

Exhibit No.:
Issue: Revenue Requirement Schedules;
Accounting Adjustments

Witness: Ronald A. Klote

Type of Exhibit: True-Up Direct Testimony

Sponsoring Party: Kansas City Power & Light
Company

Case Nos.: ER-2018-0145 and ER-2018-0146

Date Testimony Prepared: September 4, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2018-0145 and ER-2018-0146

TRUE-UP DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
September 2018**

KCP&L Exhibit No. 146
Date 9-25-18 Reporter TK
File No. ER-2018-0145 + 0146

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TRUE-UP DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case Nos. ER-2018-0145 and ER-2018-0146

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

2 A: My name is Ronald A. Klotte. My business address is 1200 Main, Kansas City, Missouri
3 64105.

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

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

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company
9 (“GMO”) (collectively, the “Company”).

10 **Q: Are you the same Ronald A. Klotte who filed Direct, Rebuttal, and Surrebuttal**
11 **testimony in Case Nos. ER-2018-0145 and ER-2018-0146?**

12 A: Yes.

13 **Q: What is the purpose of your true-up direct testimony?**

14 A: The purpose of my testimony is to provide the true-up adjustment summary schedules
15 and the resulting revenue requirement level after incorporating the actual changes in cost
16 of service through the true-up period in this rate case proceeding. The True-Up date
17 adopted by the Missouri Public Service Commission (“Commission”) for this proceeding
18 is June 30, 2018 as provided in the *Order Granting Motion to Consolidate and Order*
19 *Setting Procedural Schedule* issued March 13, 2018.

1 TRUE-UP REVENUE REQUIREMENT

2 **Q: Please describe Kansas City Power & Light Company's ("KCP&L") revenue**
3 **requirement calculation based on the True-Up through June 30, 2018.**

4 A: The revenue requirement as calculated in the true-up is an increase of \$11.4 million
5 before rebasing of fuel for the fuel adjustment clause ("FAC"). With the rebasing of fuel
6 for the FAC the revenue requirement is an increase of \$23.6 million. The initial request
7 as filed by the Company on January 30, 2018 before the rebasing of fuel for the FAC was
8 an increase of \$8.9 million. The initial request with the rebasing of fuel was an increase
9 of \$16.4 million. The true-up revenue requirement amount is set out in Schedule RAK-9.
10 This schedule, referred to as the Revenue Requirement Model, trues up estimates
11 included in the Company's direct filing and includes some positions in which the
12 Company is in agreement with MPSC Staff. The Revenue Requirement Model and
13 associated true-up adjustments reflect the Company's overall true-up case as of June 30,
14 2018. The components used in calculating the revenue requirement which include the
15 rate base, the income statement components and summary of adjustments are included as
16 Schedules RAK-10 through RAK-12.

17 **Q: Please describe KCP&L Greater Missouri Operations Company ("GMO") revenue**
18 **requirement calculation based on the True-Up through June 30, 2018.**

19 A: The revenue requirement as calculated in the true-up is an increase of \$6.0 million before
20 rebasing of fuel for the fuel adjustment clause ("FAC"). With the rebasing of fuel for the
21 FAC the revenue requirement is an increase of \$26.5 million. The initial request as filed
22 by the Company on January 30, 2018 before the rebasing of fuel for the FAC was a
23 decrease of \$2.4 million. The initial request with the rebasing of fuel was an increase of

1 \$19.3 million. The true-up revenue requirement amount is set out in Schedule RAK-16.
2 This schedule, referred to as the Revenue Requirement Model, trues up estimates
3 included in the Company's direct filing and includes some positions in which the
4 Company is in agreement with MPSC Staff. The Revenue Requirement Model and
5 associated true-up adjustments reflect the Company's overall true-up case as of June 30,
6 2018. The components used in calculating the revenue requirement which include the
7 rate base, the income statement components and summary of adjustments are included as
8 Schedules RAK-17 through RAK-19.

9 **Q: Please describe the process used to true-up the rate base for both KCP&L and**
10 **GMO.**

11 A: Rate base items, including plant-related additions, additional accumulated reserve,
12 associated accumulated deferred income taxes and non-plant items, were trued up to
13 actuals as of June 30, 2018 on a Missouri jurisdictional basis. Included as part of the
14 true-up at June 30, 2018 was the addition of the Company's new Customer Information
15 System which went into service in May 2018. The Customer Information System is
16 included on the books of KCP&L in plant-in-service and the accumulated reserve and
17 then billed to GMO for its usage share through the Common Use Billing process
18 discussed below. In addition, another significant impact to the accumulated reserve for
19 both KCP&L-MO and GMO was the addition of costs associated with Asset Retirement
20 Obligations ("AROs") that impacted the reserve prior to June 30, 2018.

21 **Q: Please explain the AROs that impacted the reserve prior to June 30, 2018.**

22 A: In May 2018, there was a change in accounting policy that took place regarding the
23 recording of ARO's in connection with the merger of equals between Great Plains

1 Energy Incorporated and Westar Energy, Inc. Although Westar and KCP&L (including
2 GMO) employed different accounting policies associated with the recording of AROs,
3 both accounting techniques resulted in the same end result in that cash expenditures
4 associated with the completion of AROs were recorded or settled out of a regulatory asset
5 balance into the accumulated reserve balances. The difference related to the timing of
6 when the cash expenditures actually hit the accumulated reserve. Westar's accounting
7 policy for ARO settlements was to reduce the ARO regulatory asset for settlement costs
8 as they were incurred and the cash was expended by the Company and closed the
9 settlements to the accumulated reserve balances at the time of payment. KCP&L's and
10 GMO's policy was to record ARO costs into the regulatory asset balance and not settle
11 and close the balance to the accumulated reserve until the ARO project was complete.
12 Westar was determined to be the accounting acquirer in the merger of equals. As such,
13 the accounting for KCP&L's and GMO's ARO settlements began to be recorded using
14 the methodology employed by Westar which resulted in actual cash expenditures that had
15 already been incurred being recorded to the accumulated reserve from the ARO
16 regulatory asset rather than waiting for the completion of the of the ARO project before
17 being closed to the accumulated reserve.

18 **Q: What are AROs?**

19 **A:** Per the Financial Accounting Standards Board Accounting Standards Codification (ASC)
20 410 – *Asset Retirement and Environmental Obligations*, an ARO is “An obligation
21 associated with the retirement of a tangible long-lived asset.” Specifically, ARO's are
22 associated with a legal obligation that an entity has to retire a particular asset. Examples
23 of ARO's that KCP&L and GMO currently have recorded include KCP&L's ARO to

1 decommission its 47% share of the Wolf Creek nuclear facility, the remediation of
2 asbestos at certain KCP&L and GMO generating units, and the remediation of Coal
3 Combustion Residual (CCR) storage sites, including ash ponds and landfills.

4 **Q: How does the new accounting policy impact the revenue requirement in this rate**
5 **case proceeding?**

6 A: Once actual cash expenditures are settled out of the ARO regulatory asset, they are
7 debited to the accumulated reserve for the actual cash that was expended. This reduces
8 the accumulated reserve balance in total thus increasing net plant in the true-up revenue
9 requirement. This change in accounting policy allows for the recognition of actual cash
10 expenditures that have occurred to be included in rate base calculations in this rate
11 proceeding.

12 **Q: Why does the Company believe this change in accounting policy should be**
13 **considered by the Commission in this rate case proceeding?**

14 A: First, ARO settlements that are closed out of a regulatory asset and into the accumulated
15 reserve are actual cash expenditures of the Company. These actual cash expenditures
16 should be considered in the determination of the revenue requirement. By excluding
17 them from rate base at this time, negative regulatory lag is given an opportunity to grow.
18 This change in accounting policy provides an opportunity to reduce regulatory lag
19 associated with ARO expenditures. Second, the ending result of both accounting policies
20 is that the cash expended is settled out of the regulatory asset and into the accumulated
21 reserve. The difference is merely timing of recording the entry when the cash is actually
22 expended or waiting until the entire ARO project is completed before the cash is settled
23 from the regulatory asset to the accumulated reserve. The new policy provides for

1 recognition in rate base more closely aligned with when the cash is expended. Finally,
2 it's important to note that the accounting policy that was elected by KCP&L and GMO
3 provided for final settlement to the accumulated reserve to occur when the ARO project
4 was completed. At the time the Company made this election it was generally expected
5 that the timing of cash expenditures to settle an ARO would occur at the time of plant
6 retirement. In this circumstance, there is no substantive difference in the ARO settlement
7 accounting between the Westar method and the legacy KCP&L and GMO method.
8 However in 2015 when the federal regulations regarding CCRs were established that
9 required utilities to immediately begin performing work on generating plant ash ponds
10 long before the expected retirement date of the generating units, this changed the
11 dynamic of the accounting entries where actual cash expended was placed into a
12 regulatory asset with significant delays before recovery of the costs was an option. As
13 such, this change in accounting procedure provides the Company the chance to settle the
14 AROs from the regulatory asset for actual cash expended and include it in its net plant
15 calculations included in the true-up revenue requirement in this case.

16 **Q: What were the amounts of ARO settlements that were recorded into the**
17 **accumulated reserve in May and June 2018?**

18 A: The amount of the settlements for KCP&L total company and GMO that were recorded
19 in May and June 2018 were \$47,673,696.08 and \$6,608,559.65, respectively.

20 **Q: Please describe the process used to true-up the capital structure/cost of capital for**
21 **both KCP&L and GMO.**

22 A: The capital structure/cost of capital was updated through June 30, 2018 consistent with
23 the Company's proposal included in its direct filing which included the utilization of

1 KCP&L's and GMO's actual capital structure and cost of debt. For the GMO entity,
2 there was an adjustment made to the equity balance in the amount of \$169 million to
3 reflect the actual amount of goodwill recorded associated with the GPE acquisition of
4 Aquila. This adjustment was explained and agreed to in the Rebuttal Testimony of
5 Company witness Robert Hevert in responding to the adjustment proposed by Midwest
6 Energy Consumers Group ("MECG") witness Michael Gorman.

7 **Q: Please briefly describe the process used to true-up revenue and expenses.**

8 A: The following were the more significant revenue and expense true-up adjustments:

9 Retail Revenues

10 The true-up adjustment for Retail Revenues reflects customer growth and
11 accounts for the customers switching rate classes where applicable through June 30,
12 2018.

13 Fuel and Purchased Power

14 The true-up adjustment for Fuel and Purchased Power reflects updated system
15 load and unit availability, with fuel prices updated through June 30, 2018.

16 FAC True-up Base Calculation

17 For KCP&L MO, the true-up model supports a \$0.01650 per kWh base rate. For
18 GMO, the true-up model supports a \$0.02372 per kWh base rate.

19 Payroll and Payroll-related Benefits

20 The true-up adjustment for Payroll and Payroll-related Benefits reflects the June
21 30, 2018 employee count and pay levels.

1 Pension and Other Post-Employment Benefits

2 The true-up adjustment for Pension and Other Post-Employment Benefits reflects
3 the updated 2018 actuarial information. For the GMO calculation, the adjustments were
4 made consistent with the approaches introduced in Staff's Direct Testimony.

5 Other Benefits

6 The true-up adjustment for Other Benefits which include medical and dental
7 benefits reflects the annualized cost calculated from the actual costs for these benefits
8 incurred for the 12 month period ending June 30, 2018.

9 Transmission Revenue

10 The true-up adjustment for transmission revenue reflects the transmission
11 revenues booked to FERC Account 456.1 for the 6-month period ending June 30, 2018.
12 This amount was then multiplied by 2 to reflect an annualized level of transmission
13 revenue. In order to capture the impact of the SPP balanced portfolio adjustment change
14 which is described in the Rebuttal Testimony of Company witness Don Frerking, the
15 Company annualized transmission revenues based upon the actual revenues for January
16 through June 2018 which encompassed a period in which all months included contained
17 the SPP balanced portfolio adjustment.

18 Transmission Expense

19 The true-up adjustment for transmission expense reflects an annualization based
20 on actual costs booked during the six month period January through June, 2018 which
21 were then multiplied by two. This is a consistent approach that was used with the
22 transmission revenues described above. By using the most current six month period the
23 adjustment includes the impact of the most current months of transmission expense

1 available. In addition, all months in the six month period include the full impact of the
2 SPP balanced portfolio adjustment which was described in the rebuttal testimony of
3 Company witness Don Frerking.

4 SPP Schedule 1A Administration Fees

5 The true-up adjustment for SPP Schedule 1A Administration Fees reflects an
6 annualization based on the SPP Schedule 1A Administration Fee rate of \$0.429 per MWh
7 in effect at June 30, 2018. This rate was applicable to both Network Integration
8 Transmission Service and point-to-point transmission service.

9 Maintenance Expense

10 The Company included in its true up revenue requirement filing the maintenance
11 expense amounts used by Staff in its direct filing. These maintenance amounts covered
12 the areas of production, nuclear, transmission and distribution. These maintenance
13 amounts included the following periods:

- 14 • Production KCP&L 3-year average of 2015-2017 (accts 510-514)
15 12-months ended 12-31-2017 (accts 551-554)
16 • Production GMO 4-year average of 2014-2017 (accts 510-514,
17 and accts 551-554)
18
- 19 • Nuclear 2-year average of 2016 - 2017 (KCP&L only)
- 20 • Transmission 4-year average of 2014-2017 (KCP&L and GMO)
- 21 • Distribution 4-year average 2014-2017 (KCP&L and GMO)

22 Wolf Creek Outage

23 Wolf Creek outage number 22 occurred March 31, 2018 through May 18, 2018.
24 The Company's true-up revenue requirement reflects the actual costs of the Wolf Creek
25 outage that occurred during 2018. The actual costs will be amortized over an 18-month
26 period.

1 Merger Transition Costs

2 The Company agreed to the following regarding transition cost recovery to be
3 included in this rate case in the Stipulation and Agreement in the merger docket number
4 EM-2018-0012:

5 9. Transition Costs: Signatories shall support in KCP&L and
6 GMO's 2018 rate cases filed on January 30, 2018, deferral of
7 Merger transition costs of \$7,209,208 for GMO and \$9,725,592 for
8 KCP&L's Missouri operations. Signatories will recommend
9 recovery in the respective 2018 rate cases through amortization of
10 such Merger transition costs for approval by the Commission over
11 a 10-year period beginning when such costs have been included in
12 Missouri base rates, with no carrying costs or rate base inclusion
13 allowed for the unamortized portion of such costs at any time.
14 Signatories agree that no other Merger transition costs shall be
15 requested for recovery from Missouri customers in the 2018 rate
16 cases or thereafter. This agreement regarding transition cost
17 recovery is an additional limitation to Condition 19 in Exhibit A to
18 the Stipulation and Agreement filed on January 12, 2018.

19 The Company has included annual amortization amounts of \$720,921 for GMO and
20 \$972,559 for KCP&L in its true up revenue requirement in accordance with the
21 agreement above.

22 Common Use Billings

23 The true-up adjustment for Common Use Billings reflects an annualization based
24 on the June 2018 common use billing. These entries allocate common plant such as
25 facilities and hardware / software between KCP&L and KCP&L Greater Missouri
26 Operations Company based on net plant. Included in these Common Use Billings is the
27 One CIS project billing to GMO. The One CIS project is allocated through the Common
28 Use Billing process using the customer allocator. The billing to GMO includes an
29 annualized level of One CIS billings as of June 2018.

1 Property Tax Expense

2 The true-up adjustment for Property Tax Expense reflects the annualization of
3 property taxes using plant balances as of January 1, 2018 multiplied by the calculated
4 ratio of 2017 actual taxes paid compared to January 1, 2017 plant balances.

5 Depreciation and Amortization

6 The true-up adjustment for Depreciation and Amortization reflects June 30, 2018
7 plant balances and the depreciation rates authorized in KCP&L's and GMO's last rate
8 case.

9 Income Taxes

10 Income Tax Expense and Accumulated Deferred Income Taxes were adjusted to
11 reflect the income tax impacts of the various true-up adjustments discussed above. In
12 addition, excess accumulated deferred income taxes amortization associated with the Tax
13 Cuts and Jobs Act of 2017 is reflected in the income tax calculation.

14 Electric Vehicle ("EV") Charging Stations

15 EV charging stations have been included in the revenue requirement of KCP&L
16 in a manner that reflects the results of the recent opinion of the Western District of the
17 Missouri Court of Appeals in the appeal of the Commission's Report and Order in
18 KCP&L's last rate case, No. ER-2016-0285, as described in the surrebuttal testimony of
19 Company witness Tim Rush. EV charging stations continue to be included in the GMO
20 revenue requirement, also as described in the surrebuttal testimony of Company witness
21 Rush.

1 **Q: Were there any other adjustments worth noting that are included in the true-up**
2 **revenue requirement?**

3 A: Yes. First, there was an amount associated with a settlement at Wolf Creek that occurred
4 during the test year that impacted various accounts in the revenue requirement.
5 Secondly, the building at 801 Charlotte which was previously leased by the Company
6 was purchased. As such, the lease has been removed from the revenue requirement.

7 **Q: Please explain the issue that was discovered since the direct filing in this case related**
8 **to the Wolf Creek plant.**

9 A: In April 2013, the Joint Owners of Wolf Creek filed a petition with the circuit court in
10 Jackson County, Missouri against Defendants ABB and one of their employees alleging
11 negligence in work they performed at the plant during 2011. The Plaintiffs (the Joint
12 Owners) claim that the Defendants performed deficient work which caused an oil leak,
13 and then performed the re-work in a negligent and unsafe manner by failing to properly
14 insulate the transformer wires and also by sending an unqualified worker to do the re-
15 work. In January 2012, this defect caused the Wolf Creek plant to experience a 73-day
16 forced outage in order to repair the faulty work performed by the Defendants. Because of
17 this, the Plaintiffs suffered damages including lost profits, the cost of replacement power,
18 expert analysis costs, costs of the Nuclear Regulatory Commission's investigation, and
19 internal labor costs.

20 **Q: What was the outcome of this litigation?**

21 A: On June 29, 2017 a monetary settlement was received by the Joint Owners which
22 excludes capacity and punitive damages. The Company's share of the settlement was

1 \$7,287,518.44 total KCP&L, which was recorded on KCP&L's books during the test
2 year.

3 **Q: What is the impact to the revenue requirement with regards to this settlement?**

4 A: The settlement was recorded in the same manner that the damages occurred with a
5 portion going to fuel and purchased power accounts and then a smaller portion recorded
6 to operations. There is no impact to the current case due to the amounts recorded to fuel
7 and purchased power accounts because these amounts were not considered for FAC
8 inclusion since the FAC was not in effect at the time period of the dispute. Also, the fuel
9 and purchased power accounts are normalized and annualized with the current fuel run in
10 the case. However, the amount recorded to operations account 524000 does impact the
11 revenue requirement. This settlement was not contemplated in the direct filing because
12 of an oversight.

13 **Q: How does the Company propose to treat this one-time receipt of settlement proceeds
14 in the True-Up filing?**

15 A: The Company is proposing to remove the amount recorded to operations account 524000
16 in the amount of \$2,750,268.53 in adjustment CS-11 in the True-Up filing for KCP&L-
17 MO.

18 **Q: Were there any other changes to the CS-11 True-Up adjustment?**

19 A: Yes. The Company purchased the 801 Charlotte building in June 2018, therefore, the
20 lease payments that were recorded during the test year were removed in the CS-11
21 adjustment for the True-Up filing.

1 **TAX CUTS AND JOBS ACT OF 2017 – STUB PERIOD**

2 **Q: In previous Direct Testimony of Company witness Darrin Ives, what did the**
3 **Company request of the Commission?**

4 **A: Company witness Darrin Ives stated in his Direct Testimony the following:**

5 KCP&L believes that its customers should benefit from the reduction in
6 corporate federal income tax rates. The Company expects to work with
7 the parties to this case and fully reflect the impacts of this new law in rates
8 set in this rate case proceeding. In early January 2018, KCP&L provided
9 assurance that customers would experience the full benefits of this new tax
10 law. The impact of this tax change will take several months to resolve,
11 but, in determining how the tax reduction will impact rates, KCP&L is
12 requesting that the Commission review and update all costs necessary to
13 serve KCP&L customers.

14 **Q: Did the Company reflect the Tax Cuts and Jobs Act of 2017 (“TCJA”) in the true-**
15 **up revenue requirement in this case?**

16 **A: Yes.**

17 **Q: What is the impact of the TCJA on the true-up revenue requirement in this case?**

18 **A: The Company has reflected the impact of the TCJA in its true-up revenue requirement**
19 **calculation. The total reduction in the true-up revenue requirement is \$40.9M for KCPL-**
20 **MO and \$24.0M for GMO.**

21 **Q: Was the framework of the TCJA Stub Period calculation provided in my Rebuttal**
22 **Testimony?**

23 **A: Yes it was. The three-step approach described on pages 14-22 of my rebuttal testimony**
24 **is consistent with the concept articulated by Company witness Ives in his direct testimony**
25 **regarding TCJA.**

1 Q: What was the result of step one which calculated the TCJA Stub Period impacts?

2 A: The results of step one included two parts: The federal rate change impact from 35% to
3 21% and the amortization of the excess deferred income taxes from January to June 2018.
4 The results were as follows for KCP&L and GMO:

**Kansas City Power & Light Company
Stub Period Calculation**

Step 1 Calculate Tax Reform Impact on the 2016 Ordered Model w/ROE at 9.5%

(33,342,564) Federal Rate Change from 35% to 21%

(5,375,163) Excess Deferred Amortizations Jan-Jun 2018

(38,717,727) Total Revenue Requirement impact for Tax Reform - 2016 Ordered Model

**KCP&L Greater Missouri Operations
Stub Period Calculation**

Step 1 Calculate Tax Reform Impact on the 2016 Ordered Model w/ROE at 9.5%

(26,706,904) Federal Rate Change from 35% to 21%

(2,604,708) Excess Deferred Amortizations Jan-Jun 2018

(29,311,612) Total Revenue Requirement impact for Tax Reform - 2016 Ordered Model

7 Q: What was step two?

8 A: In step two the Company identified a process to review all costs impacting the Company
9 by using the resulting revenue requirement determined in this case with certain 2018
10 specific adjustments to determine whether, and how much of, the step one amount should
11 be offset.

1 Q: Has the Company completed step two?

2 A: Yes.

3 Q: What adjustments did the Company make to the true-up revenue requirement in
4 order to approximate 2018 conditions and results?

5 A: There were certain adjustments to the true-up revenue requirement calculation in order to
6 approximate operating conditions and results in 2018. These same adjustments should be
7 made to the final revenue requirement decided in this rate case to determine whether, and
8 how much of, the step one amount should be offset. The adjustments that are made are
9 contained on Exhibit RAK-23 for KCP&L and RAK-24 for GMO. They fall into the
10 following major categories:

- 11 ▪ Return on Equity (“ROE”): During 2018, KCP&L’s ROE
12 included in rates was 9.5%. GMO’s ROE included in rates was a
13 range from 9.5% to 9.75%. The true-up revenue requirement in
14 this case contains a 9.85% ROE. As such, an adjustment is needed
15 to reduce the 9.85% ROE down to 9.5% in order to reflect the
16 Commission-authorized ROE during the 2018 stub period.
- 17 ▪ New Regulatory Assets/Liability Amortizations that began in the
18 2018 Rate Case – Removal: There were certain regulatory assets
19 and regulatory liabilities that are proposed to begin with the 2018
20 rate case. These amortizations were not being incurred during
21 2018 and thus need to be removed from the revenue requirement
22 calculation to approximate operating conditions and results for the
23 stub period.

- 1 ▪ Regulatory Assets/Liability Amortizations – Occurring during
2 2018 but removed from the revenue requirement model –
3 Addback: There were certain regulatory assets and regulatory
4 liabilities that occurred during 2018 but ended at some point prior
5 to when rates will be effective in this case. These adjustments
6 addback the amortizations that were occurring during 2018 to
7 ensure they are properly reflective of 2018 operations and results
8 during the stub period.
- 9 ▪ Fuel: The fuel adjustment replaces the true-up revenue
10 requirement normalized fuel cost with the base fuel cost that was
11 agreed to in the last rate case and in effect during the 2018
12 calendar period. In this way, the fuel associated with the FAC
13 revenue is eliminated from the true up revenue requirement
14 calculation.
- 15 ▪ Excess Deferred Income Taxes: Excess deferred income taxes are
16 removed from the revenue requirement calculation since the excess
17 deferred income taxes that have occurred from January through
18 June 2018 are being proposed to be returned to customers.
19 Amounts post June will be included in a regulatory liability and be
20 included in the excess deferred income taxes amortization
21 established in the revenue requirement in this rate case proceeding.
- 22 ▪ Other Adjustments accepted by the Commission: This category
23 will include any additional adjustments accepted by the

1 Commission that are not included as part of the Company's true-up
2 revenue requirement calculation.

3 **Q: What are the results of the step two calculation?**

4 A: Exhibit RAK-23 and RAK-24 includes the results of the step two calculation for both
5 KCPL-MO and GMO. The results show that KCP&L-MO was in an underearning
6 position during 2018. Thus, there is no amount of TCJA stub period amount to be
7 refunded to customers. The results show in GMO that the Company is in an overearning
8 position in 2018 and that the amount of overearning is \$10.0 million. This amount
9 should be refunded to customers using a one-time bill credit. The remaining amounts for
10 GMO associated with the TCJA stub period should not be refunded to customers.

11 **Q: Should these amounts be updated with the final revenue requirement determination**
12 **in this rate case?**

13 A: Yes. The final revenue requirement determination should be used to compute the Stub
14 period offset. The same applicable adjustments should be made that are associated with
15 the costs included in the final revenue requirement determination to determine the
16 appropriate amount of the TCJA during the stub period to be returned to customers.

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

18 A: Yes, it does.

Kansas City Power & Light Company
2018 RATE CASE - Jun18 True-Up
Missouri Jurisdiction
TY 6/30/17; Update 12/31/17; K&M 6/30/18

Revenue Requirement

Line No.	Description	7.343% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	\$ 2,702,966,294
2	Rate of Return	<u>7.3427%</u>
3	Net Operating Income Requirement	\$ 198,470,706
4	Net Income Available (Sch 9)	<u>180,865,462</u>
5	Additional NOIBT Needed	17,605,244
6	Additional Current Tax Required	6,010,078
7	Gross Revenue Requirement	<u><u>\$ 23,615,323</u></u>

Kansas City Power & Light Company
2018 RATE CASE - Jun18 True-Up
Missouri Jurisdiction
TY 6/30/17; Update 12/31/17; K&M 6/30/18

Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	5,599,589,292	Klote	RB-20
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	2,206,260,992	Klote	RB-30
5	Net (Plant in Service)	<u>3,393,328,300</u>		
6	Add to Net Plant:			
7	Cash Working Capital - Schedule 8	(61,413,861)	Klote	Model
8	Materials and Supplies - Schedule 12	67,610,091	Nunn	RB-72
9	Prepayments - Schedule 12	8,234,968	Nunn	RB-50
10	Fuel Inventory - Oil - Schedule 12	4,706,936	Tucker	RB-74
11	Fuel Inventory - Coal - Schedule 12	32,244,293	Tucker	RB-74
12	Fuel Inventory - Additives - Schedule 12	466,368	Tucker	RB-74
13	Fuel Inventory - Nuclear - Schedule 12	31,355,006	Nunn	RB-75
14	Regulatory Asset - EE/DR Deferral-MO	20,054,490	Nunn	RB-100
15	Regulatory Asset - Iatan 1 and Com-MO	9,717,039	Nunn	RB-25
16	Regulatory Asset - Iatan 2	24,731,473	Nunn	RB-26
17	Regulatory Asset - Pensions	6,664,142	Klote	RB-65
18	Regulatory Asset - Prepaid Pension Exp	0	Klote	RB-65
19	Regulatory Asset (Liab) - OPEBs Tracker	(3,101,870)	Klote	RB-61
20	Subtract from Net Plant:			
21	Cust Advances for Construction-MO	1,692,510	Nunn	RB-71
22	Customer Deposits-MO	4,326,947	Nunn	RB-70
23	Deferred Income Taxes - Schedule 13	792,944,706	Klote	RB-125
24	Def Gain on SO2 Emissions Allowances-MO	31,817,785	Nunn	RB-55
25	Def Gain (Loss) Emissions Allow-Allocated	27,010	Nunn	RB-55
26	Income Eligible Weatherization	822,122	Nunn	RB-101
27	Total Rate Base	<u><u>2,702,966,294</u></u>		

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Income Statement

Line No.	Description A	Total Company B	Adjustment C	Adjusted Total Company D	Adjusted Jurisdictional F
1	Operating Revenue	1,877,552,069	260,532,205	2,138,084,274	1,170,113,585
2	Operating & Maintenance Expenses:				
3	Production	576,894,888	381,933,998	958,828,886	535,089,579
4	Transmission	82,831,499	14,388,431	97,219,930	55,068,033
5	Distribution	56,024,481	67,808	56,092,289	30,894,726
6	Customer Accounting	19,784,014	12,841,114	32,625,128	18,837,984
7	Customer Services	50,879,891	(30,315,484)	20,564,407	20,015,463
8	Sales	497,657	(5,850)	491,807	258,867
9	A & G Expenses	168,470,728	(18,764,718)	149,706,011	79,929,782
10	Total O & M Expenses	955,383,159	360,145,299	1,315,528,457	740,094,434
11	Depreciation Expense	236,542,943	14,114,169	250,657,112	126,519,819
12	Amortization Expense	23,571,354	14,429,792	38,001,146	26,786,448
13	Taxes other than Income Tax	180,368,718	(62,426,980)	117,941,738	63,345,525
14	Net Operating Income before Tax	481,685,895	(65,730,075)	415,955,820	213,367,357
15	Income Taxes Current	61,714,784	4,586,434	66,301,218	31,276,951
16	Income Taxes Deferred	67,061,442	(68,213,306)	(1,151,864)	1,801,309
17	Investment Tax Credit	(962,914)	(110,401)	(1,073,315)	(576,365)
18	Total Taxes	127,813,312	(63,737,273)	64,076,039	32,501,896
19	Total Net Operating Income	353,872,583	(1,992,801)	351,879,782	180,865,462

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
				D	E	F	G
				Adjust to 06-30-18 - True Up Date			
				Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
JURISDICTIONAL COST OF SERVICE							
1		OPERATING REVENUE					
2		Retail Sales - Schedule 9, line 39					
3	R-1	Remove Gross Receipts Tax revenue (MO only)	Nunn	(71,915,116)		(71,915,116)	
4	R-20	Normalize MO retail revenues (MO only)	Bass / Miller	(40,811,806)		(40,811,806)	
5	R-21a	Adjust MO forfeited disc for R-21a LPC (MO only)	Nunn	420		420	
6	R-21b	Adjust MO forfeited disc for R-21b LPC - ASK (MO only)	Nunn	50,869		50,869	
7	R-35	Normalize Bulk Power Sales	Crawford	373,055,937	373,055,937		
8	R-49	CNN Revenue	Nunn	127,994	127,994		
9	R-75	AllConnect Revenue	Klote	(42,584)	(42,584)		
10	R-78	Amortize bulk power margins in excess of 25th percentile (MO only)	Nunn	41,337		41,337	
11	R-80	Transmission Revenues - ROE	Klote	(788,988)	(788,988)		
12	R-82	Transmission Revenues - Annualized	Klote	814,142	814,142		
13		Operating Revenue - Schedule 9, line 39		260,532,205	373,166,501	(112,634,296)	0
14							
15		OPERATING EXPENSES - Schedule 9, line 297					
16	CS-4	Reflect KCREC test year bad debt expense in KCP&L's COS	Nunn	7,988,592		5,826,173	2,162,419
17	CS-9	Reflect KCREC test year bank commitment fees in KCP&L's COS	Nunn	1,755,812	1,755,812		
18	CS-10	Reflect test year interest on customer deposits in COS	Nunn	189,409		177,808	11,601
19	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	(739,865)	(455,587)	(284,278)	
20	CS-20a	Normalize bad debt expense related to test year revenue	Nunn	(241,382)		(241,382)	
21	CS-20b	Normalize bad debt expense related to jurisdictional "Ask"	Nunn	139,718		139,718	

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Line No.	Adj No.	Description	Witness	Increase (Decrease)			
				D	E	F	G
				Adjust to 06-30-18 - True Up Date			
				Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
JURISDICTIONAL COST OF SERVICE							
22	CS-22	Amortize deferred gain on sale of SO2 emissions allowances	Nunn	0	0	0	
23	CS-23	Remove FAC Under Recovery	Nunn	36,916,878		36,916,878	
24	CS-24	Normalize fuel and purchase power energy (on system)	Crawford	349,686,522	349,515,312	171,210	
25	CS-25	Normalize purchased power capacity costs	Crawford	0	0		
26	CS-27	Wolf Creek Water Contract	Klote	723,937	723,937		
27	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage (See Line 81)	Klote	0	0		
28	CS-36	Annualize Wolf Creek refueling outage amortization	Klote	(4,738,293)	(3,931,028)	(807,265)	
29	CS-37	Adjust Nuclear decommissioning expense	Klote	0			
30	CS-39	IT Software Maintenance	Klote	1,583,016	1,583,016		
31	CS-40	Normalize Transmission maintenance expense	Nunn	155,058	155,058		
32	CS-41	Normalize Distribution maintenance expense	Nunn	146,776	146,776		
33	CS-42	Normalize Generation maintenance expense	Nunn	(2,572,846)	(2,572,846)		
34	CS-43	Nuclear Maintenance		399,485	399,485		
35	CS-44	Adjust cost of Economic Relief Pilot Program (ERPP) (MO only)	Nunn	129,029		129,029	
36	CS-45	Normalize transmission of electricity by others	Klote	13,815,105	13,815,105		
37	CS-48	Annualize non-labor O&M expenses for latan 2	Nunn	(1,218,176)	0	(1,218,176)	
38	CS-49	CNN O&M	Nunn	192,248	192,248		
39	CS-50	Annualize salary and wage expense for changes in staffing levels and base pay rates	Klote	2,625,422	2,603,326	11,551	10,545
40	CS-51	Normalize incentive compensation costs- Value Link	Klote	(2,360,065)	(2,360,065)		
41	CS-52	Normalize 401k costs	Klote	(121,690)	(121,690)		
42	CS-53	Payroll Taxes (see Line 82)	Klote				
43	CS-60	Annualize other benefit costs	Klote	(182,549)	(182,549)		
44	CS-61	Annualize OPEB expense	Klote	(1,503,415)	(1,503,415)		

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
				D	E	F	G
				Adjust to 06-30-18 - True Up Date			
				Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
JURISDICTIONAL COST OF SERVICE							
45	CS-62	Normalize SERP expense	Klote	(1,008,262)	(1,008,262)		
46	CS-65	Annualize FAS 87 and FAS 88 pension expense	Klote	1,944,446	1,944,446		
47	CS-70	Annualize Insurance Premiums	Klote	220,821	220,821		
48	CS-71	Normalize injuries and damages expense	Nunn	(8,470,436)	(8,470,436)		
49	CS-76	Annualize interest on customer deposits	Nunn	66,814		49,358	17,456
50	CS-77	Annualize Customer Accounts expense for credit card payment costs	Nunn	45,412	45,412		
51	CS-78	Annualize KCREC bank fees related to sale of receivables	Nunn	2,185,958	2,185,958		
52	CS-80	Amortize MO, KS and FERC rate case expenses	Nunn	251,323		251,323	
53	CS-85	Annualize regulatory assessments	Nunn	(21,138)	116,111	(101,085)	(36,164)
54	CS-86	SPP Schedule 1 Admin Fee's	Nunn	242,054	242,054		
55	CS-88	CIPS/Cyber Security O&M	Nunn	518,486	518,486		
56	CS-89	Meter Replacement O&M	Nunn	627,744	627,744		
57	CS-90	Advertising	Nunn	165,200	165,200		
58	CS-91	Amortize advertising MO regulatory asset	Nunn	0	0		
59	CS-92	Dues/Donations	Nunn	(34,040)	(34,040)		
60	CS-95	Amortization of Merger Transition Costs	Klote	972,559	972,559		
61	CS-98	MEEIA	Nunn	(31,893,002)		(31,720,509)	(172,493)
62	CS-99	Flood Reimbursement Amortization	Nunn	180,840		180,840	
63	CS-100	Amortize EE/DR regulatory assets	Nunn	339,543		339,543	
64	CS-101	Income Eligible Weatherization	Nunn	(305,738)		(305,738)	
65	CS-102	Amort of CCN	Rush	(157,581)			
66	CS-107	Transource Account Review Amortization	Nunn	45,627		45,627	
67	CS-108	Transource CWIP/FERC Incentives	Klote	213,874	213,874		
68	CS-110	Amortize 2011 Flood	Nunn	(282,458)		(282,458)	
69	CS-113	Amortize Prospective Tracking	Nunn	(66,168)		(66,168)	
70	CS-114	Amortize LaCygne Obsolete Inventory	Nunn	0		0	
71	CS-116	Adjust Costs of Renewable Energy Standards	Nunn	1,255,185		1,255,185	

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
				D	E	F	G
JURISDICTIONAL COST OF SERVICE				Adjust to 06-30-18 - True Up Date			
				Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
72	CS-117	Common-use Billings	Klote	(9,787,277)	(9,787,277)		
73	CS-120	Annualize depr exp based on jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period - unit trains & transportation equipment	Klote	126,787	126,787		
74				<u>360,145,299</u>	<u>347,842,332</u>	<u>10,467,184</u>	<u>1,993,364</u>
75		Depreciation Expense - Schedule 9, line 301					
76	CS-120	Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Klote	14,114,169	14,114,169		
77				<u>14,114,169</u>	<u>14,114,169</u>	<u>0</u>	<u>0</u>
78		Amortization Expense - Schedule 9, line 313					
79	CS-111	Amortize latan 1/Common Regulatory Asset	Nunn	0			
80	CS-112	Amortize latan 2 Regulatory Asset	Nunn	0			
81	CS-121	Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period	Klote	14,429,792	14,429,792		
82				<u>14,429,792</u>	<u>14,429,792</u>	<u>0</u>	<u>0</u>
83		Taxes Other than Income - Schedule, line 323					
84	R-1	Remove Gross Receipts Tax expense (MO only)	Nunn	(69,845,702)		(69,845,702)	
85	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage	Klote	0		0	
86	CS-53	Annualize Payroll tax expense	Klote	648,187	648,187		
87	CS-126	Adjust property tax expense	Klote	6,551,286	6,551,286		
88	CS-128	KCMO Earnings Tax	Klote	219,249		219,249	
89				<u>(62,426,980)</u>	<u>7,199,473</u>	<u>(69,626,453)</u>	<u>0</u>
90		Income Tax Expense - Schedule 9, line 336					
91	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Klote	(63,737,273)	(64,091,711)	354,438	

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
				D	E	F	G
	A	B					
		JURISDICTIONAL COST OF SERVICE		Adjust to 06-30-18 - True Up Date			
				Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
92				(63,737,273)	(64,091,711)	354,438	0
93		Total Electric Oper. Expenses		262,525,007	319,494,055	(58,804,831)	1,993,364
94		Net Electric Operating Income - Schedule 9 , line 338		(1,992,801)	53,672,446	(53,829,464)	(1,993,364)
				0			

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated

(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the Missouri rate case.

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Cash Working Capital

Line No.	Account Description	Jurisdictional		Net			CWC Req (B) X (F)
		Test Year Expenses	Revenue Lag	Expense Lead	(Lead)/Lag (C) - (D)	Factor (Col E/366)	
	A	B	C	D	E	F	G
1	<u>Operations & Maintenance Expense</u>						
2	Gross Payroll excl Wolf Creek Prod & Accrued Vac	61,248,889	27.54	13.85	13.69	0.04	2,297,253
3	Accrued Vacation	6,780,744	27.54	344.83	(317.29)	(0.87)	(5,894,417)
4	Wolf Creek Operations & Fuel, incl Payroll	56,395,861	27.54	25.85	1.69	0.00	261,121
5	Purchased Coal & Freight	124,991,618	27.54	20.88	6.66	0.02	2,280,669
6	Purchased Gas	4,401,154	27.54	28.62	(1.08)	(0.00)	(13,023)
7	Purchased Oil, excl Wolf Creek	3,326,577	27.54	8.50	19.04	0.05	173,529
8	Purchased Power	277,977,254	27.54	30.72	(3.18)	(0.01)	(2,421,829)
9	Injuries & Damages	4,851,474	27.54	149.56	(122.02)	(0.33)	(1,621,854)
10	Pension Expense	28,159,917	27.54	51.74	(24.20)	(0.07)	(1,867,041)
11	OPEBs	737,112	27.54	178.44	(150.90)	(0.41)	(304,740)
12	Incentive Compensation	3,136,485	27.54	256.50	(228.96)	(0.63)	(1,967,479)
13	Cash Vouchers	168,087,348	27.54	30.00	(2.46)	(0.01)	(1,132,863)
14	Total Operation & Maintenance Expense	740,094,434					(10,210,675)
15	<u>Taxes other than Income Taxes</u>						
16	FICA Taxes - Employer's	6,856,755	27.54	13.77	13.77	0.04	258,678
17	Unemployment Taxes - Federal & State	71,647	27.54	71.00	(43.46)	(0.12)	(8,531)
18	City Franchise Taxes - 6% GRT - MO	46,394,024	12.33	72.28	(59.95)	(0.16)	(7,620,060)
19	City Franchise Taxes - 4% GRT - MO	17,833,117	12.33	39.34	(27.01)	(0.07)	(1,319,651)
20	City Franchise Taxes - Other MO Cities	11,035,459	12.33	60.94	(48.61)	(0.13)	(1,469,681)
21	Ad Valorem / Property Taxes	55,955,421	27.54	208.84	(181.30)	(0.50)	(27,793,748)
22	Sales & Use Taxes - MO	28,025,576	12.33	22.00	(9.67)	(0.03)	(742,486)
23	Total Taxes other than Income Taxes	166,171,999					(38,695,478)
24	Current Income Taxes-Federal	23,651,301	27.54	45.63	(18.09)	(0.05)	(1,172,197)
25	Current Income Taxes-State	7,625,650	27.54	45.63	(18.09)	(0.05)	(377,940)
26	Total Income Taxes	31,276,951					(1,550,137)
27	Interest Expense	67,776,880	27.54	86.55	(59.01)	(0.16)	(10,957,572)
28	Total Cash Working Capital Requirement	1,005,320,265					(61,413,861)

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Allocation Factors

Line No.	Jurisdiction Factors A	Missouri B	KS & Wholesale C	Total D
1	Jurisdiction Factors			
2	Missouri Jurisdictional	100.0000%	0.0000%	100.0000%
3	Kansas Jurisdictional	0.0000%	100.0000%	100.0000%
4	Non Jurisdictional/Wholesale	0.0000%	100.0000%	100.0000%
5	D1 - Demand (Capacity) Factor	52.7600%	47.2400%	100.0000%
6	E1 - Energy Factor with Losses (E1)	56.6000%	43.4000%	100.0000%
7	C1 - Customer - Elec (Retail only) (C1)	52.6359%	47.3641%	100.0000%
8	Blended Factors			
9	Sal & Wg - Salaries & Wages w/o A&G	53.3403%	46.6597%	100.0000%
10	PTD - Prod/Trsm/Dist Plant (excl Gen)	53.6995%	46.3005%	100.0000%
11	Dist Plt - Weighted Situs Basis	55.3855%	44.6145%	100.0000%
12	Situs Basis Plant used for Dist Depr Reserve			
13	360 - Dist Land	50.3909%	49.6091%	100.0000%
14	360 - Dist Land Rights	58.3324%	41.6676%	100.0000%
15	361 - Dist Structures & Improvements	56.7130%	43.2870%	100.0000%
16	362 - Distr Station Equipment	62.0852%	37.9148%	100.0000%
17	362 - Distr Station Equip-Communication	55.8321%	44.1679%	100.0000%
18	363 - Distr Energy Storage Equipment	100.0000%	0.0000%	100.0000%
19	364 - Dist Poles, Towers & Fixtures	54.2346%	45.7654%	100.0000%
20	365 - Dist Overhead Conductor	55.8702%	44.1298%	100.0000%
21	366 - Dist Underground Circuits	57.9764%	42.0236%	100.0000%
22	367 - Dist Underground Conduct & Devices	52.1652%	47.8348%	100.0000%
23	368 - Dist Line Transformers	56.8030%	43.1970%	100.0000%
24	369 - Dist Services	51.7183%	48.2817%	100.0000%
25	370 - Dist Meters	51.5473%	48.4527%	100.0000%
26	370 - Dist AMI Meters	54.5675%	45.4325%	100.0000%
27	371 - Dist Customer Premise Installations	69.2005%	30.7995%	100.0000%
28	371 - Dist Electric Vehicle Charging Stations	52.6220%	47.3780%	100.0000%
29	373 - Dist Street Lights & Traffic Signals	47.5076%	52.4924%	100.0000%

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Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.343% Return
1	Net income Before Taxes (Sch 9)	<u>415,955,820</u>				<u>213,367,357</u>
2	Add to Net Income Before Taxes:					
3	Depreciation Exp	250,657,112				126,519,819
4	Plant Amortization Exp	47,785,076				25,660,347
5	Amortization of Unrecovered Reserve-KS	2,777,264	100% KS	0.0000%		0
6	Book Nuclear Fuel Amortization	25,639,146				14,511,757
7	Transp & Unit Train Depr-Clearing	2,753,810				1,473,397
8	50% Meals & Entertainment	585,681	Sal&Wg	53.3403%		312,404
9	Total	<u>330,198,089</u>				<u>168,477,724</u>
10	Subtract from Net Income Before Taxes:					
11	Interest Expense	131,837,542				67,776,880
12	IRS Tax Return Depreciation	276,689,996	PTD	53.6995%		148,581,144
13	IRS Tax Return Plant Amortization	33,661,210	PTD	53.6995%		18,075,901
14	IRS Tax Return Nuclear Amortization	21,807,314	E1	56.6000%		12,342,940
15	Employee 401k ESOP Deduction	2,310,000	Sal&Wg	53.3403%		1,232,161
16	IRC Section 199 Domestic Production Activities	0	D1	52.7600%		0
17	Total	<u>466,306,062</u>				<u>248,009,026</u>
18	Net Taxable Income	<u>279,847,847</u>				<u>133,836,055</u>
19	Provision for Federal Income Tax:					
20	Net Taxable Income	279,847,847				133,836,055
21	Deduct State Income Tax @ 100.0%	15,915,951				7,625,650
22	Deduct City Income Tax	0				0
23	Federal Taxable Income	<u>263,931,896</u>				<u>126,210,405</u>

24	Federal Tax Before Tax Credits	55,425,698			21.00%	26,504,185
25	Less Tax Credits:					
26	Wind Tax Credit	(3,900,480)	E1	56.6000%		(2,207,672)
27	Research and Development Tax Credit	(1,063,462)	E1	56.6000%		(601,919)
28	Alternate Refueling Property Tax Credit (Charging Stations)	0	371	69.2005%		0
29	Fuels Tax Credit	(76,489)	E1	56.6000%		(43,293)
30	Total Federal Tax	<u>50,385,267</u>				<u>23,651,301</u>
31	Provision for State Income Tax:					
32	Net Taxable Income	279,847,847				133,836,055
33	Deduct Federal Income Tax @ 50.0%	25,192,634			10.50%	11,825,651
34	Deduct City Income Tax	0				0
35	State Jurisdictional Taxable Income	<u>254,655,214</u>				<u>122,010,404</u>
36	Total State Tax	<u>15,915,951</u>			6.25%	<u>7,625,650</u>
37	Provision for City Income Tax:					
38	Net Taxable Income	279,847,847				133,836,055
39	Total City Tax	<u>0</u>			0.00%	<u>0</u>
40	Effective Tax rate before Tax Cr and Earnings Tax	23.84%	Deferred			23.84%
41	Summary of Provision for Current Income Tax:					
42	Federal Income Tax	50,385,267				23,651,301
43	State Income Tax	15,915,951				7,625,650
44	City Income Tax	0				0
45	Total Provision for Current Income Tax	<u>66,301,218</u>				<u>31,276,951</u>
46	Deferred Income Taxes:					
47	Deferred Income Taxes - Excess IRS Tax over Book D&A	3,400,303	See Computation Below			4,081,694
48	Amortization of Deferred ITC	(1,073,315)	PTD	53.6995%		(576,365)
49	Amort of Excess Deferred Income Taxes	(4,906,605)	PTD	53.6995%		(2,634,822)
50	Amortization of Cost of Removal-ER-2007-0291	354,438	100% MO	100.0000%		354,438
51	Total Deferred Income Tax Expense	<u>(2,225,179)</u>				<u>1,224,945</u>
52	Total Income Tax	<u>64,076,039</u>				<u>32,501,896</u>

53	(a) Percent of vehicle depr clearing to O&M			39.62%
54	Effective Tax Rate excluding City Earnings Taxes - MO juris	25.45%	Current	25.45%

Interest Expense Proof:

Total Rate Base (Sch. 2)	2,702,966,294
X Wtd Cost of Debt	2.508%
Interest Exp	67,776,880
Less: Interest Expense from Line 7	67,776,880
Difference	<u>0</u>

* As Needed

Computation of Line 47 Above:

Deferred Income Taxes - Excess IRS Tax over Book D&A:

55	IRS Tax Return Depreciation	276,689,996			148,581,144
56	Less: Book Depreciation	253,434,376			126,519,819
57	Excess IRS Tax Depr over Book Depreciation	<u>23,255,620</u>			<u>22,061,325</u>
58	IRS Tax Return Plant Amortization	33,661,210			18,075,901
59	Less: Book Amortization	47,785,076	PTD	53.6995%	25,660,347
60	Excess IRS Tax Amort over Book Amortization	<u>(14,123,866)</u>			<u>(7,584,446)</u>
61	IRS Tax Return Nuclear Amortization	21,807,314			12,342,940
62	Less: Book Nuclear Amortization	25,639,146	E1	56.6000%	14,511,757
63	Excess IRS Tax Nuclear Amort over Book Nuclear Amort	<u>(3,831,832)</u>			<u>(2,168,817)</u>
64	Total Timing Differences	5,299,922			12,308,062
65	AFUDC Equity	8,151,534	PTD	53.6995%	4,377,333
66	MO ITC Coal Basis Adjustment	427,672	PTD	53.6995%	229,658
67	MO Miscellaneous Flow Through	383,887	PTD	53.6995%	206,145
68	Total Timing Differences after Flow Through	<u>14,263,015</u>			<u>17,121,199</u>
69	Effective Tax rate	<u>23.84%</u>			<u>23.84%</u>
70	Deferred Income Taxes - Excess IRS Tax over Tax SL	<u>3,400,303</u>			<u>4,081,694</u>

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Revenue Requirement

Line No.	Description A	7.538% Return B
1	Net Orig Cost of Rate Base (Sch 2)	\$ 1,929,197,142
2	Rate of Return	7.538%
3	Net Operating Income Requirement	\$ 145,415,164
4	Net Income Available (Sch 9)	\$ 125,695,246
5	Additional NOIBT Needed	19,719,918
6	Additional Current Tax Required	\$ 6,731,986
7	Gross Revenue Requirement	<u>\$ 26,451,903</u>

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Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
	Total Plant :			
1	Total Plant in Service - Schedule 3	\$ 3,650,009,510	Klote	RB-20
	Subtract from Total Plant:			
2	Depreciation Reserve Schedule 5	1,318,041,101	Klote	RB-30
3	Net (Plant in Service)	<u>\$ 2,331,968,409</u>		
	Add to Net Plant:			
4	Cash Working Capital	(44,884,784)	Klote	Model
5	Materials and Supplies	44,404,909	Nunn	RB-72
6	Emission Allowances	314,443	Nunn	RB-55
7	Prepayments	2,533,344	Nunn	RB-50
8	Fuel Inventory - Oil	7,095,933	Tucker	RB-74
9	Fuel Inventory - Coal	18,476,757	Tucker	RB-74
10	Fuel Inventory - Other	436,871	Tucker	RB-74
11	DSM/EE Deferral	6,712,507	Nunn	RB-100
12	Iatan 1 & Common Regulatory Asset	4,621,486	Nunn	RB-25
13	Iatan 2 Regulatory Asset	13,436,624	Nunn	RB-26
14	Reg Asset - FAS 87 Pension Tracker	34,482,696	Klote	RB-65
15	Reg Asset (Liab) - OPEB Tracker	(8,690,232)	Klote	RB-61
	Subtract from Net Plant:			
16	Customer Advances for Construction	\$ 5,659,921	Nunn	RB-71
17	Customer Deposits	7,197,703	Nunn	RB-70
18	Income Eligible Weatherization	96,073	Nunn	RB-101
19	Deferred Income Taxes	468,758,122	Klote	RB-125
20	Total Rate Base	<u><u>\$ 1,929,197,142</u></u>		

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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	86,058,206	896,255,521	878,709,527
2	Operating & Maintenance Expenses:				
3	Production	\$ 272,284,997	\$ 106,926,006	\$ 379,211,002	\$ 374,392,788
4	Transmission	48,608,175	(984,012)	47,624,163	47,462,241
5	Distribution	35,899,660	(486,667)	35,412,993	34,840,367
6	Customer Accounting	12,479,927	5,015,394	17,495,321	17,495,321
7	Customer Services	35,914,477	(31,375,955)	4,538,522	4,538,522
8	Sales	277,593	(1,844)	275,749	275,749
9	A & G Expenses	79,284,129	\$ 14,507,407	93,791,536	93,042,165
10	Total O & M Expenses	<u>\$ 484,748,958</u>	<u>\$ 93,600,328</u>	<u>\$ 578,349,286</u>	<u>\$ 572,047,152</u>
11	Depreciation Expense	\$ 102,126,485	\$ (1,231,495)	\$ 100,894,990	\$ 96,093,166
12	Amortization Expense	(1,791,112)	3,511,518	1,720,406	6,365,406
13	Taxes other than Income Tax	48,023,940	(241,445)	47,782,495	47,079,506
14	Net Operating Income before Tax	<u>\$ 177,089,044</u>	<u>\$ (9,580,700)</u>	<u>\$ 167,508,344</u>	<u>\$ 157,124,298</u>
15	Income Taxes	\$ 1,902,463	\$ 29,866,505	\$ 31,768,968	\$ 31,768,968
16	Income Taxes Deferred	45,013,029	(45,115,692)	(102,663)	(102,663)
17	Investment Tax Credit	(344,007)	106,754	(237,253)	(237,253)
18	Total Taxes	<u>\$ 46,571,485</u>	<u>\$ (15,142,433)</u>	<u>\$ 31,429,052</u>	<u>\$ 31,429,052</u>
19	Total Net Operating Income	<u><u>\$ 130,517,559</u></u>	<u><u>\$ 5,561,733</u></u>	<u><u>\$ 136,079,292</u></u>	<u><u>\$ 125,695,246</u></u>

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
1	R-20	Revenue Normalization	Bass/Miller	\$ (27,190,018)
2	R-21a	Forfeited Discounts	Nunn	\$ (6,675)
3	R-21b	Forfeited Discounts - Revenue Requirement "Ask"	Nunn	\$ 28,223
4	R-30	Eliminate Inter-company Off-System Revenue	Crawford	\$ (1,273,218)
5	R-35	Off-System Sales Revenue	Crawford	\$ 110,852,750
6	R-49	CCN Revenue	Nunn	\$ 33,280
7	R-75	AllConnect Revenues	Klote	\$ (30,788)
8	R-80	Transmission Revenue Credit	Klote	\$ (1,193,092)
9	R-82	Transmission Revenue Annualization	Klote	\$ 4,423,757
10	R-106	L&P Revenue Phase In Amort	Nunn	\$ 413,987
11	CS-4	GREC Bad Debt Expense	Nunn	\$ 2,648,179
12	CS-9	GREC Bank Fees	Nunn	\$ 1,097,419
13	CS-10	Customer Deposits - Interest	Nunn	\$ 317,656
14	CS-11	Out-of-Period Items - Cost of Service	Nunn	\$ (2,952,824)
15	CS-20a	Bad Debt	Nunn	\$ 260,706
16	CS-20b	Bad Debt - Revenue Requirement "Ask"	Nunn	\$ 111,146
17	CS-22	Amortization of SO2 Proceeds	Nunn	\$ -
18	CS-23	Remove FAC Under-Recovery	Nunn	\$ 6,203,989
19	CS-24	Fuel & PP Energy (On-system)	Crawford	\$ 103,500,814
20	CS-25	Purchased Power (Capacity)	Crawford	\$ (1,291,150)
21	CS-30	Eliminate Inter-company Off-System Sales Costs	Crawford	\$ (1,634,651)
22	CS-39	IT Software Maintenance	Klote	\$ 631,878
23	CS-40	Transmission Maintenance	Nunn	\$ 382,040
24	CS-41	Distribution Maintenance	Nunn	\$ (410,000)
25	CS-42	Generation Maintenance	Nunn	\$ (189,356)
26	CS-43	Major Maintenance	Nunn	\$ -
27	CS-44	ERPP	Nunn	\$ 96,773

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
28	CS-45	Transmission of Electricity by Others	Klote	\$ (1,854,931)
29	CS-48	Iatan II O&M	Nunn	\$ 346,870
30	CS-49	CCN O&M	Nunn	\$ 33,697
31	CS-50	Payroll	Klote	\$ 401,591
32	CS-51	Incentive	Klote	\$ (716,630)
33	CS-52	401(k)	Klote	\$ 193,650
34	CS-53	Payroll Taxes	Klote	\$ (117,995)
35	CS-60	Other Benefits	Klote	\$ 713,956
36	CS-61	OPEB	Klote	\$ (3,785,070)
37	CS-62	SERP	Klote	\$ (427,371)
38	CS-65	Pension Expense	Klote	\$ 10,214,509
39	CS-66	ERISA & Prepaid Tracker Expense	Klote	\$ (1,861,728)
40	CS-70	Insurance	Klote	\$ 127,162
41	CS-71	Injuries and Damages	Nunn	\$ 287,570
42	CS-76	Customer Deposit - Interest	Nunn	\$ 60,223
43	CS-77	Credit Card & Electronic Check Fee Expense	Nunn	\$ 17,597
44	CS-78	GREC Bank Fees	Nunn	\$ 574,745
45	CS-80	Rate Case Expense	Nunn	\$ 248,823
46	CS-85	Regulatory Assessment	Nunn	\$ (276,006)
47	CS-86	SPP Schedule 1A Admin Fees	Nunn	\$ 395,888
48	CS-88	CIPS/Cyber Security	Nunn	\$ 136,455
49	CS-89	Meter Replacement	Nunn	\$ (87,027)
50	CS-90	Advertising	Nunn	\$ (6,445)
51	CS-92	Dues & Donations	Nunn	\$ (13,848)
52	CS-91	DSM Advertising Costs	Nunn	\$ -
53	CS-95	Amortization of Merger Transition Costs	Klote	\$ 720,921

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Total Company Increase (Decrease)
A	B	C	D	
54	CS-98	MEEIA	Nunn	\$ (23,089,585)
55	CS-100	DSM/EE	Nunn	\$ 183,262
56	CS-101	Income Eligible Weatherization	Nunn	\$ 244,077
57	CS-105	Amortization of Transource Transferred Asset Value - Reg Liab	Nunn	\$ (1,229,336)
58	CS-107	L&P Ice Storm AAO	Nunn	\$ (950,627)
59	CS-108	Remove CWIP/FERC Incentives-Transource	Klote	\$ 119,310
60	CS-110	Amortization of Transource Account Review-Reg Liab	Nunn	\$ (26,445)
61	CS-111	Amort Intan I and Common Reg Asset	Nunn	\$ -
62	CS-112	Amort Intan II Reg Asset	Nunn	\$ -
63	CS-113	Amort Prospective Tracking	Nunn	\$ 43,387
64	CS-116	Renewable Energy Standards	Nunn	\$ (7,493,077)
65	CS-117	Common Use Billings - Common Plant Adds	Klote	\$ 9,374,008
66	CS-120	Depreciation	Klote	\$ (1,207,669)
67	CS-121	Plant Amortization Expense	Klote	\$ 5,695,826
68	CS-125	Income Taxes	Klote	\$ (15,142,433)
69	CS-126	Property Taxes	Klote	\$ (123,450)
70		Total Impact on Net Operating Income		<u><u>\$ 5,561,733</u></u>

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Cash Working Capital

Line No.	Account Description	(Elec-Juris)	Revenue Lag	Expense Lead	Net	Factor (Col E/365)	CWC Req (B) X (F)
		Test Year Expenses			(Lead)/Lag (C) - (D)		
	A	B	C	D	E	F	G
Operations & Maintenance Expense							
1	Gross Payroll excl. Accrued Vacation	60,637,651	26.38	13.85	12.53	0.03	2,081,616
2	Accrued Vacation	4,189,483	26.38	344.83	(318.45)	(0.87)	(3,655,180)
3	Sibley - Coal & Freight	24,800,622	26.38	17.39	8.99	0.02	610,782
4	Jeffrey - Coal & Freight	13,048,145	26.38	16.64	9.74	0.03	348,078
5	Iatan - Coal & Freight	26,529,724	26.38	43.68	(17.30)	(0.05)	(1,257,436)
6	Lake Road - Coal & Freight	165,278	26.38	20.37	6.01	0.02	2,721
7	Purchased Gas & Oil	2,545,758	26.38	39.83	(13.45)	(0.04)	(93,839)
8	Purchased Power	239,483,097	26.38	34.50	(8.12)	(0.02)	(5,327,679)
9	Injuries & Damages	562,839	26.38	44.27	(17.89)	(0.05)	(27,587)
10	Pension Expense	22,622,599	26.38	51.74	(25.36)	(0.07)	(1,571,806)
11	OPEBs	(443,370)	26.38	178.44	(152.06)	(0.42)	184,709
12	Incentive Compensation	2,870,222	26.38	256.50	(230.12)	(0.63)	(1,809,577)
13	Cash Vouchers	<u>175,035,103</u>	26.38	30.00	(3.62)	(0.01)	<u>(1,735,965)</u>
14	Total Operation & Maintenance Expense	<u>572,047,152</u>					<u>(12,251,163)</u>
Taxes							
15	FICA, FUTA, SUTA Taxes - Employer's	4,831,059	26.38	16.50	9.88	0.03	130,769
16	Federal/State Unemployment	-	26.38	75.88	(49.50)	(0.14)	-
17	City Franchise Taxes - 6%	4,689,959	11.17	68.29	(57.12)	(0.16)	(733,946)
18	City Franchise Taxes - 4%	1,708,285	11.17	36.60	(25.43)	(0.07)	(119,018)
19	City Franchise Taxes - Other Cities	27,839,108	11.17	45.92	(34.75)	(0.10)	(2,650,436)
20	City Franchise Taxes - SJLP	5,375,973	11.17	38.63	(27.46)	(0.08)	(404,450)
21	Ad Valorem/Property Taxes	<u>42,160,918</u>	26.38	188.36	(161.98)	(0.44)	<u>(18,710,207)</u>
22	Total Taxes	<u>86,605,302</u>					<u>(22,487,288)</u>
Other Expenses							
23	Sales Taxes	<u>23,919,473</u>	11.17	22.00	(10.83)	(0.03)	<u>(709,720)</u>
24	Total Other Expenses	<u>23,919,473</u>					<u>(709,720)</u>
Tax Offset From Rate Base							
25	Current Income Taxes-Federal	24,702,182	26.38	45.63	(19.25)	(0.05)	(1,302,786)
26	Current Income Taxes-State	7,066,786	26.38	45.63	(19.25)	(0.05)	(372,700)
27	Interest Expense	<u>47,080,127</u>	26.38	86.55	(60.17)	(0.16)	<u>(7,761,127)</u>
28	Total Offset from Rate Base	<u>78,849,095</u>					<u>(9,436,613)</u>
29	Total Cash Working Capital Requirement	<u>761,421,022</u>					<u>(44,884,784)</u>

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Allocation Factors

Retail/Wholesale - Electric/Steam Combined				
Alloc	Jurisdiction Factors	Combined		
		Retail	Non-Retail	Total
	A	B	C	D
1,1	100% Jurisdictional/100% Electric	100.0000%	0.0000%	100.0000%
1,3	100% Jurisdictional/Allocated Plant Base	98.8875%	1.1125%	100.0000%
1,13	100% Jurisdictional/O&M	92.8462%	7.1538%	100.0000%
2,2	Non-Juris/Steam	0.0000%	100.0000%	100.0000%
3,1	Demand/Electric	99.6600%	0.3400%	100.0000%
3,4	Demand/Land	75.8211%	24.1789%	100.0000%
3,5	Demand/Structures	75.8211%	24.1789%	100.0000%
3,6	Demand/Boiler Plant	65.5940%	34.4060%	100.0000%
3,7	Demand/Turbogenerators	99.3749%	0.6251%	100.0000%
3,8	Demand/Access Elec Eqpt & General	75.8211%	24.1789%	100.0000%
3,9	Demand/Misc Steam GEN Eqpt	47.4382%	52.5618%	100.0000%
3,10	Demand/Electric/Steam Plant	75.8211%	24.1789%	100.0000%
3,13	Demand/O&M	92.5306%	7.4694%	100.0000%
4,1	Energy/Electric	99.6200%	0.3800%	100.0000%
5,1	Distribution/Electric	99.7602%	0.2398%	100.0000%
6,1	Payroll/Electric	99.5910%	0.4090%	100.0000%
6,14	Payroll/A&G	98.9108%	1.0892%	100.0000%
7,1	Plant/Electric	99.5910%	0.4090%	100.0000%
7,3	Plant/Alloc Plant	98.4830%	1.5170%	100.0000%
7,14	Plant/A&G	98.9108%	1.0892%	100.0000%
8,1	Transmission/Electric	99.6600%	0.3400%	100.0000%

Retail/Wholesale Allocation Factors - Combined				
Alloc	Jurisdiction Factors	2016		
		Retail	Wholesale	Total
	A	B	C	D
1	Jurisdictional-100%	100.0000%	0.0000%	100.0000%
2	Non-jurisdictional-100%	0.0000%	100.0000%	100.0000%
3	Demand (Capacity) Factor	99.6600%	0.3400%	100.0000%
4	Energy Factor	99.6200%	0.3800%	100.0000%
5	Distribution Factor	99.7602%	0.2398%	100.0000%
6	Payroll Factor	99.5910%	0.4090%	100.0000%
7	Plant Factor	99.5910%	0.4090%	100.0000%
8	Transmission Factor	99.6600%	0.3400%	100.0000%

Electric/Steam Allocation Factors - Combined				
Alloc	Jurisdiction Factors	ER-2016-0156		
		Electric	Steam	Total
	A	B	C	D
Rate Base Allocation Factors (Elec/Steam)				
1	Electric - 100%	100.0000%	0.0000%	100.0000%
2	Steam - 100%	0.0000%	100.0000%	100.0000%
4	Land Factor	76.0798%	23.9202%	100.0000%
5	Structures Factor	76.0798%	23.9202%	100.0000%
6	Boiler Plant Factor	65.8178%	34.1822%	100.0000%
7	Turbogenerators Factor	99.7139%	0.2861%	100.0000%
8	Access Elec Eqpt & General Factor	76.0798%	23.9202%	100.0000%
9	Misc Steam GEN Eqpt Factor	47.6000%	52.4000%	100.0000%
10	Electric/Steam Plant Factor	76.0798%	23.9202%	100.0000%
Income Statement Allocation Factors (Elec/Steam)				
13	Electric After Steam Alloc (O&M)	92.8462%	7.1538%	100.0000%
14	Electric After Steam Alloc (A&G)	99.3170%	0.6830%	100.0000%
Factors Used to Calculate Other Factors				
3	Allocated Plant Base Factor	98.8875%	1.1125%	100.0000%
11	900 lb Steam Demand Factor	47.6000%	52.4000%	100.0000%

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Income Tax - Schedule 11

Line No.	Line Description A	Total Company GMO	Juris Factor #	Juris Allocation	Tax Rate B	(ELEC-JURIS)
						Adjusted with 7.538% Return C
1	Net Income Before Taxes (Sch 9)					157,124,298
2	Add to Net Income Before Taxes:					
3	Depreciation Expense					96,093,166
4	Plant Amortization Exp					7,984,825
5	Transportation Expenses-Clearing					814,076 (a)
6	50% Meals & Entertainment	200,766	1,13	92.846%		186,404
7	Total					<u>105,078,471</u>
8	Subtract from Net Income Before Taxes:					
9	Interest Expense					47,080,127
10	IRS Tax Return Depreciation	90,712,192	1,3	98.887%		89,702,975
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					<u>136,783,102</u>
14	Net Taxable Income					<u><u>125,419,667</u></u>
15	Provision for Federal Income Tax:					
16	Net Taxable Income					125,419,667
17	Deduct Missouri Income Tax @ 100.0%				6.25%	7,066,786
18	Deduct City Income Tax					0
19	Federal Taxable Income					<u>118,352,881</u>
20	Federal Tax Before Tax Credits				21.00%	24,854,105
21	Less Tax Credits:					
22	Research and Development Tax Credit					(151,923)
23	Alternate Refueling Property Tax Credit (Charging Stations)					0
24	Total Federal Tax					<u><u>24,702,182</u></u>
25	Provision for Missouri Income Tax:					
26	Net Taxable Income					125,419,667
27	Deduct Federal Income Tax @ 50.0%				10.50%	12,351,091
28	Deduct City Income Tax					0
29	Missouri Taxable Income					<u>113,068,576</u>
30	Total Missouri Tax				6.25%	<u><u>7,066,786</u></u>
31	Provision for City Income Tax:					
32	Net Taxable Income					125,419,667
33	Deduct Federal Income Tax					24,702,182
34	Deduct Missouri Income Tax					7,066,786
35	City Taxable Income					<u>93,650,699</u>
36	Total City Tax					<u><u>0</u></u>
37	Summary of Provision for Current Income Tax:					
38	Federal Income Tax					24,702,182
39	Missouri Income Tax					7,066,786
40	City Income Tax					0
41	Total Provision for Current Income Tax					<u><u>31,768,968</u></u> 25.45%

**KCP&L Greater Missouri Operations
2018 RATE CASE - Jun18 True-Up
TY 6/30/17; Update 12/31/17; 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 7.538% Return
42	Deferred Income Taxes:					
43	Deferred Income Taxes - Excess IRS Tax over Book D&A					(2,981,005)
44	Amortization of Deferred ITC	(237,253)	1,1	100.000%		(237,253)
45	Amort of Excess Deferred Income Taxes	2,910,725	1,3	98.887%		2,678,342
46	Total Deferred Income Tax Expense					<u>(339,916)</u>
47	Total Income Tax					<u><u>31,429,052</u></u>

(a) Percent of vehicle depr clearing to O&M 21.69%

Interest Expense Proof:		Total Rate Base (Sch. 2)	1,929,197,142
		X Wtd Cost of Debt	<u>2.440%</u>
		Interest Exp	47,080,127
	Less: Interest Expense from Line 7	Difference	<u>47,080,127</u> 0

Computation of Line 43 Above:

48	Deferred Income Taxes - Excess IRS Tax over Book D&A:					89,702,975
49	IRS Tax Return Depreciation					<u>104,077,991</u>
50	Less: Book Depreciation					(14,375,016)
51	Excess IRS Tax Depr over Book Depr					
52	IRS Tax Return Plant Amortization					0
53	Less: Book Amortization					<u>0</u>
54	Excess IRS Tax Amort over Book Amortization					0
55	Total Timing Differences					(14,375,016)
56	AFUDC Equity	1,127,432	1,1	100.000%		1,127,432
57	MO Miscellaneous Flow Through	751,731	1,3	98.887%		<u>743,368</u>
58	Total Timing Differences after Flow Through					(12,504,216)
59	Effective Tax rate					<u>23.84%</u>
60	Deferred Income Taxes - Excess IRS Tax over Book D&A					<u><u>(2,981,005)</u></u>

Kansas City Power & Light Company
Stub Period Calculation

Step 1 Calculate Tax Reform Impact on the 2016 Ordered Model w/ROE at 9.5%

(33,342,564) Federal Rate Change from 35% to 21%
 (5,375,163) Excess Deferred Amortizations Jan-Jun 2018
(38,717,727) Total Revenue Requirement impact for Tax Reform - 2016 Ordered Model

Step 2 Calculate (Over) Under Earnings based on 2018 Rate Case - True-up Model with Offsets

23,615,323 KCPL's True-Up Revenue Requirement - Before Offsets

ROE
 (6,228,961) Adjustment 1: ROE - Change from proposed 9.85% to Ordered in Rates 9.5%

New Regulatory Assets/Liability Amortizations that began in 2018 Case - Remove
 (5,192) Adjustment 2: Remove Reg Asset Amortiz -DSM Programs Carrying Costs CS-100
 (256,937) Adjustment 3: Remove Reg Asset Amortiz -Renewable Energy Standards CS-116
 (416,326) Adjustment 4: Remove Reg Asset Amortiz -Pre MEEIA Opt-Out CS-100
 (89,606) Adjustment 5: Remove Reg Asset Amortiz -Lease Expense Vintage 1-2 CS-113
 289,461 Adjustment 6: Remove Reg Liability Amortiz -Income Eligible Weatherization CS-101
 84,219 Adjustment 7: Remove Reg Liability Amortiz -Prospective Tracking-Wolf Creek Non-Rec Outage 18 CS-113
 37,619 Adjustment 8: Remove Reg Liability Amortiz -Prospective Tracking-Iatan 2 O&M Tracker CS-113
 29,439 Adjustment 9: Remove Reg Liability Amortiz -Prospective Tracking-MO Flood AAO Amortization CS-113

Regulatory Assets/Liability Amortizations - In test period but removed from 2018 Case -Addback
 448,865 Adjustment 10: Add back Reg Asset Amortiz -DSM Programs Vintage 2 CS-100
 808,499 Adjustment 11: Add back Reg Asset Amortiz -WCNOC Refuel CS-36
 879,800 Adjustment 12: Add back Reg Asset Amortiz -Iatan 2 Tracker Vintages 2-5 CS-48
 282,608 Adjustment 13: Add back Reg Asset Amortiz -MO Flood AAO Amortiz CS-110
 (45,650) Adjustment 14: Add back Reg Liability Amortiz -Transcourse Account Review CS-107
 (180,937) Adjustment 15: Add back Reg Liability Amortiz -Flood Reimbursement CS-99

Other Adjustments to 2018 Rev Req Model
 3,201,249 Adjustment 16: Remove Excess Deferred Amortization CS-125
 (10,106,824) Adjustment 17: Rebase Fuel to 2016 Order (FAC Revenues not included in 2018 Model)
 (1,490,652) Adjustment 18: Remove Transmission included in FAC Base (% used in 2016 Order)

10,855,997 KCPL's 2018 True-Up Revenue Requirement - After Offsets

Stub Period Result

0 If value in Step 2 greater than 0, stub period result - company is under-earning.
 If value Step 2 less than 0, stub period result - company is over-earning and will give back any negative amount reflected up to the amount calculated in Step 1.

**KCP&L Greater Missouri Operations
Stub Period Calculation**

Step 1 Calculate Tax Reform Impact on the 2016 Ordered Model w/ROE at 9.5%

(26,706,904)	Federal Rate Change from 35% to 21%
(2,604,708)	Excess Deferred Amortizations Jan-Jun 2018
<u>(29,311,612)</u>	Total Revenue Requirement impact for Tax Reform - 2016 Ordered Model

Step 2 Calculate (Over) Under Earnings based on 2018 Rate Case - True-up Model with Offsets

26,451,903	GMO's True-Up Revenue Requirement - Before Offsets
	<u>ROE</u>
(4,686,481)	Adjustment 1: ROE - Change from proposed 9.85% to Ordered in Rates (Staff's 9.5%)
	<u>New Regulatory Assets/Liability Amortizations that began in 2018 Case - Remove</u>
(970)	Adjustment 2: Remove Reg Asset Amortiz -Vintage 5 DSM Program CS-100
(43,402)	Adjustment 3: Remove Reg Asset Amortiz -Lease Expense CS-113E
223,789	Adjustment 4: Remove Reg Liability-L&P Ice Storm Damage CS-107E
24,027	Adjustment 5: Remove Reg Liability Amortiz-Income Eligible Weatherization CS-101E
7,440	Adjustment 6: Remove Reg Liability Amortiz-Transource MO CS-105E
263,326	Adjustment 7: Remove Reg Liability Amortiz-L&P Phase-In Revenue R-106E
	<u>Regulatory Assets/Liability Amortizations - In test period but removed from 2018 Case -Addback</u>
0	None in the 2018 Rate Case
	<u>Other Adjustments to 2018 Rev Req Model</u>
(4,000,228)	Adjustment 8: Remove Excess Deferred Amortization CS-125
(18,392,349)	Adjustment 9: Rebase Fuel to 2016 Order (FAC Revenues not included in 2018 Model)
(6,202,530)	Adjustment 10: Remove CrossRoads Transmission CS-45
(3,685,907)	Adjustment 11: Remove Transmission included in FAC Base (% used in 2016 Order)
0	2018 Issue Example: Adjustment 11: Addback \$7.2M Additional Amortization if not allowed,
<u>(10,041,382)</u>	GMO's 2018 True-Up Revenue Requirement - After Offsets

Stub Period Result

(10,041,382) If value in Step 2 greater than 0, stub period result - company is under-earning.
If value Step 2 less than 0, stub period result - company is over-earning and will give back any negative amount reflected up to the amount calculated in Step 1.