Exhibit No.:	
Issue:	Revenue Requirement Schedules; Accounting Adjustments
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	KCP&L Greater Missouri Operations Company
Case No.:	ER-2018-0146
Date Testimony Prepared:	January 30, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2018-0146

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
January 2018

TABLE OF CONTENTS

DIRECT TESTIMONY OF

RONALD A. KLOTE

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2018-0146

DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2018-_0146

Q: Please state your name and business address.

A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Director, Regulatory Affairs.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L Greater Missouri Operations Company ("GMO" or the "Company").

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with Company rate case filings and other regulatory filings.

Q: Please describe your education, experience and employment history.

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri - Columbia. I received my Masters of Business Administration Degree from the University of Missouri – Kansas City in May 2016. I hold a Certified Public Accountant certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with KCP&L as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs responsible for the coordination, preparation and filing of rate cases in our electric jurisdictions.

Q: Have you previously testified in proceedings before the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?

A: Yes. I have testified before the MPSC, Kansas Corporation Commission, California Public Utilities Commission, and the Public Utilities Commission of Colorado.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to: (i) describe the revenue requirement model and schedules that are used to support the rate increase GMO is requesting in this proceeding

(Schedules RAK-1 through RAK-3 attached to this testimony); and (ii) to identify the witnesses who support various accounting adjustments listed on the Rate Base and Summary of Adjustments (Schedule RAK-2 and RAK-4 attached to this testimony) and provide support on various accounting adjustments.

REVENUE REQUIREMENT MODEL AND SCHEDULES

Q: What is the purpose of Schedules RAK-1 through RAK-3?

A: These schedules represent the key outputs of the Company's revenue requirement model used to support the rate increase that GMO requests in this proceeding. Schedule RAK-1 shows the revenue requirement calculation. Schedule RAK-2 lists the rate base components, along with the sponsoring witnesses. Schedule RAK-3 is the adjusted income statement.

Q: Were the schedules prepared either by you or under your direction?

A: Yes, they were.

Q: Please describe the process the Company used to determine the requested rate increase.

A: We utilized our historical ratemaking preparation process to determine the rate increase request. We used historical test year data from the financial books and records of the Company as the basis for operating revenues, operating expenses and rate base. We then adjusted the historical test year data to reflect: (i) normal levels of revenues and expenses that would have occurred during the test year; (ii) annualizations of certain revenues and expenses; (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable changes that have been identified since the end of the historical test year. We then allocated the adjusted test year data to arrive at operating revenues, operating expenses, and rate base applicable to the GMO jurisdiction. We subtracted operating expenses from operating revenues to arrive at operating income. We multiplied the net original cost of rate base times the requested rate of return to determine the net operating income requirement. This was compared with the net operating income available to determine the additional net operating income before income taxes that would be needed to achieve the requested rate of return. Additional current income taxes were then added to arrive at the gross revenue requirement. This requested rate increase is the amount necessary for the post-increase calculated rate of return to equal the rate of return based on the return on equity ("ROE") sponsored by GMO witness Robert B. Hevert in his Direct Testimony.

Q: Are the effects of the Tax Cuts and Jobs Act of 2017 (TCJA) reflected in the revenue requirement model attached to this testimony?

A: Yes. An estimate of the impact of the Tax Cuts and Jobs Act of 2017 has been included in the CS-125 Income Tax adjustment. Please see the section for CS-125 Income Taxes for more details.

TEST YEAR

Q: What historical test year did GMO use in determining rate base and operating income?

A: The revenue requirement schedules are based on a historical test year of the 12 months ending June 30, 2017, with known and measurable changes projected through June 30, 2018. We will update the schedules as of the cut-off date used by Staff in this rate case. In addition, we will then true up to actuals as part of the true-up process.

Q: Why was this test year selected?

A: The Company used the 12-month period ending June 30, 2017 for the test year in this rate proceeding because that period reflects the most currently available quarterly financial information to provide adequate time to prepare the revenue requirement for this case. In addition, due to the consolidation of electric jurisdictions approved in the previous case No. ER-2016-0156, additional time was necessary for revenue requirement and rate design processes to be completed.

Q: Does GMO's test year expense reflect an appropriate allocation of KCP&L overhead to GMO and other affiliated companies?

A: Yes, KCP&L incurs costs for the benefit of GMO and other affiliated companies and these costs are billed out as part of the normal accounting process. Certain projects and operating units are set up to allocate costs among the various affiliated companies based on appropriate cost drivers while others are set up to assign costs directly to the benefiting affiliate.

Q: Does GMO incur costs that are allocated to KCP&L?

A: Yes. These are not as significant as the costs allocated from KCP&L, but GMO does incur some costs that are allocated to KCP&L.

Q: Why is a true-up period needed for this rate case?

A: Historically, rate cases have included true-up periods which provide for updates to test year data. This process allows for changes in cost levels included in the test year to be updated to the most current information as of a specified date which is closer to the date rates are to become effective. This allows for a proper matching of rate base, revenues and expenses to account for known and measureable changes that have occurred since the end of the test year. As stated above the Company is requesting a true-up date effective June 30, 2018 in order to provide this update to rate base, revenues and expenses in this rate case. This update will also include a true-up of the impact of the Tax Cuts and Jobs Act of 2017 on income tax expense.

ACCOUNTING ADJUSTMENTS

Q: Please discuss Schedule RAK-4.

A: This schedule presents a listing of adjustments to net operating income for the 12 months ended June 30, 2017, along with the sponsoring Company witnesses. Various Company witnesses will support, in their direct testimonies, the need for each of these adjustments.

Q: Please explain the adjustments to reflect normal levels of revenues and expenses.

A: Adjustments are made to reflect "normal" levels of revenues and expenses; for example, retail revenues are adjusted to reflect revenue levels that would have occurred if the weather had been "normal" during the test year.

Q: Please explain the adjustments to annualize certain revenues and expenses.

A: Revenues are annualized to reflect anticipated customer growth during the true-up period. Annualization adjustments have been made to reflect an annual level of expense in cost of service, such as the annualization of payroll and depreciation expenses. The former reflects a full year's impact of recent and expected pay increases, while the latter reflects the impact of a full year's depreciation on plant additions included in rate base.

Q: Please explain the adjustments to amortize regulatory assets and liabilities.

A: Various regulatory assets and liabilities have been established in past GMO rate cases. These assets/liabilities are then amortized over the number of years authorized in the orders for the applicable rate cases. Adjustments are sometimes necessary to annualize the amortization amount included in the test year or remove amortizations that have ceased during the test year.

Q: Did the Company comply with the prospective tracking of regulatory assets and liabilities as agreed to in the Non-Unanimous Stipulation and Agreement from Rate Case No. ER-2016-0156 ("2016 Case")?

A: Yes. In this rate case filing KCP&L complied with this agreement and reflected the prospective tracking treatment of regulatory assets and liabilities in accordance with this agreement. Please see the individual regulatory asset and regulatory liability adjustments that describe the prospective treatment where applicable in the Direct Testimony of Company witness Linda Nunn.

Q: Please explain the adjustments to reflect known and measurable changes that have been identified since the end of the historical test year.

A: These adjustments are made to reflect changes in the level of revenue, expense, rate base and cost of capital that either have occurred or are expected to occur prior to the true-up date in this case. For example, payroll expense and fuel costs have been adjusted for known and measurable changes.

Q: Do the adjustments listed on Schedule RAK-4 and discussed throughout the remainder of this testimony entail an adjustment of test year amounts?

A: Yes, the adjustments summarized on Schedule RAK-4 and discussed in this testimony reflect adjustments to the test year ended June 30, 2017.

RB-20 PLANT IN SERVICE

Q: Please explain adjustment RB-20.

A: GMO rolled the test year end June 30, 2017 plant balances forward to June 30, 2018, by using the Company's actual results through June 2017 and the 2017-2018 capital budgets for subsequent additional capital additions post June 2017. Projected plant additions net of projected retirements were added to actual balances through June 2017 to arrive at projected plant balances at June 30, 2018.

Q: Was the Transmission and Distribution Plant disallowance adjustment contemplated in the Stipulation and Agreement in Case No. ER-2012-0175 ("2012 Case") included in RB-20.

A: Yes. Per the Stipulation and Agreement in the 2012 Case, GMO agreed to reduce its Transmission and Distribution Plant in rate base by $8 million. This disallowance was included in adjustment RB-20.

Q: Does RB-20 include amounts associated with the Clean Charge Network?

A: Yes. In January 2015 KCP&L and GMO announced a plan to install and operate more than 1,000 electric vehicle charging stations throughout the Greater Kansas City region. Included in adjustment RB-20 are the actual capital costs for the Clean Charge Network through June 2017. Any additional capital costs post June 2017 will be included at the true-up date in this case June 30, 2018. Please see the testimony of Company witnesses Charles Caisley and Tim Rush for further explanation of the Clean Charge Network and on its inclusion in this case.

Q: Was the Crossroads Generating Station included in rate base in this rate case reflective of previous case disallowances?

A: Yes. Adjustment RB-20 includes the disallowance adjustment associated with the Crossroads Generating Station. The Crossroads Generating Station is included in rate base for the following amounts for plant of $63,854,802 and accumulated depreciation of $24,235,711 (RB-30). These amounts are the roll forward amounts at June 30, 2018 consistent with the amount of plant and accumulated depreciation after the disallowance adjustment that was included in Case Nos. ER-2010-0356, ER-2012-0175 and ER-2016-0156.

RB-30 RESERVE FOR DEPRECIATION

Q: Please explain adjustment RB-30.

A: This adjustment rolls forward the Reserve for Depreciation from June 30, 2017 to balances projected as of June 30, 2018.

Q: How was this roll-forward accomplished?

A: The depreciation/amortization provision component was calculated in two steps: (i) the June 2017 depreciation provision was multiplied by twelve months to approximate the provision that will be charged to the Reserve for Depreciation from July 2017 through June 2018 for plant existing at June 30, 2017; and (ii) by estimating the depreciation/amortization through June 30, 2018 attributable to projected net plant additions from July 2017 through June 2018. In the second step, we assumed the net plant additions occurred ratably over this period.

Q: Was the impact of retirements included in the roll-forward?

A: Yes. Projected retirements were based on the 2017-2018 budgeted retirements for the period July 2017 through June 2018.

Q: Were the accumulated depreciation impacts for the Crossroads disallowance and the Transmission and Distribution Plant disallowances reflected in Adjustment RB-30?

A: Yes. Both the Crossroads disallowance and the Transmission and Distribution Plant disallowance were included in adjustment RB-30.

Q: What functional class of property does the Company propose to assign the additional amortization that was granted in the 2016 rate case?

A: In the 2016 rate case, the Non-Unanimous Stipulation and Agreement provided for the collection of an annual amortization amount equal to $7.2 million. The Stipulation and Agreement reads as follows:

> *In addition to the attached schedule, GMO shall be allowed to collect an annual amortization amount equal to $7.2 million. This additional amortization shall be booked and accounted for on an annual basis until GMO's next general electric rate case. In GMO's next filed rate case the Commission will determine the distribution of the additional amortization. The balance will be used to cover any deficiencies in reserves across production, transmission and distribution accounts.*

For purposes of this filing, the Company has identified the tracking of this amount in their revenue requirement model in account 312999. In adjustment CS-121 discussed later in my testimony, the Company is proposing to continue this amortization until the next rate case filing due to the short time frame between the effective date of rates in the 2016 Case and the filing of this rate case. During the filing of the Company's next general rate case the Company will include a depreciation study and propose what functional class the reserve should be assigned too. For purposes of this filing, the accumulation of the reserve has been assigned to the production accounts.

CS-61/RB-61 OTHER POST-EMPLOYMENT BENEFITS

Q: Please explain adjustments CS-61 and RB-61.

A: CS-61 is the adjustment which computes the annualized level of other post-employment benefits (OPEB) expense for ratemaking purposes. The annualized OPEB expense for GMO is based on GMO's jurisdiction's share of the projected 2018 total company OPEB amount provided by the Company's actuary, Willis Towers Watson, prepared in accordance with Accounting Standards Codification 715, Compensation – Retirement Benefits, previously referred to as Financial Accounting Standards No. 106 (FAS 106). FAS 106 will continue to be used in the regulatory process.

RB-61 is the roll forward of the FAS 106 regulatory liability to the projected June 30, 2018 balance. The regulatory liability is the difference between the current period cost and the cost included in underlying rates and reflects the cumulative amount in rates that has exceeded the FAS 106 cost.

Q: Is the amortization expense of the regulatory liability included in adjustment RB-61?

A: Yes, it is. The operations and maintenance ("O&M") portion of the regulatory liability adjustment RB-61 is amortized over five years and is reflected in adjustment CS-61.

Q: Does adjustment CS-61 take into consideration OPEB expense billed by KCP&L to GMO as a joint partner in the Iatan 1 and 2 generating units and amounts charged to capital?

A: Yes it does, based on data from the payroll adjustment.

Q: Is the regulatory treatment of OPEB costs in this rate case filing consistent with the 2016 Case Pension and OPEB Stipulated Amounts?

A: Yes, it is.

CS-65/RB-65 PENSION COSTS

Q: Please explain adjustments CS-65 and RB-65.

A: CS-65 is the adjustment for pension expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits. This adjustment computes an annualized level of pension expense for ratemaking purposes. Previously the accounting guidance was referred to as Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" (FAS 87) and No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (FAS 88) and these descriptions will continue to be used in the regulatory process.

RB-65 is the roll forward of the FAS 87, FAS 88 and prepaid pension regulatory assets to their projected June 30, 2018 balances.

Q: Do these pension adjustments take into consideration pension expense billed to GMO as a joint partner in the Iatan 1 and Iatan 2 generating units as well as amounts charged to capital?

A: Yes, they do, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50).

Q: Please explain the components of adjustment CS-65, pension expense.

A: CS-65 consists of the GMO jurisdiction share of the annualized FAS 87 expense which is based on the projected 2018 total company cost provided by the Company's actuarial firm, Willis Towers Watson. In addition, annualized pension expense includes the five-year amortization of the FAS 87 and FAS 88 regulatory assets.

Q: **Was annualized pension expense determined in accordance with established regulatory practice?**

A: Yes, annualized pension expense continues to follow the methodology agreed to in the prior GMO rate proceeding, Case No. ER-2016-0156.

Q: **What is the amount of FAS 87 expense on a total company basis currently built into rates for GMO?**

A: The 2016 Pension and OPEB Stipulation and Agreement established the annual total company amount built into rates at $11,588,679 for GMO. This amount is 1) after removal of capitalized amounts and 2) after inclusion of the portion of KCP&L's annual pension cost which is allocated to GMO for its joint owner share of KCP&L's Iatan 1 and Iatan 2 generating unit/stations, but 3) before inclusion of allowable Supplemental Executive Retirement Plan ("SERP") pension costs and 4) before amortization of pension-related regulatory assets/liabilities.

Q: **What is the comparable level of FAS 87 expense for GMO on a total company basis included in cost of service for this case?**

A: The comparable amount included in cost of service in this rate case for GMO is $11,414,103.

Q: **Please explain the FAS 87 regulatory asset?**

A: This regulatory asset represents the projected cumulative unamortized difference in FAS 87 pension expense for ratemaking purposes and pension expense built into rates. The balance is rolled forward to June 30, 2018 to determine the proper amount to be included in rate base and upon which to base an annualized amortization in this case.

Q: What is GMO's projected amount at June 30, 2018 for the FAS 87 regulatory asset on a total company basis?

A: GMO's FAS 87 regulatory asset is projected to be $29,371,764 at June 30, 2018.

Q: Why was a five-year amortization period used for the FAS 87 regulatory asset?

A: A five-year amortization period was used consistent with the 2016 Case Pension and OPEB Stipulated Amounts.

Q: Is the FAS 87 regulatory asset properly includable in rate base?

A: Yes, this is consistent with the 2016 Case Pension and OPEB Stipulated Amounts.

Q: Please explain the FAS 88 regulatory asset?

A: This regulatory asset represents the projected cumulative deferred costs for pension plan settlements accounted for under FAS 88 with the balance rolled forward to June 30, 2018. Because these do not occur on a regular basis, they are tracked by vintage for ease of calculation and discussion. This case will include three vintages: (1) the 2013 vintage for settlements related to the Joint Trusteed Pension Plan during 2013 (2) the 2014 vintage for settlements related to the Non-Union Pension Plan during 2014 and (3) 2017 settlement costs which have not been finalized yet and will be included in the adjustments to the direct filing.

Q: What is GMO's projected cumulative FAS 88 regulatory balance at June 30, 2018?

A: GMO's projected FAS 88 regulatory asset at June 30, 2018 is $6,297,158 before the inclusion of the 2017 vintage. This consists of $2,667,875 for the 2013 vintage and $3,629,283 for the 2014 vintage.

Q: Why was a five-year amortization period used for the FAS 88 regulatory asset?

A: A five-year amortization period was used consistent with the 2016 Case Pension and OPEB Stipulated Amounts.

Q: Is the FAS 88 regulatory asset included in rate base?

A: No, it is not included in rate base in accordance with the 2016 Case Pension and OPEB Stipulated Amounts.

Q: Please explain the prepaid pension asset adjustment.

A: This asset represents the cumulative projected difference between pension expense computed under FAS 87 and contributions to the pension trusts. This adjustment was made to roll forward the prepaid pension regulatory asset to June 30, 2018 in order to determine the proper amount of the prepaid pension asset to be included in rate base.

Q: What is GMO's projected amount at June 30, 2018 for GMO's jurisdictional prepaid pension assets on a total company basis?

A: The prepaid pension asset is projected to be $0 for GMO at June 30, 2018.

Q: Does annualized pension expense include SERP expense?

A: No, SERP expense is considered separately in adjustment CS-62 which is discussed later in this testimony.

Q: Is the regulatory treatment of pension costs in this rate case filing consistent with the 2016 Case Pension and OPEB Stipulated Amounts?

A: Yes, it is.

CS-66 ERISA PENSION TRACKER

Q: Please explain adjustments CS-66.

A: CS-66 reflects the removal of the amortization of the Employee Retirement Income Security Act ("ERISA") pension tracker regulatory asset that was recorded during the test year, thus, reflecting the ongoing expense level at zero.

RB-125 ACCUMULATED DEFERRED INCOME TAXES

Q: Please explain adjustment RB-125.

A: We adjusted June 30, 2017 Accumulated Deferred Income Taxes ("ADIT") in adjustment RB-125. Deferred income taxes represent the tax on timing differences for deductions and income reported on GMO's income tax returns compared to what is reported for book purposes. ADIT represents the accumulated balance of these income tax timing differences at a point in time.

Q: What are the ADIT adjustments to GMO's rate base?

A: Adjustment RB-125 relates to items included in GMO's rate base or net operating income. This schedule reflects the deferred tax liabilities relating to depreciation and other expenses deducted for the tax return in excess of book deductions (including bonus depreciation), resulting in a rate base decrease. This adjustment also reflects deferred tax assets that serve to increase rate base. The most significant of the deferred tax assets is the net operating losses. For tax purposes, the deductions for accelerated depreciation (including bonus depreciation) created a net operating loss for GMO. Under the Internal Revenue Service ("IRS") normalization rules, deferred tax liabilities that have not been used to reduce the tax liability of the company should not be included as a rate base reduction. The inclusion of the deferred tax assets related to net operating losses created by accelerated depreciation deductions partially offsets the deferred tax liabilities for accelerated depreciation deduction in order to reflect the proper amount of deferred taxes in rate base for the Company.

Q: Why does ADIT affect rate base?

A: ADIT liabilities such as accelerated depreciation are considered a cost-free source of financing for ratemaking purposes. Ratepayers should not be required to provide for a return on plant in service that has been funded by the government in the form of reduced (albeit temporarily) taxes. As a result, ADIT liabilities are reflected as a rate base offset (reduction in rate base). Conversely, ADIT assets include such timing differences as accrued maintenance and as net operating losses increase rate base. GMO has paid taxes to the government in advance of the time when such taxes are included in cost of service and collected from ratepayers. To the extent taxes are paid, GMO must borrow money and/or use shareholder funds. The increase to rate base for deferred income tax assets allows shareholders to earn a return on shareholder-provided funds until recovered from ratepayers through ratemaking.

Q: What time period was used for ADIT in this case?

A: ADIT is based in general on June 30, 2017 general ledger balances, with the plant-related ADIT balances adjusted for projected plant activity through June 30, 2018 as reflected in rate case adjustment RB-20. In addition, Pension related ADIT balances were adjusted for projected activity through June 30, 2018 as reflected in rate case adjustments RB-65 and RB-66.

Q: Does the projected ADIT in this case include the impact of the Tax Cuts and Jobs Act enacted on December 22, 2017?

A: Yes. However, there is minimal impact of the Tax Cuts and Jobs Act on ADIT included in rate base. The amount of ADIT computed using the historical statutory rates versus the new federal tax rate of 21%, is considered excess ADIT. This excess ADIT remains in rate base until it is amortized and has been included in the income tax expense component of cost of service. The amortization of the excess ADIT for plant related temporary differences is computed using the normalization rules included in the Tax Cuts and Jobs Act of 2017. All other excess ADIT is amortized using the appropriate time period for those items. See the adjustment for CS-125 Income Taxes for more detailed information related to the amortization of excess ADIT.

Q: Will the impact of the Tax Cuts and Jobs Act of 2017 on ADIT in rate base be included in the true-up of rate base as of June 30, 2018?

A: Yes. The Company will true-up the ADIT included in rate base (including impacts of the Tax Cuts and Jobs Act of 2017) at the true-up date of June 30, 2018.

CASH WORKING CAPITAL

Q: Please discuss Cash Working Capital ("CWC").

A: CWC is included in rate base as summarized on Schedule RAK-5.

Q: Why is it necessary to calculate an amount of CWC?

A: CWC is the amount of cash required by a utility to pay the day-to-day expenses incurred to provide utility service to its customers. A lead/lag study is generally used to analyze the cash inflows from payments received by the company and the cash outflows for disbursements paid by the company. When the utility receives payment from its retail customers for utility service less quickly than it makes the disbursements for utility expenses, then the company has a positive CWC requirement. Conversely, when the utility receives payment from its retail customers for utility service more quickly than it makes the disbursements for utility expenses it has a negative CWC requirement.

Q: How did you determine the amount of CWC?

A: We applied lead/lag factors used consistently in the Company's previous rate cases to the appropriate cost of service amounts. The application of the individual lead/lag factors to applicable amounts is shown on Schedule RAK-5.

Q: Were any of the factors updated from those used in the 2016 Case?

A: We updated the retail revenue lag factor and the associated blended total revenue lag factor.

Q: Please explain why these factors were updated.

A: We revised the retail revenue lag factor primarily to reflect the proper collection lag. The retail revenue factor used by the Company in this case was 21.33 days, made up of three components: service period lag, billing lag and collection lag. The service period lag remained the same as last case at 15.21 days. The billing lag was retained in this case at 2.00 days. However, we reflected a change in the collection lag from 6.45 days in the 2016 Case to 4.12 days. This resulted in a total retail revenue lag of 21.33 days.

Q: Why was it necessary to update the collection lag?

A: The collection lag is a weighted value that reflects two components: 1) a zero-day lag for the percentage of receivables sold under GMO's Accounts Receivable facility (the facility is discussed in the Direct Testimony of Company witness Linda Nunn (adjustment CS-78)); and 2) an average number of days outstanding for the percentage that is not sold. The percentage of receivables sold was revised from 75.12% in the 2016 Case to 82.11% in the current rate case. The average number of days that bills are outstanding was recalculated for the period July 1, 2016 to June 30, 2017, resulting in a revision from 25.92 days in the 2016 Case to 23.05 days in the current rate case.

Q: What is the blended total revenue lag?

A: Consistent with the 2016 Case, GMO calculated a blended revenue factor for retail revenues and for other revenues, which includes bulk power sales and miscellaneous revenues. The blended revenue factor in this case decreased to 22.12 days from the 24.18 days used in the 2016 Case.

Q: Why was it necessary to update the associated blended total revenue lag?

A: If the retail lag factor is updated it impacts the blended revenue lag factor. Additionally, the weighting of the components of revenues must be adjusted.

Q: Did GMO make any other changes to the CWC lead/lag factors determined in the 2016 Case?

A: Yes, the Company updated the revenue lag days for Corporate and City Franchise Taxes and Sales/Use Taxes from 8.98 days in the 2016 Case to 6.92 days in the current case. This change resulted from the update of the blended revenue factor to 22.12 days compared to the 24.18 days from the 2016 Case. The expense leads remained unchanged from those settled on in the 2016 Case.

Q: Are you aware of any changes in GMO's processes which would cause any of the other lead/lag factors to require modification from those used in the 2016 Case?

A: No, none that I am aware of.

Q: How were the resulting lead/lag factors used?

A: Lags for both blended revenues and payments were posted to Schedule RAK-5. On this schedule, the net blended revenue/payment lag for each payment group was calculated and the result was divided by 365 days to arrive at a net lead/lag factor. These factors were subsequently applied to the applicable Missouri jurisdictional cost of service amounts on Schedule RAK-5. The total resulting CWC amount was then carried forward to Schedule RAK-2 (rate base schedule).

R-80 TRANSMISSION REVENUE – ROE

Q: Please explain adjustment R-80.

A: This adjustment provides for the Company's retail customers to bear responsibility for the return on transmission rate base at the MPSC-authorized level. Essentially, the adjustment reduces the amount of transmission revenue that is credited against the gross transmission revenue requirement so that the adjusted revenue credit is consistent with the Company's allowed ROE rather than the ROE allowed by the Federal Energy Regulatory Commission ("FERC").

Q: Please describe the calculation of this adjustment.

A: The Company has a transmission formula rate ("Formula Rate") on file with the FERC that is updated each year to determine the revenue requirement and rate level for transmission service provided through the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("OATT") and the GMO OATT. The ROE allowed by the FERC in the Formula Rate is 11.1 percent. However, the ROE requested by the Company in this case is 9.85 percent. The first step in calculating the adjustment is to determine the difference between the annual revenue requirement in the Formula Rate when the ROE is set at 11.1 percent and the annual revenue requirement when the ROE is set at 9.85 percent. This difference is divided by the annual revenue requirement at 11.1 percent to derive an adjustment percentage. This should be adjusted for the final ROE determined by the Commission in this case.

Q: **Please continue with the further steps required.**

A: The next step is to determine the amount of transmission revenue received by GMO that is derived through application of the Formula Rate in charging wholesale customers for transmission service. The preponderance of this revenue is collected as a result of service provided under the SPP OATT. A further calculation is made to exclude the portion of the revenue attributable to service that GMO paid for as a transmission customer. Because those service charges are included in the retail cost-of-service not only as revenue credits but also as expenses under Account 565, those amounts are removed from the revenue adjustment so that the costs borne by retail customers reflect the overall ROE level of 9.85 percent. The remaining revenue, after the above-described adjustments, essentially represents the portion based on the Formula Rate that is derived from sources other than GMO. This revenue is then multiplied by the ROE adjustment percentage described above to arrive at the final adjustment amount. This adjustment applies transmission revenues related to both the Company's Base Plan projects, which were built under the direction of SPP, and to the Company's legacy zonal projects, which were built under the Company's own initiative. The result is a reduction in the revenue credits for GMO.

Q: Please explain why this adjustment R-80 is necessary.

A: Absent this adjustment, the effective ROE included in retail rates for transmission assets would be less than that authorized by the MPSC. This effect is exacerbated as the spread widens between the FERC-authorized ROE of 11.1% and the MPSC-authorized ROE.

<u>R-82 TRANSMISSION REVENUE ADJUSTMENT</u>

Q: Please explain adjustment R-82.

The Company annualized transmission revenue recorded in FERC accounts 456009, 456100 and 456109 based on forecasted levels from July 2017 to June 2018.

Q: **Does Adjustment R-82 reflect the transmission revenue impacts resulting from the final Balanced Portfolio reallocation under Section IV.2 of Attachment J of the Southwest Power Pool ("SPP") Open Access Transmission Tariff ("OATT").**

A: Yes. The Balanced Portfolio is a specific set of projects that meet the requirements in Sections IV.3 and IV.4 of Attachment O of the SPP OATT. The Balanced Portfolio is subject to unique cost allocation under Section IV of the SPP OATT. In general, this Balanced Portfolio cost allocation allows for the reallocation of zonal charges to region-wide charges over a ten-year period in order to ensure that all zones within SPP are receiving benefits at least equal to the costs that they are being assessed for the Balanced Portfolio. The final Balanced Portfolio reallocation described in Section IV.2 of Attachment J of the SPP OATT incorporates a true-up of the costs of Balanced Portfolio projects and the resulting true-up of zonal reallocation amounts for Years 6-10 of the Balanced Portfolio reallocation process. Year 6 of the reallocation process began in October of 2017.

Q: What is the impact of this final Balanced Portfolio reallocation true-up on GMO transmission revenues?

A: The final Balanced Portfolio reallocation will result in GMO, as a transmission owner, receiving approximately $2.0 million more annually in transmission revenues for Years 6-10 of the Balanced Portfolio than it received in Year 5.

Q: What is the annualized amount of adjustment R-82 Transmission Revenue - Annualized that the Company has included in its revenue requirement calculation in this case?

A: GMO included an annualized amount of $17,445,311 in adjustment R-82.

<u>CS-39 IT SOFTWARE MAINTENANCE</u>

Q: Please explain adjustment CS-39.

A: Adjustment CS-39 was made to include an annualized level of contracted software maintenance costs in this rate case. The annualized level of these costs has been historically increasing and is projected to continue to increase during 2018. GMO included an annualized June 2018 budgeted amount to reflect an annual level of expense. The types of maintenance contracts that were annualized include: Microsoft premier support and software licenses, Oracle systems and service contracts, PowerPlan system, and various hardware and software maintenance contracts.

<u>CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS</u>

Q: Please explain adjustment CS-45.

A: The Company annualized transmission expense recorded in FERC account 565000, 565020, 565027 and 565003 based on forecasted levels for the period July 2017 to June 2018.

Q: **Does Adjustment CS-45 reflect the transmission expense impacts resulting from the final Balanced Portfolio reallocation under Section IV.2 of Attachment J of the Southwest Power Pool ("SPP") Open Access Transmission Tariff ("OATT").**

A: Yes. The Balanced Portfolio is a specific set of projects that meet the requirements in Sections IV.3 and IV.4 of Attachment O of the SPP OATT. The Balanced Portfolio is subject to unique cost allocation under Section IV of the SPP OATT. In general, this Balanced Portfolio cost allocation allows for the reallocation of zonal charges to region-wide charges over a ten-year period in order to ensure that all zones within SPP are receiving benefits at least equal to the costs that they are being assessed for the Balanced Portfolio. The final Balanced Portfolio reallocation described in Section IV.2 of Attachment J of the SPP OATT incorporates a true-up of the costs of Balanced Portfolio projects and the resulting true-up of zonal reallocation amounts for Years 6-10 of the Balanced Portfolio reallocation process. Year 6 of the reallocation process began in October of 2017.

Q: **What is the impact of this final Balanced Portfolio reallocation true-up on GMO transmission expenses?**

A: The final Balanced Portfolio reallocation will result in GMO, as a transmission customer, paying approximately $1.2 million less annually in transmission expenses for Years 6-10 of the Balanced Portfolio than it paid in Year 5.

Q: Did the Company include an amount for transmission costs associated with the Crossroads Generating Station?

A: Yes. The Company included the forecasted amount of Crossroads transmission expense for the period July 2017 to June 2018 less the amount of disallowed transmission cost associated with Crossroads Generating Station that was established in Case Nos. ER-2010-0356 and ER-2012-0175.

Q: What was the forecasted annual amount of transmission expense associated with the Crossroads Generating Station included in this case and what was the previously disallowed transmission expense associated with the Crossroads generating facility that was removed from this case?

A: The forecasted amount of Crossroads transmission expense for the period July 2017 to June 2018 was $11,345,896. The amount of the Crossroads generating facility's transmission expense that was previously disallowed in the 2012 Case that was removed from this case was $4,915,609. This nets to a projected annual amount associated with Crossroads transmission expense of $6,430,287 that is included in this rate case.

Q: What is the annualized amount of adjustment CS-45 Transmission Expense - Annualized that the Company has included in its revenue requirement calculation in this case?

A: GMO included an annualized amount of $29,960,564 in adjustment CS-45.

CS-50 PAYROLL

Q: Please explain adjustment CS-50.

A: GMO annualized payroll expense based on the employee headcount as of June 30, 2017 adjusted for labor impacts of the energy efficiency rider implementation, multiplied by salary and wage rates expected to be in effect as of June 30, 2018.

Q: How were salary and wage rates determined?

A: Wage rates for bargaining (union) employees were based on contractual agreements. Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of June 30, 2018.

Q: Were amounts over and above base pay, such as overtime, premium pay, etc. included in the payroll annualization?

A: Yes, overtime was annualized at an amount equal to the average of overtime hours incurred for the 12 month periods ending December 2014, December 2015 and June 2017, multiplied by a current period composite hourly rate. Temporary and summer employees O&M labor were annualized at an average of these same 12 month periods as well. Amounts were included for other categories at test year levels.

Q: Does annualized payroll include payroll KCP&L billed to GMO and other affiliates?

A: The annualization process includes all payroll, since all employees are KCP&L employees. However, annualized payroll included in this rate proceeding includes only GMO's allocated share of this cost.

Q: Was payroll expense associated with the Company's interest in the Jeffrey Energy Center generating station included in the payroll annualization?

A: Yes, it was.

Q: Does the payroll annualization adjustment take into consideration payroll billed to joint venture partners and payroll charged to capital?

A: Yes, the payroll annualization adjustment takes these factors into consideration.

Q: How was the payroll capitalization factor determined?

A: The Company used a three-year average payroll capitalization factor, as being representative of payroll capitalization going forward. The periods included in the three-year average capitalization factor included the 12 months ending December 2014, December 2015 and June 2017.

<u>CS-51 INCENTIVE COMPENSATION</u>

Q: Please explain adjustment CS-51.

A: GMO annualized incentive compensation based on the March 2018 projected payout amount. Adjustments were made to the annual amount to remove all incentive compensation that was associated with metrics tied to earnings per share for the AIP Plan (executives only), and also the non-regulated portion included in the ValueLink Plan (non-union management personnel).

Q: Does this adjustment take into consideration incentive compensation billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

<u>CS-52 401(k)</u>

Q: Please explain adjustment CS-52.

A: GMO adjusted 401(k) expense to an annualized level by applying the average matching percentage which is based on five separate pay periods during the test year (6/30/2016, 9/30/2016, 12/31/2016, 3/31/2017 and 6/30/2017) to the O&M adjustment for annualized payroll (adjustment CS-50), excluding bargaining unit overtime, and including eligible incentive compensation (adjustment CS-51).

Q: Please explain the change to the 401(k) plan that occurred beginning January 1, 2014.

A: Beginning January 1, 2014, all new hire non-union employees are no longer eligible to be a part of the company sponsored pension plan. Instead, new hire retirement benefits will be provided exclusively through the 401(k) savings plan. A non-elective contribution will be made to the new hires 401(k) account in the calendar quarter following the end of each plan year. The non-elective contribution totals 4% of actual base pay. Adjustment CS-52 includes an additional adjustment reflecting the actual amount that was contributed for new hires in March 2017.

Q: Does this adjustment take into consideration 401(k) expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

<u>CS-53 PAYROLL TAXES</u>

Q: Please explain adjustment CS-53.

A: The Company annualized FICA, Medicare, and FUTA payroll tax expense by applying the tax rate (assuming the FUTA and SUTA ceiling had been achieved) to the annualized O&M portions of base salary plus ValueLink, executive incentive compensation, overtime, premium, temporary wages, and GMO' share of Jeffrey Energy Center.

Q: Does this adjustment take into consideration payroll tax expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

CS-60 OTHER BENEFITS

Q: Please explain adjustment CS-60.

A: GMO annualized other benefit costs based on the projected costs included in the 2018 budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

Q: What types of benefits are included in this category?

A: The most significant benefit is medical expense. In addition, dental, various insurance and other miscellaneous benefits are included with the other benefits adjustment.

Q: Does this adjustment take into consideration benefits expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q: Was other benefit expense associated with the Company's interest in the Jeffrey Energy Center generating station annualized in a similar manner?

A: Yes, it was.

CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Q: Please explain SERP Expense.

A: SERP is an additional component to the standard pension plan and is customary in many companies due to limitations imposed by the IRS on standard retirement plans for executives.

Q: **Was SERP expense included in Adjustment CS-65 with pension costs?**

A: No.

Q: **Please explain the CS-62 SERP Adjustment.**

A: CS-62 consists of two components. First, GMO's portion of SERP costs for the previous entity Aquila's SERP plan is included in the calculation based on historical calculation as provided in previous GMO rate cases. Secondly, the GPE's SERP plan is included. Under the GPE SERP plan, SERP costs are funded when the benefit is paid. Given that most plan participants elect a lump-sum payment method rather than an annuity, annual funding requirements can vary significantly between years. By using an average of total funding over a typical single life annuity period of 14.3 years for lump-sum payments, the adjustment reflects actual cash payments spread over time. Monthly annuity payments were normalized using a five-year average.

Test year amounts which are based on expense as calculated by the Company's actuaries are adjusted to reflect GMO's portion of SERP cash payments.

CS-70 INSURANCE

Q: Please explain adjustment CS-70.

A: We annualized insurance costs based on premiums projected to be in effect on June 30, 2018. These premiums include the following types of coverage: property, directors and officers, workers' compensation, bonds, fiduciary liability, excess liability, crime, cyber liability and auto liability.

Q: Does this adjustment take into consideration insurance billed to joint venture partners and affiliated companies?

A: Yes, it does.

CS-95 AMORTIZATION OF MERGER TRANSITION COSTS

Q: Please explain this adjustment.

A: This adjustment reflects GMO's share of the annualized level of transition costs that are being amortized over a four-year period. These transition costs are currently being incurred for activities relating to the merger of Great Plains Energy, Inc. and Westar Energy, case number EM-2018-0012. The adjustment calculates actual transition costs incurred through September 2017 and adds forecasted transition costs through June 2018. The total transition costs are then amortized over a four-year period.

Q: What is the Company's proposal regarding rate recovery of transition costs?

A: First, the Company is requesting the Commission to defer any transition costs incurred through the true-up date of June 2018. Secondly, the Company is requesting to recover an amortized amount over a 4-year period provided that demonstrated Merger savings exceed the requested recovery of transition costs. The adjustment calculates the merger savings that will be reflected in rates and demonstrates that the merger efficiency savings are greater than the annualized amortized transition costs.

Q: Please explain the terms "transition costs" and "transaction costs".

A: Transition costs are necessary to effectively integrate Westar and Great Plains Energy in order to create the merger efficiencies and savings. Some examples of transition costs are voluntary severance, costs incurred in integration planning as well as costs incurred to enable network connectivity for the merged company. In contrast, transaction costs are different from transition costs in that they support efforts to evaluate, negotiate and complete a transaction and its agreements through and including approval of the transaction.

Q: Is the Company seeking recovery of transaction costs in this rate case proceeding?

A: No. The Company is not seeking recovery of transaction costs in this rate case proceeding.

Q: What is the amount of transition costs incurred to date and projected through June 30, 2018?

A: The table below depicts actual transition costs incurred through September 2017, and also forecasted transition costs through the true-up date of June 2018. Transition costs through June 2018 total $49.8 million, of which $6.9 million has been allocated to GMO retail operations.

GPE & Westar Transition Costs Costs by Resource Category	Actuals 2016	Actuals YTD Sep-2017	**Total Actuals**	2017 Forecast (Oct - Dec)	2018 Forecast (Jan - Jun)	**Total thru True-Up**
Severance	1,081,528	4,899,655	5,981,183	-	11,060,537	**17,041,720**
Consulting fees and outside services	14,413,311	9,639,637	24,052,948	2,073,578	3,202,680	**29,329,206**
Contractor costs	207,262	1,046,886	1,254,148	-	275,000	**1,529,148**
Travel & meals	121,633	158,639	280,272	-	-	**280,272**
IT hardware	57,199	24,952	82,151	-	-	**82,151**
IT software		165,051	165,051	-	50,000	**215,051**
Other costs	28,583	131,387	159,970	-	1,195,333	**1,355,303**
	15,909,516	**16,066,207**	**31,975,723**	**2,073,578**	**15,783,550**	**49,832,851**

Q: Please explain in more detail the types of transition costs.

A: Each category of transition costs is further described below:

<u>Severance</u> – consists of two voluntary separation plans that were offered to both GPE and Westar non-union employees.

Consulting fees and outside services – costs were incurred for integration planning as a whole (including organizational design and Day-1 requirements); such as IT systems planning and technical integration consulting, and also in the Supply Chain function around combined spend, inventory levels, and prioritization of competitive solicitation.

Contractor costs –primarily IT contractors working on specific projects in preparation for Day 1 network and system integration.

IT hardware – primarily costs incurred to enable network connectivity for the merged company.

IT software –primarily software to synchronize employee access across the two company networks and software to optimize supply chain and inventory planning.

Other costs -primarily data network fiber capacity fees to enable network connectivity for the merged company and modifications to certain physical access systems to permit employee access between the two companies.

Q: How did you allocate the amortized transition costs to GMO customers?

A: We allocated transition costs to each jurisdiction based on the allocation of projected efficiency savings identified by the integration teams as part of the merger integration process. Each merger efficiency was analyzed separately to determine the appropriate allocation methodology based on the most representative cost driver. Cost drivers are defined as an activity that causes a cost to be incurred. For purposes of allocating transition costs to each jurisdiction, cost drivers were developed based on 2016 data. This period was selected as it reflected the last full calendar year of stand-alone financial information and statistics prior to completion of the merger.

Q: Please summarize your testimony regarding transition cost amortization.

A: The Company is requesting that the Commission authorize transition cost amortization in this rate case in the amount of $1.7M. This level of amortization reflects the annual recovery over a four-year period of GMO's Missouri share of transition costs projected through June 30, 2018 which will be incurred during the integration of GPE's and Westar's operations.

CS-108 TRANSOURCE CWIP/FERC INCENTIVES

Q: Please explain why GMO is making this adjustment.

A: GMO is making this adjustment to comply with conditions of the MPSC Report and Order in Case No. EA-2013-0098. The Commission Order stated in Appendix 4: Consent Order, page 28:

> With respect to transmission facilities located in GMO certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, GMO agrees that for ratemaking purposes in Missouri the costs allocated to GMO by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities that would have resulted if GMO's authorized ROE and capital structure had been applied and there had been no CWIP (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. GMO will make this adjustment in all rate cases so long as these transmission facilities are in service.

Q: Please explain adjustment CS-108.

A: Adjustment CS-108 reflects a change to Account 565 -Transmission of Electricity by Others that represents the difference between GMO's SPP load ratio share allocation of Transource Missouri's annual transmission revenue requirement ("ATRR") for the Iatan-Nashua and Sibley-Nebraska City Projects and GMO's SPP load ratio share allocation of the ATRR for the Iatan-Nashua and Sibley-Nebraska City Projects if it had been calculated utilizing GMO's MPSC-authorized ROE and capital structure and did not include the FERC-authorized rate treatments and incentives listed above.

CS-117 COMMON USE BILLINGS – COMMON PLANT ADDS

Q: What are common use billings?

A: Common use billings represent the monthly billings of common use plant maintained by KCP&L and GMO. Assets belonging to KCP&L and GMO may be used by another entity. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. In order to ensure that KCP&L and GMO's regulated entities do not subsidize other GPE companies or jurisdictions, KCP&L or GMO charge for the use of their respective common use assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return is applied to the net plant basis. The total cost of all common use plant is then accumulated before being billed to the appropriate jurisdictions.

Q: Why was an adjustment needed from amounts included in the test year?

A: Included in plant adjustment RB-20 are plant additions that are expected to be placed into service prior to the true-up date in this rate case proceeding. These include capital additions associated with network systems and software that will be billed to GMO as part of the Common Use Billing Process. As such, this adjustment is the result of annualizing these costs for the test year to ensure an appropriate amount of Common Use Billings is included in GMO's cost of service.

Q: Please explain adjustment CS-117.

A: Adjustment CS-117 computes the annual amortization expense and expected return on the new common use plant additions that will be included in rate base in this rate case proceeding. The annual amortization expense for the common use software additions is based on lives lasting five to fifteen years. The return component is based on the expected rate of return that will be used in this rate case proceeding. These annual amounts are accumulated and multiplied by one minus the GMO jurisdictional share of these assets which is based on the General Allocator. The resulting amount is then added to the cost of service in this case through adjustment CS-117.

CS-120 DEPRECIATION

Q: Please explain adjustment CS-120.

A: We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances resulting from adjustment RB-20. The jurisdictional rates used in the annualization were those authorized by the Commission in the 2016 Case which were part of the Non-Unanimous Stipulation and Agreement. The Company believes these depreciation rates should be used in this rate case in conjunction with the additional amortization that is discussed in adjustment CS-121.

Q: Were there any additional depreciation rate requests in this case?

A: Yes. Account 37101 Distribution Electric Vehicle Charging Stations is being proposed to include a depreciation rate of 10%. This is the same rate proposed by the Company in the 2016 KCP&L rate case.

CS-121 AMORTIZATION

Q: Please explain adjustment CS-121.

A: We annualized amortization expense applicable to certain plant including computer software, land rights and other intangibles, by multiplying June 2017 amortization expense by twelve. To these intangible plant amounts, was added an annualized amortization expense amount on projected intangible plant net additions for the period July 2017 through June 2018.

Q: What amortization periods were used to amortize intangible assets?

A: Computer software, the most significant intangible asset, is amortized over a five-year amortization period consistent with the Company's past practice. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

Q: Was there any additional amortizations included in adjustment CS-121?

A: Yes. As provided for in the Non-Unanimous Stipulation and Agreement in the 2016 Case, GMO was provided to collect an annual amortization amount equal to $7.2 million. The Stipulation and Agreement reads as follows:

> *In addition to the attached schedule, GMO shall be allowed to collect an annual amortization amount equal to $7.2 million. This additional amortization shall be booked and accounted for on an annual basis until GMO's next general electric rate case. In GMO's next filed rate case the Commission will determine the distribution of the additional amortization. The balance will be used to cover any deficiencies in reserves across production, transmission and distribution accounts.*

The Company has included this additional $7.2 million in adjustment CS-121 to be consistent with the previous cases Stipulation and Agreement. The Company's request in this case is to keep the existing depreciation rates agreed to in the 2016 case with the additional amortization being a component part of that agreement. The rates from the 2016 case including the additional amortization have only been in effect a short period of time since February 22, 2017. The Company believes the methodology provided in that case is still applicable for the test period and true-up periods in this rate case and should be continued until the filing of the Company's next general rate case which will include a new depreciation study.

CS-125 INCOME TAX

Q: Please explain adjustment CS-125.

A: We adjusted test period income tax expense based on various adjustments to test year taxable income. The adjusted income tax calculation is shown on Schedule RAK-7. The income tax adjustment includes current income taxes, deferred income taxes, and the amortization of ITCs.

Q: Does the adjustment include the impact of the Tax Cuts and Jobs Act of 2017?

A: Yes. The reduction of the federal tax rate in 2018 to 21% and an estimate of the annual amount of amortization related to excess ADIT (included in certain other amortizations) created as a result of the legislation is included in the income tax expense calculation.

Q: Please explain the current income tax component in cost of service as calculated in Schedule RAK-7.

A: Jurisdictional operations and maintenance deductions and other adjustments are applied against jurisdictional revenues to derive net jurisdictional taxable income, which is then used to compute the jurisdictional current income tax expense component (current provision) for cost of service. For book purposes, these adjustments are the result of book versus tax differences and their implementation under normalization or flow through tax methods. Each adjustment is either added to or subtracted from net income to derive net taxable income for ratemaking. For Schedule RAK-7, however, a simplified methodology is used that eliminates the need to specifically identify all book and tax differences. Most significantly, all basis differences between the book basis and tax basis of assets are ignored in the current tax provision. Accelerated tax depreciation is used in the currently payable calculation based on the tax basis of projected Plant in Service as identified in adjustment RB-20. The difference between the accelerated depreciation deduction for tax depreciation on tax basis assets and the book depreciation deduction calculated on a straight-line basis generates an offsetting deferred income tax. The resulting income tax expense, considering both the current and deferred income tax components, reflects a level of total income taxes as if the depreciation deduction to arrive at taxable income was based solely on depreciation calculated on a straight-line basis. This modified approach normalizes depreciation relating to the method differences (*e.g.*, accelerated versus straight-line) and life differences. The Company and the MPSC Staff used this modified approach in GMO's most recent settled case, ER-2016-0156 and has used this approach for KCPL since its 2014 Rate Case.

Q: Please describe the adjustments to derive net taxable income for ratemaking.

A: The following are the primary adjustments to derive net taxable income for ratemaking purposes:

- Book depreciation and amortization expense (adjustments CS-120 through CS-121), have been excluded from the deductions listed on Schedule RAK-7. As previously discussed, accelerated tax depreciation on both projected depreciable plant and projected amortizable plant is subtracted to derive taxable income.
- A portion of Meals and Entertainment expense is added back in deriving net taxable income, since a portion of certain meals and entertainment expenses is not tax deductible. This adjustment increases taxable income and ultimately increases the current income tax provision. The amount by which taxable income was increased is equal to the amount recorded to the general ledger for the period January 2017 through June 2017 and then annualized.
- Interest expense is subtracted to derive net taxable income. It is calculated by multiplying the adjusted jurisdictional rate base by the weighted average cost of debt as recommended in this proceeding. This is referred to as "interest synchronization" because this calculation ensures that the interest expense deducted for deriving current taxable income equals the interest expense provided for in rates.

Q: Once the deductions and adjustments have been applied to net income to derive taxable income for ratemaking, what further deductions from taxable income are applied before calculating the two components of current income tax expense: federal current income tax expense and Missouri state current income tax expense?

A: Before calculating federal income taxes, Missouri state income taxes are deducted. Before calculating Missouri state income taxes, one-half of federal income taxes are deducted.

Q: How are the current income tax components calculated?

A: The current provision calculation utilizes the new 21% federal tax rate for 2018, and a 6.25% Missouri state tax rate, each of which is applied independently to the appropriate level of taxable income as discussed above. The federal and state income tax rates are used to compute the composite tax rate of 25.45% which is used to calculate deferred income taxes, discussed below. The composite tax rate reflects the federal benefit relating to deductible Missouri state income tax and the Missouri benefit of deducting 50% of federal income taxes when computing the current Missouri tax provision.

Q: Is the current federal tax expense, determined by multiplying current taxable income by the federal income tax rate, further reduced by tax credits?

A: Yes, the research and development ("R&D") tax credit reduces the current federal income tax due.

Q: Please explain the R&D tax credit on Schedule RAK-7.

A: IRC Section 41 allows for a federal tax credit based on the amount of qualified research expenses incurred. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated R&D tax credit for GMO's operations for the 2016 tax year.

Q: Please explain the deferred income tax component of cost of service as calculated in Schedule RAK-7.

A: The deferred income tax component of cost of service is primarily the result of applying the composite income tax rate (25.45%) to the difference between projected accelerated tax depreciation used to compute current income tax, as discussed earlier in this testimony, and projected book depreciation.

The other main deferred tax items are the average rate assumption method of deferred tax amortization, AFUDC Equity reversal, and other miscellaneous flow-through items.

The average rate assumption method adjustment represents the amortization of excess deferred income taxes over the remaining book lives. It reduces the income tax component of cost of service. During the 1980s and up until 2017, the federal tax rate was higher than 2018's 21% rate. Since deferred taxes were provided at the rate in effect when the originating timing differences were generated, the deferred income taxes were provided at a rate higher than the tax rate that is expected to be in existence when the timing differences reverse and the taxes are due to the government. This difference in rates is being amortized into cost of service over the remaining book lives of the assets that generated the timing differences for plant related temporary differences and over the appropriate period of time for other non-plant related temporary differences. The AFUDC Equity reversal adjustment represents the reversal of the book amortization of AFUDC Equity placed in service in prior years not allowed for tax purposes. The other miscellaneous flow-through items represent the reversal of book amortization of other small items placed in service and flowed-through to ratepayers in prior years.

Q: Please explain ITC amortization component in cost of service as calculated in Schedule RAK-7.

A: ITC amortization reduces the income tax component of cost of service. ITC is amortized ratably over the remaining book lives of the underlying assets.

CS-126 PROPERTY TAX

Q: Please explain adjustment CS-126.

A: The Company annualized the real estate and personal property tax expense and payments-in-lieu-of-taxes ("PILOT") that will be paid based on the estimated plant in-service balances at January 1, 2018.

Q: How was annualized property tax expense determined?

A: GMO used a property tax ratio of estimated property tax expense for 2017 divided by actual plant in-service as of January 1, 2017. This ratio was then applied to the estimated January 1, 2018 plant original cost to project the 2018 property tax expense. The annual PILOT payments for Crossroads and South Harper were then added to the projected 2018 property tax expense to determine the Company's annualized property tax amount.

Q: Why was the estimated January 1, 2018 original plant cost used?

A: The property taxes paid for 2017 are based on the plant balances at January 1, 2017. However, the property taxes paid for 2018, the first year that the new rates in this case will be in effect, will be based on plant balances as of January 1, 2018.

Q: Do the various components of the real estate and personal property tax adjustment discussed above take into effect tax amounts allocated to vehicles and charged to accounts other than property tax expense and amounts allocated to non-utility plant?

A: Yes, these components have been excluded from both the plant in-service and property taxes paid components of the calculation.

Q: Please explain the PILOT adjustment.

A: The Company has placed in-service two generation facilities (South Harper and Crossroads) that were built under Chapter 100 financing. Facilities constructed using Chapter 100 financing are exempt from real and personal property taxes. To ensure proper permitting and easements were obtained, the Company agreed to provide PILOT to the taxing authorities where these two facilities are located. South Harper has an annual payment of $241,832 and Crossroads has an annual payment of $258,000.

Q: Does this conclude your testimony?

A: Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2018-0146

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of forty-five (45) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Ronald A Klote
Ronald A. Klote

Subscribed and sworn before me this 29th day of January 2018.

Anthony R Westenkirchner
Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Revenue Requirement

Line No.	Description	7.665% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 1,907,881,169
2	Rate of Return	7.665%
3	Net Operating Income Requirement	$ 146,229,552
4	Net Income Available (Sch 9)	$ 131,836,165
5	Additional NOIBT Needed	14,393,387
6	Additional Current Tax Required	$ 4,913,615
7	Gross Revenue Requirement	$ 19,307,002

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
	Total Plant :			
1	Total Plant in Service - Schedule 3	$ 3,655,504,019	Klote	RB-20
	Subtract from Total Plant:			
2	Depreciation Reserve Schedule 5	1,328,020,451	Klote	RB-30
3	**Net (Plant in Service)**	$ 2,327,483,568		
	Add to Net Plant:			
4	Cash Working Capital	(52,906,934)	Klote	Model
5	Materials and Supplies	43,924,115	Nunn	RB-72
6	Emission Allowances	237,349	Nunn	RB-55
7	Prepayments	2,314,089	Nunn	RB-50
8	Fuel Inventory - Oil	6,902,884	Tucker	RB-74
9	Fuel Inventory - Coal	18,505,579	Tucker	RB-74
10	Fuel Inventory - Other	536,454	Tucker	RB-74
11	DSM/EE Deferral	6,712,507	Nunn	RB-100
12	Iatan 1 & Common Regulatory Asset	4,625,751	Nunn	RB-25
13	Iatan 2 Regulatory Asset	13,449,023	Nunn	RB-26
14	Reg Asset - FAS 87 Pension Tracker	28,979,598	Klote	RB-65
15	Reg Asset (Liab) - OPEB Tracker	(8,611,187)	Klote	RB-61
	Subtract from Net Plant:			
16	Customer Advances for Construction	$ 5,075,955	Nunn	RB-71
17	Customer Deposits	7,182,331	Nunn	RB-70
18	Deferred Income Taxes	472,013,338	Klote	RB-125
19	**Total Rate Base**	$ 1,907,881,169		

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Income Statement

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	$ 810,197,315	85,324,521	895,521,836	877,978,372
2	Operating & Maintenance Expenses:				
3	Production	$ 272,284,997	$ 104,989,089	$ 377,274,085	$ 372,527,438
4	Transmission	48,608,175	(6,312,457)	42,295,718	42,139,351
5	Distribution	35,899,660	911,365	36,811,025	36,235,046
6	Customer Accounting	12,479,927	5,042,501	17,522,428	17,522,428
7	Customer Services	35,914,477	(31,288,642)	4,625,835	4,625,835
8	Sales	277,593	10,528	288,121	288,121
9	A & G Expenses	79,284,129	$ 12,182,333	91,466,462	90,513,265
10	Total O & M Expenses	$ 484,748,958	$ 85,534,717	$ 570,283,674	$ 563,851,485
11	Depreciation Expense	$ 102,126,485	$ (1,405,677)	$ 100,720,808	$ 95,918,984
12	Amortization Expense	(1,791,112)	4,494,570	2,703,458	7,352,566
13	Taxes other than Income Tax	48,023,940	996,420	49,020,360	48,435,890
14	Net Operating Income before Tax	$ 177,089,044	$ (4,295,509)	$ 172,793,536	$ 162,419,448
15	Income Taxes	$ 1,902,463	$ 27,496,507	$ 29,398,970	$ 29,398,970
16	Income Taxes Deferred	45,013,029	(43,587,192)	1,425,837	1,425,837
17	Investment Tax Credit	(344,007)	102,483	(241,524)	(241,524)
18	Total Taxes	$ 46,571,485	$ (15,988,202)	$ 30,583,283	$ 30,583,283
19	Total Net Operating Income	$ 130,517,559	$ 11,692,694	$ 142,210,253	$ 131,836,165

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
1	R-20	Revenue Normalization	Bass/Miller	$ (25,814,558)
2	R-21a	Forfeited Discounts	Nunn	$ (25,147)
3	R-21b	Forfeited Discounts - Revenue Requirement "Ask"	Nunn	$ 18,749
4	R-30	Eliminate Inter-company Off-System Revenue	Crawford	$ (1,273,218)
5	R-35	Off-System Sales Revenue	Crawford	$ 109,746,829
6	R-49	CCN Revenue	Nunn	$ 51,624
7	R-80	Transmission Revenue - ROE	Klote	$ (1,289,653)
8	R-82	Transmission Revenue Annualization	Klote	$ 3,495,908
9	R-106	L&P Revenue Phase In Amort	Nunn	$ 413,987
10	CS-4	GREC Bad Debt Expense	Nunn	$ 2,648,179
11	CS-9	GREC Bank Fees	Nunn	$ 1,097,419
12	CS-10	Customer Deposits - Interest	Nunn	$ 317,656
13	CS-11	Out-of-Period Items - Cost of Service	Nunn	$ (2,692,663)
14	CS-20a	Bad Debt	Nunn	$ 365,241
15	CS-20b	Bad Debt - Revenue Requirement "Ask"	Nunn	$ 78,454
16	CS-22	Amortization of SO2 Proceeds	Nunn	$ -
17	CS-23	Remove FAC Under-Recovery	Nunn	$ 6,203,989
18	CS-24	Fuel & PP Energy (On-system)	Crawford	$ 102,322,406
19	CS-25	Purchased Power (Capacity)	Crawford	$ (1,291,150)
20	CS-30	Eliminate Inter-company Off-System Sales Costs	Crawford	$ (1,634,651)
21	CS-39	IT Software Maintenance	Klote	$ 473,355
22	CS-40	Transmission Maintenance	Nunn	$ -
23	CS-41	Distribution Maintenance	Nunn	$ -
24	CS-42	Generation Maintenance	Nunn	$ -
25	CS-43	Major Maintenance	Nunn	$ (2,526,062)
26	CS-44	ERPP	Nunn	$ 96,773

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C		Total Company Increase (Decrease) D
27	CS-45	Transmission of Electricity by Others	Klote	$	(6,269,330)
28	CS-48	Iatan II O&M	Nunn	$	346,870
29	CS-49	CCN O&M	Nunn	$	134,953
30	CS-50	Payroll	Klote	$	3,686,924
31	CS-51	Incentive	Klote	$	(339,521)
32	CS-52	401(k)	Klote	$	354,914
33	CS-53	Payroll Taxes	Klote	$	171,333
34	CS-60	Other Benefits	Klote	$	2,743,110
35	CS-61	Other Post-Employment Benefits	Klote	$	(3,585,752)
36	CS-62	Supplemental Executive Retirement Plan	Klote	$	(390,068)
37	CS-65	Pension Expense	Klote	$	4,175,809
38	CS-66	ERISA & Prepaid Tracker Expense	Klote	$	(1,861,728)
39	CS-70	Insurance	Klote	$	297,409
40	CS-71	Injuries and Damages	Nunn	$	256,760
41	CS-76	Customer Deposit - Interest	Nunn	$	59,416
42	CS-77	Credit Card & Electronic Check Fee Expense	Nunn	$	107,884
43	CS-78	GREC Bank Fees	Nunn	$	70,119
44	CS-80	Rate Case Expense	Nunn	$	248,823
45	CS-85	Regulatory Assessment	Nunn	$	148,816
46	CS-86	SPP Schedule 1A Admin Fees	Nunn	$	(274,701)
47	CS-88	CIPS/Cyber Security	Nunn	$	1,636,892
48	CS-89	Meter Replacement	Nunn	$	(68,768)
49	CS-90	Advertising	Nunn	$	(6,445)
50	CS-92	Dues & Donations	Nunn	$	(12,404)
51	CS-91	DSM Advertising Costs	Nunn	$	-

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
52	CS-95	Amortization of Merger Transition Costs	Klote	$ 1,715,496
53	CS-98	MEEIA	Nunn	$ (23,089,585)
54	CS-100	DSM/EE	Nunn	$ 183,262
55	CS-101	Income Eligible Weatherization	Nunn	$ 270,806
56	CS-105	Amortization of Transource Transferred Asset Value - Reg Liab	Nunn	$ (1,229,336)
57	CS-107	L&P Ice Storm AAO	Nunn	$ (950,627)
58	CS-108	Remove CWIP/FERC Incentives-Transource	Klote	$ 96,335
59	CS-110	Amortization of Transource Account Review-Reg Liab	Nunn	$ (26,445)
60	CS-111	Amort Iatan I and Common Reg Asset	Nunn	$ -
61	CS-112	Amort Iatan II Reg Asset	Nunn	$ -
62	CS-116	Renewable Energy Standards	Nunn	$ (7,493,077)
63	CS-117	Common Use Billings - Common Plant Adds	Klote	$ 6,891,942
64	CS-120	Depreciation	Klote	$ (1,342,968)
65	CS-121	Plant Amortization Expense	Klote	$ 6,678,878
66	CS-125	Income Taxes	Klote	$ (15,988,202)
67	CS-126	Property Taxes	Klote	$ 825,087
68		**Total Impact on Net Operating Income**		$ 11,692,694

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Cash Working Capital

Line No.	Account Description	(Elec-Juris) Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/365)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
	Operations & Maintenance Expense						
1	Gross Payroll excl. Accrued Vacation	63,348,760	22.27	13.85	8.42	0.02	1,461,360
2	Accrued Vacation	4,558,602	22.27	344.83	(322.56)	(0.88)	(4,028,555)
3	Sibley - Coal & Freight	24,336,988	22.27	17.39	4.88	0.01	325,322
4	Jeffrey - Coal & Freight	14,241,263	22.27	16.64	5.63	0.02	219,546
5	Iatan - Coal & Freight	26,271,064	22.27	43.68	(21.41)	(0.06)	(1,540,996)
6	Lake Road - Coal & Freight	-	22.27	20.37	1.90	0.01	-
7	Purchased Gas & Oil	2,003,000	22.27	39.83	(17.56)	(0.05)	(96,387)
8	Purchased Power	238,554,773	22.27	34.50	(12.23)	(0.03)	(7,993,219)
9	Injuries & Damages	531,041	22.27	44.27	(22.00)	(0.06)	(32,008)
10	Pension Expense	16,608,260	22.27	51.74	(29.47)	(0.08)	(1,340,946)
11	OPEBs	(245,610)	22.27	178.44	(156.17)	(0.43)	105,088
12	Incentive Compensation	3,235,164	22.27	256.50	(234.23)	(0.64)	(2,076,089)
13	Cash Vouchers	170,408,180	22.27	30.00	(7.73)	(0.02)	(3,608,918)
14	**Total Operation & Maintenance Expense**	**563,851,485**					**(18,605,803)**
	Taxes						
15	FICA, FUTA, SUTA Taxes - Employer's	5,104,508	22.27	16.50	5.77	0.02	80,693
16	Federal/State Unemployment	-	22.27	75.88	(53.61)	(0.15)	-
17	City Franchise Taxes - 6%	4,437,718	6.92	68.29	(61.37)	(0.17)	(746,145)
18	City Franchise Taxes - 4%	1,608,709	6.92	36.60	(29.68)	(0.08)	(130,812)
19	City Franchise Taxes - Other Cities	26,234,217	6.92	45.92	(39.00)	(0.11)	(2,803,108)
20	City Franchise Taxes - SJLP	5,151,449	6.92	38.63	(31.71)	(0.09)	(447,541)
21	Ad Valorem/Property Taxes	43,243,773	22.27	188.36	(166.09)	(0.46)	(19,677,694)
22	**Total Taxes**	**85,780,374**					**(23,724,607)**
	Other Expenses						
23	Sales Taxes	22,886,936	6.92	22.00	(15.08)	(0.04)	(945,575)
24	**Total Other Expenses**	**22,886,936**					**(945,575)**
	Tax Offset From Rate Base						
25	Current Income Taxes-Federal	22,861,750	22.27	45.63	(23.36)	(0.06)	(1,463,152)
26	Current Income Taxes-State	6,537,220	22.27	45.63	(23.36)	(0.06)	(418,382)
27	Interest Expense	44,003,371	22.27	86.55	(64.28)	(0.18)	(7,749,416)
28	**Total Offset from Rate Base**	**73,402,341**					**(9,630,950)**
29	**Total Cash Working Capital Requirement**	**745,921,136**					**(52,906,934)**

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Allocation Factors

Retail/Wholesale - Electric/Steam Combined

Alloc	Jurisdiction Factors	Retail	2014 Non-Retail	Total
	A	B	C	D
1,1	100% Jurisdictional/100% Electric	100.000%	0.000%	100.000%
1,3	100% Jurisdictional/Allocated Plant Base	99.137%	0.863%	100.000%
1,13	100% Jurisdictional/O&M	93.161%	6.840%	100.000%
2,2	Non-Juris/Steam	0.000%	100.000%	100.000%
3,1	Demand/Electric	99.630%	0.370%	100.000%
3,4	Demand/Land	82.224%	17.776%	100.000%
3,5	Demand/Structures	82.224%	17.776%	100.000%
3,6	Demand/Boiler Plant	74.262%	25.738%	100.000%
3,7	Demand/Turbogenerators	97.543%	2.457%	100.000%
3,8	Demand/Access Elec Eqpt	82.224%	17.776%	100.000%
3,9	Demand/Misc Steam Gen Eqpt	67.066%	32.934%	100.000%
3,10	Demand/Electric/Steam Plant	82.224%	17.776%	100.000%
3,13	Demand/O&M	92.816%	7.184%	100.000%
4,1	Energy/Electric	99.620%	0.380%	100.000%
5,1	Distribution/Electric	99.760%	0.240%	100.000%
6,1	Payroll/Electric	99.671%	0.329%	100.000%
6,14	Payroll/A&G	98.665%	1.335%	100.000%
7,1	Plant/Electric	99.683%	0.317%	100.000%
7,3	Plant/Alloc Plant	98.823%	1.177%	100.000%
7,14	Plant/A&G	98.677%	1.323%	100.000%
8,1	Transmission/Electric	99.630%	0.370%	100.000%

Retail/Wholesale Allocation Factors - Combined

Alloc	Jurisdiction Factors	Retail	2014 Wholesale	Total
	A	B	C	D
1	Jurisdictional-100%	100.000%	0.000%	100.000%
2	Non-jurisdictional-100%	0.000%	100.000%	100.000%
3	Demand (Capacity) Factor	99.630%	0.370%	100.000%

4	Energy Factor	99.620%	0.380%	100.000%
5	Distribution Factor	99.760%	0.240%	100.000%
6	Payroll Factor	99.671%	0.329%	100.000%
7	Plant Factor	99.683%	0.317%	100.000%
8	Transmission Factor	99.630%	0.370%	100.000%

Electric/Steam Allocation Factors - Combined

Alloc	Jurisdiction Factors	Electric	2014 Steam	Total
	A	B	C	D
Rate Base Allocation Factors (Elec/Steam)				
1	Electric - 100%	100.000%	0.000%	100.000%
2	Steam - 100%	0.000%	100.000%	100.000%
4	Land Factor	82.529%	17.471%	100.000%
5	Structures Factor	82.529%	17.471%	100.000%
6	Boiler Plant Factor	74.538%	25.463%	100.000%
7	Turbogenerators Factor	97.905%	2.095%	100.000%
8	Access Elec Eqpt Factor	82.529%	17.471%	100.000%
9	Misc Steam Gen Eqpt Factor	67.315%	32.685%	100.000%
10	Electric/Steam Plant Factor	82.529%	17.471%	100.000%
Income Statement Allocation Factors (Elec/Steam)				
13	Electric After Steam Alloc (O&M)	93.161%	6.840%	100.000%
14	Electric After Steam Alloc (A&G)	98.990%	1.010%	100.000%
Factors Used to Calculate Other Factors				
3	Allocated Plant Base Factor	99.137%	0.863%	100.000%
11	900 lb Steam Demand Factor	67.315%	32.685%	100.000%

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Income Tax - Schedule 11

Line No.	Line Description	Total Company GMO	Juris Factor #	Juris Allocation	Tax Rate	(ELEC-JURIS) Adjusted with 7.665% Return	
	A				B	C	
1	Net Income Before Taxes (Sch 9)					162,419,448	
2	***Add to Net Income Before Taxes:***						
3	Depreciation Expense					95,918,984	
4	Plant Amortization Exp					8,971,985	
5	Transportation Expenses-Clearing					835,033	(a)
6	50% Meals & Entertainment	200,871	1,13	93.161%		187,132	
7	**Total**					105,913,135	
8	***Subtract from Net Income Before Taxes:***						
9	Interest Expense					44,003,371	
10	IRS Tax Return Depreciation	109,245,381	1,3	99.137%		108,302,812	
11	IRS Tax Return Plant Amortization (incl w/DEPR)	0	1,1	100.000%		0	
12	IRC Section 199 Domestic Production Activities					0	
13	**Total**					152,306,183	
14	**Net Taxable Income**					116,026,399	
15	**Provision for Federal Income Tax:**						
16	Net Taxable Income					116,026,399	
17	Deduct Missouri Income Tax @ 100.0%				6.25%	6,537,220	
18	Deduct City Income Tax					0	
19	Federal Taxable Income					109,489,179	
20	Federal Tax Before Tax Credits				21.00%	22,992,728	
21	Less Tax Credits:						
22	Research and Development Tax Credit					(130,978)	
23	Alternate Refueling Property Tax Credit (Charging Stations)					0	
24	**Total Federal Tax**					22,861,750	
25	**Provision for Missouri Income Tax:**						
26	Net Taxable Income					116,026,399	
27	Deduct Federal Income Tax @ 50.0%				10.50%	11,430,875	
28	Deduct City Income Tax					0	
29	Missouri Taxable Income					104,595,525	
30	**Total Missouri Tax**				6.25%	6,537,220	
31	**Provision for City Income Tax:**						
32	Net Taxable Income					116,026,399	
33	Deduct Federal Income Tax					22,861,750	
34	Deduct Missouri Income Tax					6,537,220	
35	City Taxable Income					86,627,430	
36	**Total City Tax**					0	
37	**Summary of Provision for Current Income Tax:**						
38	Federal Income Tax					22,861,750	
39	Missouri Income Tax					6,537,220	
40	City Income Tax					0	
41	**Total Provision for Current Income Tax**					29,398,970	
						25.450000%	
42	**Deferred Income Taxes:**						
43	Deferred Income Taxes - Excess IRS Tax over Book D&A					1,344,910	
44	Amortization of Deferred ITC	(241,524)	1,1	100.000%		(241,524)	
45	Amort of Excess Deferred Income Taxes	81,631	1,3	99.137%		80,927	

KCP&L Greater Missouri Operations
2018 RATE CASE - DIRECT
TY 6/30/17; Update TBD; K&M 6/30/18

Income Tax - Schedule 11

Line No.	Line Description	Total Company GMO	Juris Factor #	Juris Allocation	Tax Rate	(ELEC-JURIS) Adjusted with 7.665% Return
46	**Total Deferred Income Tax Expense**					1,184,313
47	**Total Income Tax**					30,583,283
	(a) Percent of vehicle depr clearing to O&M				22.44%	

Interest Expense Proof:	Total Rate Base (Sch. 2)	1,907,881,169
	X Wtd Cost of Debt	2.306%
	Interest Exp	44,003,371
	Less: Interest Expense from Line 7	44,003,371
	Difference	0

Computation of Line 43 Above:

Line No.	Line Description	Total Company GMO	Juris Factor #	Juris Allocation	Tax Rate	Adjusted
48	**Deferred Income Taxes - Excess IRS Tax over Book D&A:**					
49	IRS Tax Return Depreciation					108,302,812
50	Less: Book Depreciation					104,890,969
51	Excess IRS Tax Depr over Book Depr					3,411,843
52	IRS Tax Return Plant Amortization					0
53	Less: Book Amortization					0
54	Excess IRS Tax Amort over Book Amortization					0
55	Total Timing Differences					3,411,843
56	AFUDC Equity	1,127,432	1,1	100.000%		1,127,432
57	MO Miscellaneous Flow Through	751,731	1,3	99.137%		745,245
58	Total Timing Differences after Flow Through					5,284,520
59	Effective Tax rate					25.45%
60	**Deferred Income Taxes - Excess IRS Tax over Book D&A**					1,344,910