Exhibit No.:	
Issues:	*Bad Debt Expense, Other Benefits, Payroll, A&G Salaries*
Witness:	*Kimberly K. Bolin.*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*ER-2006-0314*
Date Testimony Prepared:	*October 6, 2006*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2006-0314

Jefferson City, Missouri
October 2006

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

NP

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Begin the Implementation of Its Regulatory Plan.	))))	Case No. ER-2006-0314

AFFIDAVIT OF KIMBERLY K. BOLIN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Kimberly K. Bolin, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 20 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Kimberly K. Bolin

Kimberly K. Bolin

Subscribed and sworn to before me this 5 day of October 2006.

Ashley M. Harrison

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06898978

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SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2006-0314

Q. Please state your name and business address.

A. Kimberly K. Bolin, 200 Madison Street, Suite 440, Jefferson City, MO 65102.

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

A. I am employed by the Missouri Public Service Commission as a Utility Regulatory Auditor III.

Q. Are you the same Kimberly K. Bolin who has filed direct testimony in this case?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to address bad debt expense, other employee benefits, payroll and Administrative and General (A&G) salaries capitalization ratio, all addressed in Kansas City Power and Light (KCPL) witness Lori Wright's rebuttal testimony.

EXECUTIVE SUMMARY

Q. Please provide a brief summary of your surrebuttal testimony.

A. My surrebuttal testimony addresses KCPL witness Wright's rebuttal testimony in regards to the issues of uncollectibles (bad debt) expense, other employee benefits, payroll and A&G salaries capitalization ratio.

Q. Have you agreed with the Company on how uncollectible (bad debt) expense should be calculated?

A. Yes, I have. The Company and Staff have agreed to calculate the net write-off percentage that will be applied to Missouri jurisdictional revenue by using Missouri only information for bad debt expense. The net write-off percentage is calculated by dividing the actual write-offs by Missouri jurisdictional revenues excluding gross receipts taxes. The net write-off percentage is .61%.

Q. Please explain the differences between Staff's and Company's position regarding other employee benefits.

A. Staff updated other employee benefits as of June 30, 2006. As part of the true-up, Staff will be updating the other employee benefits by using the actual costs for the 12 months ending September 30, 2006. The Company is recommending using actual nine months costs (January through September 2006) and projected three months data. Staff is opposed to using costs that are projected because they are not known and measurable.

Q. Have you agreed to use the September 30, 2006, percentage of GPE payroll to KPCL as of September 30, 2006?

A. Yes. I will use the September 30, 2006, percentage of GPE payroll in Staff's true-up filing.

Q. Please explain the difference between Staff and Company's payroll expense ratios.

A. The Company and the Staff disagree as to the allocation of annualized payroll costs between expense and construction activity. During the settlement conference, the Company informed Staff that FERC Form 1 payroll distribution for 2005, which Staff used to calculate its payroll expense ratio was incorrect. Correction of the error in the FERC Form 1 payroll distribution has resulted in a change in the payroll expense ratio for both the Company and KCPL. KCPL's expense ratio reflected in its June 30 updated cost of service was 80.67%. In her rebuttal testimony, KCPL witness Lori Wright proposes an expense ratio of 78.35%. The Staff's revised expense ratio is 76.47% after correcting for the error in KCPL's 2005 FERC Form 1 report.

There are two reasons why Staff considers KCPL's proposed expense ratio to be too high:

1) KCPL's FERC Form 1 payroll distribution includes both salaries and wages and incentive compensation. KCPL has had a consistent policy of charging 100% of its incentive compensation cost to expense. The Staff considers incentive compensation to be part of total compensation which should be allocated to **both** construction and expense consistent with salaries and wages. KCPL's assumption that incentive compensation should be allocated 100% to expense has overstated the expense allocation ratio used to allocate KCPL's annualized payroll between expense and construction.

2) The information supplied in response to Staff discovery requests indicates that many upper level GPE and KCPL executive and management employees charged little or no time to construction activity in 2005. KCPL's use of the 2005 payroll distribution for allocating annualized payroll cost overstates the amount of payroll cost charged to expense in this case because it is based on a continuation of the assumption that KCPL's executive management should not be required to charge a reasonable level of their time to construction activity consistent with their admitted oversight responsibility for construction activity.

UNCOLLECTIBLE (BAD DEBT) EXPENSE

Q. Have you made any revisions to Staff's bad debt expense calculation that was presented in your direct testimony for this case?

A. Yes, I have. As described in my direct testimony, my initial approach was to remove test year Kansas bad debt costs from Account 904, Uncollectible Expenses, and then apply a four year average total Company (including Kansas) net write-off ratio to Staff's annualized Missouri revenues in this case. During the settlement conference, the Company expressed a concern that my approach was not capturing all of the bad debt expense created by Missouri customers. I agreed to revise my bad debt write-off ratio so the ratio would be based upon Missouri only information.

Q. On page 11, of KCPL witness Wright's rebuttal testimony, she states: "KCPL recommends, and has reached agreement with Ms. Bolin, excluding the $39,468,543 of gross receipts tax from Missouri jurisdictional revenue in determining the bad debt percentage to be applied to the revenue requirement determined in this case." Has this issue involving gross receipts taxes been resolved?

A. Yes, it has. During the settlement conference the Company provided Missouri only bad debt information and Missouri only retail revenues (with gross receipts taxes included). I then recalculated the net write-off ratio based upon this information. After I forwarded my revised calculation to the Company, the Company informed me on September 6, 2006, that the Missouri gross receipts taxes were erroneously included in the Missouri only revenue amounts. Based upon this information, I made an appropriate correction to my calculation to arrive at a bad debt expense ratio of .61%.

OTHER BENEFITS

Q. On page 24, of KCPL witness Wright's rebuttal testimony, she indicates that "Staff made no adjustment for other miscellaneous benefits included in the test period such as educational assistance or physical examinations." Does Staff's cost of service include amounts for these types of miscellaneous benefits?

A. Yes.

Q. Please explain.

A. In Staff's direct filing, Staff believed the test year amounts were representative of future costs that may be incurred by the Company for several of the categories of miscellaneous benefits. However, Staff did propose an adjustment related to insurance costs. Due to an increasing trend in insurance costs, the Staff adjusted employee benefits related to insurance, such as medical, dental, vision, group life and long-term disability to capture the most current costs for these benefits.

Q. Since the filing of KCPL's rebuttal testimony, have you revised Staff's other employee benefits to include adjustments to the other miscellaneous benefits besides insurance costs?

A. Yes, I have. Attached as Schedule 1, is my revised other employee benefits worksheet. For my revision of the other employee benefits, I adjusted all of the other employee benefits listed in KCPL's workpapers to reflect the most current costs for these items as of the end of the test year update period, June 30, 2006.

Q. Did you make any corrections to the other employee benefits calculation reflected in Staff' direct testimony?

A. Yes. In Staff's direct filing, I did not reduce my adjustments to reflect joint partners billing and costs allocated to construction. My revised other employee benefits adjustments corrects for these omissions.

Q. On page 24, of KCPL's witness Wright's rebuttal testimony, lines 2-4, she states: "KCPL is recommending the use of six months actual through June 30, 2006, and six month projected through December 31, 2006, for other benefit costs, to be updated September 30, 2006, which more accurately reflects ongoing health care related costs." By proposing the use of a projected costs, is the Company proposing an "out of period" adjustment?

A. Yes, by using projected figures the Company is inconsistent with the agreed upon test year and true-up provisions that were included in the Stipulation and Agreement for the Company's Regulatory Plan in Case No. E0-2005-0329. On page 30, of the Stipulation and Agreement, it states:

> Rate schedules with an effective date of January 1, 2007 will be filed with the Commission on February 1, 2006. The test year will be based upon a historic test year ending December 31, 2005, (initially filed with nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of June 30, 2006, and with a true-up through September 30, 2006. On or about October 21, 2006, KCPL will file in a true-up proceeding a reconciliation as of September 30, 2006. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll related benefits, plant-in-service, property taxes, depreciation and other items typically included in the true-up proceedings before the Commission.

The other employee benefit costs for the three months ending December 31, 2006, will not be known and measurable, and subject to audit, in the scope of this proceeding. Any other employee benefit costs incurred after September 30, 2006, will be reflected in the Company's next rate case filing.

Q. In the true-up proceeding, will the Staff's cost of service include other employee benefits updated through September 30, 2006?

A. Yes, it will.

PAYROLL – ALLOCATION FACTOR FOR GPE EMPLOYEES TO KCPL

Q. On pages 19 and 20, of KCPL witness Wright's Rebuttal testimony, she states:

> Ms. Bolin used the average of payroll billings from GPES to KCPL of 66.57% for the period from August 2005 to December 2005. Since the Company completed a reorganization of employees effective August 1, 2005, resulting in approximately 80% of GPES's employees being transferred to KCPL, I agree with Staff that billings prior to August 2005 should not be used in the payroll annualization as the percentage of billings to KCPL prior to August 2005 would not be reflective of billing post reorganization. Considering the reorganization; however, results in the Staff using only five months of billings to determine the normalized billing percentage of 66.47% used in their case. I believe that the percentage of payroll billings should be trued up to September 30, 2006, consistent with the update of employees on the Company's payroll. Payroll billings from GPES to KCPL should be normalized using the billings during the period August 2005 through September 2006.

Is Staff agreeable to using the September 30, 2006, percentage of GPES billings in Staff's true-up filing?

A. Yes. In Staff's true-up filing, Staff will use the GPES billing percentage to KCPL as of the true-up date of September 30, 2006, to determine the GPES allocation of payroll costs to KCPL.

A&G SALARIES CAPITALIZATION RATIO

Q. Has the Staff revised it payroll expense ratio from what was proposed in Staff's direct filing?

A. Yes. During the settlement conference, the Company informed Staff that the 2005 payroll cost distribution included in the Company's FERC Form 1 was incorrect. KCPL provided Staff correcting information and Staff has made the corresponding corrections to its analysis and has arrived at a new payroll expense ratio of 76.47%.

Q. Have you examined the payroll expense ratio for other Missouri electric utilities to determine the reasonableness of Staff's recommended payroll expense ratio of 76.47% for KCPL?

A. Yes. I examined Aquila, Inc. (Aquila) and The Empire District Electric Company's (Empire's) 2005 FERC Form 1 reports that were filed with the Commission. Listed below are the findings:

		Aquila	**Empire District Electric Company**
Charged or Cleared to Electric O&M	(a)	$48,213,203	$31,635,922
Actual Total Labor	(b)	$63,087,400	$42,325,074
Payroll expense ratio	(a/b)	76.42%	74.75%

Q. Does the 76.47% payroll expense ratio Staff is recommending for KCPL compare favorably to the 2005 payroll expense ratio for Aquila and Empire?

A. Yes, Staff's recommended payroll expense ratio for compares favorably with those or two of its neighboring regulated electric utility companies.

Q. Why is the Company's payroll to expense ratio significantly higher than what Staff considers reasonable?

A. There are two reasons the Company's payroll expense ratio is higher than what the Staff considers reasonable for KCPL. The first reason is that the Company does not allocate any incentive compensation to construction. Incentive compensation is a part of each employee's total compensation, thus it should be allocated to expense and construction accounts in the same fashion as the base payroll component of total compensation. The 2005 FERC Form 1 payroll distribution used by KCPL to determine its payroll expense ratio includes incentive compensation which was charged 100% to expense. By using a 2005 payroll distribution which includes incentive compensation allocated 100% to expense, the payroll expense ratio is overstated, resulting in an overstatement in the amount of KCPL's annualized payroll cost allocated to expense.

The second reason the Staff considers the Company's payroll expense ratio to be unreasonably high is that KCPL's responses to Staff's Data Requests indicate that many of KCPL's executive and management personnel charged little or no time to construction activity in 2005.

Q. On page 21, of her rebuttal testimony, KCPL witness Wright criticizes the Staff for considering only A&G amounts to construction based on a time study conducted by KCPL. How do you respond?

A. The Staff requested that KCPL identify the amount of A&G labor charged to construction in Data Request No. 337. KCPL's response included the following statement: "However, the total amount of A&G costs capitalized related to labor is shown below." The amount of A&G labor charged to construction for 2005 was shown to be $1,565,745 which resulted in a percentage of 4.42%. It was not until after the Staff filed its direct testimony that KCPL informed the Staff that it had provided an incomplete response to Data Request

No. 337. Subsequent to Staff's direct filing, KCPL informed the Staff that the response to Staff Data Request No. 337 included only the indirect allocation of A&G labor to construction and did not include the direct assignment of time by A&G employees to construction activity. The indirect allocation percentage of A&G payroll to construction, 4.42% is based upon a time study provided by a small number of KCPL departments.

Q. Did KCPL provide a corrected response to Data Request No. 337?

A. No. Data Request No. 337 clearly requested **all** A&G labor charged to construction. To date, KCPL has not provided an updated response to Data Request No. 337 which reflects the total amount of A&G labor charged to construction in 2005. In fact, witness Wright admits on page 21, lines 13-15, of her rebuttal testimony that "…it is impossible to assess time directly charged to construction related to the A&G salaries that otherwise would have been included in FERC Account 920…." At a minimum, KCPL had an obligation to provide a corrected response to Data Request No. 337 indicating that the response provided only the indirect assignment of A&G labor to construction based upon on a time study of a small number of KCPL departments. Not until after the Staff filed its direct testimony did KCPL make any attempt to "estimate" how much time A&G employees directly assigned to construction activity in 2005. In addition this "estimate" was not provided to Staff until KCPL filed its Rebuttal testimony.

Q. Do the Data Requests used by the Staff include specific language which informs KCPL it is obligated to inform the Staff of any material change in the response?

A. Yes. The language included with all Data Requests includes the following:

> The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. **The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-2006-0314 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information**. (Emphasis added)

This language is used so the Staff can rely on the information provided in the Data Requests. If the information provided is not correct, the Staff cannot perform its analysis correctly.

Q. On page 21, lines 1 through 5, of her rebuttal testimony KCPL witness Wright states:

> KCPL has two methods to capitalizes (sic) A&G salaries. First, KCPL conducts an annual survey to determine the percentage of time that should be allocated to construction. The survey conducted in 2005 concluded that KCPL should capitalize 4.42% of A&G salaries. Second, individuals directly charge their time to construction projects.

Has KCPL provided Staff with a complete analysis of the A&G labor which was directly assigned to construction by A&G employees?

A. No. In fact on page 21, lines 13-15, of her rebuttal testimony, witness Wright indicates that KCPL cannot provide the total amount of A&G labor charged to construction activity:

> However, it is impossible to assess time directly charged to construction related to the A&G salaries that otherwise would have been included in FERC account 920 that the Staff is attempting in its case to analyze separately.

Q. What is Staff's response to this statement?

A. KCPL's statement causes Staff considerable concern. As mentioned previously, KCPL's response to other Staff Data Requests indicates that many of the GPE and

KCPL executive and management employees, whose time is charged primarily to Account 920, Administrative and General Salaries, charged **little** or **no** time to construction activity in 2005. As stated previously, this is one of the two reasons why Staff believes that KCPL's recommended payroll expense ratio is unreasonably high.

Q. Has the Staff performed any analysis to evaluate the time charged to construction by GPE and KCPL executive management employees having oversight responsibility for construction activity?

A. Yes. In response to Staff Data Request No. 252.1, attached as Schedule 2, the Company provided a list of 19 executive management employees who have oversight responsibility for construction activity. By using data provided in response to Staff Data Request No. 263, Staff was able to determine that only 4.09% of the payroll for 19 executive management employees, identified in response to Data Request No. 252.1, was directly assigned to construction activity. Attached as Schedule 3, is the analysis which provides the name and job description for the GPE and KCPL employees identified by KCPL as having oversight responsibility for construction activity in response to Staff Data Request No. 252.1.

Q. Please summarize the results of Schedule 3.

A. The combined salaries for these 19 executive management employees are shown on line number 22, on Schedule 3 to be $5,622,925. Combined, these 19 executive management employees directly assigned $230,170, or 4.09% of their total salaries, to construction activity in 2005 as reflected on line number 23.

Q. Does Schedule 3 include employees which are clearly in job positions tied directly to construction activity?

A. Yes. Schedule 3, lines 18-21, reflects four employees whose job description is clearly tied to construction activity. These employees clearly charge a significant amount of their time to construction activity. It is the percentage of labor costs assigned to construction for the remaining 15 executive management employees that is at issue.

Q. Referring again to Schedule 3, what percent of the labor for the remaining 15 executive management employees was charged to construction?

A. Line number 17 reflects that the remaining 15 executive employees, identified in response to Staff Data Request No. 252.1, charged **less than 1%** of their time to construction activity in 2005. This is of considerable concern given that these 15 employees have been identified by KCPL as having "oversight responsibility" for construction activity. It is Staff's view that KCPL's recommended payroll expense ratio is overstated because numerous A&G employees assign little or no time to construction activity, and additionally because the payroll expense ratio assumes that 100% of incentive compensation should be charged to expense.

Q. Are there other A&G management employees, not identified by KCPL in response to Staff Data Request No. 252.1 that did not directly assign any of their time to construction activity in 2005?

A. Yes. The response to Staff Data Request No. 263 identified the following additional management employees that did **not** directly assign **any** of their time to construction activity in 2005.

9095 – Chief Executive Officer - KCPL

9362 – VP Transmission Services

3388 - Senior VP Finance – Chief Financial Officer

6179 – Director – Corporate Finance

3292 – Director – Audit Services

7063 – Director – Regulatory Affairs

7803- Manager- Corporate Finance

6918- Manager – Environmental Services

1737 – Manager - Accounting Systems and Support

2038 – Manager – Financial Planning

3373-Manager- Corporate Budgets

2553 – Manager – Treasury Management

7790-Manager – Corporate Accounting

Q. Witness Wright states on page 22 of her rebuttal that:

> As previously mentioned, it would be impossible given the Company's use of FERC Account 920 to completely separate A&G salaries between those actually charged to FERC Account 920 and those direct charged to capital accounts to determine an appropriate expense versus capital percentage; however, KCPL performed an analysis on the 2005 test year to determine the percentage of KCPL A&G time directly charged to construction.

Has the Staff reviewed this study?

A. Staff has been provided a spreadsheet summary of the results of the study. This summary does not identify the specific A&G employees or their job titles which were included in the study. Staff did not receive this study until the Company filed its rebuttal testimony. After reviewing the spreadsheet summarizing the study results, the Staff is concerned that the study does not include GPE employees allocated to KCPL whose time would be charged Account 920 – A&G Salaries. Staff has issued a Data Request requesting information concerning the GPE employees who are primarily A&G employees and all KCPL employees who charged at least 80% of their time to Account 920 in 2005. Ms. Wright's analysis only addresses $10,014,112 of the total $35,416,473 of A&G labor for 2005. The analysis requested by Staff should reflect a higher share of the $35,416,473 of total A&G labor costs for 2005.

Q. What percentage of A&G payroll is witness Wright suggesting was directly assigned to construction activity in 2005?

A. Ms. Wright is suggesting that A&G employees directly assigned 15.32% of their time to construction in 2005.

Q. Does this result appear to be correct based upon the response to Staff discovery previously discussed?

A. No. As previously discussed, KCPL has identified numerous executive and management employees who assigned **little** or **none** of their time to construction activity in 2005. Based upon the response to Data Request Nos. 252.1 and 263, it is unlikely that A&G employees, whose time was charged primarily to Account 920, directly assigned 15.32% of their time to construction activity.

Q. Does the Staff have additional concerns regarding the calculation of the 15.32% result?

A. Yes. The summary spreadsheet of the study provided to the Staff reflects a total payroll of $22.9 million for 500 KCPL employees. Included in the $22.9 million total was $10 million charged to Account 920 – A&G Salaries and $1.8 million charged to Account 107 – Construction Work in Progress. It would appear that the $1.8 million charged to construction in Account 107 represents the amount of the $22.9 million total payroll that was charged to construction resulting in a 7.9% allocation to construction for the 500 employees in the study. However, witness Wright has assumed that the entire $1.8 million in labor charged to construction relates **only** to the $10 million in labor charged to Account 920 – A&G Salaries, resulting in a 15.32% result. Since this study was not provided to Staff prior to the filing of KCPL's rebuttal testimony, Staff has had to issue three additional Data Requests in an attempt to determine which A&G employees were included in the study and, more importantly, which GPE and/or KCPL A&G employees were **excluded** from the study since the study considered only $10 million of the $35 million in labor charged to Account 920 in 2005. In addition, given witness Wright's statement on page 21, lines 13-15, of her rebuttal testimony that "…it is impossible to assess time directly charged to construction related to the **A&G salaries** that otherwise would have been included in FERC Account 920 that the Staff is attempting in this case to analyze separately," Staff is perplexed as to how the study, supported by witness Wright in her rebuttal testimony, identifies $1.8 million in labor charged to construction (that is assumed in her calculation) to relate **only** to A&G salaries charged to Account 920.

Q. Have you reviewed the survey KCPL witness Wright refers to in her rebuttal testimony on page 21, lines 3 and 4, which supports the 4.42% used in 2005 for indirect assignment of A&G labor to construction?

A. Yes, I have. The survey was provided to Staff via Data Request No. 345. The survey was based upon employees from **select** departments who charged over 125 hours to Account 920 from August 2004 to August 2005. The **selected** employees completed the survey by providing an estimation of A&G time which was related to construction activities but not directly charged to construction for the **week** of September 7-13, 2005.

Q. How many of the GPE and KCPL senior management employees identified by KCPL as having oversight responsibility for construction activity in response to Data Request

No. 252.1, were included in the A&G study used to determine an allocation percent for the indirect assignment of A&G salaries to construction?

A. Only two of the executive management employees identified in response to Data Request No. 252.1 were included in the A&G study. Mr. John Grimwade – Sr. Director of Construction and Mr. William Riggins – VP Legal & Environmental were the only executive management employees out of the 19 employees KCPL identified specifically as responsible for construction activity.

Q. Does the lack of GPE and KCPL executive management employees included in KCPL's indirect allocation study cause concern regarding the result?

A. Yes. Excluding executive management employees from such a study would support what appears to be KCPL's policy that little or no payroll for executive management level employees should be charged to construction activity.

Q. Is the overall result of indirect A&G study, provided in response to Data Request No. 345, consistent with the percentage of A&G salaries that KCPL indirectly allocated to construction in 2005?

A. No, it is not. In response to Data Request Nos. 337 and 349, KCPL indicated that the percentage of A&G labor indirectly assigned to construction in 2005 was 4.42%. However, the overall result of the A&G study provided in response to Data Request No. 345 reflects an 18.75% allocation to construction. Staff is at a loss as to how the results of the indirect A&G allocation study could vary so significantly from the actual result of 4.42% for 2005.

Q. On page 22, of witness Wright's rebuttal, she states:

> In the 2005 test year, KCPL had not yet fully initiated the construction projects under the Comprehensive Energy Plan. The amount of A&G capitalized should be expected to increase modestly in years 2006-2010 as KCPL begins construction on the projects identified in the Comprehensive Energy Plan.

Is this statement consistent with information Staff received from the Company in response to Staff Data Request No. 260?

A. No. In response to Staff Data Request No. 260, the Company provided KCPL's ratio of budgeted payroll charged to expense to total budgeted payroll for the years 2006 through 2010. The response contradicts witness Wright's statement that the amount of A&G labor capitalized should be expected to **increase** modestly from 2006-2010. The budgeted data for 2006-2010 provided in response to Data Request No. 260 shows the opposite result. The level of KCPL's labor charged to construction is expected to **decrease** every year between now and 2010:

		2006	**2007**	**2008**	**2009**	**2010**
Charged or Cleared to Electric O&M	(a)	152,668,342	157,286,420	164,993,736	175,070,712	182,626,439
Actual Total Labor	(b)	185,613,446	188,146,264	194,926,790	206,118,639	213,514,813
Payroll Expense Ratio	(a/b)	82.25%	83.60%	84.64%	84.94%	85.53%

Q. Would it be reasonable to expect the percentage of payroll charged to construction to decrease for KCPL over the next five years?

A. No. KCPL is in what would be described as a "major construction phase." KPCL has several large construction projects planned between now and 2010, one being the completion of the Iatan 2 plant in the year 2010. With all of the planned construction KPCL has committed to doing, the percentage of payroll charged to construction should increase since a significant amount of time will be spent on the oversight of these construction projects.

Q. KCPL witness Wright states on page 23, of her rebuttal testimony that "The 78.35% proposed by KPCL is more reflective of the construction activity ongoing for the annualization of payroll costs considered for the test year." Is this 78.35% payroll expense ratio recommendation a significant change from the payroll expense ratio reflected in KCPL's June 30 updated payroll adjustment?

A. Yes. KCPL's updated June 30 payroll adjustment reflected a payroll expense ratio of 80.67%. KCPL cannot consistently recommend a 78.35% expense ratio for Staff without also using 78.35% in their payroll annualization adjustment. There is only one right answer that the Commission will decide as to what percentage of KCPL's annualized payroll should be charged to expense. Based upon witness Wright's rebuttal testimony, the Commission must decide whether the payroll expense ratio should be 78.35%, as recommended in the rebuttal testimony of KCPL witness Lori Wright, or the 76.47% recommended by Staff and supported in this surrebuttal testimony.

Q. Has KCPL provided an updated payroll annualization adjustment which reflects witness Wright's proposed payroll expense ratio of 78.35%?

A. No. However, the Staff has performed an analysis, which is attached as Schedule 4, which calculates the impact of KCPL's change in the payroll expense ratio from 80.67% to 78.35%. The impact of moving from a payroll expense ratio of 80.67 % to 78.35% is a $4,268,766 reduction in level of KCPL's annualized payroll cost charged to expense.

Q. Could Staff's payroll expense ratio of 76.47%, based upon 2005, be characterized as conservative when looking at the increase in the amount of construction the Company has committed to perform starting in 2006 and continuing through 2010 under KCPL's regulatory plan?

A Yes. During the test year (12 months ending December 31, 2005) the Company was in the planning phase for the numerous construction in the Company's regulatory plan. Significant construction activity began in 2006 with construction of the wind generation project and phase 1 of the LaCygne 1 environmental project. The construction of the Iatan 2 unit will be underway in 2007 and continue through 2010. Company employees will devote more time to the oversight of construction projects from 2006 and beyond than in 2005. It is a logical assumption that the Staff's payroll expense ratio based on 2005 is conservative (higher) than one which anticipated the significant increase in KCPL's construction activity.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

Staff's Revised Other Employee Beneifts

Account #	Description	Actual 2005	12 me 6/30/06	Adjustment	Jnt Partners 6.97%	Net of Jnt Partners	Construct 23.53%	WCNOC Const 10.30%	Adjustment
926002	Empl Bene - Education Assist	$ 316,522	$ 302,263	$ (14,259)	$ (994)	$ (13,265)	$ (3,121)		$ (10,144)
926003	Emp Ben - Recreational Activ	$ 64,163	$ 60,016	$ (4,147)	$ (289)	$ (3,858)	$ (908)		$ (2,950)
926004	Cost of Misc Emp Benefits	$ 394,840	$ 397,622	$ 2,782	$ 194	$ 2,588	$ 609		$ 1,979
926005	Emp Ben-Empl Assist Prgrms	$ 51,742	$ 64,143	$ 12,401	$ 864	$ 11,537	$ 2,715		$ 8,822
926011	Emp Ben-Survivor's Benefit	$ 75,097	$ 74,846	$ (251)	$ (17)	$ (234)	$ (55)		$ (179)
926015	Emp Ben-Comp Wide Empl Comm	$ 17,075	$ 25,282	$ 8,207	$ 572	$ 7,635	$ 1,797		$ 5,838
926016	Emp Ben-Physical Examinations	$ 205,617	$ 184,319	$ (21,298)	$ (1,484)	$ (19,814)	$ (4,662)		$ (15,151)
926050	Emp Ben- Capital Accum Plan	$ 910,145	$ 887,938	$ (22,207)	$ (1,548)	$ (20,659)	$ (4,861)		$ (15,798)
926060	Emp Ben - LTD Insurance	$ 599,554	$ 580,395	$ (19,159)	$ (1,335)	$ (17,824)	$ (4,194)		$ (13,630)
926061	Emp Ben - Dental Insurance	$ 827,843	$ 865,513	$ 37,670	$ 2,626	$ 35,044	$ 8,246		$ 26,798
926062	Emp Ben - Vision Insurance	$ 58,285	$ 61,635	$ 3,350	$ 233	$ 3,117	$ 733		$ 2,383
926100	Group Life & Accident Ins	$ 731,445	$ 739,686	$ 8,241	$ 574	$ 7,667	$ 1,804		$ 5,863
926300	Medical Coverage	$ 14,320,279	$ 14,590,709	$ 270,430	$ 18,849	$ 251,581	$ 59,197		$ 192,384
		$ 18,572,607	$ 18,834,367	$ 261,760		$ 243,515			$ 186,216
WCNOC accounts									
926019	Emp Ben-Misc Related To W/C	$ 907,923	$ 863,367	$ (44,556)				$ (4,589)	$ (39,967)
926040	Emp Ben-Lif Acc Hosp Costs-WC	$ 4,934,930	$ 5,176,036	$ 241,106				$ 24,834	$ 216,272
	WCNOC subtotal	$ 5,842,853	$ 6,039,403	$ 196,550					$ 176,305
Total Other Employee Benefits									$ 362,522

DATA REQUEST– Set MPSC_20060726
Case: ER-2006-0314
Date of Response: 08/09/2006
Information Provided By: Lori Wright
Requested by: Traxler Steve

Question No. : 0252.1
With respect to the Company's response to Data Request 252 requesting listing of Great Plains Energy, including its senior officers and senior management, Great Plains Energy Services and employees of KCPL including its senior officers and senior management who are working or will be working on the current construction projects at KCPL for Wind, environmental and Iatan 2 projects, the Company did not include Mr. Michael Chesser or Mr. William Downey as individuals who either have been involved with these construction projects or will be involved in these construction projects. 1a. Please indicate why these two Company senior officers will not be involved in any of the listed construction projects. b. To the extent that one or both of these senior officers will be involved in any of these construction projects, please indicate what that involvement will be. 2a. Are there any other officers or senior management of the Company that have been involved or will be involved in these construction projects but were not listed in the original response to Data Request 252? b. If so, please so identify.

Response:
The response to MPSC Data Request No. 0252 identified only those individuals most directly involved in construction. Each officer of the Company is involved in oversight of the construction projects in some capacity. For instance, the Sr. Strategy Team (Downey, Chesser, Curry, Marshall, and Easley) may review the construction progress during regular weekly meetings of the Strategy Team. Additionally, the Comprehensive Energy Plan Implementation Team (Downey, Easley, Giles, Bassham, Marshall, Cheatum, Cline, Deggendorf, Grimwade, Henriksen, Herdegen, Davis, Riggins, Tickles, Wright, Forristal, Duncan), meets each week to review progress of the construction, schedule, and any other matters related to the Comprehensive Energy Plan.

Attachments: None

SCHEDULE 3 HAS BEEN DEEMED HIGHLY CONFIDENTIAL IN ITS ENTIRETY

KCPL - Annualized Payroll & Expense Allocation - 6/30 workpaper 20, p 23

Line No.			KCPL	Wolf Creek	Total
1	Annualized Payroll	KCPL	135,489,532		135,489,532
2	Annualized Payroll	GPES	4,373,461		4,373,461
3	Less Payroll billed to Joint Partners		(9,276,730)		(9,276,730)
4	KCPL Overtime		17,373,430		17,373,430
5	Less KCPL Overtime billed to Joint Partners		(2,352,913)		(2,352,913)
6	GPES Overtime - KCPL Share		31,169		31,169
7	Annualized Wolf Creek Payroll - KCPL Share			34,788,256	34,788,256
8	Wolf Creek Overtime Payroll			3,495,330	3,495,330
9	Total Annualized Payroll		145,637,949	38,283,586	183,921,535
10	Expense Allocation Factor		78.45%	93.33%	
11	Annualized Payroll to O&M Expense - Before A&G Adj		114,252,971	35,731,035	149,984,006
12	A&G Labor Capitalized via Account 922		(1,612,717)		(1,612,717)
13	Final annualized Payroll to O&M Expense		112,640,254	35,731,035	148,371,289
14	Final Allocation Factor to Expense		77.34%	93.33%	**80.67%**
15	Final Allocation Factor to Construction		22.66%	6.67%	19.33%
16	Total Allocation		100.00%	100.00%	100.00%
17	Blended Expense Ratio Recommendation - Lorrie Wright Rebuttal				78.35%
18	Reduction in Expense Ratio from June 30 updated Payroll Adjustment				-2.32%
19	Reduction in KCPL's Annualized Payroll charged to Expense based upon Wright's Rebuttal				(4,268,766)

Source: KCPL Payroll Adjustment Wkp 20-05, page 6 of 23