In 2006, the last full year before the new cycle of rate increases started, Great Plains had a total of 2,407 employees; of those KCPL employed

2,140 employees. The following table shows the decline in KCPL employee levels during the 20 years it did not have rate cases:[9]

Year	**KCPL Employees**
1987	3,154
1988	3,214
1989	3,251
1990	3,243
1991	3,276
1992	3,181
1993	3,130
1994	2,738
1995	2,643
1996	2,602
1997	2,594
1998	2,550
1999	2,529
2000	2,570
2001	2,258 GPE 2,248 KCPL
2002	n/a
2003	n/a
2004	n/a
2005	2,382 GPE 2,078 KCPL
2006	2,407 GPE 2,140 KCPL

Q. Why is there a difference between the Great Plains and KCPL employee levels?

[9] Source: 1987-1997 KCPL's "Financial & Statistics 1987-1997," Report, pages 12-13 (employee date excludes employees allocated to joint owners of LaCygne and Iatan and includes employees allocated to KCPL for Wolf Creek. Great Plains Annual Reports 2001, p. 6; 2005, p. 12; 2006, p. 12.

A. On October 1, 2001, Great Plains was incorporated and became the parent company of KCPL and two other non-regulated subsidiaries.[10] In 2001, KCPL had 2,248 employees and another Great Plains subsidiary had 10 employees, making up the 2,258 parent company total. By 2006, Great Plains had other non-regulated entities and a parent company corporate staff. The total employees for KCPL numbered 2,140. KCPL experienced a decline of over 1,000 employees in the 20 years from 1987 to 2006, along with a commensurate decline in employee benefits expense.

Q. What caused the employee reductions?

A. During the period of the late 1980s and 1990s, companies like KCPL benefited from technological changes. The workforce became more productive through the use of computers and technology improvements. Through improvements in work processes, KCPL, like many companies, reduced its work force significantly, resulting in dramatic cost savings.

Q. Were these cost reductions passed on to KCPL's customers?

A. KCPL retained most of those payroll savings throughout the period it did not have rate cases. While some earnings reviews that took place resulted in rate reductions, the vast majority of the payroll savings were retained by KCPL. KCPL benefited greatly from the payroll savings, as it did with many other costs reductions, through regulatory lag.

Q. Did KCPL have a fuel clause during this period of cost reductions?

A. No, KCPL did not have a fuel clause at that time. The Missouri Supreme Court ruled in *State ex rel. Util. Consumers' Council of Missouri, Inc. v. Pub. Serv. Comm'n*, 585 S.W.2d 41 (Mo. 1979) (the "UCCM case"), the Commission lacked jurisdiction over authorizing fuel adjustment clause mechanisms because they constituted single issue

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[10] 2001 Great Plains Annual Report, page 1 of December 31, 2001 SEC 10-K.

ratemaking. KCPL fully retained any cost reductions related to fuel and freight costs through regulatory lag, providing the Company with a powerful incentive to reduce costs and be as efficient as possible.

Q. Did KCPL have an incentive to reduce other costs during this period?

A. Yes. KCPL retained all cost reductions and revenue increases resulting from better utilization of inventories such as material management and fuel inventories. KCPL, like many utilities, acquired automatic meter reading devices that reduced meter reading expense and streamlined billing functions. There were substantial reductions in the accounting and record keeping systems with the advent personal computers. Utility work crews on transmission and distribution work crews were reduced due to use of work flow processes and technology. A very significant cost reduction was the reduction in the corporate tax rate from the 1986 Tax Reform Act. Both KCPL and its customers recognized benefits from these tax reductions.

During this time, Staff conducted earning reviews. Staff examined KCPL's rates several times during this 20 year period, resulting in several rate reductions, as noted above, from the cost savings occurring at that time.

Q. Has the Commission previously addressed the subject of regulatory lag?

A. Yes. The Commission has found it is not reasonable to protect shareholders from all regulatory lag. In 1991, Missouri Public Service, a division of UtiliCorp United Inc., the predecessor company of GMO, requested an accounting authority order ("AAO"), in Case Nos. EO-91-358 and EO-91-360. In its Order, the Commission stated in part:

> **Lessening the effect of regulatory lag by deferring costs is beneficial to a company but not particularly beneficial to ratepayers.** Companies do not propose to defer profits to subsequent rate cases to lessen the effects of regulatory lag, but

> insist it is a benefit to defer costs. Regulatory lag is part of the regulatory process and can be a benefit as well as a detriment. Lessening regulatory lag by deferring costs is not a reasonable goal unless the costs are associated with an extraordinary event.
>
> Maintaining the financial integrity of a utility is also a reasonable goal. The deferral of costs to maintain current financial integrity, though, is of questionable benefit. If a utility's financial integrity is threatened by high costs so that its ability to provide service is threatened, then it should seek interim rate relief. **If maintaining financial integrity means sustaining a specific return on equity, this is not the purpose of regulation. It is not reasonable to defer costs to insulate shareholders from any risks. If costs are such that a utility considers its return on equity unreasonably low, the proper approach is to file a rate case so that a new revenue requirement can be developed which allows the company the opportunity to earn its authorized rate of return.** Deferral of costs just to support the current financial picture distorts the balancing process used by the Commission to establish just and reasonable rates. Rates are set to recover ongoing operating expenses plus a reasonable return on investment. Only when an extraordinary event occurs should this balance be adjusted and costs deferred for consideration in a later period.[11]
> [emphasis added]

Q. Are utilities like KCPL guaranteed a return?

A. No. The Commission authorizes utility companies, such as KCPL, the opportunity to earn a specified return on equity through rates charged to customers, but there is no guarantee KCPL will earn this rate of return. Conversely, there is no limit to the rate of return KCPL can earn.

Q. Has the Commission addressed the concept of a "guarantee of profit" before?

[11] MPSC Reports Vol 1, 3d, 207.

A. Yes. In the recent Union Electric Company d/b/a Ameren Missouri's ("Ameren Missouri") 2015 rate case, Case No. ER-2014-0258, the Commission addressed earning levels of a utility in its April 29, 2015 *Report and Order*. The Commission stated:

> The Commission sets rates in a forward looking process using a test year to evaluate the amount of revenue the utility needs to earn to recover its costs and to have a reasonable opportunity to earn a profit. **The utility is not guaranteed a profit, just an opportunity to earn that profit**. Sometimes, circumstances make it difficult for the utility to earn that profit. Perhaps the summer is cooler than normal and people do not use their air conditioners so the utility does not sell as much electricity as anticipated. Or, perhaps, a generating plant goes down, resulting in unanticipated capital expenditures for the utility. Sometimes, circumstances favor the utility and it is able to earn more revenue than was anticipated when its rates were set. Whether the utility earns more or less revenue than was anticipated when the Commission set its rates does not necessarily indicate over- or under-earnings such that the utility's rate are no longer just and reasonable, though that can be one relevant factor of many to consider when setting new rates. Thus, in most cases, mention of over- or under-earnings is just a shorthand way of discussing whether the Commission should examine a utility's existing rates to determine if they are still just and reasonable.[12]
> [emphasis added]

The Commission concluded that "if the utility looks at its earnings and finds it is not earning what it believes is should, it can begin the rate review process by filing a tariff to start the rate case process."[13]

Q. Did the Commission recognize times when utilities will not earn authorized returns?

A. Yes. In the same *Report and Order*, the Commission stated:

> The Commission only sets the rates that Ameren Missouri, or any other utility, may charge its customers. It does not determine a maximum or minimum return the utility may earn

[12] Commission's Report and Order in Union Electric Company's Case No. ER-2014-0258, page 32.
[13] Commission's Report and Order in Union Electric Company's Case No. ER-2014-0258, page 32.

> from those rates. **Sometimes, the established rate will allow the utility to earn more than was anticipated when the rate was established. Sometimes, the utility will earn less than anticipated. But the rate remains in effect until it is changed by the Commission**, and so long as the utility has charged the authorized rate, it cannot be made to refund any "over-earnings," nor can it be allowed to collect any "under earnings" from its customers.[14]
> [emphasis added]

The Commission recognized in its Ameren Missouri order utilities like KCPL will earn a return that fluctuates, at times earning above and at times earning less. At such time a utility like KCPL believes it is not earning the proper return, it has the responsibility to seek a rate increase by filing a rate case.

Q. Please summarize your surrebuttal relating to regulatory lag.

A. KCPL presented direct and rebuttal testimony on the subject of regulatory lag. Staff disputes KCPL's view that the model used to determine rates in Missouri is broken and does not allow for KCPL to have an opportunity to earn a fair and reasonable return. Staff could not disagree more with KCPL's witnesses on this topic. If KCPL believes it is not earning at an appropriate level, it should file for a rate increase. A rate case, while costly and time consuming, provides opportunity for all elements of the cost of service calculation to be examined, and recommended levels for revenues, expenses, and capital expenditures be properly reflected in rates.

KCPL'S RATE COMPARISON

Q. How do KCPL's rates compare to the regional average and the Missouri average?

[14] Commission's Report and Order in Union Electric Company's Case No. ER-2014-0258, page 30- footnote 64: *Straube v. Bowling Green Gas Co.*, 227 S.W.2d 666 (Mo. 1950).

A. Staff compared the average rates using the Edison Electric Institute's ("EEI") Typical Bills and Average Rates Report updated through Winter 2016. The tables below detail the comparative rates for Missouri and Kansas retail rates:

MISSOURI RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	9.34	8.89	8.78	8.23	8.01	7.69	6.88	6.51	6.14	5.66	5.65
GMO-MPS	9.93	9.56	9.51	9.48	9.31	9.09	8.36	7.79	7.33	6.85	6.45
GMO-L&P	9.35	9.14	9.10	8.49	7.34	6.75	6.34	5.93	5.63	5.30	5.20
Ameren Missouri	8.53	8.02	8.12	7.36	7.16	6.48	5.95	5.43	5.46	5.43	5.49
Empire-Missouri	11.09	11.00	10.65	10.35	10.07	8.96	8.45	8.18	8.03	7.33	7.09
Missouri Average	9.01	8.56	8.58	7.96	7.72	7.11	6.55	6.04	5.93	5.74	5.71

KANSAS RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Kansas	10.99	10.40	10.42	9.87	9.43	8.57	8.06	7.46	6.73	6.35	6.32
Empire-Kansas	10.76	10.39	10.15	10.48	10.11	9.25	8.41	8.69	8.61	8.06	6.54
Westar Energy-KGE	9.43	9.54	8.87	8.42	7.90	7.46	7.13	6.32	5.73	6.04	6.03
Westar Energy-KPL	10.06	10.17	9.42	8.99	8.28	8.15	7.82	6.92	6.06	6.25	5.58
Kansas Average	10.06	9.99	9.46	9.00	8.43	8.00	7.62	6.84	6.12	6.35	6.14

continued on next page

REGIONAL RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	8.95	8.7	8.56	8.06	7.82	7.53	7.14	6.81	6.51	6.38	6.17
United States Average	10.71	10.73	10.37	10.09	10.09	9.97	9.83	9.77	9.21	8.89	8.22

Source: EEI Winter 2010 Report, page 180 provided Data Request No. 0380- ER-2010-0355
EEI Winter 2012 Report, page 180 provided Data Request No. 0241- ER-2012-0174
EEI Winter 2014 Report, page 179; EEI Winter 2015 Report, page 178
EEI Winter 2016 Report, page 178

Attached as Surrebuttal Schedule KM-s3 are updated tables to include 2015 for residential, commercial and industrial customer rates for period 2005 to 2015.

Q. What can be concluded from your rate analysis?

A. While KCPL's overall rates may be below the national average, those rates increased over 65% from 2005 to 2015. The national average rates increased at just 30% over the same period. The West North Central region, which includes KCPL, experienced an overall increase of 45%. KCPL's residential rates increased 69%, compared to just 35% for the national average. The West North Central region residential rates increased 50% compared to the Company's 69% increase for that same period. None of these increases include any impact of changes in rates resulting from the current case.

<u>KANSAS CITY EARNINGS TAX</u>

Q. What is the Kansas City earnings tax?

A. The Kansas City earnings tax is a 1% general income tax levied on the Kansas City, Missouri allocated net income of covered individuals and corporations. In the test year, a negative amount was recorded on the books of KCPL. Staff removed the negative amount by adding an equal amount to the test year, making the account total $0.

Q. On pages 5 and 6 of witness Hardesty's rebuttal testimony, she recommends that the ongoing level of Kansas City earnings tax should not be $0. What has been the historical Kansas City earnings tax expense?

A. The historical earnings tax liability is as follows[15]:

Year	**2011**	**2012**	**2013**	**2014**	**2015**
KC Tax Liability	** __ **	** __ **	** __ **	** __ **	** __ **

The Kansas City earnings tax has fluctuated over time, but recently has been negative or $0. Based on the historical known and measurable amounts, Staff's recommendation is that $0 is a reasonable amount to include in rates for this item as an ongoing expense.

Q. When will the 2016 Kansas City earnings taxes liability be determined?

A. The Kansas City earnings tax return will be filed on April 15, 2017.

TRANSOURCE ADJUSTMENTS

Q. Please describe this issue.

A. Staff and KCPL sponsor differing calculations of the adjustment amounts ordered by the Commission in File No. EA-2013-0098.[16] The adjustment and the calculations are described in detail in my rebuttal testimony in this case, along with an explanation of Transource Missouri, and the cumulative history of this adjustment.

To summarize, the Commission ordered in File No. EA-2013-0098 that the costs allocated to KCPL (and GMO, separately), by the Southwest Power Pool ("SPP") related to

[15] Source: Data Request No. 0285, Case No. ER-2014-0370, Data Request No. 0216, Case No. ER-2016-0285.

[16] In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects.

the Iatan-Nashua and Sibley-Nebraska City Projects should be adjusted. KCPL and Staff have reflected an adjustment equal to the difference between the actual load ratio share of the annual FERC authorized revenue requirement for the facilities, and the annual FERC authorized revenue requirement for the facilities that would have resulted if KCPL's Missouri authorized ROE and capital structure had been applied and there had been no FERC transmission rate incentives.

Witness Frerking discusses KCPL's adjustment CS-108 calculation – "Transource CWIP/FERC Incentives," on pages 30-34 of his rebuttal testimony. As described in my rebuttal testimony, this adjustment calculates the difference between the annual transmission revenue requirement ("ATRR") for the projects transferred to Transource Missouri in File No. EO-2012-0367, and the ATRR for these projects without FERC incentives. KCPL adjusted the cost of debt in addition to the FERC incentives. Staff did not reflect the cost of debt adjustment in the calculation of the difference.

Q. On page 34 of his rebuttal testimony, KCPL witness Frerking states the following:

> It is highly unlikely that Transource Missouri would have been able to acquire debt financing on as favorable terms as it did without the rate incentives that FERC granted.

Do you agree with this statement?

A. Although the statement is speculative on events that did not occur, I have no reason to disagree with the general premise of witness Frerking's statement. However, I would note that witness Frerking identifies a distinction between the circumstances of "debt financing on favorable terms" and the rate incentives that FERC granted. The cost of debt, regardless of favorability of the rate, is not a FERC incentive, and should not be reflected in the Transource adjustments.

Q. What are "FERC incentives," and what incentives did Transource Missouri request from FERC?

A. "FERC incentives" in this matter are transmission rate incentives for membership in a RTO or for certain transmission projects. The incentives increase the amount charged through formula rates for transmission service. As referenced by witness Frerking, Transource Missouri received its transmission rate incentives and authorization for formula rates in FERC Docket No. ER12-2554. In the *Order On Transmission Rate Incentives And Formula Rate Proposal And Establishing Hearing Procedures* issued October 31, 2012, FERC ordered the following concerning incentives:

> (A) Transource Missouri's requests for CWIP, abandonment, and regulatory asset incentives, a hypothetical capital structure, and a 50 basis point ROE adder for membership in an RTO for the Projects are hereby conditionally granted, as discussed in the body of this order.
>
> (B) Transource Missouri's request for the 100 basis point ROE adder for the risks and challenges of the Sibley-Nebraska City Project is hereby conditionally granted, as discussed in the body of this order.
>
> (C) Transource Missouri's request for a single-issue filing incentive is hereby denied, as discussed in the body of this order.
>
> D) Transource Missouri's proposed formula rate and formula rate implementation protocols are hereby accepted for filing and suspended for a nominal period, to become effective October 30, 2012, subject to refund, as discussed in the body of this order.

Cost of debt is not listed as a FERC incentive in the ordered list of FERC incentives in Docket No. ER12-2554.

Q. What was the source of the adjustment and the specific language describing the adjustment used in the Commission's *Report and Order* in File No. EA-2013-0098?

A. The language is sourced from Paragraph II A. 1. on pages 4-5 of the *Non-Unanimous Stipulation and Agreement* filed in File Nos. EA-2013-0098 and EO-2012-0367[17] consolidated, filed on May 6, 2013, as this language is identical, with no reference to the cost of debt.

The FERC order in Docket No. ER12-2554 was issued on October 30, 2012, well before the May 6, 2013, *Non-Unanimous Stipulation and Agreement*, and consequently well before the *Report and Order* dated August 7, 2013. If the parties to the *Non-Unanimous Stipulation and Agreement* wished to include cost of debt differences in the stipulated adjustment calculation, they would have done so with full knowledge of the actual FERC incentives that were awarded. That was not the case as cost of debt differences are not listed in either the agreed upon stipulation or the *Report and Order* in File No. EA-2013-0098. Staff recommends no differences related to the cost of debt be reflected in the calculation. Consistent with the modification for ROE, capital structure, and CWIP, Staff recommends no adjustment related to the cost of debt.

SEVERANCE EXPENSE

Q. On page 37 of KCPL witness Klote's testimony, he references Staff's claim that severance payments are often recovered through regulatory lag. Please explain Staff's claim.

[17] In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for Approval To Transfer Certain Transmission Property to Transource Missouri, LLC and for Other Related Determinations.

A. Severance expenses are incurred when an employee is terminated or separated from employment. On the date of termination, the wages, salaries, and benefits expense are no longer being paid and are retained by the utility until rates are changed. These amounts can accumulate to more than the severance paid. This is an example of positive regulatory lag. The Commission has recognized this concept in the cases referenced below.

Q. On page 39 of his rebuttal testimony, witness Klote states: "Yet, in looking at the total cost structure of KCPL and looking at its ability in recent years to not be able to earn its authorized rate of return, the Company's position on regulatory lag is well documented." How do you respond?

A. The overwhelming counterpoint to this testimony is that, according to the latest surveillance report for the 12 months ending September 30, 2016, KCPL's ROE is ** ____________________ .**

Q. Has the Commission denied severance expenses in past rate case proceedings?

A. Yes. In Case No. GR-96-285, Missouri Gas Energy ("MGE") proposed that the severance costs associated with the permanent elimination of employee positions be amortized over three years. Staff and OPC were opposed to the increase in cost of service for the amortization. OPC maintained that MGE's three-year amortization of severance payments incurred to reduce the number of employees should be eliminated from the prospective cost of service because MGE had already recovered these costs from the savings resulting from the reduction in the number of employees. In fact, OPC's evidence showed that the savings to MGE from the time the severance occurred to the time the rates in that case went into effect were greater than the accrued costs of the severance. This was also the position taken by the Staff in that case. The Commission's decision read as follows:

> The Commission finds that MGE's position is based upon fallacious reasoning. It is appropriate that prospective rates will be set on recently available payroll expense. MGE overlooks the substantial cash flow savings that it has achieved by terminating the employees. OPC's evidence shows that Southern Union's shareholders have already received more than the severance costs in terms of reduced payroll. The rates that MGE has been charging are premised on a payroll level higher than that which it currently has, so it has profited by the decreased number of employees.
>
> * * *
>
> The Commission finds that MGE's shareholders have already received monetary compensation through the reduction in payroll expense. The Commission will not allow MGE to charge ratepayers the costs associated with employee severances where MGE has already recovered those costs. The Commission finds that the position of Staff and OPC is most reasonable on this issue.[18]

More recently, the Commission again rejected severance expenses in Ameren Missouri Case No. ER-2012-0166:

> Despite having already recovered the costs of the severance package, Ameren Missouri asks the Commission to again recover those costs from ratepayers through a direct three-year amortization. Ameren Missouri contends such recovery is justified because ratepayers will ultimately benefit from the cost reductions resulting from the severance package in an amount much greater than the direct costs the company seeks to amortize. Ameren Missouri also complains that from March 2009 through July 2012, the company actually under-recovered its payroll and benefit costs by $51 million. Finally, Ameren Missouri argues that it should be allowed to recover the additional amortization so that it will have an incentive to pursue further cost-cutting measures.
>
> Ameren Missouri prudently took steps to reduce its payroll costs to improve the efficiency of its operations. Under the lag that results from the traditional regulatory model, the company is able to retain those cost savings until it chooses to

[18] *Report and Order*, GR-96-285. MPSC Reports Vol 5, 3d, 453.

> come back for a rate adjustment and a new level of costs is used to reset rates. In this case, Ameren Missouri, for reasons unconnected to these particular costs, has asked the Commission to adjust its rates. The new rates will reflect the lower personnel costs and the company will cease to benefit directly from the reduced payroll after having barely recovered its costs. If Ameren Missouri had not chosen to request a rate increase at this time, it would have continued to benefit from its reduced payroll costs. That is how the system works.
>
> Ameren Missouri is essentially asking the Commission to require ratepayers to give the company a $25.8 million bonus to reward the company for being efficient in reducing its payroll and to give it an extra incentive to reduce costs in the future. The Commission finds that the company does not need and will not receive any extra incentive to operate efficiently.[19]
>
> [footnotes omitted]

In both of these cases, the respective utility employed a larger program of employee reductions and paid substantial amount of severance expense. Although KCPL does not currently have this type of severance program, the concept of a utility recovering severance expense through regulatory lag is the same.

Staff recommended the same treatment of severance expenses paid as a result of KCPL's Organizational Realignment and Voluntary Separation ("ORVS"). This program, announced in March 2011, reduced 140 non-union positions from KCPL's headcount. KCPL recovered the costs of the program through positive regulatory lag savings of payroll and benefit costs between rate cases. In the same manner, KCPL benefitted from positive regulatory lag with the payroll and benefit savings related to the terminated employees.

Q. Please summarize your testimony on severance expense.

[19] *Report and Order*, ER-2012-0166, pages 62-63.

A. Through positive regulatory lag, KCPL can and has recovered severance expenses and no further expenses should be recovered in the ongoing cost of service.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP")

Q. On page 50 of his rebuttal testimony, KCPL witness Klote describes the normalization period of Staff's SERP adjustment. How has the SERP normalization been calculated in prior rate cases?

A. There are three separate normalizations of SERP included in KCPL's cost of service. KCPL incurs lump sum payments, monthly payments, and Wolf Creek monthly payments. The following tables detail the methodology used to normalize SERP expenses for KCPL and GMO since the 2014 KCPL rate case:

Lump Sum SERP Payments

	Case No.	**Direct Filed Method**	**Years Included**	**Years of Payments**
KCPL	ER-2014-0370	14.3 Year Lump Sum Conversion	Calendar 2011 and 2012, 12 months ending March 2014 (Test Year)	3 Years
GMO	ER-2016-0156	14.3 Year Lump Sum Conversion	Calendar 2012, 2013, 2014	3 Years
KCPL	ER-2016-0285	14.3 Year Lump Sum Conversion	Calendar 2011, 2012, 2013, 2014, 2015	5 Years
Staff	ER-2014-0370	14.3 Year Lump Sum Conversion	Calendar 2012, 2013, 2014	3 Years
Staff	ER-2016-0156	14.3 Year Lump Sum Conversion	Calendar 2013, 2014, 2015	3 Years
Staff	ER-2016-0285	14.3 Year Lump Sum Conversion	Calendar 2013, 2014, 2015, 12 Months ending June 2016 (Update Period)	3.5 Years

continued on next page

Monthly SERP Payments

	Case No.	Direct Filed Method	Years Included	Years of Payments
KCPL	ER-2014-0370	3 Year Average	Calendar 2011 and 2012, 12 months ending March 2014 (Test Year)	3 Years
GMO	ER-2016-0156	3 Year Average	Calendar 2012, 2013, and 2014	3 Years
KCPL	ER-2016-0285	5 Year Average	Calendar 2011, 2012, 2013, 2014, 2015	5 Years
Staff	ER-2014-0370	3 Year Average	Calendar 2012, 2013, and 2014	3 Years
Staff	ER-2016-0156	3 Year Average	Calendar 2013, 2014, and 2015	3 Years
Staff	ER-2016-0285	3.5 Year Average	Calendar 2013, 2014, 2015, 12 Months ending June 2016 (Update Period)	3.5 Years

Q. Why did Staff use three and one-half years to normalize SERP expenses in the current case?

A. A portion of KCPL's SERP expenses are allocated to GMO. Staff and KCPL used three years of data in the most recent GMO case, ER-2016-0156. For the current KCPL rate case, Staff used the three years of data used in the GMO case, and six additional months through June 30, 2016. Between the two cases, the same data set is used, with the addition of the most recently available six month period.

Staff did not use 2011 and 2012 SERP payments in the calculation of normalized SERP costs because this data was not used in the last KCPL rate case. Consistent with KCPL's treatment of SERP costs in the GMO rate case, Staff used three years of data, updated for an additional six months through June 30, 2016.

Q. OPC witness Hyneman takes issue with capitalizing, or charging to plant-in-service accounts, any amount of SERP expense. On page 52 of his rebuttal testimony, he states that KCPL had a policy in 2016 that SERP costs should not be capitalized. Is this your understanding?

A. No. KCPL's response to Staff Data Request No. 0229.1 in this case responded in the opposite:

> 1) Yes, SERP expenses are capitalized on the Companies books and records.
>
> 2) A portion of SERP has been capitalized for a number of years and there has been no change in policy. The exact date of inception is not readily available.

Q. Did KCPL capitalize SERP expenses in its adjustment in the current case?

A. No. However, Staff examined the direct filed workpapers provided by KCPL in Case Nos. ER-2009-0089, ER-2010-0355, ER-2014-174, and ER-2014-0370. Each workpaper listed an amount of SERP charged to capital in the test year and an amount of SERP charged to capital for ongoing normalized expense. Because KCPL does capitalize SERP, not reflecting this reduction to the total expense would increase the cost of service by the capitalized amount.

Q. Please summarize your testimony concerning SERP expense.

A. SERP expenses should be normalized using Staff's three and one-half year average. Staff will update this adjustment through the true-up of December 31, 2016.

SERP expenses should reflect a reduction for amounts charged to capital. This adjustment reflects the reality of how KCPL capitalizes part of this expense. Not reflecting the capitalized amount would increase the cost of service.

ALLCONNECT

Q. Have there been any changes to KCPL's relationship with Allconnect subsequent to Staff's direct filed Cost of Service Report?

A. Yes. KCPL is no longer transferring its Missouri customers to Allconnect. Therefore, Staff has removed the adjustments to include both costs and revenues related to

Allconnect "above the line". Staff has also removed the plant in service and depreciation reserve related to Allconnect. These adjustments were Rev-27.1, E-198.5, P-5.1, and R-5.1 in Staff's Accounting Schedules.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

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-2016-0285

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Keith Majors
KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 26th day of January, 2017.

Beverly M. Webb
Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12464070

SCHEDULE KM-s1

HAS BEEN DEEMED

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IN ITS ENTIRETY

Wednesday, December 02, 2015 12:44 PM ET Exclusive

Questar, National Fuel Gas top utility sector rankings by recurring EBITDA margin for LTM ended Sept. 30

By Garrett Devine

Companies with gas utility operations continued, for the third consecutive quarter of 2015, to hold the top two spots in the ranking of the most profitable companies with utility operations by recurring EBITDA margin for the last 12 months ended Sept. 30, according to company financials, but power and diversified utilities filled out the rest of the top 25. The top 25 ranking of most profitable companies with utility operations was made up of 12 power, 11 diversified and two gas utilities.

The median recurring EBITDA margin for the top 25 utilities for the 12 months ended Sept. 30 was just below 37%, over a 1 percentage point increase from the same period in 2014. The mean recurring EBITDA margin for the 12 months ended Sept. 30 was just over 38%, an increase of over 2 percentage points from the same period in 2014.

Of the top 25 most profitable companies, 21 reported a year-over-year increase in EBITDA margin for the 12 months ended Sept. 30. On average the top 25 companies by recurring EBITDA margin increased more than 2 percentage points year over year.

Questar Corp. topped the list of the 25 most profitable U.S. utilities for a seventh straight quarter, with recurring EBITDA making up about 55% of its almost $1.20 billion in recurring revenue over the 12 months ended Sept. 30, compared with a recurring EBITDA margin of just under 53% for the same period in 2014. In the company's third-quarter earnings release, Questar reported that its Questar Gas Co. subsidiary's 12-month customer growth rose by 2.8%, or about 26,600 net new customers, including the addition of more than 6,500 customers from the acquisition of Eagle Mountain City's municipal gas-distribution system in March.

National Fuel Gas Co. posted the second-highest recurring EBITDA margin of nearly 49% from recurring revenues of $1.80 billion for the last 12 months ended Sept. 30, compared to a recurring EBITDA margin of over 45% for the same period in 2014. In the company's earnings release, National Fuel Gas President and CEO, Ronald Tanski stated: "We continued to grow our midstream business, where three more interstate pipeline projects are going into service in November, and we've expanded our gathering pipelines to reach new production locations. … Customers of our downstream utility and energy marketing segments continue to benefit from the low prices we are experiencing during this low point in the commodity price cycle."

Schedule KM-s2
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Most profitable US utilities by recurring EBITDA margin

Company (ticker)	Utility type	2014Q3 LTM operating margin (%)	2015Q3 LTM operating margin (%)	2014Q3 LTM recurring EBITDA margin (%)	2015Q3 LTM recurring EBITDA margin (%)	YOY change (%)
Questar Corp. (STR)	Gas utility	34.35	34.56	53.01	55.36	2.35
National Fuel Gas Co. (NFG)	Gas utility	26.96	29.26	45.46	48.70	3.23
NextEra Energy Inc. (NEE)	Power	21.84	29.39	41.11	48.13	7.02
Public Service Enterprise Group Inc. (PEG)	Diversified	21.25	29.73	35.93	44.16	8.23
Dominion Resources Inc. (D)	Diversified	22.34	28.28	34.90	42.85	7.95
PPL Corp. (PPL)	Diversified	29.14	31.11	42.91	42.33	-0.58
Duke Energy Corp. (DUK)	Diversified	22.02	25.32	37.55	41.15	3.60
Pinnacle West Capital Corp. (PNW)	Power	24.10	23.08	38.43	38.88	0.45
Southern Co. (SO)	Power	25.67	25.18	39.18	38.45	-0.73
Westar Energy Inc. (WR)	Power	24.61	24.62	36.92	37.76	0.84
OGE Energy Corp. (OGE)	Diversified	21.55	22.83	37.01	37.35	0.34
PNM Resources Inc. (PNM)	Power	20.39	21.32	35.46	37.23	1.76
Cleco Corp. (CNL)	Power	23.69	24.65	37.58	36.75	-0.82
Edison International (EIX)	Power	21.27	21.23	33.23	36.74	3.52
Great Plains Energy Inc. (GXP)	Power	20.87	20.70	35.72	36.56	0.84
Entergy Corp. (ETR)	Diversified	17.18	16.30	35.51	35.58	0.07
Empire District Electric Co. (EDE)	Diversified	22.47	21.18	35.18	35.53	0.35
Ameren Corp. (AEE)	Diversified	21.65	20.19	35.13	34.35	-0.78
El Paso Electric Co. (EE)	Power	16.28	16.88	31.68	33.94	2.26
IDACORP Inc. (IDA)	Power	20.44	20.49	32.85	33.65	0.80
American Electric Power Co. Inc. (AEP)	Power	19.91	20.01	32.83	33.64	0.81
SCANA Corp. (SCG)	Diversified	19.47	23.57	30.37	33.00	2.62
TECO Energy Inc. (TE)	Diversified	18.31	19.84	31.09	32.93	1.84
Portland General Electric Co. (POR)	Power	15.69	15.64	31.97	32.57	0.60
NorthWestern Corp. (NWE)	Diversified	14.65	20.30	24.85	32.55	7.69

Utility type indicates the type of retail energy distribution service provided by the company or its subsidiaries. Companies marked as "Power" are only engaged in electric distribution "Gas utility" indicates that only gas distribution service is provided and "Diversified" indicates that the company is engaged in both electric and gas distribution.
Quarters represent calendar year periods.
As of Nov. 19, 2015.
Source: SNL Energy

SNL

Largest increases

Of the 21 companies that experienced an increase year over year in recurring EBITDA margin, the average increase was about 3 percentage points.

Public Service Enterprise Group Inc. posted the largest year-over-year increase in recurring EBITDA margin of more than 8 percentage points, topping 44% compared to nearly 36% in the year-before period. In its earnings release, Chairman, President and CEO Ralph Izzo said: "While the businesses benefited from favorable weather, our results also reflect the benefit from our strategy of increasing investment in infrastructure, a disciplined approach to cost management and the continued availability of low-cost gas supply."

Dominion Resources Inc. recorded the second largest year-over-year increase in recurring EBITDA margin, which increased nearly 8 percentage points to almost 43% from almost 35%. In the company's earnings release Chairman, President and CEO Thomas Farrell II said the increase in earnings compared to the period year over year is "primarily attributable to a return to normal weather and earnings from farmout transactions offset by normal operating expense growth."

Largest decreases

Four companies experienced a decline in recurring EBITDA margin year over year, for an average decline of 1 percentage point.

Cleco Corp. posted the largest decline of just under 1 percentage point in year-over-year recurring EBITDA margins. The company's recurring EBITDA was nearly 37% of its recurring operating revenue of $1.24 billion for the last 12 months ended Sept. 30. In its third-quarter earnings release, Chairman, President and CEO Bruce Williamson said: "Despite warmer weather in the third quarter, earnings year over year were much lower due to the loss of a wholesale customer late last year and the effect of a 2014 third quarter multi-year tax settlement."

Ameren Corp. had the second-largest year-over-year decrease in recurring EBITDA margin, decreasing nearly 1 percentage point. The company's decline in year-over-year, last-12-months results ended Sept. 30, can partially be attributed to a decline in earnings in the second quarter of 2015. The company's second-quarter earnings release attributed lower retail electric sales volumes driven primarily by milder early summer temperatures in 2015 to the second-quarter decline.

Use SNL Energy's Company Ratio Dissection template to examine EBITDA and other key company ratios.

Schedule KM-s2
Page 2 of 9

Article updated at 3:19 p.m. ET on Dec. 2, 2015, to note in the chart that quarters represent calendar-year periods.

Monday, March 21, 2016 1:35 PM ET **Exclusive**

Gas utilities remain among most profitable businesses by recurring EBITDA

By Sheharyar Khan

Two companies with gas utility operations continued to be among the most profitable businesses by recurring EBITDA margin despite seeing a drop in their recurring revenues for the 12 months ended Dec. 31, 2015.

Questar Corp. maintained its position as the most profitable company by recurring EBITDA for 2015 though it saw a slight drop in margin, and while National Fuel Gas Co. was down one rank, it remained in the top three, an analysis by SNL Energy shows.

Questar's recurring EBITDA made up 53.95% of the $1.14 billion the company generated in recurring revenue during the 12 months ended Dec. 31, 2015, which was down 0.31% from 2014. Questar's fourth-quarter 2015 results were marred by low commodity prices which dragged down performance in its production and pipeline segment, and the company is in the process of selling its Southern Trails pipeline to position itself against the challenging market environment.

Questar is also in the process of being acquired by Dominion Resources Inc. for $4.40 billion.

PPL Corp. was the second most profitable business by recurring EBITDA for 2015 with a margin of over 50% on recurring revenues of $7.69 billion. PPL's recurring revenues were down from $7.87 billion in 2014, though its recurring EBITDA margin was up 0.14% year over year. PPL's Kentucky and Pennsylvania regulated segments both reported lower sales volumes during the 2015 fourth quarter, largely given unfavorable weather and higher financing costs.

This year, the company plans to execute on approximately $3.5 billion in capital investments across Pennsylvania, Kentucky and United Kingdom regulatory jurisdictions.

National Fuel Gas saw a margin of over 49% on recurring revenues of $1.63 billion. The company's results for the fiscal quarter ended Dec. 31, 2015, were impacted by low commodity prices and warm weather. National Fuel Gas has revised its near-term upstream and midstream development plans in Appalachia due to ongoing low prices in the natural gas market, with subsidiary Seneca Resources Corp. electing to further reduce the pace of its drilling program in the Marcellus Shale.

Among the largest year-over-year jumps, Dominion Resources' recurring EBITDA margin was up nearly 10% to 44.43% of recurring revenues which amounted to $11.88 billion while at NorthWestern Corp., margin was up 8.54% year over year to 34.22% of the $1.22 billion the company generated in recurring revenue.

Dominion Resources booked $12.69 billion in recurring revenues during 2014 and its books were impacted by warm weather during the 2015 fourth quarter but it mitigated the impact by managing its costs, results showed. Meanwhile, NorthWestern also experienced mild winter weather and difficult regulatory decisions during 2015 but was positively impacted by the full-year effect of hydro acquisitions in November 2014.

Duke Energy Corp. was one of a handful of companies whose recurring EBITDA margin fell year over year. The company's margin dropped over 3.5% to 41.23% of the $23.84 billion the company generated in recurring revenues during the 12 months ended Dec. 31, 2015. The company has faced "substantial volatility" across its international business segment, which Duke is considering selling.

SNL Energy is part of S&P Global Market Intelligence, which is owned by McGraw Hill Financial Inc.

Most profitable US utilities by recurring EBITDA margin

Company (ticker)	Utility type	Q4'14 LTM operating margin (%)	Q4'15 LTM operating margin (%)	Q4'14 LTM recurring EBITDA margin (%)	Q4'15 LTM recurring EBITDA margin (%)	YOY change (%)
Questar Corp. (STR)	Gas utility	34.15	33.93	54.25	53.95	-0.31
PPL Corp. (PPL)	Diversified	36.51	36.91	50.31	50.45	0.14
National Fuel Gas Co. (NFG)	Gas utility	27.30	30.03	46.52	49.30	2.78
NextEra Energy Inc. (NEE)	Power	25.82	26.65	44.14	46.43	2.30
Dominion Resources Inc. (D)	Diversified	20.60	29.21	34.46	44.43	9.97
Public Service Enterprise Group Inc. (PEG)	Diversified	24.34	28.46	38.60	42.65	4.05
Duke Energy Corp. (DUK)	Diversified	29.03	24.89	44.80	41.23	-3.57
Pinnacle West Capital Corp. (PNW)	Power	23.23	24.45	37.55	40.90	3.35
Southern Co. (SO)	Power	24.42	26.57	37.52	40.90	3.38
Westar Energy Inc. (WR)	Power	24.33	25.25	36.66	38.94	2.28
Great Plains Energy Inc. (GXP)	Power	20.81	21.19	35.68	37.37	1.69
Cleco Corp. (CNL)	Power	23.46	24.14	36.19	37.06	0.86
PNM Resources Inc. (PNM)	Power	20.95	20.28	36.21	37.04	0.83
OGE Energy Corp. (OGE)	Diversified	21.88	21.90	37.71	36.73	-0.98
Empire District Electric Co. (EDE)	Diversified	21.38	21.65	34.52	36.27	1.75
IDACORP Inc. (IDA)	Power	19.78	22.21	32.43	35.51	3.09
Edison International (EIX)	Power	19.60	17.47	33.27	35.33	2.06
Ameren Corp. (AEE)	Diversified	20.72	20.65	34.28	35.27	0.99
El Paso Electric Co. (EE)	Power	16.48	17.20	32.27	34.66	2.38
American Electric Power Co. Inc. (AEP)	Power	19.27	20.28	32.70	34.29	1.59
NorthWestern Corp. (NWE)	Diversified	14.77	21.89	25.68	34.22	8.54
SCANA Corp. (SCG)	Diversified	20.34	24.52	30.28	34.14	3.86
TECO Energy Inc. (TE)	Diversified	19.69	20.49	33.30	33.76	0.45
Entergy Corp. (ETR)	Diversified	17.50	14.35	35.41	33.56	-1.85
Black Hills Corp. (BKH)	Diversified	18.93	21.42	29.55	33.52	3.98

As of March 11, 2016.
Utility type indicates the type of retail energy distribution service provided by the company or its subsidiaries. Companies marked as Power are only engaged in electric distribution. Gas utility indicates that only gas distribution service is provided. Diversified indicates that the company is engaged in both electric and gas distribution.
Quarters represent calendar-year periods.
Source: SNL Financial, a part of S&P Global Market Intelligence

Garrett Devine contributed to this article.

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SNL DATA DISPATCH

Tuesday, May 24, 2016 11:11 AM ET Exclusive

Questar still most profitable utility by recurring EBITDA margin

By Sheharyar Khan

Questar Corp., National Fuel Gas Co. and PPL Corp. continue to be the most profitable utilities by recurring EBITDA margin, an analysis by SNL Energy shows.

Questar's first-quarter 2016 recurring EBITDA margin dropped 2.23% year-over-year to 53.12% of recurring revenues, but it still remained the most profitable utility in the industry. Questar reported higher first-quarter earnings in April, noting that customer growth and its ongoing infrastructure-replacement program will support long-term earnings and rate base growth.

Questar is in the process of being acquired by Dominion Resources Inc.

National Fuel Gas' recurring EBITDA margin at the end of the 2016 first quarter made up 52.72% of the company's recurring revenues; the figure moved the company to the second most profitable business in the industry after spending time in the third spot in the fourth quarter of 2015. Warm weather and lower commodity prices impacted the company's first-quarter results.

Most profitable US utilities by recurring EBITDA margin

Company (ticker)	Utility type	Q1'15 LTM operating margin (%)	Q1'16 LTM operating margin (%)	Q1'15 LTM recurring EBITDA margin	Q1'16 LTM recurring EBITDA margin	YOY change (pct. points)
Questar Corp. (STR)	Gas utility	34.88	33.40	55.35	53.12	-2.23
National Fuel Gas Co. (NFG)	Gas utility	28.77	32.76	49.09	52.72	3.63
PPL Corp. (PPL)	Diversified	26.92	37.10	39.23	48.92	9.69
NextEra Energy Inc. (NEE)	Power	27.44	27.67	45.78	48.03	2.25
Dominion Resources Inc. (D)	Diversified	23.62	30.00	38.05	45.91	7.86
Southern Co. (SO)	Power	24.41	27.02	37.81	41.79	3.98
Duke Energy Corp. (DUK)	Diversified	22.13	24.78	37.89	41.64	3.75
Public Service Enterprise Group Inc. (PEG)	Diversified	27.63	27.71	42.14	41.53	-0.60
Westar Energy Inc. (WR)	Power	23.75	26.14	36.33	40.60	4.27
Pinnacle West Capital Corp. (PNW)	Power	23.12	23.91	38.05	40.34	2.29
Great Plains Energy Inc. (GXP)	Power	20.80	21.78	35.95	38.10	2.15
PNM Resources Inc. (PNM)	Power	20.96	20.06	36.54	37.51	0.97
Empire District Electric Co. (EDE)	Diversified	20.62	22.57	34.54	37.11	2.57
Cleco Corporate Holdings LLC	Power	23.84	23.51	35.92	36.82	0.90
OGE Energy Corp. (OGE)	Diversified	22.40	21.52	38.81	36.69	-2.13
Ameren Corp. (AEE)	Diversified	21.01	20.47	34.93	35.73	0.80
IDACORP Inc. (IDA)	Power	19.54	22.25	32.40	35.63	3.24
Piedmont Natural Gas Co. Inc. (PNY)	Gas utility	18.52	22.13	29.19	35.42	6.23
Black Hills Corp. (BKH)	Diversified	19.34	22.85	30.33	35.37	5.04
SCANA Corp. (SCG)	Diversified	21.22	25.27	31.59	35.19	3.60
Edison International (EIX)	Power	20.04	16.79	34.60	34.87	0.27
TECO Energy Inc. (TE)	Diversified	19.17	20.81	31.78	34.43	2.65
Portland General Electric Co. (POR)	Power	14.89	16.89	32.27	34.01	1.73
American Electric Power Co. Inc. (AEP)	Power	19.58	19.52	32.78	33.98	1.20
El Paso Electric Co. (EE)	Power	16.69	16.36	33.01	33.92	0.91

Utility type indicates the type of retail energy distribution service provided by the company or its subsidiaries. Companies marked as "power" are only engaged in electric distribution. "Gas utility" indicates that only gas distribution service is provided, and "diversified" indicates that the company is engaged in both electric and gas distribution.
Quarters represent calendar year periods.
As of May 17, 2016.
Source: SNL Energy, a part of S&P Global Market Intelligence

Among the largest year-over-year increases, PPL's recurring EBITDA margin rose nearly 9.70% to 48.92%, followed by Dominion Resources, which saw its recurring EBITDA margin rise 7.86% year-over-year to 45.91%.

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NextEra Energy Inc.'s recurring EBITDA margin made just over 48% of recurring revenues at the end of the first quarter of 2016, followed by Southern Co., Duke Energy Corp. and Public Service Enterprise Group Inc.

SNL Energy is an offering of S&P Global Market Intelligence, which is owned by S&P Global Inc.

Ian Campbell contributed to this article.

SNL DATA DISPATCH

Wednesday, August 31, 2016 9:20 AM ET Exclusive

Dominion target Questar again most profitable utility by recurring EBITDA margin

By Sheharyar Khan

Only a handful of power companies made it to the list of top 25 profitable U.S. utilities by recurring EBITDA margin by the end of the 2016 second quarter, though the usual names dominated the top three positions.

Questar Corp. continues to be the most profitable utility with a recurring EBITDA margin of 54.16% of recurring revenues.

The gas utility, which is the process of being acquired by Dominion Resources Inc., saw its adjusted EBITDA narrow year over year in the second quarter to $126.5 million from $130.1 million in the comparable quarter of 2015. The company's revenues decreased to $174.1 million from $199.3 million in the first three months of 2015 due to lower sales volume and prices.

PPL Corp., which booked $1.78 billion in second-quarter 2016 operating revenues, was the second-most profitable utility with a recurring EBITDA margin of 53.62% of recurring revenues. PPL also saw the largest year-over-year increase in its recurring EBITDA margin at a little over 9.5 percentage points.

Algonquin Power & Utilities Corp.'s recurring EBITDA margin was also up more than nine percentage points year over year to 39.08% of recurring revenues.

National Fuel Gas Co.'s recurring EBITDA margin made up 53.35% of recurring revenues. The company's operating revenues for the fiscal quarter ended June 30 were down slightly year over year to $335.6 million from $339.8 million in the comparable year-ago quarter.

TransCanada Corp., which did not make the list in the first quarter, was not far behind National Fuel Gas, with a recurring EBITDA margin of 53.1% of recurring revenues.

Four companies among the most profitable utilities saw their recurring EBITDA margin decrease year over year. Public Service Enterprise Group Inc. saw the largest drop among most-profitable utilities, at 4.17 percentage points to 39.8% of recurring revenues, while OGE Energy Corp. saw a 2.92 percentage point drop to 36.4% of revenues, data showed.

Most profitable US utilities by recurring EBITDA margin

Company (ticker)	Utility type	Q2'15 LTM operating margin (%)	Q2'16 LTM operating margin (%)	Q2'15 LTM recurring EBITDA margin (%)	Q2'16 LTM recurring EBITDA margin (%)	Year-over-year change (pct. points)
Questar Corp. (STR)	Gas Utility	34.56	33.62	54.73	54.16	-0.57
PPL Corp. (PPL)	Diversified	31.66	38.25	44.08	53.62	9.54
National Fuel Gas Co. (NFG)	Gas Utility	28.84	34.79	49.37	53.35	3.99
TransCanada Corp. (TRP)	Gas Utility	33.00	33.51	52.13	53.10	0.97
NextEra Energy Inc. (NEE)	Power	28.08	28.67	46.84	49.75	2.91
Dominion Resources Inc. (D)	Diversified	26.86	30.12	41.60	46.51	4.91
Southern Co. (SO)	Diversified	24.69	27.66	38.07	42.66	4.59
Duke Energy Corp. (DUK)	Diversified	23.23	25.06	39.29	42.18	2.89
Westar Energy Inc. (WR)	Power	24.31	26.70	37.43	41.12	3.69
Great Plains Energy Inc. (GXP)	Power	20.96	23.86	36.55	40.14	3.59
Pinnacle West Capital Corp. (PNW)	Power	22.58	23.73	37.99	40.09	2.10
Public Service Enterprise Group Inc. (PEG)	Diversified	29.26	26.56	43.97	39.80	-4.17
Cleco Corporate Holdings LLC	Power	24.42	23.36	36.35	39.08	2.74
Algonquin Power & Utilities Corp. (AQN)	Diversified	15.48	20.37	29.89	39.08	9.19
PNM Resources Inc. (PNM)	Power	21.05	19.95	36.75	38.39	1.64
Emera Inc. (EMA)	Diversified	20.06	19.69	35.63	38.33	2.71
Empire District Electric Co. (EDE)	Diversified	20.15	23.94	34.82	38.01	3.19
Ameren Corp. (AEE)	Diversified	19.66	21.84	33.88	37.14	3.26
Piedmont Natural Gas Co. Inc. (PNY)	Gas Utility	19.61	22.91	30.95	37.12	6.17
OGE Energy Corp. (OGE)	Diversified	22.36	21.45	39.32	36.40	-2.92
SCANA Corp. (SCG)	Diversified	22.81	25.77	32.68	35.85	3.17
Fortis Inc. (FTS)	Diversified	19.55	21.65	33.04	35.81	2.77
IDACORP Inc. (IDA)	Power	20.36	21.90	33.29	35.55	2.26
Black Hills Corp. (BKH)	Diversified	20.10	22.78	31.45	35.39	3.95
Entergy Corp. (ETR)	Diversified	16.01	15.40	35.25	34.97	-0.28

As of August 22,2016.
Utility type indicates the type of retail energy distribution service provided by the company or its subsidiaries. Companies marked as "Power" are only engaged in electric distribution. "Gas Utility" indicates that only gas distribution service is provided, and "Diversified" indicates that the company is engaged in both electric and gas distribution.
Source: SNL Energy, an offering of S&P Global Market Intelligence

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KCPL
Case No. ER-2016-0285
Electric Rate Comparison - Total Retail Rates
Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2016 publication for Total Retail Average Rates:

MISSOURI RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	**9.34**	**8.89**	**8.78**	**8.23**	**8.01**	**7.69**	**6.88**	**6.51**	**6.14**	**5.66**	**5.65**
GMO - MPS	9.93	9.56	9.51	9.48	9.31	9.09	8.36	7.79	7.33	6.85	6.45
GMO-L&P	9.35	9.14	9.10	8.49	7.34	6.75	6.34	5.93	5.63	5.30	5.20
Ameren Missouri	8.53	8.02	8.12	7.36	7.16	6.48	5.95	5.43	5.46	5.43	5.49
Empire- Missouri	11.09	11.00	10.65	10.35	10.07	8.96	8.45	8.18	8.03	7.33	7.09
Missouri Average	**9.01**	**8.56**	**8.58**	**7.96**	**7.72**	**7.11**	**6.55**	**6.04**	**5.93**	**5.74**	**5.71**

KANSAS RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	10.99	10.40	10.42	9.87	9.43	8.57	8.06	7.46	6.73	6.35	6.32
Empire - Kansas	10.76	10.39	10.15	10.48	10.11	9.25	8.41	8.69	8.61	8.06	6.54
Westar Energy - KGE	9.43	9.54	8.87	8.42	7.90	7.46	7.13	6.32	5.73	6.04	6.03
Westar Energy - KPL	10.06	10.17	9.42	8.99	8.28	8.15	7.82	6.92	6.06	6.25	5.58
Kansas Average	10.06	9.99	9.46	9.00	8.43	8.00	7.62	6.84	6.12	6.35	6.14

REGIONAL RETAIL AVERAGE RATES—CENTS PER KWH

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	8.95	8.7	8.56	8.06	7.82	7.53	7.14	6.81	6.51	6.38	6.17
United States Average	10.71	10.73	10.37	10.09	10.09	9.97	9.83	9.77	9.2	8.89	8.22

Source: EEI Winter 2010 Report, page 180 provided Data Request 380- ER-2010-0355
EEI Winter 2012 Report, page 180 provided Data Request 241- ER-2012-0174
EEI Winter 2014 Report, page 179; EEI Winter 2015 Report, page 178;
EEI Winter 2016 Report, page 178

KCPL
Case No. ER-2016-0285
Electric Rate Comparison - Residential Rates
Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2016 publication for Total Retail Average Rates:

MISSOURI RESIDENTIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	**11.63**	**10.99**	**10.82**	**10.30**	**9.90**	**9.53**	**8.51**	**8.14**	**7.61**	**6.90**	**6.88**
GMO - MPS	11.78	11.20	11.17	11.21	10.81	10.52	9.67	9.10	8.64	8.08	7.45
GMO-L&P	11.23	10.80	10.81	10.24	8.64	7.97	7.43	7.03	6.78	6.31	5.97
Ameren Missouri	10.89	9.97	10.11	9.30	8.80	7.82	7.03	6.53	6.60	6.60	6.52
Empire- Missouri	12.65	12.27	11.90	11.74	11.22	9.95	9.75	9.19	9.10	8.35	7.98
Missouri Average	**11.25**	**10.47**	**10.50**	**9.89**	**9.39**	**8.54**	**7.77**	**7.27**	**7.18**	**6.96**	**6.77**

KANSAS RESIDENTIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	12.30	11.58	11.57	11.09	10.58	9.67	9.07	8.43	7.43	6.92	6.88
Empire - Kansas	11.40	10.94	10.72	11.03	10.53	9.65	8.97	9.26	9.20	8.69	7.11
Westar Energy - KGE	12.04	12.04	11.16	10.68	9.92	9.46	8.84	7.84	7.29	7.72	7.74
Westar Energy - KPL	12.11	12.08	11.18	10.70	9.93	9.55	9.17	8.07	7.16	7.36	6.69
Kansas Average	12.13	11.90	11.29	10.81	10.12	9.56	9.03	8.12	7.31	7.51	7.27

REGIONAL RESIDENTIAL AVERAGE RATES—CENTS PER KWH

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	11.54	11.01	10.82	10.35	9.91	9.40	8.79	8.37	8.13	7.99	7.70
United States Average	12.95	12.71	12.43	12.20	12.07	12.01	11.72	11.53	10.95	10.62	9.60

Source: EEI Winter 2010 Report, page 212 provided Data Request 380- ER-2010-0355
EEI Winter 2012 Report, page 212 provided Data Request 241- ER-2012-0174
EEI Winter 2014 Report, page 212; EEI Winter 2015 Report, page 212
EEI Winter 2016 Report, page 212

KCPL
Case No. ER-2016-0285
Electric Rate Comparison - Commercial Rates
Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2016 publication for Total Retail Average Rates:

MISSOURI COMMERCIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	**8.96**	**8.51**	**8.37**	**7.79**	**7.62**	**7.31**	**6.56**	**6.22**	**5.92**	**5.49**	**5.48**
GMO - MPS	8.94	8.63	8.57	8.49	8.45	8.25	7.62	7.08	6.59	6.16	5.94
GMO-L&P	9.39	9.21	9.12	8.46	7.36	6.69	6.26	5.86	5.51	5.26	5.37
Ameren Missouri	8.12	7.72	7.81	7.02	6.92	6.29	5.71	5.34	5.34	5.32	5.29
Empire- Missouri	10.91	10.93	10.58	10.25	9.94	8.82	8.60	8.13	7.96	7.32	7.08
Missouri Average	**8.57**	**8.21**	**8.20**	**7.55**	**7.40**	**6.85**	**6.26**	**5.87**	**5.74**	**5.56**	**5.50**

KANSAS COMMERCIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	9.91	9.40	9.44	8.93	8.38	7.57	7.20	6.62	6.13	5.90	5.87
Empire - Kansas	11.84	11.44	11.18	11.59	11.21	10.27	9.48	9.62	9.61	9.19	7.64
Westar Energy - KGE	9.51	9.73	8.95	8.46	7.97	7.57	7.31	6.66	6.03	6.38	6.29
Westar Energy - KPL	9.49	9.64	8.90	8.45	7.99	7.64	7.33	6.54	5.68	5.89	5.22
Kansas Average	9.63	9.60	9.08	8.61	8.12	7.61	7.30	6.61	5.93	6.24	5.96

REGIONAL COMMERCIAL AVERAGE RATES—CENTS PER KWH

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	9.01	8.80	8.60	8.07	7.83	7.50	7.01	6.75	6.51	6.38	6.17
United States Average	10.87	10.94	10.52	10.19	10.20	10.21	10.03	10.05	9.53	9.33	8.54

Source: EEI Winter 2010 Report, page 246 provided Data Request 380- ER-2010-0355
EEI Winter 2012 Report, page 244 provided Data Request 241- ER-2012-0174
EEI Winter 2014 Report, page 245; EEI Winter 2015 Report, page 244
EEI Winter 2016 Report, page 244

KCPL
Case No. ER-2016-0285
Electric Rate Comparison - Industrial Rates
Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2016 publication for Total Retail Average Rates

MISSOURI INDUSTRIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	**6.75**	**6.44**	**6.46**	**5.99**	**5.83**	**5.57**	**5.13**	**4.77**	**4.47**	**4.21**	**4.23**
GMO - MPS	6.61	6.47	6.40	6.27	6.28	6.26	5.82	5.34	4.89	4.58	4.49
GMO-L&P	7.11	6.98	6.96	6.47	5.61	5.16	4.96	4.60	4.26	3.98	3.97
Ameren Missouri	5.48	5.34	5.45	4.85	4.87	4.46	4.30	3.87	3.89	3.96	4.05
Empire- Missouri	8.27	8.33	8.07	7.72	7.72	6.89	6.60	6.19	6.08	5.51	5.41
Missouri Average	**5.99**	**5.83**	**5.88**	**5.35**	**5.30**	**4.90**	**4.73**	**4.26**	**4.18**	**4.14**	**4.61**

KANSAS INDUSTRIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	9.29	8.79	8.16	6.65	7.95	7.06	6.73	6.15	5.50	5.15	5.15
Empire - Kansas	8.49	8.20	7.92	8.25	8.26	7.42	7.01	6.97	6.94	6.32	5.02
Westar Energy - KGE	6.95	7.04	6.63	6.30	5.89	5.47	5.34	4.78	4.17	4.36	4.32
Westar Energy - KPL	7.84	8.02	7.45	7.14	6.84	6.50	6.31	5.62	4.83	5.01	4.40
Kansas Average	7.40	7.49	7.00	6.62	6.34	5.91	5.75	5.15	4.49	4.77	4.65

REGIONAL INDUSTRIAL AVERAGE RATES—CENTS PER KWH

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	6.30	6.20	6.10	5.68	5.62	5.48	5.38	5.21	4.83	4.76	4.52
United States Average	6.97	7.21	6.91	6.60	6.64	6.71	6.63	6.66	6.15	6.00	5.62

Source: EEI Winter 2010 Report, page 278 provided Data Request 380- ER-2010-0355
EEI Winter 2012 Report, page 276 provided Data Request 241- ER-2012-0174
EEI Winter 2014 Report, page 278; EEI Winter 2015 Report, page 276
EEI Winter 2016 Report, page 276