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Witness: Curtis D. Blanc
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Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-____
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-____

DIRECT TESTIMONY

OF

CURTIS D. BLANC

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
June 2010

" [redacted] ****" Designates "Highly Confidential" Information Has Been Removed.**
Certain Schedules Attached To This Testimony Designated "(HC)" Have Been Removed Pursuant To 4 CSR 240-2.135.

DIRECT TESTIMONY

OF

CURTIS D. BLANC

Case No. ER-2010-____

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

2 A: My name is Curtis D. Blanc. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

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

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

7 **Q: What are your responsibilities?**

8 A: My responsibilities include oversight of the Company's Regulatory Affairs Department,
9 as well as all aspects of regulatory activities including cost of service, rate design,
10 revenue requirements, and tariff administration.

11 **Q: Please describe your experience and employment history.**

12 A: I received a Bachelor of Science degree from Washington University in St. Louis with
13 majors in Finance and Economics. I also received a *Juris Doctor* from the George
14 Washington University, National Law Center. Prior to coming to KCP&L, I worked as
15 an attorney in private practice first at Shook, Hardy & Bacon, LLP, then at Vinson &
16 Elkins, LLP, representing energy companies primarily before the Federal Energy
17 Regulatory Commission (the "FERC"). I came to KCP&L in 2005 as in-house regulatory
18 counsel and continued in that role until being promoted to my current position in July
19 2009.

1 **Q: Have you previously testified in a proceeding before the Missouri Public Service**
2 **Commission ("Commission" or "MPSC")?**
3 A: Yes. I testified before the Commission in Case No. EO-2010-0259 with respect to the
4 construction audit and prudence review of the Company's investment in air quality
5 control system ("AQCS") equipment at Iatan 1. Also, in my prior role as counsel for the
6 Company, I testified in a rulemaking proceeding before the Commission.
7 **Q: What is the purpose of your testimony?**
8 A: The purpose of my testimony is to provide an overview of the Company's proposed rate
9 increase, including a description of the major drivers in the case. I also summarize the
10 status of KCP&L's Regulatory Plan, which the Commission approved in Case No. EO-
11 2005-0329 ("Regulatory Plan"). In addition, I describe the Company's compliance with
12 the commitments it made in the Stipulation and Agreement that resolved its most recent
13 rate case in Case No. ER-2009-0089 ("0089 S&A"). I also discuss several important
14 issues in this case, such as the treatment of off-system sales margins, the timing of a new
15 coal transportation contract, as well as the Company's efforts to control its costs and
16 address the needs of its low-income customers.
17 **CASE OVERVIEW AND DRIVERS**
18 **Q: Please briefly summarize the Company's case.**
19 A: The Company is requesting an increase of $92.1 million or 13.78 percent, based on a
20 current Missouri jurisdictional base revenue requirement of $668.3 million, to be
21 reflected in rates effective May 4, 2011. The Company's case is based on a historical test
22 year that ended December 31, 2009. KCP&L anticipates an update based on June 30,
23 2010 financials and a true-up as of December 31, 2010. Accordingly, test year data was

1 annualized and normalized and reflects projected values for true-up items as of December
2 31, 2010.
3 The Company then allocated the resulting annualized and normalized amounts
4 among its FERC, Missouri, and Kansas jurisdictions. The allocation process is described
5 in the Direct Testimony of Company witness John Weisensee, with the allocation process
6 described in his Schedule JPW2010-4. Mr. Weisensee's Direct Testimony also supports
7 the cost of service and revenue requirement determination, which is included in his
8 Schedule JPW2010-1.
9 **Q: What are the major drivers underlying KCP&L's proposed rate increase?**
10 A: This case represents the fourth of four rate cases contemplated under the Regulatory Plan.
11 As contemplated in the Regulatory Plan, this case includes KCP&L's share of Iatan 2, an
12 850 MW super-critical, coal-fired generation facility that is expected to be fully
13 operational and used for service prior to the December 31, 2010 true-up date in this case.
14 I expect that Iatan 2 will be a cost effective, reliable source of base load generation for
15 the region for many years to come. Inclusion of Iatan 2 in rates is the primary driver for
16 this case.
17 KCP&L owns a 465 MW interest in Iatan 2, which equates to a 54.7% interest.
18 KCP&L's ownership share means that over the past several years the Company has spent
19 approximately $1 billion on Iatan 2. Because of the prohibition on construction work in
20 progress, none of those dollars are currently reflected in the Company's Missouri rates.
21 That reality emphasizes the need for rates reflecting Iatan 2 to go into effect as soon as
22 possible after the plant is in-service.

1 Another significant driver in the case related to the Regulatory Plan is the
2 Company's investment in AQCS equipment on Iatan 1. The Iatan 1 AQCS project
3 included the addition of a selective catalytic reduction ("SCR") system to reduce nitrous
4 oxide emissions, a flue gas desulphurization unit ("Scrubber") to reduce sulfur dioxide
5 emissions, and a pulse jet fabric filter ("Baghouse") to reduce particulate matter
6 emissions. The project was completed in February 2009 and deemed to be fully
7 operational and used for service in April 2009. KCP&L owns 70% of Iatan 1. Although
8 a majority of the Company's investment in the Iatan 1 AQCS equipment was included in
9 rates as part of KCP&L's most recent rate case, ER-2009-0089 (the "2008 Case"), a
10 portion remains to be included in rates as part of this case.

11 This case also includes continued investments in system reliability focused
12 transmission and distribution ("T&D") projects, which are provided for in the Asset
13 Management Plan set out in the Regulatory Plan. Similarly, the case includes the
14 continuation of cost recovery related to the Customer Programs, *i.e.*, energy efficiency,
15 affordability, and demand response programs, set out in the Regulatory Plan. The
16 Company does not seek at this time to alter how the costs of such programs are being
17 recovered. However, KCP&L does intend to avail itself of any new cost recovery
18 mechanisms that might be permissible as a result of the Commission's rulemaking efforts
19 concerning Senate Bill 376. KCP&L will not seek to make its Customer Programs
20 permanent until there is greater certainty concerning cost recovery.

21 **Q: Are there rate case drivers unrelated to the Regulatory Plan?**

22 A: Yes, this case also includes increased freight costs for the transportation of coal to several
23 of the Company's coal-fired generating units. As explained in the Direct Testimony of

1 Company witness Ed Blunk, one of the Company's currently effective freight contracts,
2 which has been in place for nearly ten years, is set to expire in late 2010. KCP&L is in
3 the process of negotiating a new contract that is expected to be effective prior to January
4 1, 2011. KCP&L expects that the terms of the new contract, namely the price, will be
5 known and measurable as of the December 31, 2010 true-up in this case.

6 This case also includes non-Regulatory Plan investments in plant along with
7 increasing operating costs. These costs contribute to the revenue deficiency being
8 addressed in this case.

9 Q: **What effective date do the Company's proposed tariffs being filed in this case bear?**

10 A: The tariffs bear an effective date of May 4, 2011, eleven months after filing. Although
11 utilities typically file tariffs with an effective date thirty days after filing, KCP&L has
12 consistently filed its tariffs for the rate cases under the Regulatory Plan with an effective
13 date eleven months after filing, the presumed operation of law date, assuming the
14 Commission would like to have the maximum amount of time to consider the case.

15 Q: **What impact does using a May 4, 2011 (eleven-month) effective date have on the**
16 **timing of the rates going into effect?**

17 A: Ideally, it will have no impact at all. If Iatan 2 is deemed fully operational and used for
18 service prior to the December 31, 2010 true-up date in this case, the rates resulting from
19 this case will go into effect May 4, 2011, as provided on the proposed tariffs. If Iatan 2
20 has not been deemed to be in service by the true-up date, KCP&L will very likely request
21 that the Commission delay both the true-up date and the effective date for the new rates,
22 similar to what occurred in KCP&L's last rate case with respect to the Iatan 1 AQCS
23 equipment. No portion of the Company's significant investment in Iatan 2,

1 approximately $1 billion, is currently reflected in its Missouri jurisdictional rates. It is
2 therefore critical that the new rates reflecting Iatan 2 go into effect as soon as possible
3 after the plant becomes fully operational and used for service. Delaying the effectiveness
4 of new rates beyond eleven months would be harmful to the Company's financial health.

5 **Q: Has KCP&L taken steps to control costs during the test year for this case?**

6 A: Absolutely. In addition to the Company's usual efforts to keep its costs as low as
7 possible, in light of the economic conditions affecting us and our customers, KCP&L has
8 redoubled its efforts to control costs and conserve capital. Great Plains Energy
9 Incorporated ("Great Plains Energy"), the parent company of KCP&L, reduced its
10 dividend by 50%. KCP&L also suspended external hiring for all but essential skills, and
11 has left a significant number of open positions unfilled. KCP&L also tightened its belt
12 concerning its operations and maintenance expenses and capital expenditures. In
13 addition, the Company re-reviewed savings that result from Great Plains Energy's
14 acquisition of Aquila, Inc. in 2008. Company witness Darin Ives speaks to those synergy
15 savings in his Direct Testimony. The Company has been able to realize greater savings
16 than initially anticipated.

17 **Q: Does the Company's requested revenue requirement include costs incurred by**
18 **Company officers and reflected on their expense reports?**

19 A: No, it does not. These costs are reasonable and appropriate for recovery. I anticipate that
20 KCP&L will seek to include such costs in future rate cases. However, given that officer
21 expense charges, especially mileage reimbursements for business-related travel, have
22 proven to be a distraction from other more significant issues and the importance to the
23 Company that Iatan 2 be addressed in this rate case, KCP&L has removed all officer

1 expense charges incurred during the test year for this case. KCP&L has also removed all
2 officer expenses charged to Iatan 2, regardless of when they were incurred. It is the
3 Company's hope that the removal of these charges from the case will make it easier for
4 the parties and the Commission to focus on the important issues to be decided in this
5 case.

6 Q: **What steps has KCP&L taken to assist its low-income customers during these**
7 **difficult economic times?**

8 A: As described in the Direct Testimony of Company witness Jim Alberts, in KCP&L's last
9 rate case, KCP&L began its Economic Relief Pilot Program ("ERPP"). The ERPP is a
10 fixed credit that reduces electric bills for low-income customers. In this case, again as
11 described in Mr. Alberts's testimony, KCP&L seeks to continue its ERPP with some
12 modifications to increase customer participation. For example, KCP&L has entered into
13 a partnership with the Salvation Army to direct customers to KCP&L's ERPP. As in the
14 Company's last case, it only seeks to recover half of its ERPP costs

15 Mr. Alberts also describes the Company's Connections Program. The point of the
16 Connections Program is to help customers manage their energy usage and reduce their
17 electric bills, as well as to help customers access resources for assistance with paying
18 their electric bills. The program has included a number of resource fairs to educate and
19 assist our customers near where they work and live.

20 Q: **Does the requested rate increase amount include an additional amount for**
21 **Additional Amortizations as has been applied in KCP&L's last three rate cases?**

22 A: No. Under the terms of the Regulatory Plan, Additional Amortizations were only to be
23 utilized to potentially increase the Company's revenue requirement during the first three

1 rate cases, with the mechanism providing for return of the applied amounts to customers
2 as part of this fourth rate case. The benefit to customers of the return of Additional
3 Amortizations occurs in three ways. First, the cumulative Missouri jurisdictional amount
4 of Additional Amortizations collected as a result of the previous cases, approximately
5 $132 million ($81 million net of tax) projected as of December 31, 2010, is credited
6 against Missouri jurisdictional rate base to the long-term benefit of KCP&L's Missouri
7 customers, who will see reduced rates for the life of those assets. Second, the aggregated
8 Additional Amortizations expense of $42.4 million (Missouri jurisdictional) built into
9 current rates is removed from the Company's revenue requirement in this rate
10 proceeding. Third, the $132 million cumulative amount that will have been collected has
11 been used in the depreciation study sponsored by Company Witness John Spanos to
12 decrease the net cost of Missouri jurisdictional plant in service that will be recovered
13 from ratepayers in the future, thereby significantly reducing the annual depreciation rates
14 that he is proposing be authorized in this case.

15 The return of this money to customers reflects the fulfillment of one of the
16 fundamental tenets of the Regulatory Plan. The Company received additional cash flows
17 during construction to support its credit metrics. In exchange, the accumulated amounts
18 are credited back to customers in a way that significantly mitigates the rate impact of the
19 facilities built under the Regulatory Plan.

1 **Q: Does the requested rate increase include a flowback to ratepayers of SO_2 emission**
2 **allowance proceeds as required by the Regulatory Plan?**
3 A: Yes. Adjustment CS-22 included on Schedule JPW2010-2 provides for the flowback to
4 customers of the $87 million liability (total company) over the remaining life of FERC
5 plant account 312 (21 years), or a $4 million amortization in this case (total company).
6 **Q: Has the Company included in this case the revenue requirement impact of the**
7 **acquisition of Aquila, Inc. by Great Plains Energy?**
8 A: Yes, as discussed in the Direct Testimony of Darrin Ives, KCP&L has included its
9 allocable share of the merger savings and transition cost amortization in the revenue
10 requirement in this case, as ordered by the Commission in Case No. EM-2007-0374. The
11 Company has realized more synergy savings than it had expected to at that time of the
12 merger. Ongoing shared costs have been allocated between KCP&L and KCP&L
13 Greater Missouri Operations Company using appropriate cost drivers.
14 **Q: What is the return on equity KCP&L is requesting in this case?**
15 A: KCP&L is requesting a return on equity of 11.0 percent based upon the projected capital
16 structure of Great Plains Energy, KCP&L's parent holding company, as of December 31,
17 2010, 46.2 percent of which is comprised of common equity. KCP&L witness Dr.
18 Samuel Hadaway presents in his Direct Testimony his cost of capital study results and
19 recommendations in support of the Company's requested return on equity. Dr. Hadaway
20 has utilized the same approach as in KCP&L's three recent rate cases before the
21 Commission. Dr. Hadaway's approach is based on a traditional approach to estimate the
22 underlying cost of equity capital for a group of comparable, investment-grade electric
23 utility companies.

1 KCP&L requests a return on equity commensurate with the top of Dr. Hadaway's
2 range to reflect the Company's reliability and customer satisfaction achievements.
3 KCP&L's T&D systems continued to perform at Tier 1 reliability levels in 2009, as
4 measured by System Average Interruption Duration Index ("SAIDI") in the annual
5 Edison Electric Institute Reliability Survey. In addition, the PA Consulting Group
6 awarded KCP&L the ReliabilityOne best performer award for the Plains Regions for the
7 third consecutive year in 2009, as well as the National Reliability Excellence award in
8 2007. In addition, KCP&L is ranked as one of the highest rated electric utilities in
9 Customer Satisfaction according to JD Power and Associates. In February 2010, JD
10 Power recognized KCP&L as No. 1 in Customer Satisfaction among business customers
11 in the Midwest Large electric utilities. Similar results were seen in the JD Power
12 Residential study that was released in July 2009 when KCP&L was ranked No. 2 among
13 the Midwest Large utilities. KCP&L continues to be tracking very well in its 2010
14 Residential study that will be released July 2010.

15 **OFF-SYSTEM SALES MARGINS**

16 **Q: What level of Off-system Sales Margin is included in the Company's revenue**
17 **requirement in this case?**

18 A: Consistent with the Commission's orders in KCP&L's last three cases, the Company's
19 revenue requirement includes an offset for off-system sales margins of ** [redacted] **
20 (total Company), which reflects the ** [redacted] ** 25th percentile expectation for
21 margins for the period April 1, 2010 through March 31, 2011, as determined by Michael
22 Schnitzer of Northbridge Group, Inc. ("Northbridge"), with certain adjustments

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1 sponsored by Company witness Burton L. Crawford. This amount will be updated in the
2 true-up of this case.

3 **Q: Does the Company's proposed return on equity adequately address the substantial**
4 **risk of KCP&L's off-system sales?**

5 A: No, it does not. The risk of the off-system sales market consists of several components,
6 including market price, volumetric risk associated with generation variable cost,
7 generation unit outages, coal supply availability, weather, and uncertainty of retail sales
8 growth. A detailed risk analysis of the off-system sales market is contained in the Direct
9 Testimony of Mr. Schnitzer. The risk of this market is too large for either the Company
10 or its customers to bear entirely.

11 In the Company's prior three rate cases, the Commission recognized this fact and
12 included in the revenue requirement an amount of off-system sales margins at the 25th
13 percentile of the expected value of those margins. That is, the Commission presumed the
14 Company would earn that amount and reduced its revenue requirement accordingly. If
15 the Company's off-system sales margins turned out to be less than the presumed amount,
16 then the Company had no mechanism to make up those lost revenues. If the Company's
17 off-system sales margins exceeded the presumed amount, then the Company would book
18 any additional margins as a regulatory liability to be returned to customers, with interest.

19 As a result of the volatility KCP&L has experienced in the off-system sales
20 market, the Commission's treatment of off-system sales margins in the KCP&L's last
21 three rate cases has proven critical to the Company's financial well being. Absent those
22 decisions the Company would have significantly under recovered its authorized revenue
23 requirement in 2007, 2008, and 2009 to the financial detriment of the Company.

1 Q: **Could you please describe KCP&L's experience with volatility in the off-system**
2 **sales market during the Company's preceding three rate cases?**
3 A: Yes, the Company has experienced significant changes in the off-system sales market
4 during each of the preceding three rate cases. In the first case, Case No. ER-2006-0314
5 (the "2006 Case"), at the time it filed its Direct Testimony, the Company forecasted
6 margins of ** ** (total company) at the 25th percentile and ** **
7 at the 50th percentile. At that time, natural gas prices and the wholesale energy market
8 were at a relatively high level. Natural gas prices were around $10 per mcf. By the time
9 of the true-up in that case, natural gas prices had sharply declined, which resulted in
10 much lower expected margins. In fact, the forecasted margins declined to **
11 ** (total company) at the 25th percentile and ** ** at the 50th
12 percentile. Ultimately, the Company earned ** ** (total company) for the
13 relevant period. Including a greater amount in the Company's revenue requirement
14 would have resulted in a significant under recovery to the financial detriment of the
15 Company. The Missouri jurisdictional difference between the actual amount earned and
16 what was presumed to be earned in rates is being returned to customers.
17 In the second case, Case No. ER-2007-0291 ("2007 Case"), at the time it filed its
18 Direct Testimony, the Company forecasted margins of ** ** (total company)
19 at the 25th percentile and ** ** at the 50th percentile. By the time of the true-
20 up in that case, the forecasted margins declined to ** ** (total company) at
21 the 25th percentile and ** ** at the 50th percentile. Ultimately, the Company
22 earned ** ** for the relevant period prior to certain accounting adjustments.
23 As before, including a greater amount in the Company's revenue requirement would have

1 resulted in a significant under recovery to the financial detriment of the Company. The
2 Missouri jurisdictional difference between the actual amount earned and what was
3 presumed to be earned in rates is being returned to customers.

4 In the third case, the 2008 Case, at the time it filed its Direct Testimony, the
5 Company forecasted margins of **[redacted]** (total company) at the 25th percentile
6 and **[redacted]** at the 50th percentile. By the time of the true-up in that case, the
7 forecasted margins declined to **[redacted]** (total company) at the 25th percentile and
8 **[redacted]** at the 50th percentile. In the Stipulation and Agreement settling that
9 case, the parties agreed to impute off-systems sales margins equal to **[redacted]**
10 beginning with the September 1, 2009 effective date for the new rates resulting from that
11 case. In comparison, the Company has earned **[redacted]** (total company) during
12 the seven-month period September 1, 2009 through March 31, 2010. KCP&L hopes to
13 meet or exceed the forecasted amount of annual margins agreed to in the settlement
14 agreement, but such an outcome is uncertain. As in the preceding years, including a
15 greater amount in the Company's revenue requirement would have resulted in a
16 significant under recovery to the financial detriment of the Company.

17 **Q: Do you expect the volatility in the off-system sales market to continue?**

18 A: Yes. Nothing has changed in the off-system sales market that would reduce the volatility
19 we have seen over the past several years. In fact, with the additional megawatt hours we
20 expect to have available for off-system sales after Iatan 2 in complete, KCP&L's
21 exposure to market risk is greater.

1 **Q: Is it appropriate to use historical data to estimate Off-system Sales Margin when**
2 **determining a test-year revenue requirement?**
3 A: No, it is not. The only reasonable and responsible method to determine the appropriate
4 amount of off-system sales margin to include in test year revenue is to project the amount
5 of margin expected during the first year that the increased rates would be in effect,
6 calculate the risk of those off-system sales and share that risk between retail customers
7 and the Company. This is the method described above and used by the Commission in
8 the Company's prior three rate cases. This method provides the best balance of interests
9 among customers, investors, and creditors.

10 **REGULATORY PLAN / CEP UPDATE**

11 **Q: Please provide a summary of the projects contemplated in KCP&L's Regulatory**
12 **Plan.**
13 A: In the Regulatory Plan, KCP&L committed to undertake reasonable efforts to make
14 (i) supply-related investments, including construction of a new coal-fired power plant and
15 a new wind generation facility, as well as the addition of certain AQCS equipment to two
16 of KCP&L's existing coal-fired generating stations—LaCygne and Iatan; (ii) reliability-
17 focused T&D investments; and (iii) investments in Customer Programs, *i.e.*, energy
18 efficiency, affordability, and demand response programs.
19 **Q: Please describe the supply-related investments included in the Regulatory Plan.**
20 A: The supply-related investments are listed in Appendix D, Strategic Initiative Projects, of
21 the Regulatory Plan. Chronologically, the supply-related investments are:
22 • A new 100 MW wind generation project with a projected in-service date in
23 December 2006 ("2006 Wind Project");

1 • An SCR for the existing LaCygne 1 with a projected in-service date in April 2007
2 ("LaCygne 1 AQCS – Phase 1 Project");
3 • An SCR, Scrubber, and Baghouse for the existing Iatan 1 with a projected in-
4 service date in November 2008 ("Iatan 1 AQCS Project");
5 • A Baghouse and Scrubber for the existing LaCygne Unit 1 with projected in-
6 service dates in May and December 2009, respectively ("LaCygne 1 AQCS –
7 Phase 2 Project"); and
8 • A new coal-fired generation facility with a projected in-service date in June 2010,
9 *i.e.*, Iatan 2.
10 **Q: What is the status of the 2006 Wind Project?**
11 A: KCP&L completed the 2006 Wind Project in September 2006 when the Spearville Wind
12 Energy Facility was placed into service. The Spearville Wind Energy Facility is located
13 at a site near Spearville, Kansas and has a generating capacity of 100.5 MW. This
14 investment was included in KCP&L's rates as part of the 2006 Case, the first rate case
15 under the Regulatory Plan.
16 **Q: What is the status of the LaCygne 1 AQCS – Phase 1 Project?**
17 A: The LaCygne 1 AQCS – Phase 1 Project was completed and placed into service in May
18 2007. This investment was included in KCP&L's rates as part of the 2007 Case, the
19 second rate case under the Regulatory Plan.
20 **Q: What is the status of the Iatan 1 AQCS Project?**
21 A: The Iatan 1 AQCS Project was placed into service in April 2009. Consistent with the
22 terms of the Regulatory Plan, KCP&L included costs for Iatan 1 in the 2008 Case, the
23 third rate case under the Regulatory Plan. Ultimately, the parties in that case reached a

1 settlement. Prudence issues related to Iatan 1 and the common facilities necessary to
2 operate Iatan 1 were deferred to this proceeding for consideration by the Commission, but
3 pursuant to the settlement agreement, any proposed disallowance for imprudence is
4 capped at $30 million.

5 **Q: What is the status of LaCygne 1 AQCS – Phase 2 Project?**

6 A: KCP&L sought to complete the LaCygne 1 AQCS – Phase 2 Project by the projected in-
7 service date provided in the Regulatory Plan. However, the Project was not completed
8 within that timeframe. The Regulatory Plan was designed to stagger the supply-related
9 investment projects over the five-year period of the plan. Between the time of the
10 Regulatory Plan in the summer of 2005 and the time this project was scheduled to
11 commence, demand for this type of AQCS equipment increased dramatically. In fact,
12 KCP&L saw the result of this increased demand and the associated cost pressures in the
13 Iatan 1 AQCS Project, which was scheduled ahead of the LaCygne 1 AQCS – Phase 2
14 Project. As this demand pressure continued, it resulted in increased lead times of
15 approximately 48 months for the equipment, which meant that KCP&L would have to
16 wait four years for the equipment after procuring it. The continuing increased demand
17 also resulted in significant cost pressures.

18 Both units of the LaCygne Generating Station will need to have Best Available
19 Retrofit Technology ("BART") equipment in place by June 1, 2015. BART will require
20 an SCR, Baghouse, and Scrubber for both LaCygne units. Currently, the only such
21 equipment in place at the LaCygne station is the recently installed SCR at LaCygne 1,
22 *i.e.*, the LaCygne 1 AQCS – Phase 1 project.

1 KCP&L had hoped to phase in its BART compliance investments at LaCygne by
2 completing Unit 1 ahead of Unit 2. However, the extended lead time for AQCS
3 equipment put the LaCygne 1 AQCS – Phase 2 Project more on track with retrofitting
4 Unit 2 for BART compliance. That being the case, KCP&L believes there are potential
5 benefits and cost savings to combining the LaCygne 1 AQCS – Phase 2 Project and the
6 AQCS work to be done on Unit 2. KCP&L continues to evaluate its options at the
7 LaCygne Generating Station, including completion of the LaCygne 1 AQCS – Phase 2
8 project, taking into account the cost of BART equipment, anticipated natural gas prices
9 and interest rates, the potential for carbon regulation, and the intentions of Westar
10 Energy, who is a joint owner in the facility with a 50 percent interest.

11 **Q: What is the status of the new coal-fired generation facility, Iatan 2?**

12 A: Construction of Iatan 2 is essentially complete. The Project team has begun start-up and
13 commissioning activities. Iatan 2 is expected to become fully operational and used for
14 service in the fourth quarter of 2010, in time for the true-up in this case. Consequently,
15 the Company expects to include in its rates as part of this rate case all prudently incurred
16 costs related to Iatan 2 that were incurred prior to the true-up date established for this rate
17 case. Similarly, if for some reason Iatan 2 is not fully operational and used for service by
18 the true-up date in this case, it is very likely that KCP&L will seek to move both the in-
19 service date and the effective date for the new rates to coincide with Iatan 2's in-service
20 date. Company witnesses William Downey, Robert Bell, Brent Davis, Chris Giles,
21 Kenneth Roberts, Steve Jones, and Daniel Meyer discuss various aspects of the
22 construction of Iatan 2 in their Direct Testimonies.

1 Iatan 2 will be one of the newest, most efficient base load generating units in the
2 region. As noted, KCP&L owns a 54.7% interest in Iatan 2. KCP&L's partners in
3 Iatan 2 are KCP&L Greater Missouri Operations Company, which owns 153 MW (18%);
4 The Empire District Electric Company, which owns 102 MW (12%); Missouri Joint
5 Municipal Electric Utility Commission, which owns 100 MW (11.8%); and Kansas
6 Electric Power Cooperative, which owns 30 MW (3.5%).

7 **Q: Did the Regulatory Plan include the possibility of a second investment in wind**
8 **energy?**

9 A: Yes, the Regulatory Plan contemplated the possibility of a second 100MW wind
10 generation facility to be installed in 2008 ("2008 Wind Project"). Specifically, the
11 Regulatory Plan provides that KCP&L would install the 2008 Wind Project "if a detailed
12 evaluation (made with input from the interested Signatory Parties) supports such an
13 action to proceed with its construction."

14 **Q: What is the status of the 2008 Wind Project?**

15 A: As described in the various submissions and orders in Case No. EO-2008-0224, KCP&L
16 evaluated the 2008 Wind Project but ultimately decided it was prudent not to proceed
17 with the project at that time. The timing of KCP&L's decision whether to proceed with
18 the project coincided with turmoil in the financial markets. KCP&L determined that it
19 would be prudent not to proceed with a wind project in 2008 primarily due to concerns
20 about the Company's access to capital markets. Had the Company tied up its existing
21 lines of credit at that time, it might have jeopardized its ability to respond to a significant,
22 unanticipated event, *e.g.*, an ice storm.

KCP&L continues to be committed to wind energy and is reviewing proposals for 100 MW of wind energy in 2010 and 200 MW of wind energy in 2011. Because KCP&L anticipates that it will begin receiving energy under a new 100 MW power purchase agreement from a wind energy facility prior to the December 31, 2010 true-up date in this case, KCP&L's requested revenue requirement includes an estimate of the costs of additional wind-generated power. Those estimated costs will be updated to reflect actual costs as part of the true-up process in this case.

Q: Please describe the T&D investments included in the Regulatory Plan.

A: The T&D investments are described in Appendix D of the Regulatory Plan. The core of those investments is the Asset Management Plan, a five-year plan focused on improving system reliability. It began with a system-wide condition assessment and inventory of the Company's T&D infrastructure. That information enabled KCP&L to identify equipment that is reaching the end of its useful life and to proactively replace that equipment prior to its mechanical failure. The information garnered through the condition assessment and inventory also enabled the Company to identify where strategic investments could be made to increase system reliability.

Q: What is the status of KCP&L's T&D investments?

A: KCP&L's T&D investments, as developed in the Asset Management Plan, are scheduled to be completed this year, as contemplated in the Regulatory Plan. During the Asset Management Plan, KCP&L achieved tier-one reliability metrics. As noted, KCP&L's Transmission and Distribution systems continued to perform at Tier 1 reliability levels in 2009, as measured by SAIDI. In addition, the PA Consulting Group awarded KCP&L the ReliabilityOne best performer award for the Plains Regions for the third consecutive

1 year in 2009, as well as the National Reliability Excellence award in 2007. These
2 reliability results are attributable to the Asset Management Plan set forth in the
3 Regulatory Plan.

4 **Q: Please describe the Customer Program investments included in the Regulatory Plan.**

5 A: The Customer Program investments are listed in Appendix C of the Regulatory Plan.
6 The Regulatory Plan contemplated a portfolio of fourteen affordability, energy efficiency
7 and demand response programs plus a market research component.

8 **Q: What is the status of KCP&L's Customer Programs investments?**

9 A: Tariffs have been filed and approved by the Commission for all of the programs. The
10 programs are in place today and several have already undergone Evaluation,
11 Measurement and Verification ("EM&V"). KCP&L also completed the market research
12 component.

13 As a result of the Company's two demand response programs, Energy Optimizer
14 and MPower, KCP&L has more than 150 MW of load Company-wide (86 MW in
15 KCP&L's Missouri territory) it can call upon for curtailment. In addition, KCP&L
16 estimates that its energy efficiency and affordability programs have resulted in energy
17 savings of 95,000 MWh Company-wide (56,000 MWh in KCP&L's Missouri territory).

18 **Q: Has the Company provided updates to Staff, the Office of Public Counsel ("OPC"),**
19 **and the other parties to the Regulatory Plan concerning the status of KCP&L's**
20 **investments under the plan?**

21 A: Yes. In the Regulatory Plan, KCP&L committed to provide quarterly status updates on
22 its infrastructure investments. In compliance with that requirement, since the first quarter
23 of 2006, to date, KCP&L has provided 17 such reports to the parties concerning its

1 investments under the Regulatory Plan. The reports outline the overall progress of the
2 projects contemplated in the Regulatory Plan. The reports also describe the issues
3 potentially impacting the projects. The most recent report provided to the parties for the
4 first quarter of 2010 is attached hereto as Schedule CDB2010-1 (HC). In addition,
5 KCP&L met quarterly with the parties to discuss the information contained in the reports,
6 provide an update from the end of the quarter to the meeting date, and answer any
7 questions. For example, KCP&L representatives met with the parties to the Regulatory
8 Plan on May 19, 2010 to discuss the first quarter 2010 report and provide a current
9 update. This process has resulted in an unprecedented degree of transparency.
10 Commission Staff has been apprised of the issues affecting the projects in near real time
11 over the entire duration of the project.

12 **0089 S&A UPDATE**

13 **Q: What commitments made by the signatory parties to the 0089 S&A will you address**
14 **here?**

15 A: I will address KCP&L's commitments concerning the submission of a class cost of
16 service study and vegetation management reporting.

17 **Q: What was the specific commitment in the 0089 S&A concerning the submission of a**
18 **class cost of service study?**

19 A: KCP&L agreed to file a customer class cost of service study with the Commission by
20 December 31, 2009.

1 **Q: What is the status of this commitment?**

2 A: On December 30, 2009, KCP&L submitted its class cost of service study in Case No. ER-
3 2009-0089. An update to the class cost of service is being submitted in this case by
4 Company witness Paul Normand.

5 **Q: What was the specific commitment in the 0089 S&A regarding vegetation**
6 **management reporting?**

7 A: KCP&L agreed to submit to the Commission's Energy Department quarterly reports
8 detailing the Company's vegetation management activities and expenses its Missouri
9 jurisdictional service territory.

10 **Q: What is the status of this commitment?**

11 A: KCP&L has provided the required quarterly reports to the Commission's Energy
12 Department.

13 **OTHER REQUESTS**

14 **Q: Does the Company request Commission authorization on any additional matters?**

15 A: Yes, KCP&L requests Commission authorization on the following items:

16 • KCP&L requests that it be allowed rate recovery for contributions made to the
17 pension trust in excess of the Financial Accounting Standard No. 87 regulatory
18 expense for the following reasons: (i) reduction in Pension Benefit Guarantee
19 Corporation variable premiums; (ii) avoidance of pension benefit restrictions
20 under the Pension Protection Act of 2006 ("PPA") that would cause an inability
21 of the Company to pay pension benefits to recipients according to the normal
22 provisions of the plan; and (iii) avoidance of at-risk status under the PPA that
23 would result in acceleration of minimum contributions. Company witnesses Ken

1 Vogl and John Weisensee discuss this matter in more detail in their respective
2 Direct Testimonies. Commensurate with this request, KCP&L requests that
3 Section III(B)(1)(e) of the Regulatory Plan Stipulation and Agreement continue in
4 effect after the conclusion of the Regulatory Plan except part (E) (5) that has been
5 rendered moot with the adoption of Statement of Financial Accounting Standards
6 No. 158. The Company also asks that the Commission accept the allocation
7 method proposed by Mr. Vogl as an appropriate means to allocate consolidated
8 Great Plains Energy FAS 87 regulatory pension costs between KCP&L and its
9 other affiliates.

10 • KCP&L requests that the depreciation rates recommended by Company witness
11 John Spanos in his Direct Testimony, Schedule JJS2010-1, Part III, pages 4-8, be
12 authorized, including the amortization of unrecovered general plant over ten
13 years, as recommended by Company witness John Weisensee in his Direct
14 Testimony Additionally, KCP&L requests that the Commission authorize the
15 plant accounting practice generally referred to as "general plant amortization", as
16 recommended in the Direct Testimony of Mr. Spanos and Mr. Weisensee.

17 • KCP&L requests that the Commission approve the continued use of the following
18 methods to amortize Intangible Plant: (i) Computer software- amortize over five
19 or ten years depending on the nature of the asset; (ii) cost of land rights– continue
20 to amortize using the rates affirmed in Appendix G of the Regulatory Plan; (iii)
21 leasehold improvements- amortize over the remaining lease term; and (iv) rights
22 to use equipment that the Company does not own- depreciate using the
23 depreciation rate the Commission authorizes in this rate proceeding for similar

1 equipment owned by the Company, as recommended by Company witness John
2 Weisensee in his Direct Testimony.

3 • KCP&L requests that the approach used to spread the cumulative Additional
4 Amortization balance, including the cumulative balance of additional
5 amortizations ordered in Case No. EO-94-199, in the depreciation study
6 sponsored by Company witness John Spanos in his Direct Testimony be used to
7 spread the cumulative Additional Amortization balance in the Company's
8 property records system, as recommended by Company witness John Weisensee
9 in his Direct Testimony.

10 • KCP&L requests that net SO_2 emission allowance proceeds be amortized back to
11 customers over 21 years, the composite remaining depreciable life of FERC plant
12 account 312, as recommended by Company witness John Weisensee in his Direct
13 Testimony.

14 • KCP&L requests authority to continue the process authorized by the Commission
15 in the Regulatory Plan to defer proceeds from future SO_2 allowance sales,
16 including the annual Environmental Protection Agency auction, and to offset the
17 deferred gains with coal premiums of purchase of low sulfur coal, as
18 recommended by Company witness John Weisensee in his Direct Testimony.

19 • KCP&L requests that the deferred depreciation portion of the Iatan Unit 1 AQCS
20 and Iatan common cost regulatory asset approved in the 0089 S&A, be transferred
21 to FERC account 108, Accumulated Depreciation, as a reduction in that balance
22 and that the carrying cost portion of the regulatory asset be transferred to FERC
23 account 101, Plant in Service, as an increase in that balance, as recommended by

1 Company witness John Weisensee in his Direct Testimony. Alternatively, in the
2 event the Commission does not grant this request, we ask that the amortization
3 period for the regulatory asset be set at the remaining depreciable life of Iatan
4 Unit 1, FERC plant account 312, or 26 years, also as discussed by Mr. Weisensee
5 in his Direct Testimony.

6 • KCP&L requests authority to record a $1,666,357 regulatory liability for a legal
7 fee reimbursement, with the liability to be amortized over three years beginning
8 with the date of new rates in this rate case, as recommended by Company witness
9 John Weisensee in his Direct Testimony.

10 • KCP&L requests authority to establish a tracking mechanism for Other Post-
11 employment Benefits, as recommended by Company witness John Weisensee in
12 his Direct Testimony.

13 • In past Stipulation and Agreements in rate cases under the Regulatory Plan, the
14 Company has requested reaffirmation of the Commission's Order in Case No. EU-
15 2004-0294 allowing KCP&L to defer all costs on the balance sheet, for financial
16 reporting purposes, associated with the adoption of Statement of Financial
17 Accounting Standards No. 143 and Financial Accounting Standards Board
18 Interpretation No. 47, including accretion and depreciation expenses and amounts
19 included for cost of removal in depreciation rates. KCP&L requests that the
20 Commission again reaffirm this authorization in the current rate proceeding.

21 • KCP&L also requests to modify its annual Wolf Creek Nuclear Decommissioning
22 Trust accrual as described in the Direct Testimony of Company witness Gregg
23 Clizer.

1 • KCP&L requests authority to implement a transmission expense tracker as
2 proposed by Company witness Tim Rush in his Direct Testimony.
3 • KCP&L requests the Commission to authorize a three-year amortization of ERPP
4 costs deferred prior to the establishment of a cost recovery mechanism in this case
5 and that cost recovery for ongoing costs during the pilot program be established
6 so that one-half of the ongoing costs for this program is included in cost of
7 service, as recommended by Company witness John Weisensee in his Direct
8 Testimony.

9 **Q: Does that conclude your testimony?**

10 A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariffs to) Docket No. ER-2010-____
Continue the Implementation of Its Regulatory Plan)

AFFIDAVIT OF CURTIS D. BLANC

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Curtis D. Blanc, being first duly sworn on his oath, states:

1. My name is Curtis D. Blanc. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Director – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of twenty-six (26) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Curtis D. Blanc

Subscribed and sworn before me this 28th day of May, 2010.

Notary Public

My commission expires: Feb. 4, 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

SCHEDULE CDB2010-1

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