Exhibit No.:	
Issues:	*Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Cash Working Capital; Property Taxes; Expense; Customer Advances; Customer Deposit; Materials & Supplies; Prepayments ,Lobbying; Accounting Treatment of Hawthorne 5; and Dues and Donations*
Witness:	*Phillip K. Williams, CPA, CIA*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Direct Testimony*
Case No.:	*ER-2006-0314*
Date Testimony Prepared:	*August 8, 2006*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

PHILLIP K. WILLIAMS

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2006-0314

Jefferson City, Missouri
August 2006

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

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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 PHILLIP K. WILLIAMS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Phillip K. Williams, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 52 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Phillip K. Williams

Subscribed and sworn to before me this 7th day of August 2006.

TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

TONI M. CHARLTON NOTARY SEAL NOTARY PUBLIC STATE OF MISSOURI

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PHILLIP K. WILLIAMS, CPA, CIA

KANSAS CITY POWER & LIGHT COMPANY

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DIRECT TESTIMONY

OF

PHILLIP K. WILLIAMS, CPA, CIA

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2006-0314

Q. Please state your name and business address.

A. My name is Phillip K. Williams, and my business address is Fletcher Daniels State Office Building, Room G8, 615 East 13th Street, Kansas City, MO 64106.

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

A. I am a Regulatory Auditor for the Missouri Public Service Commission (Commission or MoPSC).

BACKGROUND OF WITNESS

Q. Please describe your education and other qualifications.

A. I graduated from Central Missouri State University (CMSU) at Warrensburg, Missouri, in August of 1976, with a Bachelor of Science degree in Business Administration. My functional major was Accounting. Upon completion of my undergraduate degree, I entered the masters program at CMSU. I received a Masters of Business Administration degree from CMSU in February 1978, with an emphasis in Accounting. In May 1989, I passed the Uniform Certified Public Accountant (CPA) examination. I am currently licensed as a Certified Public Accountant in the state of Missouri. In May 1994, I passed the Certified Internal Auditors (CIA) examination, and received my CIA designation.

Q. Have you previously filed testimony before this Commission?

A. Yes. Please refer to Schedule 1, attached to this direct testimony, for a list of cases and topics respecting which I have filed testimony before this Commission.

Q. What knowledge, skill, experience, training or education do you have in regulatory matters?

A. I have acquired general knowledge of these topics through my experience and the analyses which I have performed in prior rate cases and merger/acquisition cases before this Commission. I have also acquired knowledge of these topics through review of Staff workpapers for prior rate cases brought before this Commission. In addition, I have reviewed prior Commission decisions with regard to these areas. I have reviewed the Kansas City Power & Light Company's (KCPL or Company) direct testimony, workpapers and responses to Staff's data requests addressing these topics in the Company's pending case. As previously indicated, my college coursework included accounting and auditing classes. Additionally, I received a Masters in Business Administration degree. I have also successfully passed the Certified Public Accountants exam, which included sections on accounting practice and theory, as well as, auditing. I currently hold a CPA license to practice in Missouri. I also successfully passed the Certified Internal Auditors exam. Since commencing employment with the Commission in September, 1980, I have attended various in-house training seminars and NARUC conferences. I have participated in approximately 40 formal rate case proceedings. I have also participated in and supervised the work of Staff accountants on a number of informal rate proceedings. As a senior auditor and the Lead Auditor on a number of cases, I have participated in the supervision and instruction of new accountants and auditors within the Commission's Utility Services Division.

EXECUTIVE SUMMARY

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

A. My direct testimony covers an overview of what a test year is and how it is used, a description of a known and measurable period and a true-up, and why each is appropriate in this case. This testimony also discusses the regulatory plan and how it affects the test year, the known and measurable period and the true-up. This testimony addresses the Staff's Accounting Schedules which produce the revenue requirement run which calculates the revenue requirement.

I am responsible for plant-in-service, depreciation expense and depreciation reserve which reflects known and measurable changes through June 30, 2006.

I am addressing the jurisdictional allocations and why they are necessary. I have annualized the Accounting Authority Order amortizations to reflect the unamortized balances at June 30, 2006 over a 12-month period. I have calculated and included in rate base the jurisdictional materials and supplies, customer advances, customer deposits and prepayments based upon 13-month averages. I have also included in the cost of service interest on customer deposits at KCPL's current tariff rate.

This testimony will address what Staff believes to be the appropriate accounting treatment of the Hawthorn 5 construction costs and the affects of the insurance recoveries and lawsuit settlements. There are two distinct concerns regarding the accounting treatment of the Hawthorn 5 plant. The first matter is the booking of the insurance recoveries and lawsuit settlements in the depreciation reserve and its subsequent effect on the annualized depreciation expense. This results in an overstatement of depreciation expense that requires a manual adjustment. The second matter is the overstatement of the Allowance for Funds Used During Construction (AFDC) associated with the reconstruction costs. Staff believes that the

insurance recoveries received prior to and during construction should be used to offset a portion of the construction expenditures which would have the effect of lowering the AFDC charged to the construction costs of Hawthorn 5.

Staff has annualized the property taxes to reflect the plant-in-service as December 31, 2005. Staff also used the ratio of taxes paid in 2005 to annualize property taxes.

Staff has reviewed and updated portions of the Cash Working Capital analysis performed by KCPL that was included in its direct filing. Staff reviewed Company's calculation of the revenue lag and made a minor adjustment. Staff's revenue lag, as well as Company's revenue lag, includes the affects of an accounts receivable sales program that is currently in use. Staff has also imputed expenses associated with the administration of the accounts receivable sale program currently in use.

Staff has made adjustments to eliminate dues and donations. Company charged donations above-the-line in expense. Staff believes the ratepayers should not be required to make involuntary contributions which do not provide any direct benefit to KCPL customers nor are these costs required to provide electric service to these customers. Staff has also eliminated costs associated with Company lobbying.

PURPOSE OF TESTIMONY

Q. With reference to Case No. ER-2006-0314, have you made an examination of the books and records of the Company?

A. Yes, I have, in conjunction with other members of the Commission Staff (Staff).

Q. What are you areas of responsibility in regard to Case No. ER-2006-0314?

A. Among other things, I will address the test year and the update period for known and measurable changes the Staff agreed to use in this case as part of the KCPL experimental regulatory plan approved by the Commission in Case No. EO-2005-0329. I am assigned the areas of allocations, plant-in-service, depreciation expense, depreciation reserve, property taxes, cash working capital including accounts receivable sales imputation and associated expenses, material and supplies, prepayments, customer advances, customer deposits and the related interest, and dues and donations. I am also responsible for the co-review with Staff witness Cary G. Featherstone of the construction costs associated with the electric generating plants built by KCPL which were not previously included in KCPL's rate base because there has not been a formal rate case proceeding in which this matter has been addressed since KCPL's Wolf Creek nuclear generating station was added to rate base by the Commission in 1986. In addition, I am sponsoring the Staff's treatment of the Accounting Authority Orders (AAOs) being amortized in this rate case. Finally, I am sponsoring jurisdictional allocations of administrative and general expense (A&G Expense).

Q. What Accounting Schedules are you sponsoring in Case No. ER-2006-0314?

A. I am sponsoring the following Accounting Schedules:

Accounting Schedule 1	Revenue Requirement
Accounting Schedule 2	Rate Base
Accounting Schedule 3	Plant-in-Service
Accounting Schedule 4	Adjustments to Plant-in-Service
Accounting Schedule 5	Depreciation Expense
Accounting Schedule 6	Depreciation Reserve
Accounting Schedule 7	Adjustments to Depreciation Reserve

Accounting Schedule 9	Cash Working Capital
Accounting Schedule 9	Income Statement
Accounting Schedule 10	Adjustments to Income Statement

TEST YEAR, KNOWN AND MEASURABLE AND TRUE-UP

Q. What test year is the Staff using in this case?

A. The test year authorized by the Commission in the KCPL Experimental Regulatory Plan in Case No. EO-2005-0329, as agreed to by the signatory parties in that case, was the 12-month period ending December 31, 2005, with an update for known and measurable changes through June 30, 2006. The Commission noted in its Order and Notice in this case that in Case No. EO-2005-0329, it approved of KCPL's agreement with signatories to the stipulation that the test year in this case would be based upon a historic test year ending December 31, 2005, (initially filed with nine months actual and three months budget data), updated for known and measurable changes as of June 30,2005, with a true-up through September 30, 2006, and with KCPL filing a reconciliation in the true-up proceeding on or before October 21, 2006.

Staff used this test year in the determination of the revenue requirement calculations that it is presenting to the Commission in Case No. ER-2006-0314. Some of the major revenue requirement components which are examined by Staff that typically change from test year levels are utility plant-in-service, accumulated depreciation, deferred taxes, fuel prices, cash working capital, capital structure and cost of capital, customer growth revenues, payroll, fuel and purchased power expense, depreciation expense, system loads, taxes, purchased power demand charges and allocation factors. Updates utilized should rely on changes that

are known and measurable, which occur within a reasonable time after the close of the test year

The KCPL Experimental Regulatory Plan also requires a true-up of "all significant cost increases and cost decreases that have occurred through September 30, 2006," for plant and reserve, revenues, cost of fuel and purchased power, payroll and payroll taxes, depreciation expense, and corporate allocations. A further discussion of the KCPL Experimental Regulatory Plan appears in the direct testimony of Staff Witness Cary G. Featherstone.

Q. Would you please describe the test year and how it is used?

A. The test year is a 12-month period, which is used as the basis for the audit of any rate increase case filing by a utility or earnings complaint case filing by Staff. This period serves as the starting point for review and analysis of the utility's operations to determine the reasonableness and appropriateness of the rate increase case filing by the utility or the utility's existing rates if Staff is engaged in an earnings investigation. The test year forms the basis from which any adjustments necessary to remove abnormalities that have occurred during the period are determined and to reflect any recurring prudent increase or decrease to the accounts of the utility. Appropriate adjustments are made to the test year level of revenues, expenses and rate base to determine the proper level of investment on which the utility should be allowed to earn a return, revenues should be expected to be received and expenses should be met expected to be incurred. Thus, a recommended rate of return is determined for the utility, and a review of existing rates is made to determine if any additional revenues are necessary in order for the utility to meet a proper level of expenses. If the utility's earnings are deficient, rates need to be increased. In some cases, existing rates may

generate earnings in excess of authorized levels or what should be new authorized levels. Such a situation may indicate the need for rate reductions. The test year is the time period that is used to evaluate and determine a proper matching relationship among revenues, expenses and investment. This relationship is essential to determine the appropriate level of earnings for the utility and the rates that are necessary to provide the utility an opportunity to attain those earnings. In this case, the first KCPL rate case after the Commission's authorization of the KCPL Experimental Regulatory Plan, the signatory parties agreed to a test year of the 12-months ended December 31, 2005, updated through June 30, 2006.

The Commission described the importance of the test year as follows in its July 21, 2005, Order Concerning Test Year and True-up in Case NO. ER-2005-0436:

> The test year is a central component in the ratemaking process. Rates are usually established based upon a historical test year which focuses on four factors: (1) the rate of return the utility has an opportunity to earn; (2) the rate base upon which a return may be earned; (3) the depreciation costs of plant and equipment; and (4) allowable operating expenses. From these four factors is calculated the 'revenue requirement,' which, in context of ratemaking, is the amount of revenue ratepayers must generate to pay the costs of producing the utility service they receive while yielding a reasonable rate of return to the utility's investors. A historical test year is used because the past expenses of a utility provide a basis for determining what rate is reasonable to be charged in the future.

Q. Why is a test year update being utilized in this case?

A. The use of a test year update allows test year data to remain current through the update period for material changes in significant items that are known and measurable. Such items could include plant additions and retirements, payroll increases and changes in employee levels, customer growth, changes in fuel prices, etc. Test year amounts are adjusted to enable the parties to make rate recommendations on the basis of the most recent auditable information available, given the circumstances.

Q. Is a true-up proposed for this case?

A. Yes. The Commission authorized a true-up as agreed to by the signatory parties in KCPL's Experimental Regulatory Plan. The Company is constructing a 100-megawatt wind generation farm in western Kansas that is currently scheduled to be operational by September 30, 2006. While the true-up will consider many factors such as revenues and expenses such as fuel and purchased power costs, the main reason for the true-up is the plant additions. Staff believes that a true-up is necessary because of the material changes that are expected to result in cost elements that will occur subsequent to the June 30, 2006, update period.

ACCOUNTING SCHEDULES

Q. Please describe Accounting Schedule 1, Revenue Requirement.

A. Accounting Schedule 1 is the Revenue Requirement Schedule, which contains the Staff's calculations of the Company's gross revenue requirement. This Accounting Schedule contains information from the Rate Base, Income Statement and Income Tax Accounting Schedules to determine the actual revenue requirement that Staff recommends. This Accounting Schedule details the net original cost rate base to which the rate of return, supplied by Staff witness Matt Barnes of the Commission's Financial Analysis Department, is applied to determine the net operating income requirement before income taxes. This schedule compares the net operating income requirement with the net income available determined from Accounting Schedule 9, Income Statement, to determine the overall net revenue deficiency.

Q. Please describe Accounting Schedule 2, Rate Base.

A. This Accounting Schedule takes the adjusted jurisdictional plant in service balance from Accounting Schedule 3, Total Plant in Service, and deducts adjusted jurisdictional depreciation reserve from Accounting Schedule 6, Depreciation Reserve, to compute the net plant in service on a Missouri jurisdictional basis. Added to net plant in service on this Accounting Schedule are Missouri jurisdictional amounts for cash working capital, materials and supplies, prepayments, prepaid pension asset, regulatory asset excess of FAS 87 versus rate, regulatory asset demand side management and fuel stock. Rate base deductions include cash working capital amounts for the federal tax offset, state tax offset and interest expense offset. Rate base deductions also include customer advances, customer deposits, deferred income taxes - depreciation, and emissions allowances. An item unique to KCPL that is deducted in the jurisdictional rate base is an additional amortization amount that has been accumulating since 1996 when it was part of a Stipulation and Agreement approved by the Commission in Case No. EO-94-199. The mathematical total of these items is the rate base amount that is incorporated in the Gross Revenue Requirement recommendation shown on Accounting Schedule 1, Revenue Requirement.

Q. Please describe the items that are added to net plant in service in determining the rate base.

A. Staff's calculation of materials and supplies and prepayments will be discussed later in this direct testimony. Staff's calculation of the prepaid pension asset from EO-2005-0329 and the Regulatory Asset Excess Act FAS 87 versus rate will be addressed by Staff witness Steve M. Traxler. Staff's calculation of the regulatory asset for demand side management will be addressed by Staff witness Cary G. Featherstone. Staff's calculation of

the level of fuel stock inventory is discussed in the direct testimony of Staff witness 'Charles Hyneman. Cash working capital will be discussed in detail later in this direct testimony.

Q. Please describe the items that are deducted from net plant in service in determining rate base.

A. Staff's calculation of customer advances and customer deposits will be discussed later in this direct testimony. Staff's calculations of the reserve for deferred income taxes and the unamortized investment tax credit are discussed in the direct testimony of Staff witness Steve M. Traxler. The federal, state and city tax offsets and the interest expense offset will be discussed later in this direct testimony. Staff witness Featherstone will discuss the additional amortization amount which is an element of the KCPL Experimental Regulatory Plan. Staff's calculation of the emissions allowance will be discussed in the direct testimony of Staff witness Graham A. Vesely.

Q. What items are you sponsoring on Accounting Schedule 2, Rate Base?

A. I am sponsoring the amounts for Materials and Supplies, Prepayments, Cash Working Capital, Customer Advances, Customer Deposits and the federal, state tax offsets and the interest expense offset.

Q. Please explain the Materials and Supplies component of rate base which you are sponsoring.

A. The Materials and Supplies balance is the Missouri jurisdictional balance determined by the calculation of a 13-month average of the balances in account 163 - Materials and Supplies, allocable to Missouri jurisdictional operations. Staff has used a 13-month average because of the fluctuation of the monthly balances in these accounts. This

technique smoothes out these monthly fluctuations and any seasonality of material and supplies amounts.

Q. Please explain the Prepayments component of rate base which you are sponsoring.

A. Prepayments are amounts paid in advance of the service for items such as insurance and rents. The Prepayments balance is the Missouri jurisdictional prepayments determined by the calculation of a 13-month average of the balances in account 165 prepayments, allocable to Missouri jurisdictional operations. Staff has used a 13-month average due to the fluctuation of the monthly balances in these accounts to smooth out these monthly fluctuations.

Q. Please explain the Customer Advances component of rate base which you are sponsoring.

A. Customer Advances are amounts charged to a developer when starting a new project such as a shopping center or subdivision. The Customer Advances balance is the Missouri jurisdictional customer advances determined by the calculation of a 13-month average of the balances in Account 252- Customer Advances, allocable to Missouri jurisdictional operations. Staff has used a 13-month average due to the fluctuation of the monthly balances in these accounts.

Q. Please explain the Customer Deposits component of rate base which you are sponsoring.

A. Customer deposits are the amount of deposit required by the Company when a new customer applies for service or has been delinquent in paying their bill. The Customer Deposits balance is the Missouri jurisdictional customer deposits determined by the

calculation of a 13-month average of the balances in account 235 customer deposits, allocable to Missouri jurisdictional operations. Staff has used a 13-month average due to the fluctuation of the monthly balances in these accounts. Staff made adjustment S-67.4 to include in the cost of service the interest associated with customer deposits. Adjustment S-67.5 was made to include in the cost of service the cost associated with providing the ratepayer the option of paying with a credit card.

Q. Please describe Accounting Schedule 3, Plant-in-Service.

A. Accounting Schedule 3, Total Plant in Service, lists in Column B total plant balances as of June 30, 2006. The plant adjustments are listed in Column C. Column D lists the Missouri jurisdictional plant allocation factors. Column F contains the Missouri adjusted jurisdictional plant in service balance as of June 30, 2006.

Q. Please describe Accounting Schedule 4, Adjustments to Total Plant.

A. Accounting Schedule 4, Adjustments to Total Plant, details Staff's individual adjustments to the total plant in service, which are listed in Column C of Accounting Schedule 3.

Q. Please describe Accounting Schedule 5, Depreciation Expense.

A. Accounting Schedule 5, Depreciation Expense, lists in Column B the Missouri adjusted jurisdictional plant in service balances from Accounting Schedule 3, Column F. Column C contains the depreciation rates proposed by Staff witness Rosella Schad of the Commission's Engineering and Management Services Department. The rates in Column C are then applied to the plant balances in Column B to determine the annualized level of depreciation expense that appears in Column D.

Q. Please describe Accounting Schedule 6, Depreciation Reserve.

A. Accounting Schedule 6 lists in Column B total depreciation reserve balances as of June 30, 2006. Column D lists the Missouri jurisdictional depreciation reserve allocation factors. Column E lists the Staff's Missouri jurisdictional depreciation reserve adjustments and Column F contains the Missouri adjusted jurisdictional depreciation reserve balances as of June 30, 2006.

Q. Please describe Accounting Schedule 7, Adjustment to Depreciation Reserve.

A. Accounting Schedule 7 details the Staff's individual adjustments to total depreciation reserve, which are listed in Column C of Accounting Schedule 6.

Q. Please describe Accounting Schedule 8, Cash Working Capital.

A. Accounting Schedule 8 details Staff's computation of the Cash Working Capital requirement. Accounting Schedule 8 will be discussed in detail later in this direct testimony.

Q. Please describe Accounting Schedule 9, Income Statement.

A. Accounting Schedule 9 contains the Staff's adjusted Missouri jurisdictional revenues and expenses for the test year ended December 31, 2005, and updated through June 30, 2006.

Q. Please explain Accounting Schedule 10, Adjustments to Income Statement.

A. Accounting Schedule 10 contains a listing of the specific adjustments Staff has made to the unadjusted test year income statement to derive the Staff's adjusted net income. A brief explanation for each adjustment and the name of the Staff witness sponsoring the adjustment are listed on Accounting Schedule 10. Each individual adjustment will be identified by Staff witnesses in their respective testimonies.

PLANT IN SERVICE, DEPRECIATION EXPENSE & DEPRECIATION RESERVE

Q. Please describe the plant in service and depreciation reserve balances included in Accounting Schedules 3 and 6.

A. The plant in service and depreciation reserve balances shown in Schedules 3 and 6, respectively, are the June 30, 2006, balances. The June 30 plant in service balances were provided by KCPL in response to Staff Data Request No. 40. The June 30, 2006, depreciation reserve balances were provided by KCPL in response to Staff Data Request No. 40.

Q. Please explain adjustments S-92.1 and S-92.2.

A. Adjustment S-92.1 was made to remove from the test year expense depreciation on transportation equipment charged to expense through the clearing account process. Adjustment S-92.2 was made to remove from expense Staff's annualized level of depreciation expense the depreciation on transportation equipment that would be cleared to capital accounts based upon the test year distribution.

CASH WORKING CAPITAL

Q. What is Cash Working Capital (CWC)?

A. Within the confines of a rate case, CWC is the amount of cash necessary for a utility to pay the day-to-day expenses incurred to provide utility services to its customers.

Q. What are the results of the Staff's CWC analysis?

A. The results of Staff's CWC analysis is reflected on the Rate Base Accounting Schedule 2, line 4 - Cash Working Capital. In addition to calculation of CWC on Schedule 8, there are other offsets to rate base that are considered part of CWC. These additional CWC

components are shown on line 8 - Federal Tax Offset, line 9 - State Tax Offset, line 10 - City Tax Offset and line 11 - Interest Expense Offset on Schedule 2, Rate Base.

Q. Was a lead/lag study performed in this case?

A. Yes, by the Company. Staff reviewed the lead/lag study performed by the Company.

Q. Is the method used by the Company to calculate the CWC requirements the same method Staff has used in previous rate cases?

A. The method used by Company is very similar to that used by Staff in previous cases. Due to the current work load of the Staff and available resources, Staff was unable to perform a complete, independent CWC analysis in this case. Therefore, Staff reviewed the major expense areas and made changes to reflect what Staff believes to be the proper method of calculating the expense lags associated with CWC.

Q. What is the purpose of a lead/lag study?

A. The lead/lag study determines the amount of cash that is necessary on a day-to-day basis for the Company to provide electric services to its customers. A lead/lag study analyzes the cash flows related to the payments received from the Company's customers for the provision of electric services and the disbursements made by the Company to its suppliers and vendors for goods and services necessary to provide this electric service. A lead/lag study determines the number of days the Company has to make payments after receiving goods or services from a vendor and is compared with the number of days it takes the Company to receive payment from customers for the electric service it provides to its customers. A lead/lag study also determines who provides the cash working capital required by the company.

Q. What are the sources of CWC?

A. The shareholders and ratepayers are the sources of CWC.

Q. How do shareholders supply CWC?

A. When the Company expends funds to pay an expense before the ratepayers provide the cash, the shareholders are the source of the funds. This cash represents a portion of the shareholders' total investment in the Company. The shareholders are compensated for the CWC funds they provided by the inclusion of these funds in rate base. By including these funds in rate base, the shareholders earn a return on the funds they have provided/invested.

Q. How do ratepayers provide CWC?

A. Ratepayers supply CWC when they pay for electric services received before the Company pays expenses incurred to provide that service. Ratepayers are compensated for the CWC they provide by rate base being reduced by the amount of CWC the ratepayers provide.

Q. How does the Staff interpret the lead/lag study results?

A. A positive CWC requirement indicates that, in the aggregate, the shareholders provided the CWC for the test year. This means that, on average, the utility paid the expenses incurred to provide the electric services to its customers before those customers had to pay the Company for the provision of these utility services.

A negative CWC requirement indicates that, in the aggregate, the ratepayers provided the CWC for the test year. This means that, on average, the ratepayers paid for the utility's electric services before the utility paid the expenses that the utility incurred to provide those services.

Q. Please explain the components of Staff's calculation of CWC that appear on Accounting Schedule 8.

A. The components of Staff's calculation are as follows:

1) Column A (Account Description): lists the types of cash expenditures, which the Company pays on a day-to-day basis;

2) Column B (Test Year Expenses): provides the amount of annualized expense included in the cost of service. It shows the dollars associated with the items listed in Column A on an adjusted Missouri jurisdictional basis;

3) Column C (Revenue Lag): indicates the number of days between the midpoint of the provision of utility service by the Company and the payment for the service by the ratepayer. The revenue lag addressed in this case is discussed later in this direct testimony;

4) Column D (Expense Lag): indicates the number of days between the receipt of and the payments for the goods and services (i.e., cash expenditures) used by the Company to provide utility service. The individual expense components will be discussed later in this direct testimony;

5) Column E (Net Lag): results from the subtraction of the Expense Lag (Column D) from the Revenue Lag (Column C);

6) Column F (factor): expresses the CWC lag in days as a fraction of the total days in the test year. This is accomplished by dividing the Net Lags in Column E by 365;

7) Column G (CWC Requirement): shows the average amount of cash necessary to provide service to the ratepayers. This is computed by multiplying the Test Year Expense (Column B) by the CWC Factor (Column F).

Q. Please describe the revenue lag.

A. The revenue lag is the amount of time between the days the Company provides utility service to customers, and when the Company receives payment from those customers for that service. The overall Revenue Lag is this case is the sum of three subcomponent lags. The three subcomponent lags are as follows:

1) Usage Lag: The midpoint of average time elapsed from the beginning of the first day of a service period through the last day of that service period;

2) Billing Lag: The period of time between the last day of the service period, the day the meter is read, and the day the bill is placed in the mail by the Company.

3) Collection Lag: The collection lag is the time that customers are allowed to pay for the utility service.

Q. Did the Company use the same three subcomponent lags discussed above in developing its total revenue lag?

A. Yes. Staff's revenue lag subcomponents are identified below:

	Staff
Usage Lag	15.21 days
Billing Lag	2.00 days
Collection Lag	3.867 days
Total Revenue Lag	21.075 days

Q. Please explain how the usage lag was determined.

A. The usage lag was determined by dividing the number of days in a typical year (365) by the number of months in a year (12) to yield the average number of days in a month (30.42). The 30.42 days was then divided by two to yield an average usage lag of 15.21 days, representing the mid-point of the usage period. This further calculation is necessary since the Company bills monthly, and it is assumed that service is delivered to the customer evenly throughout the month.

Q. Please explain the Staff's approach to determining the billing lag.

A. The billing lag is the time it takes between when the Company reads the meters and when the bills are subsequently mailed to the customer. Staff used the billing lag provided by the Company of 2 days.

Q. Please explain the Staff's approach to determining the collection lag.

A. The collection lag is the average number of days that elapse between the day the bills were mailed and the day when the Company receives payments for those bills. The collection lag was calculated in two pieces relating to 1) receivables included in the accounts receivable sale, and 2) receivables not included in the accounts receivable sale.

Under an agreement known as the Receivables Sale Agreement, the accounts receivables are sold to Kansas City Power & Light Receivable Company (KCREC) who then sells the receivables to Bank of Tokyo Mitsubishi. KCPL sells approximately 81.95% of the Company's accounts receivables/retail revenues. The Company calculated a 0 day collection lag for those amounts that are sold to KCREC under this agreement. Staff has made adjustment S-67.3 to include in the cost of service the cost associated with the accounts receivables sales.

The Company calculated the collection lag for the remaining 18.05% of revenues not included in the Receivables Sale Agreements. The collection lag for these revenues was based on a twelve-month average of days of sales outstanding (accounts receivables turnover ratio) reflecting a 21.4 day lag.

The two collection lags were weighted based on the percentages noted above, resulting in an overall weighted collection lag of 3.867 days that was applied to total retail revenues.

Staff's total revenue lag is 21.077 days.

Q. What was the scope of the Staff's work in the calculation of expense lags in this case?

A. Staff reviewed the expense lag calculations made by Company witness Christine M. Davidson. Staff then made changes to only a limited number of the Company's calculations to reflect what Staff believes to be the proper calculation of the expense lag.

Q. Why did Staff choose to adjust only a limited number of calculations?

A. Again this was the result of the current work load of the Staff and resources requiring a narrower review of the overall CWC requirement as calculated by Company than the Staff would normally perform. Staff has chosen to review the following expense lags:

(1) Revenue lag;

(2) Payroll expense;

(3) Federal, state and FICA taxes withheld;

(4) Fuel and purchased power costs;

(5) Pensions funding and

(6) OPEB's funding.

Q. What expense lags, calculated by the Company, did the Staff accept?

A. Staff accepted expense lags for accrued vacation, cash vouchers, Wolf Creek operating expenses, Wolf Creek fuel outage accrual, fuel purchased oil, corporate franchise taxes, sales and use taxes and state and city Gross Receipt Taxes.

Q. Please describe the expense lag for cash vouchers as found on line 1 of Accounting Schedule 8.

A. Cash vouchers are miscellaneous expenditures that do not coincide with other operations and maintenance (O&M) expense items and that were not specifically examined elsewhere in the CWC analysis study (e.g., payroll, fuel, etc.). Staff used the lag that was calculated by the Company as it appeared to be reasonable based upon data I have reviewed in other cases. Staff and Company used a lag of 39.15 days.

Q. Please describe the expense lag for payroll expense as found on line 2 of Accounting Schedule 8.

A. The payroll expense lag is the time lapse between the midpoint of the period in which the employees earned wages and the date the Company paid the wages. Employees are paid twice-a-month: (1) one week after the 15th of the month and (2) one week after the end of the month. The payroll expense lag is 13.854 days.

Q. Please describe the expense lag for payroll taxes withheld as found on line 3 of Accounting Schedule 8

A. The expense lag for federal, state and city taxes withheld relating to payroll taxes is the period of time between the midpoint of the pay period for which the taxes are withheld and the date the tax withholdings must be paid to the taxing authorities. The resulting combined tax lag is 13.63.

Q. Please explain the expense lag for the FICA taxes withheld found on line 4 of Accounting Schedule 8.

A. The FICA taxes withheld expense lag relates to the employee portion of FICA taxes withheld from employees' payroll checks. The expense lag for FICA taxes is the period of time between the midpoint of the pay period for which the taxes are withheld and the date the tax withholdings must be paid by the Company to the taxing authorities. Payments for the employee's portion of FICA taxes and the employer's portion of FICA taxes shown on lines 4 and 16 respectively are made at the same time. An employer must typically deposit the FICA taxes withheld with an authorized commercial band depository or Federal Reserve Bank on the Monday following the previous Friday payday, or within 3 banking days following a payday falling on another day of the week. The resulting FICA tax lags are 13.77 days.

Q. Please explain the Wolf Creek Nuclear Operating expense lag found on line 5 of Accounting Schedule 8.

A. The Wolf Creek Nuclear Operating expense lag is the time lapse between the midpoint of the period in which the operating expenses of the Wolf Creek Nuclear Generating Station are incurred and when they are paid by KCPL to the Wolf Creek Nuclear Operating Company and to The Bank of New York for the Wolf Creek Decommissioning trust fund. The Wolf Creek Nuclear Operating expenses include decommissioning costs, other direct charges and labor and non-labor operating costs. A lag was calculated for each of these components and then weighted to determine the weighted lag to be used.

Q. Please explain the Wolf Creek fuel outage accrual expense lag found on line 6 of Accounting Schedule 8.

A. The Wolf Creek fuel outage accrual expense lag is the time lapse between when the Company makes accruals to expense for the fuel outage and when the Company actually makes payments for the fuel that is replaced in a fuel outage. KCPL makes a monthly accrual for the fuel outage based upon the estimated cost of the next outage.

Q. Please explain the accrued vacation expense lag found on line 7 of Accounting Schedule 8.

A. Staff has used the accrued vacation expense lag as calculated by the Company. The accrued vacation lag is 344.83 days.

Q. Please explain the Fuel – Coal expense lag found on line 8 of Accounting Schedule 8.

A. The Fuel - Coal expense lag is the time between when the coal is purchased from the supplier and shipped to the Company and when the Company pays the supplier for

the coal purchased. The Fuel - Coal expense lag is a composite of the lags associated with purchase of the coal, shipment of the coal, lease of the unit trains and maintenance of the unit trains.

Q. Please explain the Fuel - Purchased Gas expense lag found on line 9 of Accounting Schedule 8.

A. The Fuel - Purchased Gas expense lag is the time between when the Company receives the natural gas from the supplier and when the Company submits payment to the supplier for the natural gas supplied.

Q. Please explain the Fuel - Purchased Oil expense lag found on line 10 of Accounting Schedule 8.

A. The Fuel - Purchased Oil expense lag is the time between when the Company receives a shipment of oil and when the Company pays the supplier for that oil. Staff has used the lag days calculated by the Company.

Q. Please explain the Purchased Power expense lag found on Line 11 of Accounting Schedule 8.

A. The Purchased Power expense lag is the time between when the Company receives the purchased power and when the Company pays the supplier for that purchased power. Staff has recalculated the purchased power lag to include time for when the service was provided, not just the period of time between when the supplier invoiced the Company for the purchased power supplied for the previous month and when the Company paid for the purchased power.

Q. Please explain the Injuries and Damages expense lag found on Line 12 of Accounting Schedule 8.

A. Staff has included an estimate for the Injuries and Damages lag and will be conducting further review of this lag. Staff will update this lag before the hearings in this case. A significant portion of injuries and damages claims are paid in installments. As a result, a weighted average lag would be calculated between the date of the injury and the midpoint of each month which a specific payment was made. Staff has conservatively estimated an expense lag of 185 days for Injuries and Damages. Company did not include a calculation of the Injuries and Damages lag in their CWC thereby assigning the cost associated with Injuries and Damages with the Cash Voucher Lag.

Q. Please explain the Pension Fund Payment expense lag found on Line 13 of Accounting Schedule 8.

A. The Pension Fund Payment expense lag is the difference between the midpoint of the service and the date payment was made for that service. The Staff has calculated a lag of 51.74 days.

Q. Please explain the Other Post Retirement Employee Benefits (OPEBs) expense lag found on Line 14 of Accounting Schedule 8.

A. The OPEBs expense lag is the difference between the midpoint of the service and the date payment was made for that service. The Staff has calculated a lag of 178.44 days.

Q. Please explain the Federal Unemployment Tax expense lag found on Line 17 of Accounting Schedule 8.

A. The Federal Unemployment Tax expense lag is paid quarterly and is due at the end of the month following each quarter. Staff has used the lag calculated by the Company.

Q. Please explain the State Unemployment Tax expense lag found on Line 18 of Accounting Schedule 8.

A. The State Unemployment Tax expense lag is paid quarterly and is due at the end of the month following each quarter. Staff has used the lag calculated by the Company.

Q. Please explain the Property Tax expense lag found on Line 19 of Accounting Schedule 8.

A. The Property Tax expense lag is based upon payments made in Missouri, Kansas, and a number of other states for the unit trains which delivers coal to KCPL generating stations. Payment of the property taxes in Missouri is due by December 31 of each year and payment of the Kansas property taxes made in two installments, one-half due on December 20th and the second half due on May 10th of the following year. The Property Tax expense lag is the difference from the midpoint of the year for which the taxes are incurred and the date of the payment. The actual payments are multiplied by the lag days to determine the weighted dollars associated with each payment. The total weighted payment dollars are then divided by the total payments to determine the overall weighted lag days.

Q. Please explain the Gross Receipts Tax expense lag found on Line 20 of Accounting Schedule 8.

A. The Gross Receipts Tax expense lag is the combination of taxes paid to various cities and municipalities that KCPL has a franchise to operate in. These taxes are determined by various formulas of the cities and municipalities on the receipts (certain sales) of the Company for the right of the Company to operate in these localities. Utilities are granted franchises by cities and municipalities to provide utility services to customers. The Gross Receipts Tax expense lag is the midpoint of a usage period to the time the cities and

municipalities require payment. The Gross Receipts Tax expense lag used by the Staff is 20.53 days as calculated by the Company.

Q. Why does the revenue lag for Gross Receipts Taxes differ from the revenue lags discussed earlier?

A. The Company acts solely as an agent of the taxing authority in collecting the Gross Receipts Taxes from the ratepayers, and paying the proper institution on a timely basis. The Company has not provided any service to the ratepayers associated with the Gross Receipts Taxes. Therefore, in order to match the same time frames for these components, the Staff adopted the collection lag and used it as the revenue lag. As explained earlier, the Staff calculated a 3.867 collection lag. The Staff used this number as the revenue lag for the Gross Receipts Tax revenue lag.

Q. Please explain the Sales and Use Tax expense lag found on Line 21 of Accounting Schedule 8.

A. The Sales and Use Tax expense lag is the weighted number of days between the taxable period and the date the taxes are due. Staff has used the Sales and Use Tax expense lag calculated by the Company.

Q. Why does the revenue lag for Sales and Use Taxes differ from the revenue lags discussed earlier?

A. The Company acts solely as an agent of the taxing authority in collecting Sales and Use Taxes from the ratepayers, and paying the proper institution on a timely basis. The Company has not provided any service to the ratepayers associated with the Sales and Use Taxes. Therefore, in order to match the same time frames for these components, the Staff adopted the collection lag and used it as the revenue lag. As explained earlier, the Staff

calculated a 3.867 day collection lag and used this number as the revenue lag for the Sales and Use Tax revenue lag. The Company used a full revenue lag in its CWC analysis for the Sales and Use Taxes.

Q. What components of CWC are not on Staff's Accounting Schedule 8?

A. The Federal Income Tax Offset, State Income Tax Offset, and Interest Expense Offset do not appear in the Accounting Schedule 8, CWC. These items appear as separate line items in the Staff's Rate Base Schedule, Accounting Schedule 2.

Q. Why are the Federal Income Tax Offset, State Income Tax Offset, and Interest Expense Offset included in the Rate Base Accounting Schedule 2, rather than the CWC Accounting Schedule 8?

A. The normalized Missouri jurisdictional expense component used for these offsets is tied directly to the computation of the revenue requirement. The revenue requirement computer program (EMS run) has the capability to extract these amounts from Accounting Schedule 11, Income Tax. The computer program applies the CWC factor to each component and places the CWC requirement directly in Accounting Schedule 2, Rate Base.

Q. Please explain and describe the inclusion of taxes in the Staff's analysis of CWC.

A. Unlike other line items reflected within the CWC Accounting Schedule 8, taxes are not considered as O&M expenses, but they are known and certain obligations of the Company with payment periods and payment dates established by statutes. Rates paid by customers to cover taxes payable by the Company represent a source of cash to the Company until passed on to the appropriate taxing authority.

Q. Please explain the Federal Income Tax Offset and State Income Tax Offset.

A. The Federal Income Tax expense lag and State Income Tax expense lag represent the period of time between the midpoint of the tax calendar year and the dates these income taxes must be paid to the Federal and State taxing authorities. Currently, 100% of the estimated Federal Income Tax must be paid during the year in four installments, which are due by the 15th day of April, June, September and December. The State of Missouri requires that at least 90% of the Company's estimated State Income Tax liability be paid during the year in four equal installments, which must be paid by the 15th day of April, June, September, and December. Unlike the estimated Federal Income Tax requirements, the remaining 10% tax liability is due by April 15th following the close of the tax year. The Staff calculated the Federal and Missouri Income Tax expense lags to be 36.5 days and 61.55 days, respectively. The CWC factor is placed in the Rate Base Accounting Schedule 2, and the Staff's computer program calculated the CWC requirement for Federal and State Income Taxes.

Q. Please explain the Interest Expense Offset.

A. Although not an O&M expense, interest expense is included in the Staff's lead/lag analysis because interest is a source of cash provided by the ratepayers and, therefore, properly considered in CWC. The Company has a known and certain obligation to pay cash, in the form of interest on its debt. The interest is pre-collected through rates from the ratepayers for the purpose of passing it on to the bondholder. The funds are a source of cash to the Company for use toward any purpose that it desires until these funds are passed on to the bondholder.

Staff has used the interest expense lag calculated by the Company in this case. The CWC factor was placed in the Rate Base Accounting Schedule 2 and the Staff's revenue requirement model calculated the CWC requirement for interest.

Q. What was the overall result of the Staff's lead/lag calculation?

A. The lead/lag study performed by the Staff resulted in a negative CWC requirement. This means that in the aggregate the ratepayers have provided the CWC to the Company during the test year. Therefore, the ratepayers should be compensated for the CWC that they provide, through a reduction to rate base. This rate base offset is shown on Accounting Schedule 2.

ACCOUNTING TREATMENT FOR HAWTHORN 5

Q. What is the purpose of this section of your testimony?

A. This section of my testimony addresses the February 17, 1999 explosion at KCPL's Hawthorn 5 generating station and the subsequent rebuilding of the Hawthorn 5 unit. The almost complete rebuilding of a 30-year old generating facility created some unusual accounting issues that needed to be addressed in this case because of the impact on the revenue requirement determination.

Q. What are the issues causing the potential effect on rates?

A. The first issue relates to how KCPL accounted for the recoveries it received from insurance and lawsuit settlements for the Hawthorn 5 explosion. The second matter that affects rates is the calculation made by KCPL to determine the allowance for funds used during construction (AFDC). These issues will be discussed separately in this testimony as they are distinct from one another.

Q. Please explain the events that led up to the rebuilding of the Hawthorn 5 generating plant.

A. Hawthorn 5 suffered a catastrophic explosion on February 17, 1999 that totally destroyed the steam generator (boiler). KCPL made the decision to rebuild the generating unit after examining alternatives such as installing combustion turbines and combined cycle generating units. Because KCPL needed the unit back as soon as possible, the Company agreed to comply with existing environmental standards. Demolition of the damaged plant took place in the spring and early summer of 1999. Construction began in mid-summer of 1999. The Company, in its 1999 Annual Report on page 26, stated:

> On February 17, 1999, an explosion occurred at the 476-megawatt, coal fired Hawthorn Generating Station Unit No. 5 (Hawthorn No. 5). The boiler, which was destroyed, was not operating at the time, and there were no injuries. Though the cause of the explosion is still under investigation, preliminary results indicate that an explosion of accumulated gas in the boiler's firebox caused the damage. KCPL has property insurance coverage with limits of $300 million. Through December 31, 1999, KCPL has received $80 million in insurance recoveries under this coverage and has recorded the recoveries in Utility Plant - accumulated depreciation on the consolidated balance sheet.

Q. When did Hawthorn 5 originally begin commercial operation?

A. The Hawthorn 5 unit originally was commissioned into service in 1969, thus operating 30 years before the explosion. Hawthorn 5 was substantially rebuilt to a new, state of the art, coal-fired base load generating plant facility which will have an additional long life of operation, well beyond what it would have had the rebuild not taken place.

Q. How was Hawthorn 5 rebuilt?

A. Hawthorn 5 was rebuilt with a completely new steam generator (boiler) from the foundation up; new feed water systems and pumps; a completely new air quality control system including the installation of a Selective Catalytic Reduction (SCR) system, scrubber

and bag-house. The rebuild also included a new control room with all new instrumentation, computers and controls, along with all new cables and wiring; all new electrical wiring and related electrical equipment. A new transformer allowing greater capacity than the old transformer was also installed. New fuel-handling equipment was installed for unloading of coal trains and the conveyor system to deliver the coal to the unit. New water intakes were also installed, essentially basically resulting in a new plant. The steam turbine generator was modified and up-dated allowing for greater steam flow increasing the plant's generating capacity from the previous 500 megawatts to 563 megawatts. The turbine was substantially rehabilitated with new turbine blades on the high pressure side and the rotors were turned. The turbine generator was rewound.

Q. Please explain Plant Adjustments P-2.1, P-5.1, P-8.1 and P-10.1.

A. These plant adjustments were made to adjust test year plant to reflect the recalculation of the AFDC accrued to the plant-in-service for the Hawthorn 5 rebuild project.

ACCOUNTING TREATMENT OF THE INSURANCE RECOVERIES AND LAWSUIT SETTLEMENTS FOR HAWTHORN 5 RECONSTRUCTION

Q. Did the Company receive any recoveries of the cost of the plant destroyed associated with the Hawthorn 5 explosion.

A. Yes. The Company received funds in the form of insurance recoveries and lawsuit settlements.

In the Company's 1999 Annual Report, KCPL indicated that it had insurance to cover up to $300 million in property loss of which it had collected $80 million as of December 31, 1999. Schedule 2-3 of my testimony lists the insurance recoveries and the lawsuit settlements that were received by the Company as compensation for its losses. During 1999, the

Company received eight payments totaling $85 million of insurance recoveries. During 2000 the Company received another $50 million in insurance recoveries with another $30 million in 2001, $3.94 million in 2003, $30.81 million in 2004 and another $10 million in January of 2005. These insurance recoveries total $209.75 million.

KCPL's response to Staff Data Request No. 0126, attached as Schedule 3 to my direct testimony, indicates the Company received an additional $34.2 million in lawsuit settlements. Total insurance recoveries and lawsuit settlements amount to $247.9 million. Some of these amounts related to the replacement of Hawthorn 5 with the reconstruction of the unit (capital recoveries) while a portion of the amounts received related to replacement power, lost sales margins from the interchange market and increased fuel costs (non-capital recoveries). All of the non-capital recoveries reduced expenses in the year received.

Q. How did the Company treat the insurance recoveries and lawsuit settlements on their books and records?

A. As described in the 1999 Annual Report and Company's response to Staff Data Request No. 0452, attached to this testimony as Schedule 4, the insurance recoveries and the lawsuit settlements were booked in "A/C 108000 as a salvage amount". This account is the accumulated depreciation reserve that captures the prior depreciation amounts the Company has recovered from the time the plant asset was placed in plant-in-service.

Q. What is the problem with booking the insurance recoveries and lawsuit settlements to depreciation reserve?

A. This booking of the insurance recoveries and lawsuit settlements to the depreciation reserve creates a problem in identifying the proper amount of depreciation to be

included in rates and the amount of depreciation charged to expense for financial reporting purposes.

Q. What treatment did KCPL give the insurance recoveries and lawsuit settlements?

A. KCPL credited the depreciation reserve for the insurance recoveries and lawsuit settlements. Accounting for the recoveries in this fashion causes an overstatement in plant in service. The net book value is correct (plant less reserve equals net book value) but the plant has a balance greater than what it should because the insurance recoveries and lawsuit settlements were not used to reduce these amounts.

Q. What is the effect of plant being overstated by these recoveries?

A. On a going forward basis, depreciation expense is overstated because the overstated plant amounts are used as a basis for depreciation used for rate determination and for financial reporting purposes. In order to correct for the overstatement, a manual adjustment is required to "remove" the amount of depreciation relating to the amounts of plant construction received from insurance and lawsuit settlement. Unless this manual adjustment is made for the recoveries to the value of the Hawthorn 5 plant, KCPL would be unable to determine the proper level of depreciation expense for financial and regulatory purposes. Because the plant value is overstated, one must go to the depreciation reserve to determine the net plant value correctly. Once the amount of recoveries is determined then depreciation is computed on the overstated plant values. A manual adjustment reducing depreciation expense is necessary for both financial and regulatory purposes.

Q. Did Staff have to make an adjustment to correct the overstatement of plant in this case?

A. Yes. Both KCPL and Staff had to make manual adjustments to determine the correct annualized depreciation by removing the excess depreciation expense associated with the overstated plant balance for Hawthorn 5.

Q. What is the other issue that Staff has with the way KCPL has treated the insurance recoveries and lawsuit settlements?

A. The Company has overstated the plant in service related to Hawthorn 5 as the result of calculating AFDC on the entire cost of the reconstruction of the plant giving no consideration to the insurance recoveries that the Company received before and during the construction of the plant. Staff believes that the funds received from insurance recoveries by the Company before and during the construction should have been used to offset the cost of re-constructing the plant. The primary reason for having the insurance is to have the ability to replace property that is damaged by unforeseen events.

The effect of the overstatement of AFDC also overstates the depreciation expense. This issue will be further discussed later in my direct testimony.

Q. Would you please describe how Staff believes the insurance recoveries and lawsuit settlements should have been treated by KCPL?

A. Yes. Staff believes that the Company should have booked the insurance recoveries and lawsuit settlements to plant-in-service as a direct offset to the cost of construction. However, Staff has not made these adjustments in this case. Staff intends to discuss this proposal with KCPL before it makes a recommendation to the Commission.

Q. Did KCPL have to reflect changes to its books and records as a result of the Hawthorn 5 reconstruction?

A. Yes. KCPL had to record the Hawthorn 5 reconstruction expenditures in the same fashion as other construction projects. KCPL, like all major utilities, uses a work order system for construction projects. Work orders were opened to identify expenditures as they were incurred to reconstruct the generating facility. The Company had to retire on its books equipment that was destroyed or obsolete and had to add new plant additions. In addition, KCPL had to account for the insurance recoveries and lawsuit settlement amounts.

The Company also calculated AFDC on the construction costs to rebuild Hawthorn 5.

Q. How much did KCPL receive in insurance?

A. KCPL identified through data request responses and other documents, that the Company received a total of $247.9 million in insurance recoveries and lawsuit settlements resulting from the explosion and destruction of the plant. Insurance recoveries accounted for $209.75 million of the amounts recovered.

Q. How did the Company account for the recoveries?

A. KCPL booked the amounts received to the depreciation reserve as salvage. KCPL received approximately $209.75 million from insurance recoveries and approximately $38.178 million of lawsuit settlement claims of which $17.561 million was recorded as a recovery of replacement power and lost sales margin and increased fuel cost. This information was supplied by the Company in response to Staff Data Request No. 0126, attached to my direct testimony as Schedule 3.

KCPL booked all the capital related to these proceeds as a credit to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. The booking of the insurance recoveries and lawsuit settlements to the depreciation reserve creates unique ratemaking problems within the regulatory process. This treatment causes the value of plant

to be overstated because amounts received from these recoveries should have reduced the reconstruction expenditures. By booking the proceeds to the depreciation reserve, the value of the rebuilt plant is overstated for the amounts of insurance recoveries and lawsuit settlements accounted in depreciation reserve. The value of new plant additions in the plant accounts is overstated because the insurance recoveries and lawsuit settlements are being ignored.

Since the plant balances are used as basis for depreciation, this over statement of plant amounts creates an over statement in depreciation expense.

Q. Does Staff have a proposal as to how the insurance recoveries and lawsuit settlements should be treated?

A. Yes. Staff believes that the plant-in-service balance associated with the rebuilt Hawthorn 5 plant should be reduced by the funds received through insurance recoveries and lawsuit settlements. While Staff has not made this adjustment in this case, it intends on examining further the merits to effectuating this proposal.

Q. How would making the entries to plant instead of to the reserve correct the problem?

A. The Staff believes that booking the insurance recoveries and lawsuit settlements to plant, states the true value of the plant for ratemaking purposes. The restated value of the plant for ratemaking purposes is the value of the plant upon which the Company should be allowed depreciation.

Should the Company be allowed to continue booking the insurance recoveries and lawsuit settlements to the reserve, the Company and Staff will be required to continue making

special adjustments for depreciation in every rate case for the life of the plant, approximately another 40 years.

Q. What is Staff proposing in this case with respect to the proper treatment of these receipts?

A. Staff has made adjustments to mitigate the affects of the proceeds being booked in the Depreciation Reserve. The Company, in its filing, recognized the need to make an adjustment to reflect the overstatement of depreciation expense that results from not reducing plant in service for the insurance recoveries and lawsuit settlements. While the Company made an adjustment to correct this overstatement of depreciation expense, as did the Staff, this did not address the entire problem. The Company recognized the need to make a manual adjustment to correct the depreciation expense amount in this case. This manual adjustment acknowledges that at least a portion of the benefits associated with the collection of proceeds for the insurance recoveries and lawsuit settlements should be passed on to the ratepayers.

Q. What is Adjustment S-92.3?

A. This adjustment was made to eliminate the Depreciation Expense that should not be calculated on the overstated plant balances. With this adjustment, the calculation for depreciation expense is made as though the value of the plant had been reduced by the recovery of the proceeds from insurance recoveries and lawsuit settlements.

Q. Will the Staff's adjustment need to be made in future rate cases?

A. Yes. If KCPL books are not corrected then this adjustment will have to be made in every rate case as long as Hawthorn 5 is included in rates. A solution to having to

make a manual adjustment is to book the insurance recoveries and lawsuit settlements directly to plant accounts.

Q. Does Staff know why the Company booked the proceeds from the insurance recoveries and lawsuit settlement amounts to salvage in the Depreciation Reserve?

A. Yes. The Company in response to Staff Data Request No. 400 stated that "Insurance proceeds were recorded in accordance with the Code of Federal Regulations. Accordingly, correspondence was not necessary on this subject."

KCPL believes the booking of these proceeds to Account 108 is in accordance with the FERC Uniform System of Accounts-- Paragraph 108, Section B (18 CFR Ch. 1, pg 350). The section of the FERC Uniform System of Accounts (USOA) for Account 108—B. states:

> At the time of retirement of depreciable electric utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance.

Q. Why does Staff believe that the booking of the value of the insurance recoveries and lawsuit settlement amounts should not be booked to Depreciation Reserve?

A. Staff believes that the USOA did not take into consideration a catastrophic event such as what happened at Hawthorn 5 in which an existing plant that had been in service for approximately 30 years was destroyed and essentially rebuilt resulting in a new plant after construction was completed. A substantial portion of the plant reconstruction was made from funds received from insurance recoveries and lawsuit settlements. These funds in essence helped pay a substantial portion of the reconstruction cost.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RELATING TO HAWTHORN 5

Q. How did KCPL calculate the allowance for funds used during construction (AFDC) for the Hawthorn 5 reconstruction?

A. KCPL calculated AFDC as though it did not receive any monies from the insurance recoveries it received. The lawsuit settlements were received after the completion of the construction and therefore should not have affected the calculation of the AFDC with regard to the reconstruction cost of Hawthorn 5.

Q. What is the amount of the AFDC that KCPL determined should be included in plant for the reconstruction?

A. KCPL calculated $20.64 million on the construction project for AFDC.

Q. What should the amount have been for AFDC?

A. Staff believes the amount should be $5.16 million.

Q. Please explain the difference between how the Company and Staff proposes the AFDC should be determined?

A. The Company ignored the insurance recoveries as a source of funding of construction expenditures. Staff's calculation used the insurance recoveries received prior to and during construction as the first source of construction funds.

Q. Why should the recoveries be considered in the determination of AFDC?

A. Every construction project, particularly one as large as the Hawthorn 5 rebuild, requires funding to pay the construction costs as the project is being constructed. Typically, companies can fund a good portion of construction through internally generated funds from depreciation and deferred taxes. Other sources of funds for construction are short and long term debt and equity issued by the utility. In this instance, of a total of over $200 million of

insurance recoveries, KCPL had in excess of $165 million of this money prior to or during the reconstruction of Hawthorn 5 that it could have and should have used in funding the construction.

Q. Do electric rates generally reflect the recovery of insurance premiums on policies carried by the Company?

A. Yes. Utility rates are determined including the costs of insurance carried on the assets of the companies regulated. Customers fund through rates the cost incurred by the Company to pay for the insurance coverage carried by the Company to mitigate losses of destroyed or damaged plant property. Therefore, Staff believes that it is appropriate for customers to receive benefits associated with the recoveries from the insurance companies to replace the plant. KCPL also believes that the customers should receive benefits from the insurance recoveries but proposes to only provide a portion of the benefits to customers. KCPL, through its booking of the insurance recoveries and the lawsuit settlements to the depreciation reserve, provided customers the benefit of reduced net plant resulting in lower depreciation expense and lower return of this investment. But the Company did not go far enough because it overstated the AFDC by ignoring the insurance recoveries in this calculation.

The way KCPL calculated the AFDC on the Hawthorn 5 plant construction overstated the construction costs. KCPL ignored the proceeds from the insurance recoveries.

Q. What is AFDC?

A. AFDC is the non-cash cost of financing particular construction projects not completed which is capitalized. The FERC Uniform of System of Accounts (USOA) identifies under paragraph 15,053 3. Components of Construction Cost, A.(17) that AFDC:

> includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of the Commission, allowances computed in accordance with the formula prescribed in paragraph (a) of this subparagraph. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

Q. Why does Staff believe that the AFDC calculated by the Company is overstated?

A. Staff believes that the insurance recoveries were available to the Company to fund the rebuild of the Hawthorn 5 plant that was destroyed in 1999. The purpose of AFDC is to allow the Company the opportunity to recover, over the life of the plant, the cost of funding of construction and a return on the funds used to finance the construction. The calculation of AFDC is to fund the cost of construction of new plant investment that is not included in plant-in-service. Since the construction work in progress is not included in plant-in-service that is allowed in rates until such time as it is considered fully operational and used for service, the AFDC mechanism provides the utility investors a return on its capital investment during the construction cycle.

Q. Does Staff believe that the insurance recoveries received by KCPL for the Hawthorn 5 explosion should have been used to fund the construction of the rebuild of this plant investment?

A. Yes. Staff's proposal gives consideration that: 1) the Company received and had use of funds from certain insurance recoveries prior to the actual start of the Company expending funds for the reconstruction of Hawthorn 5; and 2) as construction expenditures occurred, the Company continued to receive amounts from insurance recoveries.

To the extent that monies were received prior to completion of the construction, KCPL should have used what ever monies received from these sources to determine the amount of AFDC on the construction funds. Since KCPL received these amounts from insurance policies, the Company did not have to finance as much of the plant construction as it would have absence the insurance recoveries.

Q. When were funds received from insurance companies for the Hawthorn 5 explosion?

A. KCPL first received insurance monies in May, 1999. The Company started to incur costs to reconstruct the power plant in August, 1999. As construction continued, KCPL continued receiving insurance recoveries from insurance claims in installments. Staff only used the monies received from insurance recoveries prior to the completion of the reconstruction of Hawthorn 5.

Q. Have you prepared a schedule that identifies the amounts and timing of receipt of payment for insurance recoveries?

A. Yes. Schedule 2-4 attached to this direct testimony identifies the date and amount of payments received by KCPL for not only the insurance recoveries but also the receipt of the lawsuit settlements. As can be seen, the Company received funds from recovery of insurance recoveries in advance of the actual construction costs for a period of time. Also, Schedule 2-2 illustrates reimbursements from lawsuit settlements which occurred after construction was complete. Therefore, KCPL did not have those settlement amounts available to fund the reconstruction of Hawthorn 5.

Q. Did Staff recompute the AFDC amount for the Hawthorn 5 reconstruction?

A. Yes. Schedule 2-3 shows the recalculation of AFDC for Hawthorn 5 considering the funds available from insurance recoveries received by KCPL in relation to the reconstruction expenditures.

Q. Did Staff's recalculation of the AFDC amount for Hawthorn 5 consider the lawsuit settlements?

A. No. Since the lawsuit settlements were received after the reconstruction was complete, these amounts were not available for use as a source of construction funding. Therefore, the lawsuit settlements were not included as part of the recalculation of AFDC for Hawthorn 5.

Q. Does the fact that KCPL treated the receipt of insurance recoveries and lawsuit settlements as an increase to accumulated depreciation reserve, affect the re-computed AFDC amount?

A. No. The two issues addressed in this testimony are separate and distinct. While it makes a much more straight-forward solution if the amounts of the insurance proceeds and lawsuit settlements were used to reduce plant in service instead of increasing the reserve, the treatment of booking recoveries to the depreciation reserve does not affect the recalculation Staff is making to the AFDC amount that should be included in rates customers are charged.

The issue relating to the AFDC amount is that the Company did not use certain proceeds to reduce the amount of construction costs that it used for the calculation of AFDC. The benefit of having these insurance recoveries available prior to the construction expenditures was not reflected by KCPL, thereby resulting in a higher AFDC amount charged to the reconstruction of Hawthorn 5. By not giving proper recognition to these funds as

received, KCPL increases the value of the plant which requires KCPL's customers to pay a higher return on and of to KCPL's shareholders during the life of the rebuilt Hawthorn 5 unit. Because the Company received funds from insurance, KCPL was not required to fund or borrow those amounts for the Hawthorn 5 rebuild.

The calculation of AFDC on the Hawthorn 5 rebuild project by the Company does not acknowledge the fact that Company had money in its possession prior to the actual start of the reconstruction. Staff's recalculation of AFDC considers that these funds were available as a source of construction funding.

Q. What is the return "on" and return "of" investment of public utility assets?

A. Utility companies are allowed to receive a return of its investment through depreciation, know as a return "of" investment. Further, during the recovery of the investment, utilities are allowed a return "on" the investment giving consideration that money has value over time. For investors to be willing to commit funds to make capital improvements in the company, there is an expectation that investor will require consideration for making such investments -- a return "on" investments is required to attract the necessary capital to construct utility assets.

Q. Is the use of AFDC to finance construction projects considered a return by investors?

A. It is a deferred return in that a non-cash return "on" the invested construction funds is provided during the construction period. As noted above, since the construction project is not included in rates as the project is being constructed or until it is completed, AFDC serves as a return mechanism for funding the construction activity. Without giving

consideration to AFDC, investors would not get value for putting the necessary capital into plant construction.

Q. What is the restated amount of AFDC that Staff believes should be reflected tin the Hawthorn 5 plant balances?

A. Staff believes that the amount for AFDC for Hawthorn 5 should be $5,158,896. This compares to the amount that KCPL has booked to the Hawthorn 5 plant balances of $20,640,363.

Q. What is the effect of reducing the AFDC amount of Hawthorn 5 plant costs?

A. A lower AFDC amount reduces the overall plant amounts for Hawthorn 5 plant costs. This results in less depreciation expense (return "of") and less required return paid (return "on") over the life of the generating unit.

JURISDICTIONAL ALLOCATION FACTORS

Q. Why is it necessary to allocate costs in this case?

A. KCPL operates in three separate jurisdictions. It provides electrical service to Missouri-retail customers, Kansas-retail customers, and FERC-wholesale customers in Missouri and Kansas. Respecting FERC-wholesale customers, KCPL provides wholesale electric power to several municipalities on a firm contract basis under the jurisdiction of the FERC in both Kansas and Missouri. Since KCPL supplies power to entities in two state ratemaking jurisdictions and the one federal ratemaking jurisdiction, an allocation process is needed to identify costs specific to its Missouri-retail, Kansas-retail and FERC-wholesale electric operations which are under the authority of this Commission, the Kansas Corporation Commission or the FERC.

Q. What jurisdictional allocation factors did the Staff use in this case?

A. In order to allocate the Company's costs to the three jurisdictions it serves, (i.e., Missouri-retail, Kansas-retail and Federal Energy Regulatory Commission (FERC wholesale), the Staff used two types of allocation factors; namely:

1) Great Plains Energy corporate allocators used by KCPL;

2) Demand and energy allocators developed by Staff witness Erin Maloney of the Engineering Section of the Commission's Energy Department;

3) The Staff has reviewed and used the distribution allocations used by KCPL.

4) The allocation of the general and common plant is the composite allocation of all other plant.

For the income statement accounts Staff used the same jurisdictional allocations for production and transmission expenses that it used for those accounts in plant. This is known as "expenses follow plant allocation concept".

Q. How were the above allocation factors used in this case?

A. The Staff calculated Missouri jurisdictional allocated amounts for each individual FERC account using the appropriate allocation factors described above. The electric expense accounts that are 100% electric were multiplied by the demand and energy allocation factors developed by Staff witness Erin Maloney.

ACCOUNTING AUTHORITY ORDER'S

Q. Please explain adjustment S-86.1 and S-86.2.

A. Adjustment S-86.1 was made to adjust test year expense to reflect the annualization of the amortization expense associated with the Accounting Authority Order approved in Case No. ER-81-42 for the allowance of funds used during construction

(AFUDC) for Iatan generating station from May, 1980 through July, 1981. This amortization began in July, 1981 and expires on July, 1 of 2006.

Adjustment number S-86.2 was made to adjust test year expense to reflect the annualization of the amortization expense associated with the Accounting Authority Order issued as a result of Case No. EU-2002-1048 to recover 2002 Incremental Ice Storm Costs amortized over a 53-month period. This amortization ends in January 2007.

PROPERTY TAXES

Q. Please explain adjustments S-87.2, and S-87.3.

A. These adjustments annualize property tax expense and property tax expense for vehicles distributed to expense through clearing accounts.

Q. How did the Staff compute property tax expense in this case?

A. The Staff examined the actual amounts of property tax payments made by KCPL in the five (5) years 2001, 2002, 2003, 2004 and 2005. I developed a relationship of actual property tax payments to the level of property at January 1 for each of those years. The relationship was applied to the plant in service balance at the end of the test year, December 31, 2005, to calculate an annualized property tax amount in this case.

Q. How are property taxes paid?

A. The state and local taxing authorities determine the annual property tax payment through an assessment of utilities' real property. This assessment is made based upon the utilities' property balances on January 1 of each year. The taxing authorities also determine a property tax rate that is applied to the assessed values to compute the property tax amount billed to utilities.

Q. When are property taxes paid by KCPL?

A. The property taxes are paid to the state of Missouri and the local taxing authorities at the end of each year, generally by December 31st. The Kansas property taxes are paid in two increments at December 31 and on the following May 15. The property taxes are calculated based upon property located in Missouri and Kansas, the actual property tax expense is total Company and then allocated to Missouri.

Q. Are all property taxes charged to expense?

A. No. Although the majority of property taxes are expensed, a portion of property taxes relate to construction activity as of the assessment date of January 1 of each year. Property taxes that relate to construction activities are capitalized.

DUES AND DONATIONS

Q. Please explain adjustments S-38.2, S-67.2, S-73.2, S-77.2, S-80.2, S-81.2, S-81.4 and S-81.5.

A. These adjustments were made to decrease test year expenses relating to various dues and donations the Company has included in its cost-of-service. The Staff has excluded such dues and donations because they are not necessary for the provision of safe and adequate service, and thus do not provide any direct benefit to ratepayers. Staff has disallowed dues such as those paid to Asian-American Chamber of Commerce, Associated Industries of Missouri, Friends of Jackson County Museums, and the Nelson Gallery Foundation, etc. A listing of the dues and donations made by the Company are included in Schedule attached to my testimony.

Q. Did the Company book any charitable donations above-the-line?

A. Yes. The Company booked some charitable donation expenses above-the-line during the test year. Therefore, the Staff was required to make adjustments to remove those

amounts that are included in the test year from the cost of service relating to the revenue requirement the Staff is recommending in this case. The Company charged donations made to golf tournaments, charitable events, awards dinners and numerous other events to above-the-line expense.

Q. Why has the Staff eliminated charitable donations from the cost-of-service?

A. The Staff believes that the ratepayers should not be required to make donations to charitable events through those costs being included in their utility rates. Charitable donations which are given by the Company and included in rates are not a contribution by the Company but rather a contribution by the ratepayers without their knowledge or concurrence. The customers do not get the benefit of such contributions but the Company is given the credit as being generous, at customer expense. The Company is encouraged to be a good corporate citizen but should do so through use of its own funds, not those of its customers.

Q. Please explain why Staff proposes to disallow Edison Electric Institute (EEI) dues.

A. EEI is a notional association of investor-owned electric utilities, which is significantly engaged in lobbying activities. The Company included in its cost of service fees paid as EEI dues. Lobbying activities may benefit the shareholders, but do not directly benefit the ratepayers. The Commission has consistently excluded all EEI dues consistent with the Staff's recommendation in this case. For example, in The Staff of the Missouri Public Service Commission v. Union Electric Company, 29 P.S.C. (N.S) 313, 332, the Commission said that dues paid to the Edison Electric Institute do not produce any direct benefit to the ratepayers because lobbying activities do not directly benefit ratepayers.

LOBBYING

Q. Please explain adjustments S-38.3, S-39.2, S-72.4, S-73.3, S-78.2, S-81.3 and S-83.2.

A. These adjustments were made to decrease test year expenses relating to lobbying which the Company booked above-the-line in expense. The Missouri Commission has found in past rate proceedings that such lobbying costs should be borne by the Company. The Staff has consistently excluded such lobbying expenses from the cost-of-service.

HISTORICAL RATE INCREASES/REDUCTIONS

Q. What has been the rate history of the Kansas City Power & Light Company?

A. Kansas City Power & Light Company's last major rate increases were a result of the phase-in of rates relating to the Wolf Creek Rate Case, Case No. EO-85-185, which was consolidated with a depreciation case, Case No. EO-85-224. Since that rate case and the phase-in of rates associated with the Wolf Creek nuclear generating station, there have been a number of rate decreases as a result of Staff earnings reviews.

Table 1

DATE OF ORDER	CASE NUMBER	RATE REQUEST	PUBLIC SERVICE COMMISSION DECISION
04/23/1986	EO-85-185	$194,700,000	$78,245,000
04/01/1987	EO-85-185		$ 7,700,000
05/05/1988	EO-85-185		$ 8,500,000
12/29/1993	ER-94-197	Not Applicable	($ 12,500,000)
07/03/1996	EO-94-199	Not Applicable	($ 9,000,000)
10/07/1997	EO-94-199	Not Applicable	($ 11,000,000)
04/13/1999	ER-99-313	Not Applicable	($ 15,000,000)

The Average Bill Comparisons for the 12-Months Ending 12/31/2005 from the EEI Typical Bill Report and Rankings was provided by Company in response to Staff Data Request No. 0426. This rate analysis shows KCPL's typical residential average cost per kWh to $.0688. This analysis shows KCPL's Missouri typical residential rates to be below Empire District Electric - Missouri and Aquila Networks - MPS rates, while KCPL's rates are above Ameren UE - Missouri and Aquila Networks - SJLP current rates.

Q. Mr. Williams, does this conclude your direct testimony?

A. Yes, it does.

CASE PROCEEDING PARTICIPATION

PHILLIP K. WILLIAMS, CPA, CIA

Date Filed	Issue	Case Number	Exhibit	Company Name
	Advertising, Dues & Donations, Plant, Depreciation Reserve, Property Taxes	ER-81-42		Kansas City Power & Light Company
	Material and Supplies, Cash Working Capital	GR-81-155		The Gas Service Company
	Cash Working Capital	TR-81-302		United Telephone Company
	Payroll, O&M Expenses	GR-81-332		Rich Hill-Hume Gas Company
	Cash Working Capital	ER-82-39		Missouri Public Service Company
	Cash Working Capital	WR-82-50		Missouri Public Service Company
	Cash Working Capital	GR-82-151		The Gas Service Company
		GR-82-194		Missouri Public Service Company
	Revenues	WR-82-279		Missouri Water Company-Lexington Division
	Fuel Expense	ER-83-40		Missouri Public Service Company
	Cash Working Capital	GR-83-225		The Gas Service Company
	Revenues	GR-14-24		Rich Hill-Hume Gas Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-128		Kansas City Power & Light Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-185		Kansas City Power & Light Company
	Payroll, Payroll Taxes, Pensions	GR-86-76		KPL Gas Service Company
	Payroll, Payroll Taxes	TC-87-57		General Telephone Company of the Midwest

Date Filed	Issue	Case Number	Exhibit	Company Name
	Pensions	GR-88-194		Missouri Public Service Company
	Revenues, Pumping Power Expense, Chemical Expense, Vehicle Lease Expense, Interest Expense on Customer Deposits, Bad Debt Expense, Materials & Supplies, Prepayments, Customer Advances, Contributions in Aid of Construction	WR-88-255	Direct	U.S. Water/Lexington, Mo., Inc.
	Cash Working Capital	GR-90-50		KPL Gas Service
		ER-90-101		UtiliCorp United, Inc., Missouri Public Service
9/6/1991	Deferred Income Taxes; Liability Insurance Expense; Commission Assessment Expense; Income Taxes; Injuries & Damages Accrual; WOMAC Employee Expense; Exempt Employee Compensation Study Expense; Rate Case Expense; Employee Relocation Expense	GR-91-291	Direct	Kansas Power and Light Company Gas Service Division
	Revenue Requirement, Project Feasibility	GA-92-269	Direct	Missouri Public Service Company
	Payroll, Employee Benefits, Payroll Taxes, Administrative & General Expense, Donations, Board Fees, Outside Services, Rate Case Expense Payroll, Salary Increases	WR-92- 85	Direct Surrebuttal	Raytown Water Company
		GR-93-240		Western Resources, Inc.

Date Filed	Issue	Case Number	Exhibit	Company Name
1/22/1993	Ralph Green No. 3 Lease Expense; Injuries & Damages Expense; Property Tax Expense ; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Depreciation Expense; Plant in Service; Amortization Expense; Rate Base; Depreciation Reserve	ER-93-37	Direct	UtiliCorp United Inc. d/b/a MO Public Service
5/28/1993	Plant in Service; Accounting Authority Order; Corporate Overheads; Injuries & Damages Expense; Property Tax Expense; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Amortization Expense; Depreciation Reserve; Rate Base; Depreciation Expense	GR-93-172	Direct	Missouri Public Service a Division of UtiliCorp United, Inc.
	Payroll, Payroll Taxes, Insurance, Employee Benefits, Materials and Supplies, Prepayments, Customer Deposits, PSC Assessment, Maintenance Expense, Admin and General Expenses, Donations, Board Fees	WR-94-211	Direct	Raytown Water Company
		GR-96-285		Missouri Gas Energy

Date Filed	Issue	Case Number	Exhibit	Company Name
3/28/1997	Plant; Amortization of Authority Orders; Sale of Accounts Receivable; Property Taxes; Customer Advances; Customer Deposits; Prepayments; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EO-97-144	Direct	UtiliCorp United Inc. d/b/a MO Public Service
3/28/1997	Prepayments; Amortization of Authority Orders; Sale of Accounts Receivable; Plant; Property Taxes; Customer Advances; Customer Deposits; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EC-97-362	Direct	UtiliCorp United Inc. d/b/a MO Public Service
9/16/1997	Plant; Property Taxes; Depreciation Reserve; Depreciation Expense; Accounting Authority Order Amortization; Accounts Receivable Sales; Property Taxes	ER-97-394	Direct	MO Public Service, A Division of UtiliCorp United Inc.
9/30/1997	Gain on Sale of Assets	GM-97-435	Rebuttal	Missouri Public Service, A Division of UtiliCorp United Inc.
		EC-98-126		UtiliCorp United, Inc., Missouri Public Service
5/15/1998	Public Affairs and Community Relations	GR-98-140	Surrebuttal	Missouri Gas Energy, A Division of Southern Union Company
7/10/1998	Staffs' Accounting Schedules; True-Up Methodology; Payroll; Payroll Taxes; Payroll Expense Ratio; AMR Employee Savings	GR-98-140	True-Up	Missouri Gas Energy, A Division of Southern Union Company

Date Filed	Issue	Case Number	Exhibit	Company Name
1/4/1999	Gross Down Factor; Gross Up	GR-98-140	Rehearing Rebuttal	Missouri Gas Energy, A Division of Southern Union Company
4/26/1999	Rate Disparity; Advertising Savings; Insurance Savings; Vehicle Savings; Facility Savings; Administrative and General Savings	EM-97-515	Rebuttal	Western Resources Inc. and Kansas City Power and Light Company
5/2/2000	Historical Rate Increases/ Reductions; Cost per kWh Comparison	EM-2000-292	Rebuttal	UtiliCorp United Inc. / St. Joseph Light and Power
6/21/2000	Historical Rate Increases/ Reductions; Cost Per kWh Comparisons	EM-2000-369	Rebuttal	UtiliCorp United Inc. / Empire District Electric Company
11/30/2000	Revenue Requirements	TT-2001-116	Rebuttal	Iamo Telephone Company
4/3/2001	Postage Expense; Test Year/True Up; Iatan Maintenance Expense; Bad Debt; Banking Fees; State Line Plant Maintenance Expense; Interest on Customer Deposits; Injuries and Damages;	ER-2001-299	Direct	The Empire District Electric Company
8/7/2001	Maintenance Expense	ER-2001-299	True-up Direct	The Empire District Electric Company

Date Filed	Issue	Case Number	Exhibit	Company Name
12/6/2001	AFUDC; Test Year; Sale of Accounting Receivable; Plant; True-Up; Jurisdictional Allocations; Cost per Kwh Comparison; Historical Rate Increases/Decreases; Cash Working Capital; Depreciation Expense/Depreciation Reserve; Accounting Authority Order; Pensions and OPEBS	ER-2001-672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
1/22/2002	Cost Per kWh Comparison	ER-2001-672	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Accounting Authority Order; Test Year; True-Up Jurisdictional Allocations; Historical Rate Increases/Decreases; Depreciation Expense/ Depreciation Reserve; Cost per Kwh Comparison; Revenues; Uncollectible Expense; AFUDC and Sale of Accounts Receivable; Cash Working Capital Plant	EC-2002-265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
1/22/2002	Cost Per kWh Comparison	EC-2002-265	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public

Date Filed	Issue	Case Number	Exhibit	Company Name
8/16/2002	Test Year; Jurisdictional Allocators; State Line Maintenance Contract; State Line 1 and Energy Center 1 & 2 Maintenance Contract; Iatan Maintenance Expense; Asbury Maintenance Expense; Miscellaneous Expenses & Banking Fees;	ER-2002-424	Direct	The Empire District Electric Company
9/24/2002	Security Rider	ER-2002-424	Rebuttal	The Empire District Electric Company
12/09/2003	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
01/06/2004	Test Year, Jurisdictional Allocation Factors, Asset Impairment Write-Down of Eastern System	GR-2004-0072	Direct	Aquila, Inc. d/b/a Aquila Networks MPS Gas and Aquila Networks-L&P Gas
01/26/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
2/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
2/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
10/14/2004	Merger Recommendations, Asset Impairment Write-down, Original Cost of Rate Base, Description of Chilled Water System, Acquisition Premium, Affiliated Transactions	HM-2004-0618	Rebuttal	Trigen-Kansas City Energy Corp. and Thermal North American, Inc.
06/13/2005	Asset Impairment, Write-down of the three Natural Gas Combustion Turbines, Regulatory Accounting	EO-2005-0156	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS
10/14/2005	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expenses; Depreciation Reserve; Accounting Authority Orders; Property Taxes; South Harper Construction Costs; South Harper Maintenance	ER-2005-0436	Direct	Aquila, Inc. d/b/a Aquila Networks – MPS Electric and Aquila Networks – L&P – Electric
11/17/2005	Accounting Authority Orders (AAOs)	ER-2005-0436	Rebuttal	Aquila, Inc. d/b/a/ Aquila Networks MPS – Electric And Aquila Networks – L&P
12/13/2005	Cash Working Capital; Chapter 100 Ratemaking Treatment; South Harper Construction Costs; South Harper AFUDC; Accounting Authority Orders (AAOs)	ER-2005-0436	Surrebuttal	Aquila, Inc. d/b/a Aquila Networks MPS – Electric and Aquila Networks – L&P

Kansas City Power Light
Case No. ER-2006-0314

File Name: Recalculation of AFUDC for Hawthorn V
Prepared By: PKW
Date Prepared: 7/29/2006
Date Printed: 8/7/2006
Time Printed: 10:04 AM

Sheet Name: Summary of AFUDC Differences

	Equity Amount AFUDC	Debt Amount AFUDC	Compounded Equity Amount AFUDC	Compounded Debt Amount AFUDC	Total Amount AFUDC
AFUDC Calculated By Staff:					
W/O Project ID Number 35-99520	$ 1,396,758	$ 3,457,648	$ 46,276	$ 110,872	$ 5,011,554
W/O Project ID Number 35-99535	$ 41,757	$ 101,190	$ 1,255	$ 3,140	$ 147,342
Total Hawthorn V Project	$ 1,438,515	$ 3,558,838	$ 47,531	$ 114,012	$ 5,158,896
AFUDC Calculated By Company					
W/O Project ID Number 35-99520	$ 5,819,004	$ 14,686,997			$ 20,506,001
W/O Project ID Number 35-99535	$ 39,625	$ 94,736			$ 134,361
Total Hawthorn V Project	$ 5,858,629	$ 14,781,733	$ -	$ -	$ 20,640,362
Adjustment to reduce AFUDC Charged to Hawthorn V					$ (15,481,466)

Hawthorn V Plant Balances at June 30, 2006	Account No.	Balance	Percent Distribution	Distribution Of Staff Adjustment	Adjustment Number
Land & Land Rights	310.000	$ 807,281.00			
Structures & Improvements	311.000	$ 22,652,417.00			
Structures & Imprv. Hawthorn V Rebuild	311.020	$ 8,923,285.00	3.114%	$ (482,161)	P-2.1
Boiler Plant Equipemtn	312.000	$ 41,321,702.00			
Boiler Plant - AQC Equip - Electric	312.020	$ 170,530.00			
Boiler Plant - Hawthorn 5 Rebuild	312.030	$ 235,695,777.00	82.264%	$ (12,735,604)	P-5.1
Turbogenerator Units	314.000	$ 72,908,021.00			
Accessory Electric Equipment	315.000	$ 4,151,943.00			
Access Elect Equip - Hawthorn V Rebuild	315.010	$ 39,588,666.00	13.817%	$ (2,139,137)	P-8.1
Miscl Power Plant Equipment	316.000	$ 7,766,205.00			
Miscl Pwr Plt Equip - Hawthorn V Rebuild	316.010	$ 2,305,286.00	0.805%	$ (124,564)	P-10.1
		$ 436,291,113.00			
Hawthorn V Rebuild Accounts		$ 286,513,014.00	100.000%	$ (15,481,466)	

Schedule 2-1

Kansas City Power Light
Case No. ER-2006-0314

File Name: Recalculation of AFUDC for Hawthorn V
Prepared By: PKW
Date Prepared: 7/28/2006
Date Printed: 8/7/2006
Time Printed: 10:36 AM

Staff Analysis of AFUDC for Hawthorn V Reconstruction
Sheet Name: Constru Cost Vs. Ins Proceeds

Insurance Proceeds Date Received	Insurance Proceeds Amount Received	Insurance Proceeds Received Cummulative	Date:	Monthly Construction Costs	Cumulative Construction Costs	Construction Costs That Exceed Insurance/Lawsuit Settlements	
Insurance Recoveries							
May 28, 1999	$ 7,500,000	$ 7,500,000					
Jun. 24, 1999	$ 2,500,000	$ 10,000,000					
Jul. 20, 1999	$ 18,750,000	$ 28,750,000					
Aug. 9, 1999	$ 6,250,000	$ 35,000,000	Aug. 31, 1999	$ 289,470.69	$ 289,470.69	$ (34,710,529)	
Aug. 16, 1999	$ 18,750,000	$ 53,750,000					
Aug. 26, 1999	$ 6,250,000	$ 60,000,000					
Sept. 15, 1999	$ 18,750,000	$ 78,750,000	Sept. 30, 1999	$ 14,229,475.00	$ 14,518,945.69	$ (64,231,054)	
Sept. 16,1999	$ 6,250,000	$ 85,000,000					
		$ 85,000,000	Oct. 31, 1999	$ 5,344,488.76	$ 19,863,434.45	$ (65,136,566)	
		$ 85,000,000	Nov. 30, 1999	$ 3,005,048.38	$ 22,868,482.83	$ (62,131,517)	
		$ 85,000,000	Dec. 31, 1999	$ 11,441,405.32	$ 34,309,888.15	$ (50,690,112)	
		$ 85,000,000	Jan. 31, 2000	$ 6,770,407.25	$ 41,080,295.40	$ (43,919,705)	
		$ 85,000,000	Feb. 29, 2000	$ 13,880,849.39	$ 54,961,144.79	$ (30,038,855)	
		$ 85,000,000	Mar. 31, 2000	$ 12,328,460.54	$ 67,289,605.33	$ (17,710,395)	
Apr. 18, 2000	$ 11,250,000	$ 96,250,000	Apr. 30, 2000	$ 22,855,953.95	$ 90,145,559.28	$ (6,104,441)	
May 2, 2000	$ 3,750,000	$ 100,000,000	May 31, 2000	$ 25,551,253.97	$ 115,696,813.25	$ 15,696,813	(A)
May 19, 2000	$ 17,500,000	$ 117,500,000					
Jun. 19/2000	$ 17,500,000	$ 135,000,000	Jun. 30, 2000	$ 28,369,219.43	$ 144,066,032.68	$ 9,066,033	
		$ 135,000,000	Jul. 31, 2000	$ 34,928,633.53	$ 178,994,666.21	$ 43,994,666	
		$ 135,000,000	Aug. 31, 2000	$ 13,078,639.24	$ 192,073,305.45	$ 57,073,305	
		$ 135,000,000	Sept. 30, 2000	$ 9,413,592.13	$ 201,486,897.58	$ 66,486,898	
		$ 135,000,000	Oct. 31, 2000	$ 18,288,392.30	$ 219,775,289.88	$ 84,775,290	
		$ 135,000,000	Nov. 30, 2000	$ 6,795,754.08	$ 226,571,043.96	$ 91,571,044	
		$ 135,000,000	Dec. 31, 2000	$ 18,210,345.43	$ 244,781,389.39	$ 109,781,389	
		$ 135,000,000	Jan. 31, 2001	$ 14,319,552.74	$ 259,100,942.13	$ 124,100,942	
Feb. 9, 2001	$ 15,000,000	$ 150,000,000	Feb. 29, 2001	$ 5,833,981.62	$ 264,934,923.75	$ 114,934,924	
		$ 150,000,000	Mar. 31, 2001	$ 6,908,310.05	$ 271,843,233.80	$ 121,843,234	
		$ 150,000,000	Apr. 30, 2001	$ 7,479,653.21	$ 279,322,887.01	$ 129,322,887	
		$ 150,000,000	May 31, 2001	$ 3,330,252.21	$ 282,653,139.22	$ 132,653,139	
Jun. 14, 2001	$ 15,000,000	$ 165,000,000	Jun. 30, 2001	$ (3,744,927.46)	$ 278,908,211.76	$ 113,908,212	
Mar. 28, 2003	$ 3,940,033	$ 168,940,033					
Jul. 14, 2004	$ 30,809,967	$ 199,750,000					
Jan. 28, 2005	$ 10,000,000	$ 209,750,000					
	$ 209,750,000	$ 209,750,000			$ 278,908,211.76	$ 69,158,212	

Lawsuit Settlements	
May 7/2003	$ 901,064
Jun. 26/2003	$ 101,250
Oct. 3/2003	$ 33,126,157
Dec. 30/2003	$ 1,687,500
Feb. 24/2004	$ 1,687,500
Aug. 30, 2004	$ 675,000
Total	$ 38,178,471

Schedule 2-2

Kansas City Power Llight
Case No. ER-2006-0314

File Name: Recalculation of AFUDC Hawthorn V
Prepared BY: PKW
Date Prepared: 7/29/2006
Date Printed: 8/7/2006
Time Printed: 10:05 AM

Staff Analysis of AFUDC for Hawthorn V Reconstruction
Sheet Name: Staff Recalculation of AFUDC

Insurance Proceeds Date Received	Insurance Proceeds Amount Received	Insurance Proceeds Received Cummulative	Company Records Date:	Monthly Construction Costs	Cumulative Construction Costs	Construction Costs That Exceed Insurance/Lawsuit Settlements	Staff Adjusted Beg of the Month Cumulative AFUDC Construction Base	Plus 1/2 of Current Month Construction Charges	Less 1/2 of Current Month Insurance Proceeds	Staff Adjusted Total AFUDC Base	Company Calculated AFUDC Monthly Debt Rate	Company Calculated AFUDC Monthly Equity Rate	Staff Adjusted AFUDC Equity Amount	Staff Adjusted AFUDC Debt Amount	Compounded Staff Adjusted AFUDC Equity Amount	Compounded Staff Adjusted AFUDC Debt Amount	Staff Adjusted Total Monthly AFUDC Amount	Staff Adjusted Cummulative Total AFUDC Amount
WO/Project ID Number: 35-99520																		
May 28, 1999	$ 3,504,000	$ 3,504,000																
Jun. 24, 1999	$ 1,496,000	$ 5,000,000																
Jul. 20, 1999	$ 18,750,000	$ 23,750,000																
Aug. 9, 1999	$ 6,250,000	$ 30,000,000	Aug. 31, 1999	$ 289,470.69	$ 289,470.69	$ (29,710,529.31)				$ -	0.315000%	0.386666%	$ -	$ -	$ -	$ -	$ -	$ -
Aug. 16, 1999	$ 18,750,000	$ 48,750,000																
Aug. 26, 1999	$ 6,250,000	$ 55,000,000																
Sept. 15, 1999	$ 18,203,637	$ 73,203,637	Sept. 30, 1999	$ 14,229,475.00	$ 14,518,945.69	$ (58,684,691.54)				$ -	0.366667%	0.246667%	$ -	$ -	$ -	$ -	$ -	$ -
Sept. 16,1999	$ 6,250,000	$ 79,453,637																
		$ 79,453,637	Oct. 31, 1999	$ 5,344,468.76	$ 19,863,434.45	$ (59,590,202.78)				$ -	0.400833%	0.180833%	$ -	$ -	$ -	$ -	$ -	$ -
		$ 79,453,637	Nov. 30, 1999	$ 3,005,048.38	$ 22,868,482.83	$ (56,585,154.40)				$ -	0.389167%	0.225000%	$ -	$ -	$ -	$ -	$ -	$ -
		$ 79,453,637	Dec. 31, 1999	$ 11,441,405.32	$ 34,309,888.15	$ (45,143,749.08)				$ -	0.518333%	0.034167%	$ -	$ -	$ -	$ -	$ -	$ -
		$ 79,453,637	Jan. 31, 2000	$ 6,770,407.25	$ 41,080,295.40	$ (38,373,341.83)				$ -	0.547500%	0.000000%	$ -	$ -	$ -	$ -	$ -	$ -
		$ 79,453,637	Feb. 29, 2000	$ 13,880,849.39	$ 54,961,144.79	$ (24,492,492.44)				$ -	0.530833%	0.000000%	$ -	$ -	$ -	$ -	$ -	$ -
		$ 79,453,637	Mar. 31, 2000	$ 12,328,460.54	$ 67,289,605.33	$ (12,164,031.90)				$ -	0.509170%	0.003330%	$ -	$ -	$ -	$ -	$ -	$ -
Apr. 18, 2000	$ 9,949,235	$ 89,402,872	Apr. 30, 2000	$ 22,855,953.95	$ 90,145,559.28	$ 742,687.13				$ -	0.368330%	0.308330%	$ -	$ -	$ -	$ -	$ -	$ -
May 2, 2000	$ 3,750,000	$ 93,152,872	May 31, 2000	$ 25,551,253.97	$ 115,696,813.25	$ 22,543,941.10	$ 742,687.13	$ 12,775,626.99	$ 1,875,000.00	$ 11,643,314.12	0.384170%	0.300830%	$ 35,026.58	$ 44,730.12	$ -	$ -	$ 79,756.70	$ 79,756.70
May 19, 2000	$ 17,470,819	$ 110,623,691																
Jun. 19/2000	$ 17,500,000	$ 128,123,691	Jun. 30, 2000	$ 28,369,219.43	$ 144,066,032.68	$ 15,942,341.32	$ 11,643,314.12	$ 14,184,609.72	$ 8,750,000.00	$ 17,077,923.83	0.419170%	0.244170%	$ 41,699.17	$ 71,585.53	$ 194.74	$ 334.32	$ 113,813.76	$ 193,570.46
		$ 128,123,691	Jul. 31, 2000	$ 34,928,633.53	$ 178,994,666.21	$ 50,870,974.85	$ 17,077,923.83	$ 17,464,316.77	$ -	$ 34,542,240.60	0.454170%	0.204170%	$ 70,524.89	$ 156,880.49	$ 395.21	$ 879.14	$ 228,679.74	$ 422,250.20
		$ 128,123,691	Aug. 31, 2000	$ 13,078,639.24	$ 192,073,305.45	$ 63,949,614.09	$ 34,542,240.60	$ 6,539,319.82	$ -	$ 41,081,560.22	0.490830%	0.144170%	$ 59,227.29	$ 201,640.62	$ 808.76	$ 2,072.53	$ 263,549.20	$ 685,799.39
		$ 128,123,691	Sept. 30, 2000	$ 9,413,592.13	$ 201,486,897.58	$ 73,363,206.22	$ 41,081,560.22	$ 4,706,796.07	$ -	$ 45,788,356.28	0.504170%	0.115000%	$ 52,656.81	$ 230,851.16	$ 788.67	$ 3,457.59	$ 287,754.03	$ 973,553.42
		$ 128,123,691	Oct. 31, 2000	$ 18,288,392.30	$ 219,775,289.88	$ 91,651,598.52	$ 45,788,356.28	$ 9,144,196.15	$ -	$ 54,932,552.43	0.507500%	0.111670%	$ 61,343.18	$ 278,762.70	$ 1,087.17	$ 4,940.78	$ 346,153.84	$ 1,319,707.26
		$ 128,123,691	Nov. 30, 2000	$ 6,795,754.08	$ 226,571,043.96	$ 98,447,352.60	$ 54,932,552.43	$ 3,397,877.04	$ -	$ 58,330,429.47	0.516670%	0.093330%	$ 54,439.79	$ 301,375.83	$ 1,231.68	$ 6,818.53	$ 363,865.83	$ 1,683,573.09
		$ 128,123,691	Dec. 31, 2000	$ 18,210,345.43	$ 244,781,389.39	$ 116,657,698.03	$ 58,330,429.47	$ 9,105,172.72	$ -	$ 67,435,602.19	0.451670%	0.209170%	$ 141,055.06	$ 304,566.38	$ 3,521.53	$ 7,604.19	$ 456,767.16	$ 2,140,340.25
		$ 128,123,691	Jan. 31, 2001	$ 14,319,552.74	$ 259,100,942.13	$ 130,977,250.77	$ 67,435,602.19	$ 7,159,776.37	$ -	$ 74,595,378.56	0.451670%	0.209170%	$ 156,031.15	$ 336,924.95	$ 4,476.95	$ 9,667.27	$ 507,100.32	$ 2,647,440.58
Feb. 9, 2001	$ 14,607,312	$ 142,731,003	Feb. 29, 2001	$ 5,833,961.62	$ 264,934,923.75	$ 122,203,920.63	$ 74,595,378.56	$ 2,916,990.81	$ 7,303,655.88	$ 70,208,713.49	0.403880%	0.301000%	$ 211,328.23	$ 283,556.95	$ 7,968.80	$ 10,692.48	$ 513,546.46	$ 3,160,989.03
		$ 142,731,003	Mar. 31, 2001	$ 6,906,310.05	$ 271,843,233.80	$ 129,112,230.68	$ 70,208,713.49	$ 3,454,155.03	$ -	$ 73,662,868.51	0.433330%	0.210830%	$ 155,303.43	$ 319,203.31	$ 6,664.31	$ 13,697.51	$ 494,868.56	$ 3,655,857.60
		$ 142,731,003	Apr. 30, 2001	$ 7,479,653.21	$ 279,322,887.01	$ 136,591,883.89	$ 73,662,868.51	$ 3,739,826.61	$ -	$ 77,402,695.12	0.430830%	0.173330%	$ 134,162.09	$ 333,474.03	$ 6,336.70	$ 15,750.53	$ 489,723.35	$ 4,145,580.95
		$ 142,731,003	May 31, 2001	$ 3,330,252.21	$ 282,653,139.22	$ 139,922,138.10	$ 77,402,695.12	$ 1,665,126.11	$ -	$ 79,067,821.22	0.405477%	0.169007%	$ 133,630.15	$ 320,691.83	$ 7,006.32	$ 16,809.36	$ 478,047.68	$ 4,623,628.63
Jun. 14, 2001	$ 15,049,967	$ 157,780,970	Jun. 30, 2001	$ (3,744,927.46)	$ 278,908,211.76	$ 121,127,242.00	$ 79,067,821.22	$ (1,872,463.73)	$ 7,524,983.32	$ 69,670,374.17	0.392494%	0.129654%	$ 90,330.43	$ 273,452.04	$ 5,994.72	$ 18,147.46	$ 387,924.65	$ 5,011,553.28
Mar. 28, 2003	$ 3,940,033	$ 161,721,003																
Jul. 14, 2004	$ 30,809,967	$ 192,530,970																
Jan. 28, 2005	$ 10,000,000	$ 202,530,970																
Total W/O	$ 202,530,970	$ 202,530,970			$ 278,908,211.76	$ 76,377,242.00							$ 1,396,758.03	$ 3,457,647.95	$ 46,275.56	$ 110,871.74	$ 5,011,553.28	

Wo/Project ID Number: 35-99535 (Construction Base Unadjusted by Staff)

Co Records Date	Company Unadjusted								
Aug. 1999	$ 207,604.19	0.315000%	0.386666%	$ 802.73	$ 653.95			$ 1,456.69	$ 1,456.69
Sept. 1999	$ 631,369.00	0.366667%	0.246667%	$ 1,557.38	$ 2,315.02	$ 3.59	$ 5.34	$ 3,881.34	$ 5,338.02
Oct. 1999	$ 456,826.05	0.400833%	0.180833%	$ 826.09	$ 1,831.11	$ 9.65	$ 21.40	$ 2,688.25	$ 8,026.27
Nov. 1999	$ 64,319.40	0.389167%	0.225000%	$ 144.72	$ 250.31	$ 18.06	$ 31.24	$ 444.32	$ 8,470.60
Dec. 1999	$ 420,716.31	0.518333%	0.034167%	$ 143.75	$ 2,180.70	$ 2.89	$ 43.91	$ 2,371.24	$ 10,841.84
Jan. 2000	$ 791,789.57	0.547500%	0.000000%	$ -	$ 4,335.05	$ -	$ 59.36	$ 4,394.41	$ 15,236.25
Feb. 2000	$ 200,757.08	0.530833%	0.000000%	$ -	$ 1,065.68	$ -	$ 80.88	$ 1,146.56	$ 16,382.81
Mar. 2000	$ -	0.509170%	0.003330%	$ -	$ -	$ 0.55	$ 83.42	$ 83.96	$ 16,466.78
Apr. 2000	$ -	0.368330%	0.308330%	$ -	$ -	$ 50.77	$ 60.65	$ 111.42	$ 16,578.20
May, 2000	$ -	0.384170%	0.300830%	$ -	$ -	$ 49.87	$ 63.69	$ 113.56	$ 16,691.76
Jun. 2000	$ -	0.419170%	0.244170%	$ -	$ -	$ 40.76	$ 69.97	$ 110.72	$ 16,802.48
Jul. 2000	$ -	0.454170%	0.204170%	$ -	$ -	$ 34.31	$ 76.31	$ 110.62	$ 16,913.10
Aug. 2000	$ -	0.490830%	0.144170%	$ -	$ -	$ 24.36	$ 83.01	$ 107.40	$ 17,020.50
Sept. 2000	$ 97,400.22	0.504170%	0.115000%	$ 112.01	$ 491.06	$ 19.57	$ 85.81	$ 708.46	$ 17,728.96
Oct. 2000	$ 749,295.84	0.507500%	0.111670%	$ 836.74	$ 3,802.68	$ 19.80	$ 89.97	$ 4,749.19	$ 22,478.14
Nov. 2000	$ 1,123,777.54	0.516670%	0.093330%	$ 1,048.82	$ 5,806.22	$ 20.98	$ 116.14	$ 6,992.16	$ 29,470.30
Dec. 2000	$ 1,364,739.59	0.451670%	0.209170%	$ 2,854.63	$ 6,164.12	$ 61.64	$ 133.11	$ 9,213.50	$ 38,683.80
Jan. 2001	$ 2,099,912.94	0.451670%	0.209170%	$ 4,392.39	$ 9,484.68	$ 80.91	$ 174.72	$ 14,132.70	$ 52,816.50
Feb. 2001	$ 2,493,892.53	0.403880%	0.301000%	$ 7,506.62	$ 10,072.33	$ 158.96	$ 213.32	$ 17,951.24	$ 70,767.75
Mar. 2001	$ 2,878,737.63	0.433330%	0.210830%	$ 6,069.24	$ 12,474.43	$ 149.20	$ 306.66	$ 18,999.53	$ 89,767.28
Apr. 2001	$ 3,262,802.06	0.430830%	0.173330%	$ 5,655.41	$ 14,057.13	$ 155.59	$ 386.74	$ 20,254.88	$ 110,022.16
May, 2001	$ 3,279,674.84	0.405477%	0.169007%	$ 5,542.88	$ 13,298.33	$ 185.95	$ 446.11	$ 19,473.27	$ 129,495.43
Jun. 2001	$ 3,288,535.19	0.392494%	0.129654%	$ 4,263.72	$ 12,907.30	$ 167.90	$ 508.26	$ 17,847.18	$ 147,342.61
				$ 41,757.13	$ 101,190.11	$ 1,255.36	$ 3,140.02	$ 147,342.61	

Total AFUDC For Hawthorn V as Recalculated by Staff $ 5,158,895.89

Schedule 2-3

Kansas City Power Light
CAse No. ER-2006-0314

File Name: Recalculation of AFUDC Hawthorn V
Prepared By: PKW
Date Prepared: 7/29/2006
Date Printed: 8/7/2006
Time Printed: 10:06 AM

Staff Analysis of AFUDC for Hawthorn V Reconstruction
This Analysis Shows Insurance Proceeds.
Sheet Name: Co Calc of AFUDC

Insurance Proceeds Date Received	Insurance Proceeds Amount Received	Insurance Proceeds Received Cummulative	Date:	Beg. Of Month Cumulative Construction Base for AFUDC	Plus 1/2 of Current Months Construction Charges	Plus AFUDC Compounding	Total AFUDC Base	AFUDC Monthly Debt Rate	AFUDC Monthly Equity Rate	AFUDC Equity Amount	AFUDC Debt Amount	Total AFUDC Amount	Cummulative Total AFUDC Amount
WO/Project ID Number: 35-99520													
May 28, 1999	$ 7,500,000	$ 7,500,000											
Jun. 24, 1999	$ 2,500,000	$ 10,000,000											
Jul. 20, 1999	$ 18,750,000	$ 28,750,000											
Aug. 9, 1999	$ 6,250,000	$ 35,000,000											
Aug. 16, 1999	$ 18,750,000	$ 53,750,000											
Aug. 26, 1999	$ 6,250,000	$ 60,000,000	Aug. 1999	$ -	$ 144,735.35		$ 144,735.35	0.315000%	0.386666%			$ -	$ -
Sept. 15, 1999	$ 18,750,000	$ 78,750,000											
Sept. 16,1999	$ 6,250,000	$ 85,000,000	Sept. 1999	$ 289,470.69	$ 7,114,737.50		$ 7,404,208.19	0.366667%	0.246667%			$ -	$ -
			Oct. 1999	$ 14,518,945.69	$ 2,672,244.38		$ 17,191,190.07	0.400833%	0.180833%	$ 31,087.34	$ 68,907.96	$ 99,995.31	$ 99,995.31
			Nov. 1999	$ 19,863,434.45	$ 1,522,825.24		$ 21,386,259.69	0.389167%	0.225000%	$ 48,119.08	$ 83,228.19	$ 131,347.27	$ 231,342.58
			Dec. 1999	$ 22,868,482.83	$ 5,720,702.66		$ 28,589,185.49	0.518330%	0.034167%	$ 9,767.97	$ 148,187.27	$ 157,955.24	$ 389,297.82
			Jan. 2000	$ 34,309,888.15	$ 3,385,203.63		$ 37,695,091.78	0.547500%	0.000000%	$ -	$ 206,380.63	$ 206,380.63	$ 595,678.45
			Feb. 2000	$ 41,080,295.40	$ 6,875,541.36		$ 47,955,836.76	0.530833%	0.000000%	$ -	$ 254,565.57	$ 254,565.57	$ 850,244.02
			Mar. 2000	$ 54,961,144.79	$ 6,164,230.27		$ 61,125,375.06	0.509170%	0.003330%	$ 2,035.47	$ 311,232.07	$ 313,267.55	$ 1,163,511.57
Apr. 18, 2000	$ 11,250,000	$ 96,250,000	Apr. 2000	$ 67,289,605.33	$ 11,427,976.98		$ 78,717,582.31	0.368330%	0.308330%	$ 242,709.92	$ 289,940.47	$ 532,650.39	$ 1,696,161.96
May 2, 2000	$ 3,750,000	$ 100,000,000											
May 19, 2000	$ 17,500,000	$ 117,500,000	May, 2000	$ 90,145,559.28	$ 12,775,626.99		$ 102,921,186.27	0.384170%	0.300830%	$ 309,617.80	$ 395,392.32	$ 705,010.13	$ 2,401,172.08
Jun. 19/2000	$ 17,500,000	$ 135,000,000	Jun. 2000	$ 115,696,813.25	$ 14,184,609.72		$ 129,881,422.97	0.419170%	0.244170%	$ 317,131.47	$ 544,423.96	$ 861,555.43	$ 3,262,727.52
			Jul. 2000	$ 144,066,032.68	$ 16,128,309.05	$ 2,672,015.44	$ 162,866,357.17	0.454170%	0.204170%	$ 332,524.24	$ 739,690.13	$ 1,072,214.38	$ 4,334,941.89
			Aug. 2000	$ 178,994,666.21	$ 6,539,319.62		$ 185,533,985.83	0.490830%	0.144170%	$ 267,484.35	$ 910,656.46	$ 1,178,140.81	$ 5,513,082.70
			Sept. 2000	$ 192,073,305.45	$ 4,706,796.07		$ 196,780,101.52	0.504170%	0.115000%	$ 226,297.12	$ 992,106.24	$ 1,218,403.35	$ 6,731,486.06
			Oct. 2000	$ 201,486,897.58	$ 9,144,196.15		$ 210,631,093.73	0.507500%	0.111670%	$ 235,211.74	$ 1,068,952.80	$ 1,304,164.54	$ 8,035,650.60
			Nov. 2000	$ 219,775,289.88	$ 3,397,877.04		$ 223,173,166.92	0.516670%	0.093330%	$ 208,287.52	$ 1,153,068.80	$ 1,361,356.32	$ 9,397,006.92
			Dec. 2000	$ 226,571,043.96	$ 9,105,172.71		$ 235,676,216.68	0.451670%	0.209170%	$ 492,963.94	$ 1,064,478.77	$ 1,557,442.71	$ 10,954,449.63
			Jan. 2001	$ 244,781,389.39	$ 3,313,915.32	$ 7,691,722.11	$ 255,787,026.82	0.451670%	0.209170%	$ 535,029.72	$ 1,155,313.26	$ 1,690,342.99	$ 12,644,792.62
Feb. 9, 2001	$ 15,000,000	$ 150,000,000	Feb. 2001	$ 259,100,942.13	$ 4,266,990.81		$ 263,367,932.94	0.403880%	0.301000%	$ 792,737.48	$ 1,063,690.41	$ 1,856,427.89	$ 14,501,220.50
			Mar. 2001	$ 267,634,923.75	$ 3,454,155.03		$ 271,089,078.78	0.433330%	0.210830%	$ 571,537.10	$ 1,174,710.31	$ 1,746,247.41	$ 16,247,467.91
			Apr. 2001	$ 274,543,233.80	$ 2,389,826.60		$ 276,933,060.41	0.430830%	0.173330%	$ 480,008.07	$ 1,193,110.70	$ 1,673,118.78	$ 17,920,586.69
			May, 2001	$ 279,322,887.01	$ 1,665,126.11		$ 280,988,013.12	0.405477%	0.169007%	$ 474,889.41	$ 1,139,341.77	$ 1,614,231.18	$ 19,534,817.87
Jun. 14, 2001	$ 15,000,000	$ 165,000,000	Jun. 2001	$ 282,653,139.22	$ (3,744,927.46)		$ 278,908,211.76	0.392494%	0.129654%	$ 241,564.45	$ 729,618.74	$ 971,183.19	$ 20,506,001.06
Mar. 28, 2003	$ 3,940,033	$ 168,940,033											
Jul. 14, 2004	$ 30,809,967	$ 199,750,000											
Jan. 28, 2005	$ 10,000,000	$ 209,750,000											
	$ 209,750,000	$ 209,750,000		$ 282,653,139.22	$ (3,744,927.46)	$ 10,363,737.55	$ 278,908,211.76			$ 5,819,004	$ 14,686,997	$ 20,506,001.06	
				$ (3,744,927.46)		$ 278,908,211.76							
				$ 278,908,211.76		$ 289,271,949.31						$ 20,506,001	
Wo/Project ID Number: 35-99535													
			Aug. 1999	$ -	$ 207,604.19		$ 207,604.19	0.315000%	0.386666%	$ 802.73	$ 653.95	$ 1,456.69	$ 1,456.69
			Sept. 1999	$ 415,208.38	$ 216,160.62		$ 631,369.00	0.366667%	0.246667%	$ 1,557.38	$ 2,315.02	$ 3,872.40	$ 5,329.09
			Oct. 1999	$ 847,529.62	$ (390,703.57)		$ 456,826.05	0.400833%	0.180833%	$ 826.09	$ 1,831.11	$ 2,657.20	$ 7,986.29
			Nov. 1999	$ 66,122.48	$ (1,803.09)		$ 64,319.40	0.389167%	0.225000%	$ 144.72	$ 250.31	$ 395.03	$ 8,381.32
			Dec. 1999	$ 62,516.31	$ 358,200.00		$ 420,716.31	0.518330%	0.034167%	$ 143.75	$ 2,180.70	$ 2,324.44	$ 10,705.76
			Jan. 2000	$ 778,916.31	$ 2,167.51	$ 10,705.75	$ 791,789.57	0.547500%	0.000000%	$ -	$ 4,335.05	$ 4,335.05	$ 15,040.81
			Feb. 2000	$ 793,957.08	$ (593,200.00)		$ 200,757.08	0.530833%	0.000000%	$ -	$ 1,065.68	$ 1,065.68	$ 16,106.50
			Mar. 2000	$ (89,610.60)			$ -	0.509170%	0.003330%	$ -	$ -	$ -	$ 16,106.50
			Apr. 2000				$ -	0.368330%	0.308330%	$ -	$ -	$ -	$ 16,106.50
			May, 2000				$ -	0.384170%	0.300830%	$ -	$ -	$ -	$ 16,106.50
			Jun. 2000				$ -	0.419170%	0.244170%	$ -	$ -	$ -	$ 16,106.50
			Jul. 2000				$ -	0.454170%	0.204170%	$ -	$ -	$ -	$ 16,106.50
			Aug. 2000				$ -	0.490830%	0.144170%	$ -	$ -	$ -	$ 16,106.50
			Sept. 2000	$ (89,610.60)	$ 187,010.82		$ 97,400.22	0.504170%	0.115000%	$ 112.01	$ 491.06	$ 603.07	$ 16,709.57
			Oct. 2000	$ 284,411.03	$ 464,884.81		$ 749,295.84	0.507500%	0.111670%	$ 836.74	$ 3,802.68	$ 4,639.42	$ 21,348.98
			Nov. 2000	$ 1,214,180.65	$ (90,403.11)		$ 1,123,777.54	0.516670%	0.093330%	$ 1,048.82	$ 5,806.22	$ 6,855.04	$ 28,204.03
			Dec. 2000	$ 1,033,374.44	$ 331,365.15		$ 1,364,739.59	0.451670%	0.209170%	$ 2,854.63	$ 6,164.12	$ 9,018.75	$ 37,222.77
			Jan. 2001	$ 1,696,104.74	$ 382,691.92	$ 21,116.28	$ 2,099,912.94	0.451670%	0.209170%	$ 4,392.39	$ 9,484.68	$ 13,877.06	$ 51,099.84
			Feb. 2001	$ 2,482,604.85	$ 11,287.68		$ 2,493,892.53	0.403880%	0.301000%	$ 7,506.62	$ 10,072.33	$ 17,578.95	$ 68,678.79
			Mar. 2001	$ 2,505,180.21	$ 373,557.42		$ 2,878,737.63	0.433330%	0.210830%	$ 6,069.24	$ 12,474.43	$ 18,543.68	$ 87,222.46
			Apr. 2001	$ 3,252,295.04	$ 10,507.02		$ 3,262,802.06	0.430830%	0.173330%	$ 5,655.41	$ 14,057.13	$ 19,712.54	$ 106,935.01
			May, 2001	$ 3,273,309.08	$ 6,365.56		$ 3,279,674.64	0.405477%	0.169007%	$ 5,542.88	$ 13,298.33	$ 18,841.21	$ 125,776.21
			Jun. 2001	$ 3,286,040.19	$ 2,495.00		$ 3,288,535.19	0.392494%	0.129654%	$ 2,131.86	$ 6,453.65	$ 8,585.51	$ 134,361.72
										$ 39,625.27	$ 94,736.46	$ 134,361.72	
							Total AFUDC for Hawthorn V per Company			$ 5,858,629	$ 14,781,733	$ 20,640,363	

Source: Company response to Staff Data Request No. 0126.

Schedule 2-4

Missouri Public Service Commission

Respond Data Request

Data Request No.	0126
Company Name	Kansas City Power & Light Company-Investor(Electric)
Case/Tracking No.	ER-2006-0314
Date Requested	2/22/2006
Issue	Rate Base - Plant in Service
Requested From	Lois Liechti
Requested By	Phil Williams
Brief Description	Questions concerning Hawthorn 5 explosion and rebuild.
Description	In reference to the Hawthorn 5 plant, please provide the following: 1) The date of the Hawthorn 5 plant explosion. 2) The date of completion of the Hawthorn 5 plant rebuild project. 3) A complete listing of the value of the Hawthorn 5 plant of the books as of the date of the explosion by account. Please provide both plant in service and accumulated depreciation reserve. 4) A complete copy of the construction work order / work orders to rebuild the Hawthorn 5 plant. 5) Please provide the calculation of the AFUDC associated with the construction of the Hawthorn 5 rebuild. 6) Please provide a complete list of all insurance proceeds received by the Company associated with the Hawthorn 5 explosion and rebuild project. Please include and breakdown by category those proceeds. This should include payment for items such as replacement power etc. 7) Please provide the balances by account for the Hawthorn 5 plant after the rebuild at the date of commercial operation. 8) Please provide the balances by account as of December 31, 2005. 9) Please provide all journal entries associated with the Hawthorn 5 explosion and rebuild. This should include all retirements and subsequent capitalizations of the rebuild of this unit and should also include all journal entries for replacement power and for the insurance proceeds associated with this incident and the subsequent project to rebuild.
Response	See attached update
Objections	NA

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** 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. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Kansas City Power & Light Company-Investor (Electric)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Kansas City Power & Light Company-Investor(Electric)** and its employees, contractors, agents or others employed by or acting in its behalf.

Schedule 3-1

Security : Public
Rationale : NA

With Proprietary and Highly Confidential Data Requests a Protective Order must be on file.

DATA REQUEST– Set MPSC_20060222b
Case: ER-2006-0314
Date of Response: 03/16/2006
Information Provided By: Bradley Rebecca
Requested by: Phil Williams

Question No. : 0126

In reference to the Hawthorn 5 plant, please provide the following: 1) The date of the Hawthorn 5 plant explosion. 2) The date of completion of the Hawthorn 5 plant rebuild project. 3) A complete listing of the value of the Hawthorn 5 plant of the books as of the date of the explosion by account. Please provide both plant in service and accumulated depreciation reserve. 4) A complete copy of the construction work order / work orders to rebuild the Hawthorn 5 plant. 5) Please provide the calculation of the AFUDC associated with the construction of the Hawthorn 5 rebuild. 6) Please provide a complete list of all insurance proceeds received by the Company associated with the Hawthorn 5 explosion and rebuild project. Please include and breakdown by category those proceeds. This should include payment for items such as replacement power etc. 7) Please provide the balances by account for the Hawthorn 5 plant after the rebuild at the date of commercial operation. 8) Please provide the balances by account as of December 31, 2005. 9) Please provide all journal entries associated with the Hawthorn 5 explosion and rebuild. This should include all retirements and subsequent capitalizations of the rebuild of this unit and should also include all journal entries for replacement power and for the insurance proceeds associated with this incident and the subsequent project to rebuild.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.If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Kansas City Power & Light Company-Investor(Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports,analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to Kansas City Power & Light Company-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

Response:
In reference to the Hawthorn 5 Plant the following requested information is provided.

1) The Hawthorn 5 plant explosion occurred on February 17, 1999.
2) The completion of the Hawthorn 5 plant rebuild project was June 20, 2001.
3) See attached file **"Q126_Haw5 Plant & Reserve"** for the value of the Hawthorn 5 plant by account for the month ending January 31, 1999, the most recent company books and records preceding the date of the explosion. The company records additions/retirements to Utility Plant and calculates reserves, by month, by FERC account rather then by location (ie Hawthorn). See attached file"**Q126_Depreciation Memo**" for more information on how an estimated reserve is derived by location.
4) See attached file **"Q126_Haw5 Authorization"** for the construction work order to rebuild the Hawthorn 5 plant.
5) See attached file **"Q126_Haw5 AFUDC Calc**" for the calculation of the AFUDC associated with the construction of the Hawthorn 5 rebuild.
6) See attached file **"Q126_Haw5 Insurance Proceeds"** for the list of all insurance and subrogation proceeds, by category, received by KCPL associated with the Hawthorn 5 explosion and rebuild project. .
7) See attached file **"Q126_Haw5 Plant & Reserve"** for the balances by account of the Hawthorn 5 plant after the rebuild at June 30, 2001. The month ending June 30, 2001 is the most recent company books and records following the date of commercial operation of June 20, 2001.
8) See attached file **"Q126_Haw5 Plant & Reserve"** for the balances of the Hawthorn 5 plant accounts at December 31, 2005.
9) The company recorded in excess of 2000 manual and automated journal entries associated with the Hawthorn 5 plant explosion and rebuild. Copies of the entries would be voluminous. KCP&L will make the entries available for on site review at a mutually agreeable time. Please contact Tim Rush at 816-556-2344 or Lois Liechti at 816-556-2612 to make arrangements.

Attachments: Q126_Haw5 Plant & Reserve
Q126_Depreciation Memo
Q126_Haw5 Authorization
Q126_Haw5 AFUDC Calc
Q126_Haw5 Insurance Proceeds

Kansas City Power & Light
Q123_Depreciation Memo

Memo by: Chris Davidson

Depreciation by FERC Plant Account

Kansas City Power & Light Company does not calculate or record Reserve for Depreciation at levels lower than the FERC Plant Account. However, our Asset Management System does calculate an "Allocated Reserve" for individual assets by location. We use this to provide required annual information for jointly owned electric utility plants in the Notes to Consolidated Financial Statements. This Allocated Reserve calculation incorporates several assumptions as follows:

1. Under group and composite depreciation, each depreciation rate is an average reflecting a dispersion of lives, with some assets in the group having lives shorter than the average and some having lives longer than the average. This dispersion can be represented by a specific Iowa Curve.
2. Based on this concept of dispersion of lives, each asset in the group is considered 100% depreciated when retired, and the same amount is removed from both plant in service and accumulated reserves upon retirement. Consequently, at any point in time, the Reserve for Depreciation relates solely to assets still on the books as Plant in Service.
3. For each plant account, the associated reserve for that plant account can be assigned to each active vintage using the applicable Iowa Curve.
4. For each vintage in a plant account, the assigned reserves can then be spread proportionally to each asset in the vintage.
5. The resulting reserves can then be summarized for all vintages in a location, such as a power plant.

KANSAS CITY POWER & LIGHT
Q123_Hawthorn 5 Construction AFUDC Calculations

a Beg of month cumulative AFUDC Construction Base	b Plus 1/2 of Current Month Construction Charges	c Plus AFUDC Compounding	d = a+b+c Total AFUDC Base	e AFUDC monthly Debt Rate	f AFUDC monthly Equity Rate	g = d*f AFUDC Equity Amount	h = d*e AFUDC Debt Amount	i = g+h Total AFUDC Amount	WO / Project ID	Year
0.00	144,735.35		144,735.35	0.315000%	0.386666%			0.00	35-99520	1999
289,470.69	7,114,737.50		7,404,208.19	0.366667%	0.246667%			0.00	35-99520	1999
14,518,945.69	2,672,244.38		17,191,190.07	0.400833%	0.180833%	31,087.40	68,908.02	99,995.42	35-99520	1999
19,863,434.45	1,522,825.24		21,386,259.69	0.389167%	0.225000%	48,119.08	83,228.19	131,347.27	35-99520	1999
22,868,482.83	5,720,702.66		28,589,185.49	0.518333%	0.034167%	9,767.97	148,187.27	157,955.24	35-99520	1999
34,309,888.15	3,385,203.63		37,695,091.78	0.547500%	0.000000%	0.00	206,380.63	206,380.63	35-99520	2000
41,080,295.40	6,875,541.36		47,955,836.76	0.530833%	0.000000%	0.00	254,565.57	254,565.57	35-99520	2000
54,961,144.79	6,164,230.27		61,125,375.06	0.509170%	0.003330%	2,035.47	311,232.07	313,267.54	35-99520	2000
67,289,605.33	11,427,976.98		78,717,582.31	0.368330%	0.308330%	242,709.92	289,940.47	532,650.39	35-99520	2000
90,145,559.28	12,775,626.99		102,921,186.27	0.384170%	0.300830%	309,617.80	395,392.32	705,010.12	35-99520	2000
115,696,813.25	14,184,609.72		129,881,422.97	0.419170%	0.244170%	317,131.47	544,423.96	861,555.43	35-99520	2000
144,066,032.68	16,128,309.05	2,672,015.44	162,866,357.17	0.454170%	0.204170%	332,524.24	739,690.13	1,072,214.37	35-99520	2000
178,994,666.21	6,539,319.62		185,533,985.83	0.490830%	0.144170%	267,484.35	910,656.46	1,178,140.81	35-99520	2000
192,073,305.45	4,706,796.07		196,780,101.52	0.504170%	0.115000%	226,297.12	992,106.24	1,218,403.36	35-99520	2000
201,486,897.58	9,144,196.15		210,631,093.73	0.507500%	0.111670%	235,211.74	1,068,952.80	1,304,164.54	35-99520	2000
219,775,289.88	3,397,877.04		223,173,166.92	0.516670%	0.093330%	208,287.52	1,153,068.80	1,361,356.32	35-99520	2000
226,571,043.96	9,105,172.72		235,676,216.68	0.451670%	0.209170%	492,963.94	1,064,478.77	1,557,442.71	35-99520	2000
244,781,389.39	3,313,915.32	7,691,722.11	255,787,026.82	0.451670%	0.209170%	535,029.72	1,155,313.26	1,690,342.98	35-99520	2001
259,100,942.13	4,266,990.81		263,367,932.94	0.403880%	0.301000%	792,737.48	1,063,690.41	1,856,427.89	35-99520	2001
267,634,923.75	3,454,155.03		271,089,078.78	0.433330%	0.210830%	571,537.10	1,174,710.31	1,746,247.41	35-99520	2001
274,543,233.80	2,389,826.61		276,933,060.41	0.430830%	0.173330%	480,008.07	1,193,110.70	1,673,118.77	35-99520	2001
279,322,887.01	1,665,126.11		280,988,013.12	0.405477%	0.169007%	474,888.31	1,139,341.16	1,614,229.47	35-99520	2001
282,653,139.22	(3,744,927.46)		278,908,211.76	0.392494%	0.129654%	241,564.45	729,618.74	971,183.19	35-99520	2001
						5,819,003.15	14,686,996.28	20,505,999.43		
0.00	207,604.19		207,604.19	0.315000%	0.386666%	802.73	653.95	1,456.68	35-99535	1999
415,208.38	216,160.62		631,369.00	0.366667%	0.246667%	1,557.38	2,315.02	3,872.40	35-99535	1999
847,529.62	(390,703.57)		456,826.05	0.400830%	0.180830%	826.08	1,831.10	2,657.18	35-99535	1999
66,122.48	(1,803.09)		64,319.39	0.389167%	0.225000%	144.72	250.31	395.03	35-99535	1999
62,516.31	358,200.00		420,716.31	0.518330%	0.034170%	143.76	2,180.70	2,324.46	35-99535	1999
778,916.31	2,167.51	10,705.75	791,789.57	0.547500%	0.000000%	0.00	4,335.05	4,335.05	35-99535	2000
793,957.08	(593,200.00)		200,757.08	0.530833%	0.000000%	0.00	1,065.68	1,065.68	35-99535	2000
(89,610.60)	187,010.82		97,400.22	0.504166%	0.115000%	112.01	491.06	603.07	35-99535	2000
284,411.03	464,884.81		749,295.84	0.507500%	0.111670%	836.74	3,802.68	4,639.42	35-99535	2000
1,214,180.65	(90,403.11)		1,123,777.54	0.516670%	0.093330%	1,048.82	5,806.22	6,855.04	35-99535	2000
1,033,374.44	331,365.15		1,364,739.59	0.451670%	0.209170%	2,854.63	6,164.12	9,018.75	35-99535	2000
1,696,104.74	382,691.92	21,116.28	2,099,912.94	0.451670%	0.209170%	4,392.39	9,484.68	13,877.07	35-99535	2001
2,482,604.85	11,287.68		2,493,892.53	0.403880%	0.301000%	7,506.62	10,072.33	17,578.95	35-99535	2001
2,505,180.21	373,557.42		2,878,737.63	0.433330%	0.210830%	6,069.24	12,474.43	18,543.67	35-99535	2001
3,252,295.04	10,507.02		3,262,802.06	0.430830%	0.173330%	5,655.41	14,057.13	19,712.54	35-99535	2001
3,273,309.08	6,365.56		3,279,674.64	0.405477%	0.169007%	5,542.87	13,298.32	18,841.19	35-99535	2001
3,286,040.19	2,495.00		3,288,535.19	0.392494%	0.129654%	2,131.86	6,453.66	8,585.52	35-99535	2001
						39,625.26	94,736.44	134,361.70		
						5,858,628.41	14,781,732.72	20,640,361.13		

KANSAS CITY POWER & LIGHT COMPANY
AUTHORIZATION

TYPE :	PROJECT	X	
	YEARLY		
RETIREMENT UNIT SECTION/PAGE			

Title of Project	**Title:** **Hawthorn Unit 5 Rebuild**				
				KCPL Share	$ 346,239,310
Location	**Station:** **Hawthorn**	Budget Item	AD-97	Total Budget	$ 346,239,310
				KCPL Share	$ 233,209,562
Originating Dept.	**Location:** **1201-16**	Prev. Auth.	233,209,562	Amt.	$ 233,209,562
			233	KCPL Share	$ 113,029,748
Starting Date	5/1/99	Completion	6/15/99	This Auth.	$ 113,029,748

Description of request for funds:

This authorizatioon is for completion of rebuilding Hawthorn Unit 5. Funding of $113,029,748 is requested to complete the construction of the Unit 5 boiler, air quality control equipment, turbine generator uprate, rail loop track, fuel yard and myriad other smaller activities required to bring the Unit to commericail viability. This is expected to be the final authorization request for the project.

	Auth No.	Prior Years	2000	Future Years	Total
2000-2004 Construction Budget		$ -	$ 198,686,072	$ 137,644,850	$ 336,330,922
2000-2004 Removal Budget		$ -	$ -	$ -	$ -
Previous Authorization.:			$ 205,300,000	$ -	$ 205,300,000
Previous Authorization:				$ 27,909,562	$ 27,909,562
This Auth--Construction		$ -		$ 113,029,748	$ 113,029,748
-- Remova		$ -			$ -
Total Requested This Budget Item		$ -	$ 205,300,000	$ 140,939,310	$ 346,239,310
Amount Over (Under) Budget		$ -	$ 6,613,928	$ 3,294,460	$ 9,908,388

*Prior Years dollars represent actual amount spent for each authorization.

CC:

C.W.O.

DATE 10/24/01 Stephen J. Easley
10/25/01 Frank L. Branca
10/26/01 B J Beaudoin

GENERATION ACCOUNTING

Roadman ✓
Anderson [initials]
Wegner

AUTH. NO. 900-2

Schedule 3-7

Capital Cost Estimating Worksheet

Preparer:	**Steve Easley**			Date:	**5/7/99**
Phone:	**556-2894**	Location/Dept.:	**1201-16**		
Station:	**Hawthorn**	Unit:	**Unit 5**	Budget No:	**AD 97**
Title:	**Hawthorn Unit 5 Rebuild**				

MATERIALS					
110	Stock Materials		$ -		
111	Stock Loading	10.1%	$ -		
801	Purchased Materials		$ -		
805	Purchased Material Loading	10.1%	$ -		
812	Contractor Supplied Mat'l		$ -		
	Materials Taxes	7.5%	$ -		
840	Other/Miscellaneous		$ -		
	SUBTOTAL - MATERIALS				**$ 0**
KCPL LABOR					
	KCPL Const. Labor		$ 1,000,000	(25 $/hr)	
	KCPL Removal Labor		$ 200,000	(25 $/hr)	
	KCPL Engineering		$ 500,000	(30 $/hr)	
	KCPL Contract Admin.		$ 500,000	(30 $/hr)	
	KCPL Labor Loading	50.0%	$ 1,100,000		
	SUBTOTAL - KCPL LABOR				**$ 3,300,000**
CONTRACT LABOR			*195250,000		
827,829	Contract Const. Labor		##########	(45 $/hr)	
827,829	Contract Removal Labor		$ 3,000,000	(45 $/hr)	
862	Contract Engineering		$ 2,000,000	(85 $/hr)	
	Contract Labor Taxes	0.0%	$ -		
840	Other/Miscellaneous		$ -		
	SUBTOTAL - CONTRACT LABOR				**$ 200,250,000**
OTHER					
818	Freight		$ -		
840	Permits		$ -		
835	Equipment Rental		$ -		
840	Other/Miscellaneous		$ -		
	SUBTOTAL - OTHER				**$ 0**
	SUBTOTAL - ENTIRE PROJECT				**$ 203,550,000**
CONTINGENCY			0 %		**$ 0**
AFUDC (If project duration over 1 year)					
	ESCALATION COSTS				**$ 8,011,728**
	AFUDC				**$ 21,647,834**

AUTHORIZATION TOTAL	**$ 233,209,562**

11/19/99

Amended

Schedule 3-8

KANSAS CITY POWER & LIGHT
Q123_Hawthorn 5 Explosion Insurance Proceeds and Subrogation Settlements

Insurance Proceeds

Date Received	Amount Received	Insurance Carrier	Category: A&G Costs offset	Category: Replacement Power	Category: Salvage	Total
5/28/1999	$ 7,500,000.00	National Union Fire Insurance Claim# 00002547		$ 3,996,000.00	$ 3,504,000.00	$ 7,500,000.00
6/24/1999	2,500,000.00	Reliance National Claim# 99016265 01		$ 1,004,000.00	$ 1,496,000.00	$ 2,500,000.00
7/20/1999	18,750,000.00	National Union Fire Insurance Claim# 00002547			$ 18,750,000.00	$ 18,750,000.00
8/9/1999	6,250,000.00	Reliance National Claim# 99016265 01			$ 6,250,000.00	$ 6,250,000.00
8/16/1999	18,750,000.00	National Union Fire Insurance Claim# 00002547			$ 18,750,000.00	$ 18,750,000.00
8/26/1999	6,250,000.00	Reliance National Claim# 99016265 01			$ 6,250,000.00	$ 6,250,000.00
9/16/1999	6,250,000.00	Reliance National Claim# 99016265 01			$ 6,250,000.00	$ 6,250,000.00
9/15/1999	18,750,000.00	National Union Fire Insurance Claim# 00002547	$ 546,362.77		$ 18,203,637.23	$ 18,750,000.00
5/2/2000	3,750,000.00	Reliance National Claim# 99016265 01			$ 3,750,000.00	$ 3,750,000.00
4/18/2000	11,250,000.00	National Union Fire Insurance Claim# 00002547	$ 1,300,765.08		$ 9,949,234.92	$ 11,250,000.00
5/19/2000	17,500,000.00	National Union Fire Insurance Claim# 00002547	$ 29,180.79		$ 17,470,819.21	$ 17,500,000.00
6/19/2000	17,500,000.00	National Union Fire Insurance Claim# 00002547			$ 17,500,000.00	$ 17,500,000.00
2/9/2001	15,000,000.00	National Union Fire Insurance Claim# 00002547	$ 392,688.24		$ 14,607,311.76	$ 15,000,000.00
6/14/2001	15,000,000.00	National Union Fire Insurance Claim# 00002547	$ (49,966.64)		$ 15,049,966.64	$ 15,000,000.00
3/28/2003	3,940,033.00	National Union Fire Insurance Claim# 00002547			$ 3,940,033.00	$ 3,940,033.00
7/14/2004	30,809,967.00	National Union Fire Insurance Claim# 00002547			$ 30,809,967.00	$ 30,809,967.00
1/28/2005	10,000,000.00	Travelers Indemnity Co. of IL (Travelers) Claim 877FRDMF0791			$ 10,000,000.00	$ 10,000,000.00
	$ 209,750,000.00	**Total Insurance Proceeds Received**	$ 2,219,030.24	$ 5,000,000.00	$ 202,530,969.76	$ 209,750,000.00

Subrogation Settlements

Date Received	Amount Received		Category: Lost Sales Margins & Incr Fuel Costs	Category: Replacement Power	Salvage	Total
5/7/2003	901,064.05	Subrogation Settlement	170,301.11	296,450.07	434,312.87	$ 901,064.05
6/26/2003	101,250.00	Subrogation Settlement	19,136.25	33,311.25	48,802.50	$ 101,250.00
10/3/2003	33,126,157.00	Subrogation Settlement	6,260,843.68	10,898,505.65	15,966,807.67	$ 33,126,157.00
12/30/2003	1,687,500.00	Subrogation Settlement	318,937.00	555,188.00	813,375.00	$ 1,687,500.00
2/24/2004	1,687,500.00	Subrogation Settlement	318,937.00	555,188.00	813,375.00	$ 1,687,500.00
8/30/2004	675,000.00	Subrogation Settlement	127,575.00	222,075.00	325,350.00	$ 675,000.00
	$ 38,178,471.05	**Total Subrogation Payments Received**	$7,215,730.04	$12,560,717.97	$18,402,023.04	$38,178,471.05

	$ 247,928,471.05	**Total Insurance Proceeds & Subrogation Settlements**	$9,434,760.28	$17,560,717.97	$220,932,992.80	$247,928,471.05

KANSAS CITY POWER & LIGHT
Q123_Hawthorn 5 Plant & Estimated Reserve Balances
January 31, 1999

FERC Account	Major Location	Utility Plant in Service	Estimated Depreciation Reserve	Est Net Book Value
31100-Stm Pr-Structures-Elec	Hawthorn Unit 5	14,956,066.25	(3,655,569.49)	11,300,496.76
31200-Stm Pr-Boiler Plt Equip-Elec	Hawthorn Unit 5	84,183,140.10	(55,958,840.98)	28,224,299.12
31400-Stm Pr-Turbogenerator-Elec	Hawthorn Unit 5	20,113,585.33	(11,368,405.36)	8,745,179.97
31500-Stm Pr-Accessory Equip-Elec	Hawthorn Unit 5	9,170,013.48	(4,113,621.92)	5,056,391.56
31600-St Pr-Misc Pwr Plt Equip-Elec	Hawthorn Unit 5	5,147,667.13	(1,423,153.76)	3,724,513.37
		133,570,472.29	(76,519,591.51)	57,050,880.78

KANSAS CITY POWER & LIGHT
Q123_Hawthorn 5 Plant & Estimated Reserve Balances
June 30, 2001

FERC Account	Major Location	Utility Plant in Service	(1) Estimated Depreciation Reserve	Est Net Book Value
31100-Stm Pr-Structures-Elec	Hawthorn Unit 5	24,142,189.22	(6,437,431.34)	17,704,757.88
31200-Stm Pr-Boiler Plt Equip-Elec	Hawthorn Unit 5	213,001,887.63	23,448,381.88	236,450,269.51
31202-Stm Pr-Boiler AQC Equip-Elec	Hawthorn Unit 5	26,909,518.71	(70,188.90)	26,839,329.81
31400-Stm Pr-Turbogenerator-Elec	Hawthorn Unit 5	59,398,519.89	(8,728,830.57)	50,669,689.32
31500-Stm Pr-Accessory Equip-Elec	Hawthorn Unit 5	20,663,442.35	4,598,655.03	25,262,097.38
31600-St Pr-Misc Pwr Plt Equip-Elec	Hawthorn Unit 5	6,721,614.28	(2,293,734.69)	4,427,879.59
		350,837,172.08	10,516,851.41	361,354,023.49

(1) Changes in the Reserve balances from January 31, 1999 through June 30, 2001 resulted primarily from retirements totaling $81.8 M of which $73.3 M was retired from a/c 31200 and $8.3 M was retired from a/c 31500.

KANSAS CITY POWER & LIGHT
Q123_Hawthorn 5 Plant & Estimated Reserve Balances
December 31, 2005

FERC Account	Major Location	Utility Plant in Service	(1) Estimated Depreciation Reserve	Est Net Book Value
31100-Stm Pr-Structures-Elec	Hawthorn Unit 5	14,942,089.35	(6,328,324.39)	8,613,764.96
31102-1-35-Stm Pr-Struc-H5 **Rebuild**	Hawthorn Unit 5	8,923,284.92	(7,177,226.14)	1,746,058.78
31200-Stm Pr-Boiler Plt Equip-Elec	Hawthorn Unit 5	39,621,917.13	19,085,648.74	58,707,565.87
31202-Stm Pr-Boiler AQC Equip-Elec	Hawthorn Unit 5	170,530.34	(8,865.89)	161,664.45
31203-1-35-Stm Pr-Boiler-H5 **Rebuild**	Hawthorn Unit 5	235,567,916.84	(181,661,916.33)	53,906,000.51
31400-Stm Pr-Turbogenerator-Elec	Hawthorn Unit 5	72,822,227.07	(16,927,285.62)	55,894,941.45
31500-Stm Pr-Accessory Equip-Elec	Hawthorn Unit 5	2,876,334.50	4,346,621.08	7,222,955.58
31501-1-35-Stm Pr-Acc-H5 **Rebuild**	Hawthorn Unit 5	39,677,510.19	(30,278,328.81)	9,399,181.38
31600-St Pr-Misc Pwr Plt Equip-Elec	Hawthorn Unit 5	6,145,992.74	(3,262,594.14)	2,883,398.60
31601-1-35-St Pr-Misc Eq-H5 **Rebuild**	Hawthorn Unit 5	2,305,285.95	(1,769,159.36)	536,126.59
		423,053,089.03	(223,981,430.86)	199,071,658.17

(1) The net increase in the reserve balances from June 30, 2001 through December 31, 2005 resulted primarily from Insurance Proceeds and Subrogation Settlements of $221M related to the Hawthorn 5 Explosion, offset by $14M of Cost of Removal. The Insurance Proceeds and Cost of Removal resided in Construction Work In Progress prior to June 30, 2001 and was subsequently recorded to the depreciation reserve after June 30, 2001 and prior to December 31, 2005.

Schedule 4

Deemed

Highly Confidential

In Its Entirety