

Exhibit No.:

Issues: Iatan Prudence Review

Witness: Robert E. Schallenberg

Sponsoring Party: MoPSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: ER-2009-00894

Date Testimony Prepared: April 7, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

ROBERT E. SCHALLENBERG

**Great Plains Energy, Incorporated
KANSAS CITY POWER & LIGHT COMPANY**

CASE NO. ER-2009-0089

*Jefferson City, Missouri
April 2009*

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

NP

1 Q. Please describe your responsibilities and experience while employed at the
2 MoPSC as a Regulatory Auditor V?

3 A. As a Regulatory Auditor V for the MoPSC, I had several areas of
4 responsibility. I was required to have and maintain a high degree of technical and
5 substantive knowledge in utility regulation and regulatory auditing. Among my various
6 responsibilities as a Regulatory Auditor V were:

- 7 1. To conduct the timely and efficient examination of the accounts,
8 books, records and reports of jurisdictional utilities;
- 9 2. To aid in the planning of audits and investigations, including staffing
10 decisions, and in the development of Staff positions in cases to which
11 the Auditing Department of the MoPSC was assigned, in cooperation
12 with Staff management as well as other Staff;
- 13 3. To serve as lead auditor, as assigned on a case-by-case basis, and to
14 report to the Assistant Manager-Auditing at the conclusion of the case
15 on the performance of less experienced auditors assigned to the case,
16 for use in completion of annual written performance evaluations;
- 17 4. To assist in the technical training of other auditors in the Auditing
18 Department;
- 19 5. To prepare and present testimony in proceedings before the MoPSC,
20 KCC, and the Federal Energy Regulatory Commission (FERC), and
21 aid MoPSC Staff attorneys and the MoPSC's Washington, D.C.
22 counsel in the preparation of pleadings and for hearings and
23 arguments, as requested; and
- 24 6. To review and aid in the development of audit findings and prepared
25 testimony to be filed by other auditors in the Auditing Department.

1 The MoPSC relies on the Regulatory Auditor V position to be able to present and
2 defend positions both in filed testimony and orally at hearing. I have had many occasions to
3 present testimony before the MoPSC on issues ranging from the prudence of building power
4 plants to the appropriate method of calculating income taxes for ratemaking purposes.
5 I have worked in the areas of regulation of telephone, electric and gas utilities. I have taken
6 depositions on behalf of the MoPSC in FERC dockets. Attached as Schedule 1, is a listing of
7 cases and issues on which I have worked at the MoPSC. My responsibilities were expanded
8 to assist in federal cases involving the MoPSC as assigned.

9 Q. Have you previously submitted testimony in proceedings before the FERC?

10 A. Yes. I submitted testimony in Docket Nos. RP94-365, RP95-136, RP96-173,
11 et. al. These dockets were cases involving Williams Natural Gas Company (WNG).
12 WNG provides gas transportation and storage services for local distribution companies
13 serving the western portion of Missouri. WNG provides service to Missouri Gas Energy
14 which serves the Kansas City area. My testimony in Docket No. RP94-365 involved a
15 prudence challenge of the costs that WNG sought to recover in that case. I also filed
16 testimony regarding certain cost of service issues in Docket No. RP95-136, WNG's rate case
17 before the FERC. These issues included affiliated transactions between WNG and its parent.
18 I filed testimony in Docket No. RP96-173, et. al., on the issue of whether the costs in
19 question met FERC's eligibility criteria for recovery under FERC Order No. 636.

20 I submitted testimony in Docket No. RP96-199. This case is a Mississippi River
21 Transmission (MRT) Corporation rate case. MRT provides gas transportation and storage
22 services for local distribution companies serving the eastern portion of Missouri.

1 MRT provides service to Laclede Gas Company which serves the St. Louis area.
2 My testimony in Docket No. RP96-199 involved cost of service issues. These issues
3 included affiliated transactions between MRT and its parent.

4 Q. Have you experience and education in other areas not specifically mentioned
5 previously in testimony?

6 A. During the pursuit of my Bachelor of Science degree I successfully completed
7 a business law course as an undergraduate. Business law is a section of the CPA test that
8 must be completed in order to successfully pass this test. I have audited other utility
9 mergers/acquisitions during my employment at the MoPSC since 1976-1978
10 and 1978-present. I audited Cooperative utilities in 1978 as an auditor for the KCC.
11 I assisted in Staff management of consultants related to the audits of Wolf Creek and
12 Callaway as well as provided advice and assistance to Staff conducting the audit when
13 requested. I have taken depositions on behalf of the MoPSC in FERC dockets. I have worked
14 on Commission rulemakings such as the Commission's Affiliate Transactions Rules.
15 I have reviewed and submitted testimony regarding due diligence documents, plans of
16 merger, proxy statements, transition agreements, purchase agreements, I submitted testimony
17 on the Electric Energy, Inc. (EEInc.) issue in the AmerenUE rate increase case, ER-2007-
18 0002, which involved issues respecting, among other items, corporate governance and
19 affiliate transactions. I have submitted testimony regarding errors of notable rate of return
20 witnesses regarding ratemaking principles.

21 Most recently, I have completed several project management and Six Sigma on-line
22 courses.

1 Q. What is the purpose of your surrebuttal testimony?

2 A. The purpose of this testimony is to identify the omissions and distortions
3 (factually incorrect statements) contained in the rebuttal testimony of
4 Mr. Chris B. Giles, and provide the facts regarding the matters raised in Mr. Giles' rebuttal
5 testimony. Events and the Company's conduct have worked to the Company's good fortune,
6 while it attempts to characterize itself as the aggrieved party.

7 Q. Can you provide a summary of your rebuttal testimony?

8 A. Yes. Mr. Giles rebuttal testimony contains certain distortions or omissions that
9 I will address. The areas that I will address are:

10 1) There is nothing sinister regarding the fact that Staff has not completed a
11 construction audit of the Iatan 1 environmental expenditures based upon the facts and
12 circumstances.

13 2) Mr. Giles testimony regarding the roles of the Utility Services Division and the
14 Utility Operations Division relative to a construction audit are incorrect.

15 3) Mr. Giles inappropriately alleges agreements with Staff in the KCPL Regulatory
16 Plan that do not exist.

17 Q. On page 10, line 8 of Mr. Giles' rebuttal testimony he titles this section of his
18 testimony as "Utility Services Division's Failure To Conduct A Prudence Review."
19 Is this title accurate?

20 A. No. First, the correct statement would be that the Staff did not complete a
21 prudence or construction audit of the environmental upgrades at Iatan 1,
22 Jeffrey Energy Center units 1 and 3, and the Sibley generating facility, unit 3. It is a false
23 statement that no work was conducted relative to the prudence of the expenditures in

1 question. The correct statement would be that the Staff does not have anyone in its employ
2 that will testify on its behalf that the expenditures being sought for recovery from ratepayers
3 are prudent and reasonable because an audit has not been completed. At this time we do not
4 know what the total of these expenditures are, let alone whether the expenditures are prudent.
5 Further, KCPL has alerted Staff that it intends to transfer costs from its Iatan 2 project to the
6 costs of Iatan 1, for costs of plant common to both units. KCPL has refused to provide
7 information for Iatan 2 during a majority of this case on the basis that Iatan 2 was not
8 relevant to this rate case. Such a position is contrary to the position that KCPL's Regulatory
9 Plan "additional amortizations" include the impacts of Iatan 2 in its calculations as well as
10 contrary to the Company's efforts to transfer costs from Iatan 2 to Iatan 1.

11 The Utility Services Division has no greater role in conducting construction audits
12 than the Utility Operations Division of the Staff. Schedule RES 2 to my surrebuttal
13 testimony is a copy of the Staff's coordination procedure. Each Division has addressed
14 its overall responsibilities.

15 Q. On page 11, lines 20 through 22, Mr. Giles testifies that he "would also note
16 that the Utility Operations Division appeared to be responsible for reviewing the prudence of
17 plant investment." Is this statement true?

18 A. No. Each Division has its responsibilities in reviewing costs for prudence in
19 each particular construction audit. The Utility Operations Division is expected to participate
20 in all prudence audits with assistance from the Utility Services Division and the General
21 Counsel's Office as illustrated on the front page of Schedule RES 2 attached to this
22 testimony. Mr. Giles provides no documentation to support his testimony on this topic.

1 As Mr. Featherstone testifies, neither KCPL nor Mr. Giles made any effort to understand
2 these matters before he filed his rebuttal testimony in this case.

3 Q. On page 12, line 3 through 11 of his rebuttal testimony Mr. Giles cites the
4 KCPL Regulatory Plan as contemplating that the Iatan 1 AQCS equipment might not be
5 completed until three months prior to new rates going into effect does he not?

6 A. Yes. Mr. Giles has inappropriately and selectively used passages from the
7 KCPL Regulatory Plan Stipulation And Agreement in Case No. EO-2005-0329 to support his
8 positions in this matter. Among the specifics that Mr. Giles has chosen not to recognize is
9 paragraph III.B.3.c.i. of the KCPL Regulatory Plan which states, in part, at pages 37-38
10 respecting Rate Filing #3 (2008 Rate Case) that:

11 Rate schedules with an effective date of January 1, 2009 may be filed
12 with the Commission on February 1, 2008. The test year will be based
13 upon a historic test year ending December 31, 2007, (initially filed
14 with nine (9) months actual and three (3) months budget data), with
15 updates for known and measurable changes, as of June 30, 2008, with
16 a true-up through September 30, 2008. On or about October 21, 2008,
17 KCPL will file in a true-up proceeding a reconciliation as of
18 September 30, 2008. . . .

19 Paragraph III.B.10.h. of the KCPL Regulatory Plan specifically states
20 at page 54 that:

21 This Agreement contains the entire generally-applicable agreements or
22 arrangements of the Signatory Parties. There are no other generally
23 applicable agreements or arrangements that pertain to these matters.
24 **Silence in this Agreement on a particular topic or issue indicates**
25 **that the Signatory Parties reached no agreement on the handling**
26 **of that topic or issue.** (Emphasis added).
27

28 The KCPL Regulatory Plan does not contemplate anything that is not specifically stated in
29 that document and attachments. As one that was intimately involved in the development and
30 negotiation of the KCPL Regulatory Plan on the behalf of the Staff, I can state that the Staff
31 had no intent to enter into an agreement in which KCPL could later attach unspecified

1 meanings, responsibilities, or interpretations, as Mr. Giles attempts to do in his rebuttal
2 testimony at page 7, line 5 through page 8, line 19. There is no agreement between the
3 parties to the KCPL Regulatory Plan that any case KCPL filed on a different timetable for its
4 “Rate Filing #3 (2008 Rate Case)” would only need three months between the dates the plant
5 was completed and the time new rates went into effect. It is unreasonable to assert such a
6 procedural agreement exists for the third rate case, as a case filed at a different time is likely
7 to reflect conditions not contemplated at the time of KCPL Regulatory Plan Stipulation
8 And Agreement. While there is no agreement between the parties on this matter, as the Iatan
9 1 AQCS equipment project failed to be completed on time with cost overruns and additional
10 costs apparently being shifted from Iatan 2 to Iatan 1; longer time frames would likely be
11 needed to deal with these new developments which were never discussed or even
12 contemplated regarding Rate Filing # 3 at the time the KCPL Regulatory Plan was negotiated
13 and executed.

14 Q. Mr. Giles on page 12, lines 10 and 11 of his rebuttal testimony testifies that
15 the Utility Services Division had several years to plan and prepare for this rate case.
16 Is this statement accurate?

17 A. It is not a complete statement of the situation. Mr. Giles omits any role the
18 Utility Operations Department has in the planning and preparation for this rate case in his
19 statement. Further, Mr. Giles omits any information regarding the Utility Services Division’s
20 other activities during this period. More importantly, Mr. Giles fails to note the participation
21 of the Staff, including the Utility Services Division, in other KCPL activities, which included
22 two rate cases before the present case, financing cases, and a service center sale case.
23 Great Plains Energy’s acquisition of Aquila has resulted in increased work activities relative

1 to operational and customer service issues stemming from the integration of KCPL's
2 operations with those of the former Aquila Missouri operations.

3 In addition Mr. Giles fails to note that the KCPL Regulatory Plan specifically states
4 that KCPL is not required to file Rate Filing #2 or Rate Filing #3,¹ thus providing no
5 certainty that this case would be filed. The Staff had many other responsibilities and could
6 not focus solely on KCPL's construction projects to the exclusion of its other responsibilities.

7 Q. Can you identify factors or events that would need to be overcome in order to
8 complete a review of the construction costs of the environmental equipment additions at
9 Iatan 1, Jeffrey Energy Center, Units 1 and 3, and the Sibley generating facility, Unit 3 at this
10 time?

11 A. Yes. The Iatan 1 cost and schedule slippage and the failure to complete the
12 project consistent with previously indicated dates create uncertainty regarding the amount
13 Staff is to audit to determine that the prudence of that level of expenditures. This uncertainty
14 is greatly increased by KCPL's position that it intends to transfer an amount of monies from
15 its Iatan 2 project to increase the level of Iatan 1 costs it seeks to recover in this case, while at
16 the same time denying Staff access to Iatan 2 information for a majority of the time that has
17 elapsed in this case. Mr. Featherstone will provide the details regarding the KCPL activities
18 and the timing of those activities relative to the shift of what were originally included as
19 Iatan 2 costs to Iatan 1 costs for common plant.

20 The consolidation of KCPL and Aquila operations has greatly increased the work
21 scope at this time as it has increased the number of generating plants to be reviewed and the
22 rate activities to be completed in the same time period, introduced new learning requirements
23 to complete the same tasks as prior KCPL and Aquila functions have been and are modified,

¹ KCPL Regulatory Plan paragraph III.B.3., page 29.

1 eliminated, and replaced with new data sources and supported by individuals with less
2 institutional knowledge of prior practices and arrangements.

3 Further, KCPL is more difficult to work with at this time, as its employees are
4 charged with more responsibilities resulting in the failure to satisfy commitments as
5 completely or as timely as it previously had done.

6 In addition, KCPL is a more difficult entity to deal from a regulatory standpoint than
7 Aquila was before it was acquired by Great Plains Energy. KCPL is more prone to choose
8 the litigious approach than the Aquila regulatory group in place before Great Plains Energy
9 acquired Aquila.

10 Obtaining information from KCPL through discovery and otherwise has been difficult
11 as KCPL is less forthcoming with information than Aquila was before Great Plains Energy
12 acquired it and KCPL objects to data requests based on lack of relevance despite the fact that
13 the requested information is clearly related to items that KCPL and KCPL Greater Missouri
14 Operations Company seek to include in their cases. Responses are withheld on the basis of
15 general objections of attorney-client and attorney work product privileges without providing
16 any information to determine whether the requested information exists or the information
17 qualifies for such a privilege. Data that was requested for review has never been provided
18 for review. Reports mentioned in testimony are not supplied in data request responses.
19 Documents are edited to eliminate information previously provided in the GPE acquisition of
20 Aquila case causing additional time to be expended to compare data to determine what
21 information is actually available in a prior case that is sought to be protected in the pending
22 case. Documents are provided for review without identification of the data request(s)
23 to which that information is being provided as a response.

1 KCPL indicated that its Platte City and Liberty service center sale case was a priority
2 that needed to be addressed after the rate cases were filed. Staff accommodated the request
3 at the same time diverting attention from construction audit activity in this case. The Staff
4 has more resources than certain other non-utility parties that rely on the Staff performing
5 audits, but the Staff's resources are limited and the Staff cannot do an unlimited number of
6 activities at the same time.

7 KCPL approached this case with a different philosophy than in its prior cases by
8 seeking recovery based on positions on issues that the Commission had decided against the
9 Company in "Rate Case Filing #1," thus forcing Staff to address these issues anew while
10 providing the Staff the opportunity to try issues it believed should be reheard because of the
11 merits of the issue or changed circumstances. KCPL has taken a more aggressive approach
12 to issues in this case as well as pursuing issues in the rate cases for the former
13 Aquila divisions, Case No. ER-2009-0090 and HR-2009-0092.

14 Staff has experienced increased work load as customer complaints to the Commission
15 have increased due to the transition of KCPL operating the former Aquila properties in
16 unanticipated ways. An unanticipated problem is the fact that the companies can now deny
17 service based on unpaid balances owed to their affiliates, although they cannot give such
18 customers the benefit of "cold weather rule" payment plan arrangements.

19 The fact that the former Aquila MPS, Aquila L&P electric and Aquila L&P steam
20 operations and KCPL operate under the KCP&L logo causes confusion when dealing with
21 the Companies as to exactly what entity is being referred to by the Staff, customers,
22 and even the Companies' personnel.

1 Q. What steps did Staff take for planning a construction or prudence audit for
2 costs of environmental equipment additions at Iatan 1?

3 A. An audit scope for a construction audit regarding the prudence of the
4 construction costs of the environmental equipment additions at Iatan and
5 the Sibley generating facility, Unit 3, was drafted. Audit plans for AmerenUE's
6 Sioux SCR and Taum Sauk rebuilding were drafted at the same time. The draft audit scope
7 was circulated to the Energy Department of the Utility Operations Division and the Auditing
8 Department of the Utility Services Division for comment as well as seeking input regarding
9 the areas the Departments would commit to address. The Energy Department committed to
10 whatever areas could be addressed through an Engineering Review.
11 The Auditing Department committed to areas that could be addressed while fulfilling their
12 other expected audit commitments. At the time, I committed to draft initial data requests for
13 review designed to gather basic information regarding the management practices and
14 expertise being committed by the utilities to the building of these projects. Beginning in
15 September 2008, I experienced a personal situation that greatly reduced the amount of time
16 that I could commit to address Staff resource shortfalls such as this situation. The reduction
17 in time that I could devote to this audit in addition to a moving target to be audited, increase
18 in other work load activities and difficulties in acquiring information resulted in the
19 development of the Staff position in the Staff's direct case filing that Mr. Giles finds
20 objectionable and is addressed further in Mr. Featherstone's surrebuttal testimony.

21 Q. Is there a significant risk that certain expenditures charged to Iatan 1 are being
22 charged to Iatan 1 from Iatan 2 are inappropriate?

1 A. Yes. Whenever a project fails to be successful in meeting its schedule and
2 budget, the risk of imprudent costs is enhanced. I agree with Mr. Giles that such a fact is not
3 conclusive, but the risk of inappropriate costs having been incurred is increased.
4 The Company developed the schedule and budget itself, and then failed to manage the
5 project to meet these objectives. The outstanding question is what really caused this result.
6 The failure to meet schedule and budget does not provide a level of comfort that one can rely
7 on the individuals involved in the project to simply state that all their efforts were prudent
8 without performing a detailed investigation..

9 The level of risk of imprudence is increased when the entity does not provide
10 requested information or effectively withholds the information until such time as the Staff
11 has no time to evaluate or conduct inquiry regarding the information. Mr. Giles notes in his
12 rebuttal testimony on page 41, line 7 through 9 of his rebuttal testimony, a Schiff Hardin
13 May 5, 2008 presentation to the KCPL Executive Oversight Committee. No Schiff Hardin
14 reports after ** _____ ** have been provided to Staff.

15 Mr. Giles acknowledges at page 13, lines 21 through 22 of his rebuttal testimony that
16 the Kansas Corporation Commission (KCC) Staff “hired a well-qualified consultant to
17 review the Company’s management of the Iatan 1 AQCS project.”
18 This consultant recommended ** _____
19 _____ . ** (See page 14, lines 3 through 5 of Mr. Giles’ rebuttal testimony).

20 Staff did not entertain a consultant for this endeavor because the work required to
21 develop the Request for Proposal, determine a qualified vendor list, evaluate proposals,
22 award a contract, and perform contract administration with related support would require
23 more time than if Staff performed the work itself. The uncertainty regarding the fully

1 operational and used for service date for the Iatan 1 project created the risk that this would
2 not even be the case to consider the plant additions.

3 Staff in its audit in this case found inappropriate charges that the Company has in its
4 rebuttal testimony removed from its case relative to its expenses. I am aware of

5 ** _____

6 _____

7 _____ - ** KCPL has refused to provide further information regarding the details of
8 this expenditure as well as whether this expenditure is included in the Iatan 2 costs that are
9 being transferred to Iatan 1 or included in the Accounting Authority Order the Company has
10 indicated that it intends to seek in this case. The Company was asked if it would also remove
11 these inappropriate charges from its plant or construction projects. As of the time of this
12 surrebuttal testimony, Staff has received no response to this inquiry.

13 This item indicates possible problems with the philosophy at the upper management
14 levels of KCPL regarding the type of expenditures that will be incurred, reimbursed, and
15 charged to the Iatan projects. The existence of this item was not discovered through a focused
16 audit of all such costs charged to the Iatan projects. It remains to be seen if this is an isolated
17 charge or an indication of significant charges in the cost of Iatan as well as possibly included
18 the costs that KCPL has included in this case. The fact is that KCPL 1) did not have
19 adequate internal controls to prevent the reimbursement and charge of this cost to Iatan;
20 2) a consultant to the KCC Staff has indicated a ** _____ **, see
21 page 14, lines 3 through 5 of Mr. Giles' rebuttal; and 3) KCPL has removed similar type of
22 charges from its expenses. Although KCPL has publicly announced that it is not seeking
23 recovery of this and similar type costs, the fact that KCPL has refused to provide additional

NP

1 information regarding this and related matters does not adequately address the risk that
2 imprudent expenditures of this nature exist in the Iatan 1 and 2 projects.

3 Q. Mr. Giles notes in his rebuttal testimony that the Staff was informed of certain
4 events through the use of the Quarterly Reports² required under the KCPL Regulatory Plan.
5 What are the nature of the time lags between when an event occurred at the Iatan plant and
6 when it was reported to the KCPL Regulatory Plan parties?

7 A. The material in the Quarterly Reports mentioned by Mr. Giles was quite dated
8 by the time KCPL would provide the material to Staff and other parties to the
9 KCPL Regulatory Plan. The Quarterly Report containing information regarding the quarterly
10 activities would generally be provided forty five (45) days following the end of the quarter
11 and be contained in a report of approximately ninety (90) pages.

12 Q. Mr. Giles testifies regarding the amount of Iatan information Staff received in
13 the GPE acquisition case (Case No. EM-2007-0374) and attaches Staff subpoenas as an
14 indication of the information provided to Staff. Were the scope of the subpoenas and related
15 depositions intended to acquire information for a construction prudence audit?

16 A. No. The primary purpose of these depositions was to verify whether the
17 KCPL Regulatory Plan information relating to the progress of the construction projects
18 provided to the debt rating agencies by Great Plains Energy/KCPL was accurate and current.
19 An issue in that case was what would be the impact of the proposed acquisition of Aquila
20 on the utility debt ratings of Great Plains Energy/KCPL. A March 10, 2008 "Answer of Staff,
21 Public Counsel, Praxair, AGP, and SIEUA to Procedural Schedule Proposed By Joint
22 Applicants" states that:

² Citations to the Quarterly Reports are found in Mr. Giles' rebuttal testimony on page 17 and then through the remainder of his rebuttal testimony on the Iatan 1 and 2 projects and the Staff.

1 KCPKL/GPE contends that the Staff, Public Counsel and the Industrial
2 Intervenor seek to expand the scope of these proceedings to include
3 an investigation into KCPL/GPE's performance under the Regulatory
4 Plan. The Joint Applicants' assertion is misleading and false.
5 Although a thorough investigation of the Regulatory Plan and the CEP
6 may be called for in a different case, such an expansion was not the
7 intent of Staff, Public Counsel and the Industrial Intervenor.

8
9 Staff represented in the acquisition case that its scope of inquiry was limited and not
10 expected to go into the same level of detail as depositions related to a Staff construction audit
11 of the KCPL Regulatory Plan projects alone. Schedule RES 3 attached to this testimony are
12 excerpts from Staff pleadings in Case No. EM-2007-0374 indicating Staff intent at the time
13 relative to the depositions and documents referenced in Mr. Giles' testimony.

14 Q. Are you familiar with a prior time period when KCPL was engaged in large
15 construction projects of the magnitude of the KCPL Regulatory Plan Iatan 1 and 2 projects?

16 A. Yes. KCPL engaged in a significant construction period culminating in 1985
17 with the completion of the nuclear generating unit, Wolf Creek. It was fully operational and
18 used for service as of September 3, 1985. The Wolf Creek generating station was the end of
19 a series of generating stations constructed or in which KCPL was a partner beginning in the
20 late 1960s.

21 Q. Was the prudence of the Wolf Creek generating unit completed in the initial
22 case seeking to include Wolf Creek in rates?

23 A. No. The audit was completed in the second rate case in which KCPL filed
24 tariffs to place Wolf Creek in customers' rates. KCPL withdrew its initial rate case,
25 Case No. ER-85-43, filed in August 1985, and filed a new case, ER-85-128, to allow more
26 time for the Staff's review of the Wolf Creek investment. At the time, the KCPL announced
27 projected fully operational and used for service date for Wolf Creek was placing pressure on

1 the time Staff had for the audit of Wolf Creek. But in reality the fully operational and used
2 for service date had slipped beyond the operation of law date for Case No. ER-85-43.
3 Schedule RES 4 is a copy of a KCPL press release and the KCPL letter to the Commission
4 Secretary withdrawing the Case No. ER-85-43 proposed tariffs.

5 Q. Are the resources used to conduct the Wolf Creek construction audit available
6 to Staff today?

7 A. No. Staff had a dedicated staff within the Operations Division supplemented
8 by outside consultants and auditors from the Auditing Department to conduct the
9 construction audit of Wolf Creek.

10 Q. Mr. Giles mentions the amount of work performed by the Operations Division
11 Staff relative to Iatan 1. Did you or anyone from the Utility Services Division impede their
12 ability to render an opinion on behalf of Staff that all expenditures that KCPL will be seeking
13 to recover in this case relative to Iatan 1 are prudent?

14 A. No. My understanding is that their work is a product of an engineering review.
15 The work the Utility Operations Division performed was outside the purview of the Utility
16 Services Division with members of the Utility Services Division receiving information
17 regarding the work of the Utility Operations Division on an ad hoc basis, normally when
18 forwarded from the Manager of the Energy Department. The Utility Operations Division is
19 largely responsible for determining whether the construction projects are fully operational
20 and used for service. Mr. Giles does not distinguish their activities in this area from
21 construction audit activities. Given the issues I have mentioned in this testimony, I did not
22 expect Staff members to be in a position to render a prudence determination given the nature

1 | of the review performed, the uncertainty as to the amount of expenditures in question, the
2 | information withheld, and the potential for imprudent charges.

3 | Q. Does this conclude your surrebuttal testimony?

4 | A. Yes.

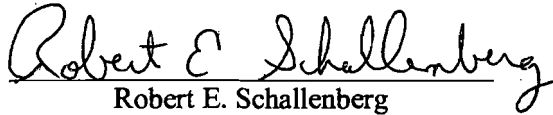
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City)
Power and Light Company for Approval to) Case No. ER-2009-0089
Make Certain Changes in its Charges for)
Electric Service To Continue the)
Implementation of Its Regulatory Plan.)

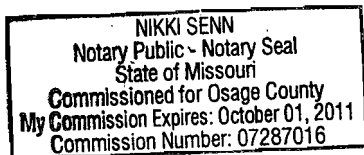
AFFIDAVIT OF ROBERT E. SCHALLENBERG


STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Robert E. Schallenberg, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 18 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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.


Robert E. Schallenberg

Subscribed and sworn to before me this 17th day of April, 2009.




Notary Public

RATE CASE PROCEEDING PARTICIPATION
ROBERT E. SCHALLENBERG

<u>COMPANY</u>	<u>CASE NO.</u>
Great Plains Energy Incorporated, Kansas City Power & Light Company, Aquila, Inc.	EM-2007-0374
Missouri Pipeline Company	GC-2006-0491
Aquila, Inc.	ER-2005-0436
Union Electric Company, d/b/a AmerenUE	EC-2002-1
Mississippi River Transmission	RP96-199-000
Williams Natural Gas Company	RP95-136-000
Williams Natural Gas Company	RP94-365-000
Western Resources	GM-94-40
Laclede Gas Company	GR-94-220
Western Resources	GR-93-240
St. Joseph Light & Power Company	ER-93-41
Southwestern Bell Telephone Company	TC-93-224
St. Joseph Light & Power Company	EC-92-214
Kansas Power & Light Company	GR-91-291
Kansas Power & Light Company	EC-91-213
Kansas Power & Light Company	EM-91-213
Arkansas Power & Light Company	EM-91-29
Missouri Public Service Company	ER-90-101
Southwestern Bell Telephone Company	TR-90-98
Southwestern Bell Telephone Company	TC-89-14
Southwestern Bell Telephone Company	TO-89-56
General Telephone	TR-89-182
General Telephone	TM-87-19
General Telephone	TC-87-57
Union Electric Company	EC-87-114
General Telephone	TR-86-148

RATE CASE PROCEEDING PARTICIPATION

ROBERT E. SCHALLENBERG

<u>COMPANY</u>	<u>CASE NO.</u>
Southwestern Bell Telephone Company	TR-86-84
Kansas City Power & Light Company	EO-85-185
Kansas City Power & Light Company	ER-85-128
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power & Light Company	ER-83-49
Kansas City Power & Light Company	ER-82-66
Kansas City Power & Light Company	HR-82-67
Southwestern Bell Telephone Company	TO-82-3
Southwestern Bell Telephone Company	TR-82-199
Southwestern Bell Telephone Company	TR-81-208
Kansas City Power & Light Company	ER-81-42
Kansas City Power & Light Company	ER-80-48
Southwestern Bell Telephone Company	TR-80-256
United Telephone Company of Missouri	TR-80-235
Gas Service Company	GR-79-114
Southwestern Bell Telephone Company	TR-79-213
Kansas City Power & Light Company	ER-78-252
Missouri Public Service Company	GR-78-30
Missouri Public Service Company	ER-78-29
Gas Service Company	GR-78-70
Kansas City Power & Light Company	ER-77-118

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Great Plains Energy Incorporated,
Kansas City Power & Light Company, Aquila, Inc.
Case No. EM-2007-0374
Date: October 12, 2007 (Rebuttal – Staff Report)
Areas: GPE Acquisition of Aquila

Union Electric Company, d/b/a AmerenUE
Case No. ER-2007-0002
Date: February 28, 2007 (Surrebuttal)
Areas: EEInc.

Union Electric Company, d/b/a AmerenUE
Case No. ER-2007-0002
Date: January 31, 2007 (Rebuttal)
Areas: EEInc. and 4 CSR 240-10.020

Missouri Pipeline Company
Case No. GC-2006-0491
Affiliate Transactions, Tariff Violations and Associated Penalties; Transportation Tariffs

Union Electric Company, d/b/a AmerenUE
Case No. EA-2005-0180
Date: October 15, 2005 (Rebuttal)
Areas: East Transfer

Aquila, Inc.
Case No. ER-2005-0436
Date: October, 14 2005 (Direct) December 13, 2005 (Surrebuttal)
Areas: Unit Ownership Costs

Union Electric Company d/b/a AmerenUE
Case No.: EC-2002-1
Date: June 24, 2002
Area: Overview, 4 CSR 240-10.020, Alternative Regulation Plan

Laclede Gas Company
Case No. GR-94-220
Date: July 1, 1994
Areas: Property Taxes, Manufactured Gas Accruals, Deregulated Cost Assignments

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Western Resources

Case No. GM-94-40

Date: November 29, 1993

Areas: Jurisdictional Consequences of the Sale of Missouri Gas Properties

Kansas Power & Light Company

Case No. EM-91-213

Date: April 15, 1991

Areas: Purchase of Kansas Gas & Electric Company

Arkansas Power & Light Company and Union Electric Company

Case No. EM-91-29

Date: 1990-1991

No pre-filed rebuttal testimony by Staff before non-unanimous stipulation and agreement reached.

General Telephone Company of the Midwest

Case No. TM-87-19

Date: December 17, 1986

Areas: Merger

Union Electric Company

Case No. EC-87-114

Date: April 27, 1987

Areas: Elimination of Further Company Phase-In Increases, Write-Off of Callaway I to Company's Capital Structure

General Telephone Company of the Midwest

Case No. TC-87-57

Date: December 22, 1986

Areas: Background and Overview, GTE Service Corporation, Merger Adjustment, Adjustments to Income Statement

Southwestern Bell Telephone Company

Case No. TR-86-84

Date: 1986

No prefiled direct testimony by Staff - case settled before Staff direct testimony filed.

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Kansas City Power & Light Company

Case Nos. EO-85-185 and ER-85-128

Date: April 11, 1985

Areas: Phase I - Electric Jurisdictional Allocations

Date: June 21, 1985

Areas: Phase III - Deferred Taxes Offset to Rate Base

Date: July 3, 1985

Areas: Phase IV - 47% vs. 41.5% Ownership, Interest, Phase-In, Test Year/True-Up, Decision to Build Wolf Creek, Non-Wolf Creek Depreciation Rates, Depreciation Reserve

Southwestern Bell Telephone Company

Case No. TR-83-253

Date: September 23, 1983

Areas: Cost of Divestiture Relating to AT&T Communications, Test Year, True-Up, Management Efficiency and Economy

Kansas City Power & Light Company

Case No. ER-83-49

Date: February 11, 1983

Areas: Test Year, Fuel Inventories, Other O&M Expense Adjustment, Attrition Adjustment, Fuel Expense-Forecasted Fuel Prices, Deferred Taxes Offset to Rate Base

Generic Telecommunications

Straight Line Equal Life Group and Remaining Life Depreciation Methods

Case No. TO-82-3

Date: December 23, 1981

Areas: Depreciation

Kansas City Power & Light Company

Case Nos. ER-82-66 and HR-82-67

Date: March 26, 1982

Areas: Indexing/Attrition, Normalization vs. Flow-Through, Deferred Taxes as an Offset to Rate Base, Annualization of Amortization of Deferred Income Taxes, Cost of Money/Rate of Return, Allocations, Fuel Inventories, Iatan AFDC Associated with AEC Sale, Forecasted Coal and Natural Gas Prices, Allowance for Known and Measurable Changes

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Southwestern Bell Telephone Company

Case No. TR-82-199

Date: August 27, 1982

Areas: License Contract, Capitalized Property Taxes, Normalization vs. Flow-Through,
Interest Expense, Separations, Consent Decree, Capital Structure Relationship

Southwestern Bell Telephone Company

Case No. TR-81-208

Date: August 6, 1981

Areas: License Contract, Flow-Through vs. Normalization

Kansas City Power & Light Company

Case No. ER-81-42

Date: March 13, 1981

Areas: Iatan (AEC Sale), Normalization vs. Flow-Through, Allocations, Allowance for
Known and Measurable Changes

United Telephone Company of Missouri

Case No. TR-80-235

Date: December 1980

Areas: Rate of Return

Southwestern Bell Telephone Company

Case No. TR-80-256

Date: October 23, 1980

Areas: Flow-Through vs. Normalization

Kansas City Power & Light Company

Case Nos. ER-80-48 and ER-80-204

Date: March 11, 1980

Areas: Iatan Station Excess Capacity, Interest Synchronization, Allocations

Missouri Public Service Company

Case Nos. ER-79-60 and GR-79-61

Date: April 9, 1979

Areas: Depreciation Reserve, Cash Working Capital

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Southwestern Bell Telephone Company

Case No. TR-79-213

Date: October 19, 1979

Areas: Income Taxes, Deferred Taxes

Gas Service Company

Case No. GR-79-114

Date: June 15, 1979

Areas: Deferred Taxes as an Offset to Rate Base

Missouri Public Service Company

Case Nos. ER-78-29 and GR-78-30

Date: August 10, 1978

Areas: Fuel Expense, Electric Materials and Supplies, Electric and Gas Prepayments,
Electric and Gas Cash Working Capital, Electric Revenues

While in the employ of the Kansas State Corporation Commission in 1978, Mr. Schallenberg worked on a Gas Service Company rate case and rate cases of various electric cooperatives.

Coordination Procedure-5
Construction Audits - Energy

1. Coordination¹ of this area will be the responsibility of:

Energy Department - Engineering Manager or Designate

2. Interaction required with:

Accounting Department
General Counsel's Office
Case Coordinator
Other staff members assigned

3. Guidelines and Parameters:

The coordinator shall develop procedures for identification and recording of new, rebuilt or refurbished plant construction costs. The procedure shall include an analysis of all factors necessary to insure proper treatment of such costs for rate-making purposes.

4. Staffing Changes:

None at this time.

5. Implementation Procedures:

- A. When the Energy Department is made aware of a construction project being initiated by a utility, a determination will be made as to whether or not a construction audit is necessary. This determination will be made on a case-by-case basis because of the uniqueness of each construction project. At that time the Energy Department Manager will designate a member of his department to act as a coordinator on that construction audit.

¹ The Coordinator is responsible for seeing that timely, appropriate action is taken by assigned staff members so that the project/issue is completed at the highest quality level possible within existing time and resource constraints. Coordination is defined as performing the overview function, combining the efforts of all departments and individuals assigned to or involved with the issue or project. Coordination does not include supervision or authority over individuals working on the project and does not include the authority to overrule the positions of others involved with the issue or project, nor does it include decision-making authority in the event of a disagreement among those involved. Any conflicts as to substance or procedure which cannot be resolved by the Coordinator should be taken up through upline management channels.

In paragraph 16, page 11 and in paragraph 17, pages 11-12 of the March 4, 2008 Response Of Staff, Public Counsel, Praxair, AGP, And SIEUA To Procedural Schedule Proposed By Joint Applicants in Case No. EM-2007-0374, the joint respondents stated that the Staff advised GPE/KCPL on February 28, 2008 that due to certain developments since the hearings in the acquisition case had been suspended, the Staff wanted to depose specific GPE/KCPL individuals and the Staff's pleading states that the scope of the depositions was much more limited than the scope of depositions for purposes of proceedings pursuant to the KCPL Regulatory Plan / Comprehensive Energy Plan (CEP):

16. At the prehearing conference on February 28, 2008, the Staff advised the Joint Applicants that because of the **developments regarding the costs and schedule of Iatan 1 and Iatan 2, the interrelationship between Iatan 1 and Iatan 2 and GPE's acquisition of Aquila**, questions respecting KCPL's procurement function and asserted merger savings estimates, and **questions respecting debt rating information and related debt ratings**, the Staff wants to depose and call as witnesses the following individuals

17. In a conference call on Monday, March 3, 2008, Counsel for GPE/KCPL made it clear that GPE/KCPL would only provide for depositions the three individuals whose testimony was filed on February 25, 2008 and would move to quash subpoenas/oppose the deposition of the other GPE/KCPL individuals for purposes of the GPE – Aquila acquisition case. In the same conference call, Aquila indicated that it would make available for depositions and testimony before the Commission the two individuals identified above. Counsel for GPE/KCPL indicated the GPE/KCPL individuals who would not be provided for purposes of the GPE – Aquila acquisition case would be provided for depositions for purposes covered in the KCPL Regulatory Plan / CEP. **The scope of the Staff's depositions of these GPE/KCPL individuals in Case No. EM-2007-0374 and calling them as witnesses in Case No. EM-2007-0374 is much more limited than would be the scope of depositions of these same individuals for purposes of proceedings relating to the KCPL Regulatory Plan / CEP.** [Emphasis added].

In paragraphs 1 and 2, on page 2; paragraph 4, on page 3; paragraph 6, on page 4; and paragraph 11, on page 7 of the March 10, 2008 Answer Of Staff, Public Counsel, Praxair, AGP And SIEUA To Procedural Schedule Proposed By Joint Applicants, the joint respondents

state, in part, that although KCPL/GPE contends that the Staff, Public Counsel and the Industrial Intervenors seek to expand the scope of the acquisition case to include an investigation into KCPL/GPE's performance under the KCPL Regulatory Plan / CEP, the intent of the Staff, Public Counsel and the Industrial Intervenors is to verify the accuracy and currency of the information on the KCPL Regulatory Plan / CEP projects that was provided by GPE/KCPL to the ratings agencies:

1. . . . The primary purpose of these depositions is to verify the accuracy and currency of the information on the Regulatory Plan / Comprehensive Energy Plan (CEP) projects that was provided by the joint applicants to ratings agencies.

2. On March 6, 2008, two of the three Joint Applicants (GPE and KCPL) filed a response in which they generally objected to the scope of the proposed depositions. **KCPL/GPE contends that the Staff, Public Counsel and the Industrial Intervenors seek to expand the scope of these proceedings to include an investigation into KCPL/GPE's performance under the Regulatory Plan.² The Joint Applicants' assertion is misleading and false. Although a thorough investigation of the Regulatory Plan and the CEP may be called for in a different case, such an expansion was not the intent of Staff, Public Counsel and the Industrial Intervenors.** In this case, Staff, Public Counsel and the Industrial Intervenors seek merely to verify that the assurances of the ratings agencies (referenced in the most recent testimony of Michael Cline and Terry Bassham) were based on accurate, up-to-date information.

² The Regulatory Plan is the agreement that was approved by the Commission in Case No. EO-2005-0329. The agreement includes the CEP.

* * * *

4. This comparison of a current, realistic assessment of the costs and progress of the CEP projects to the information provided to the credit rating agencies is the focus of the proposed depositions. Depositions in this case are not expected to go into the same level of detail and same scope as depositions pursuant the CEP alone, but the parties and the Commission must reassure themselves in this case that the merger will not cause a downgrade. . . .

* * * *

6. Throughout this case, the Joint Applicants have stressed the importance of maintaining the investment grade credit ratings of KCPL and GPE. It is disingenuous – and a bit alarming – for KCPL/GPE to now urge the Commission

to foreclose investigation into whether or not credit rating firms Standard & Poor's and Moody's have current, accurate information on CEP projects. . . .

* * * *

11. . . . In actuality, **KCPL/GPE are seeking that the Commission rule that matters relating to: (1) whether KCPL's Regulatory Plan / CEP is off-schedule and over-budget, and (2) if that is the case, whether GPE will be able to maintain its investment grade credit rating, while acquiring Aquila, are not relevant for this case.** [Emphasis added].

On March 11, 2008, counsel for the Staff submitted a letter to the Secretary to the Commission, and filed the letter in EFIS in Case No. EM-2007-0374, requesting that she issue subpoenas duces tecum as the Staff sought to gain information about the following items:

The documents sought and purpose of questioning these individuals is to gain information about **(1) the state of the financial health of Great Plains Energy; (2) whether, under current circumstances, there will be negative financial consequences to Great Plains Energy, Kansas City Power & Light Company and/or Aquila if Great Plains Energy acquires Aquila; (3) the consequences of the payment of the cash value of Aquila's non-Missouri utility assets to Aquila's shareholders instead of using those funds to finance Aquila's current Missouri utility construction needs; (4) Great Plains Energy's new position regarding the likelihood that Great Plains Energy can produce enough synergies while avoiding service deterioration and past experience in achieving savings; (5) how well Kansas City Power & Light Company actual results compare to prior commitments it has made to this Commission, including financial estimates made in those commitments; (6) how Great Plains Energy and Kansas City Power & Light Company actually conduct business in comparison to their codes of conduct, ethics, integrity, transparency and how that compares to how Aquila conducts business, in particular respecting third party vendors; and (7) how construction at Iatan is affecting the financial health of Great Plains Energy and Kansas City Power & Light Company as well as their ability to execute all the merger/consolidation commitments they claim they will perform without detrimental results.** [Emphasis added].

In opening paragraph on pages 1-2 and in paragraph 12 on page 9 of the March 17, 2008 Staff Response In Opposition To Motion For Protective Order Of Great Plains Energy Inc. And Kansas City Power & Light Co. To Quash Deposition Subpoenas, the Staff again stated that the scope of the depositions and document discovery was financial related and would not go

into the same level of detail and same scope as depositions and document discovery pursuant the KCPL Regulatory Plan / CEP:

. . . The subpoenas duces tecum, as will be related herein, are designed to receive documents and testimony from certain GPE / KCPL individuals to discover information, as quickly as possible, that is relevant to:

- (a) GPE / KCPL's financial condition and credit worthiness as a result of the proposed acquisition of Aquila by GPE and the construction of environmental enhancement of Iatan 1 and the construction of a second baseload coal-fired unit referred to as Iatan 2; . . .**

* * * *

12. This comparison of a current, realistic assessment of the costs and progress of the CEP projects to the information provided to the credit rating agencies is the focus of the proposed depositions. Depositions in this case are not expected to go into the same level of detail and same scope as depositions pursuant the CEP alone, but the parties and the Commission must reassure themselves in this case that the merger will not cause a downgrade. It would be disastrous to customers as well as to Joint Applicants to approve a merger that resulted in KCPL or GPE losing its investment grade ratings just as the largest CEP investments are approaching. In an ideal world, the Commission could simply say that any adverse effects of a downgrade would be borne solely by shareholders and ratepayers would be insulated. But given GPE/KCPL's required expenditures under the CEP, it would be almost impossible for shareholders to absorb all the negative effects of a downgrade; some detriment – likely significant detriment – would inevitably hit ratepayers as well. [Emphasis added].

KANSAS CITY POWER & LIGHT COMPANY
Communications Division
P. O. Box 679
Kansas City, MO 64141

Rate Case Withdrawal/2466
Missouri
November 15, 1984

Contact: Vic Poirier
(816) 556-2898

FOR IMMEDIATE RELEASE

Kansas City Power & Light Company today withdrew its August rate filing with the Missouri Public Service Commission but announced that it will refile the same rate schedules on November 26. The utility acted to accommodate the time needs of the commission staff. As before, the rate phase-in plan will include a freeze on any additional rate increases for four years when it is refiled.

KCPL's action extended the time the commission has to make its decision in the Wolf Creek rate case from July to October of next year. The MPSC staff had suggested that it would be unable to complete its audit of the Wolf Creek project by the originally scheduled date for reasons including the "large and unique" impact on its resources of the Callaway and Wolf Creek rate cases pending simultaneously.

L. C. Rasmussen, executive vice president of KCPL, said in a letter to the commission that withdrawing and refileing the Company's rate proposal would "reset the commencement of the Wolf Creek rate case timetable under Missouri law, and will thus allow more than three additional months for the (commission) staff to complete and submit the results of its audit and for KCPL to review those results prior to the commencement of hearings."

Rasmussen added that should Wolf Creek become fully operational in accordance with commission standards prior to the new decision deadline, "KCPL would contemplate requesting interim rate relief at that time."

KCPL will refile the same four year rate phase-in contained in the rate schedules withdrawn today. Under that plan, the first year increase would be about 25 percent. Subsequent annual increases would be about 14 percent, eight percent and five percent. The Company is pledged to freeze those rates and guarantee the price of electricity for four years if that plan is approved by the MPSC. As an alternative to its phase-in plan, the Company will also refile on November 26 a one-time traditional rate request of about 52 percent.

Wolf Creek will serve the electrical needs of 234,000 KCPL customers in western Missouri plus 124,000 in eastern Kansas.

SCHEDULE 4

Mr. Harvey G. Hubbs, Secretary
November 15, 1984
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in this case which would have allowed it only 45 days to review the results of the Staff audit prior to the commencement of the prehearing conference. In response to that Motion, the Staff has made it clear that for various reasons it would not be able to complete its Wolf Creek audit in sufficient time to permit the 45 days for review requested by KCPL. Indeed, the Staff has suggested strongly that for those same reasons it would not have the results of its audit ready for submission any earlier than June 14, 1985, the date the Staff suggested for the filing of those results in its Response of September 14, 1984, to KCPL's August 17 Motion. As the Commission is aware, June 14, 1985, is only one month prior to the likely operation of law date (July 15, 1985) under the current Wolf Creek rate case timetable.

In the course of the negotiations which KCPL has been conducting with the Staff regarding the procedural schedule to be adopted in this case, it has become apparent that the only way of allowing the Staff sufficient time to complete its Wolf Creek audit, and still allow KCPL sufficient time to review the results of that audit prior to hearing, would be for KCPL to withdraw its proposed tariffs, as it is doing by this letter, and to refile them. This will reset the commencement of the Wolf Creek rate case timetable under Missouri law, and will thus allow more than three additional months for the Staff to complete and submit the results of its audit and for KCPL to review those results, prior to the commencement of hearings.

One additional benefit will result from the withdrawal and refile of KCPL's proposed Schedules. While KCPL still remains confident that Wolf Creek will become commercially operable in the spring of 1985, the Staff has stated that Case No. ER-85-43 is "not the Wolf Creek rate case" because of its belief that Wolf Creek will not be fully operational prior to the current operation of law date in this case of July 15, 1985. By withdrawing its proposed Schedules now and by refiling them on or about November 26, 1985, KCPL will be extending the likely operation of law date in its Wolf Creek rate case until late October 1985.

The withdrawal and refile of its proposed Schedules should remove all doubt as to whether the proceeding is in fact the "Wolf Creek rate case" and should enable the Staff to plan its efforts and allocate its resources accordingly. KCPL is aware that by taking this course of action it is increasing the probability that Wolf Creek will become fully operational several

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months before the likely operation of law date applicable to the refiled Schedules. Should that occur, KCPL contemplates requesting interim rate relief at that time.

As a final matter, KCPL acknowledges having been informed by telephone yesterday of an order of the Commission which may bear yesterday's date, establishing certain procedural dates and filing content guidelines. Based upon the information received, KCPL believes that most of the matters addressed by the Commission in its Order are or will be resolved by KCPL's decision to hereby withdraw its Schedules and refile those Schedules on or before November 26, 1984.

Would you please bring this to the immediate attention of the Commission. For the convenience of the Commission and its Staff, 14 copies of this letter are also enclosed for circulation purposes.

Very truly yours,


L. C. Rasmussen

LCR:cg
cc: All parties of record