EXHIBIT

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| Exhibit No.: | |
| Issue(s): | Policy/ Capital Structure/ Affiliate Transactions |
| Witness/Type of Exhibit: | Schallenberg/Rebuttal |
| Sponsoring Party: | Public Counsel |
| Case No.: | ER-2018-0145 and ER-2018-0146 |

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# REBUTTAL TESTIMONY

# OF

# ROBERT E. SCHALLENBERG

Submitted on Behalf of
the Office of the Public Counsel

## KANSAS CITY POWER & LIGHT COMPANY
## and
## KCP&L GREATER MISSOURI OPERATIONS COMPANY

## Case No. ER-2018-0145 and ER-2018-0146

** **

**Denotes Information that has been redacted**

July 27, 2018

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**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF MISSOURI**

| | | |
|---|---|---|
| In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service | ) ) ) ) | <u>Case No. ER-2018-0145</u><br>Tracking Nos. YE-2018-0095 & YE-2018-0096 |
| In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service | ) ) ) ) | <u>Case No. ER-2018-0146</u><br>Tracking No. YE-2018-0097 |

**<u>AFFIDAVIT OF ROBERT E. SCHALLENBERG</u>**

**STATE OF MISSOURI** )
) **ss**
**COUNTY OF COLE** )

Robert E. Schallenberg, of lawful age and being first duly sworn, deposes and states:

1. My name is Robert E. Schallenberg. I am a Director of Policy for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Robert E. Schallenberg

Robert E. Schallenberg
Director of Policy

Subscribed and sworn to me this 27th day of July 2018.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI
JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

**REBUTTAL TESTIMONY**

**OF**

**ROBERT E. SCHALLENBERG**

**KANSAS CITY POWER & LIGHT COMPANY**
**CASE NO. ER-2018-0145**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**
**CASE NO. ER-2018-0146**

## INTRODUCTION

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

A. My name is Robert E. Schallenberg. My business address is P.O. Box 2230, Jefferson City, Missouri 65102. I am the Director of Policy for the Office of the Public Counsel ("OPC").

**Q. Are you the same Robert E. Schallenberg that filed direct testimony in this case?**

A. Yes.

**Q. What is the purpose of your rebuttal testimony?**

A. I address the following issues in response to direct testimony related to the issue. The issues and witnesses who prefiled related direct testimony that I address are:

1. OPC's position that short-term debt should be included in GMO's capital structure in response to the direct testimony of Robert B. Hevert for GMO, Jeffrey Smith for Staff, and Michael P. Gorman for the Midwest Energy Consumers Group who did not include short-term debt in their GMO capital structure..
2. The KCPL & GMO receivables adjustments in KCPL's, GMO's, and Staff's direct cases sponsored by witnesses Ronald A. Klote and Linda J. Nunn

3. Affiliate Transactions with KCPL and GMO addressed by KCPL and GMO witness Ronald A. Klote, including Westar and Great Plains merger transition costs, and information given by KCPL to Great Plains shareholders.

**Q. What portions of KCPL's and GMO's rate requests are you addressing in your rebuttal testimony?**

A. I address matters related to the non-fuel portion of KCPL's rate increase and GMO's rate decrease requests. I use the following descriptions of the rate increase or decrease cases as the basis for this response. : KCPL, Great Plains, GMO's owner, have described these rate cases in their 2017 filing with the Security and Exchange Commission as:

**"6. REGULATORY MATTERS**

> **KCP&L Missouri 2018 Rate Case Proceedings**
> In January 2018, KCP&L filed an application with the MPSC to request an increase to its retail revenues of $8.9 million before rebasing fuel and purchased power expense, with a return on equity of 9.85% and a rate-making equity ratio of 50.03%. The request reflects the impact of the Tax Cut and Jobs Act and increases in infrastructure investment costs, transmission related costs and property tax costs. KCP&L also requested an additional $7.5 million increase associated with rebasing fuel and purchased power expense.
>
> **GMO Missouri 2018 Rate Case Proceedings**
> In January 2018, GMO filed an application with the MPSC to request a decrease to its retail revenues of $2.4 million before rebasing fuel and purchased power expense, with a return on equity of 9.85% and a rate-making equity ratio of 54.4%. The request reflects the impact of the Tax Cut and Jobs Act and increases in infrastructure investment costs and transmission related costs. GMO also requested a $21.7 million increase associated with rebasing fuel and purchased power expense.

Great Plains/KCPL/GMO 2017 10 K, page 83

All the matters I raise in this rebuttal testimony are related to KCPL's request to increase its non-fuel base rates by $8.9 million and GMO's request to reduce its non- fuel base rates by $2.4 million. Note that KCPL's and GMO's direct cases, including the direct testimony of their witnesses, reflect a position regarding recovery of Merger transition costs that does not reflect the terms of a Stipulation & Agreement made after they filed their direct cases. OPC assumes KCPL and GMO will later formally adopt the Stipulation terms into their cases. The agreed-upon-terms, when introduced into KCPL's and GMO's rate requests, will reduce KCPL's non-fuel base rate increase and increase GMO's non-fuel base rate reduction.

**Q. Would you please summarize your rebuttal testimony?**

A. I address the criteria for whether to include short-term debt in the capital structure of GMO espoused by Midwest Energy Consumers Group witness Michael P. Gorman in his direct testimony and by Staff witness Jeffrey Smith during his deposition, and I identify information which shows that approximately $125 million of short-term debt should be included in GMO's capital structure used for establishing the non-fuel base rate reduction that the Commission should adopt in GMO's case.

I address the affiliate transaction system discussed by KCPL and GMO witness Mr. Klote in his direct testimony and the issues that OPC currently has with the system.

## SHORT-TERM DEBT IN CAPITAL STRUCTURE

**Q. Does any witness expressly address whether GMO's capital should include short-term debt?**

A. Michael P. Gorman, rate of return witness on behalf of the Midwest Energy Consumers Group, does in his direct testimony.

**Q. What does he say?**

A. Mr. Gorman, on page 66 lines 6 through 9 of his direct testimony, states:

> "However, I did consider approximately $210 million of notes payable at a stated interest rate of around 1.5% as additional interest expense. I assume that this interest expense supports construction work in progress and will be recorded as capitalized interest."

Based on information contained in Great Plains/KCPL/GMO Security and Exchange Commission filings, and KCPL & GMO Annual Report filings with this Commission I have reviewed, Mr. Gorman's assumption is correct for approximately half of the notes payable that he examined. The other half of the notes payable are supporting GMO's other assets, excluding goodwill and construction work in progress. A majority of these assets make-up GMO's rate base.

**Q. Did any rate of return witness who filed direct testimony include any short-term debt in GMO's capital structure?**

A. No.

**Q. Is excluding short-term debt from KCPL's capital structure a concern?**

A. No.

**Q. Why not?**

A. KCPL's note payable balance is less than its construction work in progress (CWIP) balance. Thus, all the interest related to its notes payable is assigned as a capital cost of its construction expenditures.

**Q. Why is all the notes payable interest assigned to construction work in progress?**

A. The Uniform System of Accounts specifies the how costs are to be assigned to its various accounts. In its instruction for costs to be included in Plant, an item is identified as Allowance for Funds Used during Construction. RES Schedule R-1 pages 1 thru 7 contains a formula that shows on page 4 and 5 how the two components of AFUDC are to be determined. When looking at the formula one can see that when short-term debt exceeds construction expenditures all other factors are given a zero consideration.

**Q. Did OPC inquire of any of the rate of return witnesses as to their rationale for excluding short-term debt from GMO's capital structure?**

A. Yes. OPC deposed Staff witness Jeffrey Smith. During his deposition he testified:

"Q. What do you mean by leverage?
A. Leverage – so if a company uses more financial leverage or less financial leverage, depending on how much debt they use to run their operations.
Q. So do you mean by financial leverage, the level of debt?
A. Yes.
Q. Is that short-term, long term debt or both?
A. Both.
Q. And for KCP&L and GMO, you said you – I believe you said you considered short-term debt whenever you were looking at capital structure?
A. It's – it's not in the capital structure, no.
Q. Why not?
A. Because the amount of short-term debt that the company's used is less than their outstanding balance of construction work in progress."
[Page 9, line 19 thru page 10, line 13]

**Q. Is it important to include short-term debt in the capital structure when short-term debt exceeds CWIP balances?**

A. Yes.

**Q. Why?**

A. Short-term debt for an investment grade utility is one of lowest cost of capital sources after cost-free capital sources are considered. Short-term debt offers greater flexibility to satisfy cash flow fluctuations. As Mr. Gorman in his direct testimony and Mr. Smith in his deposition note, short term debt interest is not included in the capital structure when it is assigned to the capital costs charged to construction, more commonly called Allowance for Funds Used in Construction (AFDC or AFUDC). Normally, as in KCPL's case, all short-term debt is assigned to the AFUDC rate charged to construction. When the short-term debt has been fully used, the excess construction expenditures receive a rate of return consideration.

**Q. What if the CWIP balances exceed short-term debt?**

A. If short-term debt is not included in the capital structure then rate base that is actually supported by lower capital cost short-term debt will be treated as if it is supported by higher cost capital, which will cause retail customers to be overcharged for the costs the utility actually incurs to serve them.

**Q. Can you illustrate?**

A. Yes, with actual examples of this process being applied to KCPL and GMO. Great Plains and KCPL's annual 10K filing with the SEC, on page 70, has the following statement:

"As prescribed by The Federal Energy Regulatory Commission (FERC), Allowance for Funds Used During Construction (AFUDC) is charged to the cost of the plant during construction. AFUDC equity funds are included as a non-cash item in non-operating income and AFUDC borrowed funds are a reduction of interest charges. The rates used to compute gross AFUDC are compounded semi-annually. The rates used to compute gross AFUDC for KCP&L averaged 4.9% in 2017, 5.7% in 2016 and 3.0% in 2015. The rates used to compute gross AFUDC for GMO averaged 1.9% in 2017, 1.6% in 2016 and 4.2% in 2015."

The above rates used to compute gross AFUDC (AFUDC rates) show the influence of short-term debt. Referring the AFUDC previously discussed, when GMO's AFUDC rate drops in 2016 to be lower than KCPL's AFUDC rate, the reason this occurs is that GMO's short-term debt exceeds its construction work in progress balances. When this occurs then the AFDUC rate is the short-term debt rate, For KCPL's AFUDC rate to be greater than GMO's AFUDC rate, then KCPL's construction work in progress must exceed KCPL's short term debt, thus giving more weight to higher cost debt and equity capital. Schedule RES –R1, page 8 is page 96 from the GPE/KCPL 10 K for 2017. This schedule shows that GMO had more short-term debt than KCPL causing GMO to have the lower AFUDC rate. At this time, GMO now has short-term debt supporting its rate base with low capital cost.

**Q. Since GMO's CWIP balances exceed its short-term debt, what needs to be done to prevent GMO's retail customers from being overcharged?**

A. GMO's capital structure used to determine GMO's cost of service should include approximately $125 million of short-term debt with a rate of 2.38%. This represents the amount of short-term supporting GMO rate base as of March 31, 2018, based on data Great Plains and KCPL reported in their Form 10Q filing with the SEC for the first quarter of 2018. The interest rate associated with GMO's short-term debt reported in this filing is 2.38%. RES Schedule R-1 pages 9 thru 17 are pages from the Great Plains/KCPL 10 Q for 1st Quarter of 2018. This information shows GMO is increasing its reliance on short-term debt while having stable CWIP balances. This data shows that GMO is increasing the short-term debt support of its rate base.

## AFFILIATE TRANSACTIONS

**Q. What direct testimony are you addressing regarding the affiliate transactions revenue requirement impact on the KCPL and GMO rate increase requests?**

A. Mr. Klote addresses affiliate transactions on page 5 of his direct testimony in the following Questions and Answers for KCP&L and GMO;

> Q. Does test year expense reflect an appropriate allocation of KCP&L overhead to KCP&L Greater Missouri Operations Company ("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. [Direct Testimony in ER-2018-0145]
>
> Q. Does GMO's test year expense reflect 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. [Direct Testimony in ER-2018-0146]

**Q. The Commission has rules specifying requirements for KCP&L and GMO to participate in affiliate transactions. Do you agree that KCP&L has appropriately set up a system that allocates its costs among various affiliated companies based on appropriate cost drivers while assigning costs directly to the benefiting affiliate?**

A. No, not at this time.

**Q. Why do you qualify your answer?**

A. I have not had the Company's input regarding the current list of affiliate transaction concerns. I plan to get their input on August 2nd. The Company preferred to discuss these concerns after a discussion of affiliate transactions regarding post-merger affiliate transactions.

**Q. Is it important that KCP&L have such a system?**

A. Yes.

**Q. Why?**

A. A KCP&L cost of service study used to establish customer rates will be overstated if KCP&L does not appropriately charge: 1) all the costs required under the Commission affiliate transaction rules to its affiliates as these extra costs will remain as KCP&L costs or 2) fair market price when transacting with an affiliate outside its commission approved waiver. The Commission affiliate transaction rule prohibits KCP&L from participating in a non-compliant affiliate transaction. The presumption is that there is are no inappropriate affiliate transactions on a Missouri regulated utility books and records. Thus the discovery of inappropriate affiliate transactions creates internal control issues as to how could such an event occur.

**Q.** What evidence do you have at this time that KCPL does not have a system that appropriately assigns and allocates costs to its affiliates?

A. First, it was discovered that affiliate transactions were occurring without the Company keeping any record of charges or and no activity was being reported. In one case, an affiliate was reporting it was inactive to a regulatory body, when OPC had documentation that affiliate had been active in that reporting period.

Second, OPC reviewed the Company's Response to a Staff Data Request showing virtually no indirect cost assignment to affiliates, other than GMO costs. This concern was accentuated by the response to affiliate charges to an affiliate in (need case number if you are going to use this another case) before the Commission.

Third, affiliate transactions were occurring but not being reported or identified in the Company's annual Affiliate Transaction Report filed with the Commission.

Fourth, a significant cost was shown on KCP&L and GMO's accounts in their Commission Annual Report filing that appeared to be caused by GPE.

Fifth, the statement by GPE in its SEC filing indicated that GPE was in charge of the costs KCP&L incurred on GPE's behalf.

Sixth, KCP&L and GMO were using this case to transfer expenses back to KCP&L and GMO regulated accounts after those expenses had been recorded as affiliate expenses. These adjustments are counter to the financial reporting of the affiliate operations (income and expenses) as below-the- line non-regulated income to KCP&L and GMO.

Seventh, the capture of Merger transition costs in order to satisfy the condition that actual transition costs are not doubled recovered in the post-merger period.

**Q. What is the detail supporting your first item?**

A. In its 2017, FERC Form 60 GPES states page 204.1 "GPES did not services to GPE or its subsidiaries during 2017". RES Schedule R-1 pages 18 thru 29 are pages from Great Plains Energy Services FERC Form 60 filing for 2017. Page 28 contains the aforementioned statement. These pages do indicate that KCPL did provide services to GPES during 2017 and in 2018. The remaining portion of this answer will be supplied as a work paper.

**Q. What is the detail supporting your second item?**

A. OPC reviewed the Companies' responses to Staff Data Request 14. RES Schedule -R-1 page 30 is copy of a page from KCP&L's response to Staff Data Request 17 . This page provides an overview of KCP&L's cost assignment system for the goods and services KCP&L provides to all its affiliates. KCP&L operates GPE and all its affiliates. The concern is that column 2 shows only $42,333 of the $101,259,120 non-direct expenses charged to any affiliate other than KCP&L and GMO. While KCP&L has a waiver to do transactions with GMO at fully distributed costs, there is no waiver allowing KCPL to provide goods and services to non-regulated entities below fair market price, when fully distributed costs is less.

**Q. What is the detail supporting your third item?**

A. There were three active affiliates OPC found, which were not mentioned in the KCPL affiliate transactions with affiliates in 2017 Affiliate Transaction Report. These affiliates were Wolf Creek Nuclear Operating Corporation, Great Plains Energy Services Corporation, and Grid Assurance. The Report did not list or address any goods and services provided to these entities. OPC did not conduct a full examination to determine whether other affiliate activity was not reported.

**Q. What is the detail supporting your fourth item?**

A. GMO's 2017 Annual Report filed with the Commission is mainly the Company's FERC Form No. 1. On page 335, the Report lists details of GMO charges to account 930.2, Miscellaneous General Expenses. One charge is described as "Pub & Dist Info to Stkhldrs…expn servicing outstanding Securities" for $969,111. GPE is the only shareholder of GMO.

Similarly KCP&L's 2017 Annual Report filed with the Commission also mainly consists of the FERC Form No. 1. Page 335 of KCPL's Report identifies details of GMO charges to account 930.2, Miscellaneous General Expenses. The charge on line 5 is described as "Pub & Dist Info to Stkhldrs ...expn servicing outstanding Securities" for $1,664,086 GPE is the only shareholder of KCP&L.

Currently it appears that these amounts are included in the Company's and Staff's Case. OPC asserts these costs should have been directly assigned to GPE due to the fact it is the affiliated entity with outside shareholders, so GPE is the cost causer. The GPE/KCPL 2017 10K shows on page 31 that "At February 16, 2018, Great Plains Energy's common stock was held by 13,952 shareholders of record. RES Schedule R-1 pages 31 thru 35 contain the Annual Report page showing the costs in question were charged and recorded in account 930.2 Miscellaneous Expenses, a regulated account for KCPL and GMO. Page 35 is the page from the SEC filing that identifies the number of shareholders Great Plains has on February 16, 2018 and the fact KCPL has one share outstanding held by Great Plains.

**Q. What is the detail supporting your fifth item?**

A. GPE reports in its recent on page 43 of its 10Q filed with the SEC that:

> "Great Plains Energy's corporate and other activities not included in the sole reportable business segment includes GMO activity other than its regulated utility operations, GPETHC and **unallocated corporate charges** including certain costs to achieve the anticipated merger with Westar." (Emphasis added)

Since GPE is operated completely by KCP&L employees, GPE has no corporate costs to allocate. Thus, KCP&L is the only entity that can allocate a portion of GPE's corporate costs to other non-GPE entities. Item 4 coupled with the statement above could indicate that KCP&L and GMO regulated utility operations are the entities that are allocated a share of GPE's corporate costs in addition to their own corporate costs. RES Schedule R-1 pages 36 and 37 are the pages of the SEC filing that describes Great Plains business and contained the quoted material above.

**Q. What is the detail supporting your sixth item?**

A. KCP&L and Staff have included adjustments in their respective cases to transfer expenses from KCP&L and GMO's receivable affiliates to be included in the cost of KCP&L's and GMO's regulated operations. Specifically, Mr. Klote's Direct Testimony Schedule RAK-4 GMO shows adjustment CS-4 adding $2,648,179 of Bad Debt Expense; CS-9 adding $1,097,419 of GREC Bank Fees; and adjustment CS-78 adding $70,119 of GREC Bank fees to GMO's cost of service. These adjustments are sponsored by Linda J. Nunn.

Ms. Nunn's Direct Testimony states adjustment CS-4 "is necessary to reflect the test year provision for bad debt expense recorded on the books of GMO Receivables Company ("GRec")". Adjustment CS-9 and CS-78 are interrelated. The testimony states that "Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by GRec are reflected." The testimony explains that CS-78 annualized the amount transferred in CS-9 from GRec to GMO.

Specifically, Mr. Klote's Direct Testimony in Schedule RAK-4 KCPL-MO shows adjustment CS-4 adding $5,826,173 of Bad Debt Expense; CS-9 adding a portion of $1,755,812 of KCREC Bank Fees; and adjustment CS-78 adding $70,119 of KCREC Bank fees to KCP&L's cost of service. These adjustments are also sponsored by Ms. Nunn.

Ms. Nunn's Direct KCP&L Testimony states adjustment CS-4 "is necessary to reflect the test year provision for bad debt expense recorded on the books of Kansas City Power & Light Receivables Company ("KCRec")". Adjustment CS-9 and CS-78 are again interrelated in the KCP&L case. The testimony states that "Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by KCRec are reflected". The testimony explains that CS-78 annualized the amount transferred in CS-9 from KCRec to KCP&L.

**Q. What is OPC's position regarding these adjustments?**

A. OPC opposes these adjustments.

**Q. What is the basis for OPC's opposition?**

A. The Companies' Direct Testimony lacked any explanation or justification for the transfer of a non-regulated affiliate's expenses to the books of a regulated utility for inclusion in its customer rates. These adjustments are very unique in the sense that KCP&L is reversing selected expense portions of KCRec and GRec operations to increase the regulated expenses. KCP&L and GMO. KCRec and GRec are subsidiaries of KCP&L and GMO respectively. KCRec and GRec are profitable on a regular basis meaning they produce income that exceeds their expenses. In 2017, KCRec provided KCP&L $4,959,150 of income covering all its booked expenses. In the same year, GRec provided GMO $2,385,593 of income covering all its booked expenses including taxes.

KCRec and GRec are profitable entities and their income is consolidated into KCP&L and GMO's profitability. The following table show the net income produced by KCRec and GRec from 2014 thru 2017"

| Subsidiary/Net Income | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| KCRec | ** ** | ** ** | ** ** | ** ** |
| GRec | ** ** | ** ** | ** ** | ** ** |

Source: Response to OPC Data Request 1324

The above table shows the KCRec and GRec have covered the expenses KCP&L is adding to KCP&L and GMO's costs for recovery again from their Missouri ratepayers. If any adjustment was proper it would be to transfer above-the-line the net income of KCRec and GRec.

**Q. Are the KCRec and GRec compliant with the Commission affiliate transaction rules?**

A. No. KCP&L and GMO's provide a financial advantage to their receivable companies. The Missouri utilities sell their receivables to their affiliates at below fair market price. The fair market price is the amount their affiliates receive from non-affiliate third party when the accounts receivables are resold. KCP&L services their sold receivable as they collect the amount due for a fee percentage of the receivable amount independent of the cost KCP&L incurs to provide the collection services. Thus KCP&L's is not charging the higher of cost or market when serving its affiliate sale of receivables.

Financial Statements provided by KCPL for KCPL, KCRec, GMO, and GRec for years 2014 thru 2017 show the costs for KCRec and GRec are more than offset by their income and their net income shows up as non-operating income (subsidiary income) on KCPL and GMO books. The transfer of a portion of KCRec and GRec expenses to KCPL and GMO Missouri ratepayers only leads to double recovery and the adjustments should be denied.

**Q. What is the detail supporting your seventh item?**

A. An agreement related to the Commission's approval of the GPE/Westar merger contains a condition that impacts KCP&L and GMO. This agreement contains the following condition:

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

To comply with this condition, KCP&L and GMO may not have any Merger transition costs included in their rate cases other than the ten (10) year amortization of the total agreed to amounts in condition 9 above. Mr. Klote's Direct Testimony was filed before the Agreement containing the above condition was reached. Thus his Direct Testimony is inconsistent with the above condition. My rebuttal testimony assumes Mr. Klote will modify the Companies' position to be compliant with the above condition.

The seventh item is a concern caused by the lack of identification of the costs included in this case currently that will be Merger transition costs now that the transition will be in full swing. Some of the costs included in these cases will be now be performing Merger transition activities. The previous discussed S&A condition does not allow for these costs to be collected from Missouri customers. The difficulty in these cases is the merger is a true-up item. Thus we will have less than a month of transition activity while knowing a certain amount of employee costs included in this case will be devoted to merger transition activity. With the inclusion of the Merger transition amortizations in this case, no other Merger transition costs are to be collected from Missouri customers. Regardless of historical activity, the real transition cost recovery will begin at the time transition cost amortization have been included in rates, At that time no other transition costs are to be in customer rates. Transition costs will occur in June, 2018 which is scheduled to be included in the cases when they are modified to reflect true-up data thru June 30, 2018.

**Q. Does this conclude your rebuttal testimony?**

A. Yes.

**(b)** ***Electric plant to be recorded at cost.***

**(1)** All amounts included in the accounts for electric plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other electric plant shall be included in theaccounts at the cost incurred by the utility except for property acquired by lease which qualifies as capital lease property under § 1767.15 (s), Criteria for Classifying Leases, and is recorded in Account 101.1, Property Under Capital Lease, or Account 120.6, Nuclear Fuel Under Capital Leases. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (b).

**(2)** When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis (see, however, the definition of cost in § 1767.10). In the entry recording such transition, the actual consideration shall be described with sufficient particularity to identify it. The utilityshall be prepared to furnish RUS the particulars of its determination of the cash value of the consideration if other than cash.

**(3)** When property is purchased under a plan involving deferred payments, no charge shall be made to the electric plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

**(4)** The electric plant accounts shall not include the cost or other value of electric plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of electric plantshall be credited to accounts charged with the cost of such construction. Plant constructed fromcontributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledgers of accounts. The accumulated gross costsof plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently be recorded as a credit.

**(c)** ***Components of construction cost.*** The cost of construction properly includible in the electric plantaccounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

**(1)** ***Contract work*** includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.

**(2)*Labor*** includes the pay and expenses of employees of the utility engaged on construction work, and related workmen's compensation insurance, payroll taxes, and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accountsnor the pay and expenses included in other items hereunder.

**(3)*Materials and supplies*** includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses, and the costof fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

**NOTE:**
The cost of individual items of equipment of small value (for example, $500 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction.

**(4)*Transportation*** includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment. (See Item in paragraph (c)(5) of this section.)

**(5)*Special machine service*** includes the cost of labor (optional), materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the costof small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See Item in paragraph (c)(3) of this section.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be include in the cost of construction.

**(6)*Shop service*** includes the proportion of the expense of the utility's shop department assignable to construction work except that the cost of fabricated materials from the utility's shop shall be included in "materials and supplies."

**(7)*Protection*** includes the cost of protecting the utility's property from fire or other casualties and thecost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items ofexpenditures in connection with construction work.

**(8)*Injuries and damages*** includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account oraccounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with thecost of the damages.

**(9)*Privileges and permits*** includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents, or amounts chargeable as franchises and consents for which see Account 302, Franchises and Consents.

**(10)*Rents*** includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

**(11)*Engineers and supervision*** includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.

**(12)*General administration capitalized*** includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.

**(13)*Engineering services*** includes amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

**(14)*Insurance*** includes premiums paid or amounts provided or reserved as self-insurance for theprotection against loss and damages in connection with construction, by fire or other casualty, injuries or deaths of persons other than employees, damages to property of others, defalcation of employees and agents, and the nonperformance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in Item in paragraph (c)(2) of this section.

**(15)*Law expenditures*** includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than law expenses included in "Protection," Item in paragraph (c)(7) of this section, and in Injuries and damages, Item in paragraph (c)(8) of this section.

**(16)*Taxes*** includes taxes on physical property (including land) during the period of construction and other taxes properly includible in construction costs before the facilities become available for service.

**(17)*Allowance for funds used during construction*** includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of RUS, allowances computed in accordance with the formula prescribed in Item in paragraph (c)(17)(i) of this section. No allowance for funds used during construction chargesshall be included in these accounts upon expenditures for construction projects which have been abandoned.

**(i)** The formula and elements for the computation of the allowance for funds used during constructionshall be:

$$A_i = s\left(\frac{S}{W}\right) + d\left(\frac{D}{D+P+C}\right)\left(1-\frac{S}{W}\right)$$

$$A_c = \left[1-\frac{S}{W}\right]\left[P\left(\frac{P}{D+P+C}\right) + c\left(\frac{C}{D+P+C}\right)\right]$$

Where:
$A_i$ = Gross allowance for borrowed funds used during construction rate.
$A_c$ = Allowance for other funds used during construction rate.

S = Average short-term debt.
s = Short-term debt interest rate.
D = Long-term debt.
d = Long-term debt interest rate.
P = Preferred stock.
p = Preferred stock cost rate.
C = Patronage capital assigned.
c = Entity's incremental borrowing rate.
W = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication, less asset retirement costs related to plant under construction.

**(ii)** The rate shall be determined annually.

**(A)** The balance for long-term debt, preferred stock, and patronage capital assigned shall be the actual book balances as of the end of the prior year.

**(B)** The cost rate for long-term debt and preferred stock shall be the weighted average cost.

**(C)** The cost rate for patronage capital assigned shall be the entity's incremental borrowing rate.

**(D)** The short-term debt balances and related cost and the average balance for construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication shall be estimated for the current year with appropriate adjustments as actual data becomes available.

**NOTE:**

When only a portion of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service shall be treated as "Electric Plant in Service," and an allowance for funds used during constructionthereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may continue to be charged to construction until such time as it is placed in operation or is ready for service, except as limited in Item in paragraph (c)(17) of this section.

**(18)*Earnings and expenses during construction.*** The earnings and expenses during constructionshall constitute a component of construction costs.

**(i)** The earnings shall include revenues received or earned for power produced by generating plantsduring the construction period and sold or used by the utility.

**(A)** Where such power is sold to an independent purchaser before intermingling with power generated by other plants, the credit shall consist of the selling price of the energy.

**(B)** Where the power generated by a plant under construction is delivered to the utility's electric system for distribution and sale, or is delivered to an associated company, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the energy so delivered.

**(C)** Revenue shall also include rentals for lands, buildings, and other property, and miscellaneous receipts not properly includible in other accounts.

**(ii)** Expenses shall consist of the cost of operating the power plant, and other costs incident to the production and delivery of the power for which construction is credited under paragraph (c)(18)(i) of this section, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

**(19)** ***Training costs.***

**(i)** When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature, or are new to the company's operations, these costs may be capitalized as a component of construction cost.

**(ii)** Once plant is placed in service, the capitalization of training costs shall cease and subsequent training costs shall be expensed. (See § 1767.17 (d).)

**(20)** ***Studies.***

**(i)** Studies include the costs of studies such as nuclear operational, safety, or seismic studies, or environmental studies mandated by regulatory bodies relative to plant under construction.

**(ii)** Studies relative to facilities in service shall be charged to Account 183, Preliminary Survey and Investigation Charges.

**(21)** Asset retirement. The costs recognized as a result of asset retirement obligations incurred during the construction and testing of utility plant shall constitute a component of construction costs.

**(d)** ***Overhead construction costs.***



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**(1)** All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision performed by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts as the time the property is retired.

**(2)** As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof.

**(i)** Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized.

**(ii)** The addition to direct construction cost of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

**(3)** The records supporting the entries for overhead constructions costs shall be so kept as to show:

**(i)** The total amount of each overhead for each year;

**(ii)** The nature and amount of each overhead expenditure charged to each construction work order and to each electric plant account; and

**(iii)** The bases of distribution of such costs.

https://www.law.cornell.edu/cfr/text/7/1767.16

The total fair value of shares of Director Deferred Share Units issued was insignificant for 2017 and 2016. Director Deferred Share Units activity is summarized in the following table.

| | Share Units | Grant Date Fair Value* |
|---|---|---|
| Beginning balance January 1, 2017 | 138,587 | $ 23.96 |
| Issued | 23,435 | 30.09 |
| Converted | (22,871) | 21.81 |
| Ending balance December 31, 2017 | 139,151 | 25.35 |

* weighted-average

## 11. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT

**Great Plains Energy's $200 Million Revolving Credit Facility**

Great Plains Energy's $200 million revolving credit facility with a group of banks expires in October 2019. The facility's terms permit transfers of unused commitments between this facility and the KCP&L and GMO facilities discussed below, with the total amount of the facility not exceeding $400 million at any one time. A default by Great Plains Energy or any of its significant subsidiaries on other indebtedness totaling more than $50.0 million is a default under the facility. Under the terms of this facility, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At December 31, 2017, Great Plains Energy was in compliance with this covenant. At December 31, 2017, Great Plains Energy had $11.0 million of outstanding cash borrowings at a weighted-average interest rate of 2.94% and had issued $1.0 million in letters of credit under the credit facility. At December 31, 2016, Great Plains Energy had no outstanding cash borrowings and had issued $1.0 million in letters of credit under the credit facility.

**KCP&L's $600 Million Revolving Credit Facility and Commercial Paper**

KCP&L's $600 million revolving credit facility with a group of banks provides support for its issuance of commercial paper and other general corporate purposes and expires in October 2019. Great Plains Energy and KCP&L may transfer up to $200 million of unused commitments between Great Plains Energy's and KCP&L's facilities. A default by KCP&L on other indebtedness totaling more than $50.0 million is a default under the facility. Under the terms of this facility, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At December 31, 2017, KCP&L was in compliance with this covenant. At December 31, 2017, KCP&L had $167.5 million of commercial paper outstanding at a weighted-average interest rate of 1.95%, had issued letters of credit totaling $2.7 million and had no outstanding cash borrowings under the credit facility. At December 31, 2016, KCP&L had $132.9 million of commercial paper outstanding at a weighted-average interest rate of 0.98%, had issued letters of credit totaling $2.8 million and had no outstanding cash borrowings under the credit facility.

**GMO's $450 Million Revolving Credit Facility and Commercial Paper**

GMO's $450 million revolving credit facility with a group of banks provides support for its issuance of commercial paper and other general corporate purposes and expires in October 2019. Great Plains Energy and GMO may transfer up to $200 million of unused commitments between Great Plains Energy's and GMO's facilities. A default by GMO or any of its significant subsidiaries on other indebtedness totaling more than $50.0 million is a default under the facility. Under the terms of this facility, GMO is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At December 31, 2017, GMO was in compliance with this covenant. At December 31, 2017, GMO had $209.3 million of commercial paper outstanding at a weighted-average interest rate of 1.85%, had issued letters of credit totaling $2.1 million and had no outstanding cash borrowings under the credit facility. At December 31, 2016, GMO had $201.9 million of commercial paper outstanding at a weighted-average interest rate of 1.02%, had issued letters of credit totaling $1.9 million and had no outstanding cash borrowings under the credit facility.





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# PART II

## ITEM 1. FINANCIAL STATEMENTS

**GREAT PLAINS ENERGY INCORPORATED**
**Consolidated Balance Sheets**
**(Unaudited)**

| | March 31 2018 | December 31 2017 |
|---|---|---|
| **ASSETS** | (millions, except share amounts) | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 1,142.1 | $ 1,125.4 |
| Receivables, net | 108.2 | 151.7 |
| Accounts receivable pledged as collateral | 180.0 | 180.0 |
| Fuel inventories, at average cost | 105.0 | 103.2 |
| Materials and supplies, at average cost | 172.3 | 171.2 |
| Deferred refueling outage costs | 5.9 | 6.8 |
| Interest rate derivative instruments | 98.4 | 91.4 |
| Prepaid expenses and other assets | 37.7 | 33.4 |
| Total | 1,849.6 | 1,863.1 |
| **Utility Plant, at Original Cost** | | |
| Electric | 13,733.1 | 13,674.1 |
| Less - accumulated depreciation | 5,305.1 | 5,224.0 |
| Net utility plant in service | 8,428.0 | 8,450.1 |
| Construction work in progress | 494.4 | 458.6 |
| Plant to be retired, net | 142.0 | 143.6 |
| Nuclear fuel, net of amortization of $211.9 and $204.2 | 65.7 | 72.4 |
| Total | 9,130.1 | 9,124.7 |
| **Investments and Other Assets** | | |
| Nuclear decommissioning trust fund | 255.3 | 258.4 |
| Regulatory assets | 901.7 | 913.9 |
| Goodwill | 169.0 | 169.0 |
| Other | 142.7 | 128.8 |
| Total | 1,468.7 | 1,470.1 |
| Total | $ 12,448.4 | $ 12,457.9 |

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.



| | 3/31/18 | 12/31/17 | |
|---|---|---|---|
| GPE CWIP | $ 494.4 | $ 458.6 | Above |
| KCPL CWIP | 384.7 | 350.3 | |
| GMO CWIP | $ 109.7 | $ 108.3 | pg. 12 of 10 Q |
| GMO. S.T. Debt | $ 235.5 | $ 209.3 | pg. 29 of 10 Q |
| Excess S.T. Debt (S.T. Debt — GMO CWIP) | $ 125.3 | $ 101.0 | |
| Interest Rate | 2.38 % | 1.85 % | pg. 29 of 10 Q |

**GREAT PLAINS ENERGY INCORPORATED**
**Consolidated Balance Sheets**
(Unaudited)

| | March 31 2018 | December 31 2017 |
|---|---|---|
| **LIABILITIES AND CAPITALIZATION** | (millions, except share amounts) | |
| **Current Liabilities** | | |
| Notes payable | $ 23.0 | $ 11.0 |
| Collateralized note payable | 180.0 | 180.0 |
| Commercial paper | 523.8 | 376.8 |
| Current maturities of long-term debt | 1.1 | 351.1 |
| Accounts payable | 186.0 | 340.0 |
| Accrued taxes | 72.7 | 35.1 |
| Accrued interest | 57.4 | 42.8 |
| Accrued compensation and benefits | 40.4 | 50.1 |
| Pension and post-retirement liability | 2.7 | 2.7 |
| Other | 62.9 | 59.2 |
| Total | 1,150.0 | 1,448.8 |
| **Deferred Credits and Other Liabilities** | | |
| Deferred income taxes | 639.5 | 621.7 |
| Deferred tax credits | 124.5 | 124.8 |
| Asset retirement obligations | 257.5 | 262.5 |
| Pension and post-retirement liability | 532.4 | 535.0 |
| Regulatory liabilities | 1,112.4 | 1,106.3 |
| Other | 81.8 | 81.4 |
| Total | 2,748.1 | 2,731.7 |
| **Capitalization** | | |
| Great Plains Energy shareholders' equity | | |
| Common stock - 600,000,000 shares authorized without par value 215,886,844 and 215,801,723 shares issued, stated value | 4,232.1 | 4,233.1 |
| Retained earnings | 713.6 | 737.9 |
| Treasury stock - 90,960 and 137,589 shares, at cost | (2.7) | (4.0) |
| Accumulated other comprehensive loss | (1.2) | (2.2) |
| Total shareholders' equity | 4,941.8 | 4,964.8 |
| Long-term debt (Note 11) | 3,608.5 | 3,312.6 |
| Total | 8,550.3 | 8,277.4 |
| **Commitments and Contingencies (Note 12)** | | |
| Total | $ 12,448.4 | $ 12,457.9 |

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**
**Consolidated Balance Sheets**
**(Unaudited)**

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | (millions, except share amounts) | |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 13.8 | $ 2.2 |
| Receivables, net | 74.3 | 106.3 |
| Related party receivables | 69.1 | 84.7 |
| Accounts receivable pledged as collateral | 130.0 | 130.0 |
| Fuel inventories, at average cost | 72.0 | 71.0 |
| Materials and supplies, at average cost | 127.8 | 126.0 |
| Deferred refueling outage costs | 5.9 | 6.8 |
| Refundable income taxes | 7.2 | 5.4 |
| Prepaid expenses and other assets | 31.3 | 27.6 |
| Total | 531.4 | 560.0 |
| **Utility Plant, at Original Cost** | | |
| Electric | 10,251.8 | 10,213.2 |
| Less - accumulated depreciation | 4,130.0 | 4,070.3 |
| Net utility plant in service | 6,121.8 | 6,142.9 |
| Construction work in progress | 384.7 | 350.3 |
| Nuclear fuel, net of amortization of $211.9 and $204.2 | 65.7 | 72.4 |
| Total | 6,572.2 | 6,565.6 |
| **Investments and Other Assets** | | |
| Nuclear decommissioning trust fund | 255.3 | 258.4 |
| Regulatory assets | 681.9 | 691.9 |
| Other | 49.5 | 48.0 |
| Total | 986.7 | 998.3 |
| Total | $ 8,090.3 | $ 8,123.9 |

The disclosures regarding KCP&L included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.





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**KANSAS CITY POWER & LIGHT COMPANY**
**Consolidated Balance Sheets**
**(Unaudited)**

| | March 31 2018 | December 31 2017 |
|---|---|---|
| **LIABILITIES AND CAPITALIZATION** | (millions, except share amounts) | |
| **Current Liabilities** | | |
| Collateralized note payable | $ 130.0 | $ 130.0 |
| Commercial paper | 288.3 | 167.5 |
| Current maturities of long-term debt | — | 350.0 |
| Accounts payable | 147.6 | 249.0 |
| Accrued taxes | 55.8 | 29.0 |
| Accrued interest | 40.7 | 32.4 |
| Accrued compensation and benefits | 40.4 | 50.1 |
| Pension and post-retirement liability | 1.4 | 1.4 |
| Other | 50.7 | 46.8 |
| Total | 754.9 | 1,056.2 |
| **Deferred Credits and Other Liabilities** | | |
| Deferred income taxes | 628.3 | 616.1 |
| Deferred tax credits | 121.5 | 121.8 |
| Asset retirement obligations | 227.0 | 231.4 |
| Pension and post-retirement liability | 509.7 | 512.2 |
| Regulatory liabilities | 782.7 | 779.2 |
| Other | 62.6 | 61.6 |
| Total | 2,331.8 | 2,322.3 |
| **Capitalization** | | |
| Common shareholder's equity | | |
| Common stock - 1,000 shares authorized without par value | | |
| 1 share issued, stated value | 1,563.1 | 1,563.1 |
| Retained earnings | 909.9 | 949.7 |
| Accumulated other comprehensive income | 1.3 | 0.4 |
| Total | 2,474.3 | 2,513.2 |
| Long-term debt (Note 11) | 2,529.3 | 2,232.2 |
| Total | 5,003.6 | 4,745.4 |
| **Commitments and Contingencies (Note 12)** | | |
| Total | $ 8,090.3 | $ 8,123.9 |

The disclosures regarding KCP&L included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**
**Consolidated Statements of Cash Flows**
**(Unaudited)**

| Three Months Ended March 31 | 2018 | 2017 |
|---|---|---|
| **Cash Flows from Operating Activities** | (millions) | |
| Net income | $ 20.2 | $ 14.2 |
| Adjustments to reconcile income to net cash from operating activities: | | |
| Depreciation and amortization | 66.9 | 65.3 |
| Amortization of: | | |
| Nuclear fuel | 7.7 | 8.0 |
| Other | 6.6 | 8.1 |
| Deferred income taxes, net | 5.6 | 9.2 |
| Investment tax credit amortization | (0.3) | (0.3) |
| Other operating activities (Note 4) | (1.7) | (21.1) |
| Net cash from operating activities | 105.0 | 83.4 |
| **Cash Flows from Investing Activities** | | |
| Utility capital expenditures | (93.5) | (84.0) |
| Allowance for borrowed funds used during construction | (2.0) | (1.2) |
| Purchases of nuclear decommissioning trust investments | (12.1) | (5.9) |
| Proceeds from nuclear decommissioning trust investments | 11.3 | 5.0 |
| Other investing activities | (4.5) | (5.1) |
| Net cash from investing activities | (100.8) | (91.2) |
| **Cash Flows from Financing Activities** | | |
| Issuance of long-term debt | 299.7 | — |
| Issuance fees | (3.1) | — |
| Repayment of long-term debt | (350.0) | — |
| Net change in short-term borrowings | 120.8 | 62.4 |
| Dividends paid to Great Plains Energy | (60.0) | (57.0) |
| Net cash from financing activities | 7.4 | 5.4 |
| **Net Change in Cash and Cash Equivalents** | 11.6 | (2.4) |
| **Cash and Cash Equivalents at Beginning of Year** | 2.2 | 4.5 |
| **Cash and Cash Equivalents at End of Period** | $ 13.8 | $ 2.1 |

The disclosures regarding KCP&L included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**Performance Shares**
Performance share activity for the three months ended March 31, 2018, is summarized in the following table.

| | Performance Shares | Grant Date Fair Value* |
|---|---|---|
| Beginning balance January 1, 2018 | 545,087 | $ 29.12 |
| Granted | 209,937 | 29.35 |
| Earned | (115,833) | 24.01 |
| Forfeited | (2,097) | 30.65 |
| Performance adjustment | (49,052) | 24.01 |
| Ending balance March 31, 2018 | 588,042 | 30.63 |

* weighted-average

At March 31, 2018, the remaining weighted-average contractual term was 1.8 years. The weighted-average grant-date fair value of shares granted was $29.35 and $31.26 for the three months ended March 31, 2018, and 2017, respectively. At March 31, 2018, there was $10.7 million of total unrecognized compensation expense, net of forfeiture rates, related to performance shares granted under the Long-Term Incentive Plan, which will be recognized over the remaining weighted-average contractual term. The total fair value of performance shares earned and paid was $2.8 million and $5.3 million for the three months ended March 31, 2018, and 2017, respectively.

The fair value of performance share awards is estimated using the market value of the Company's stock at the valuation date and a Monte Carlo simulation technique that incorporates assumptions for inputs of expected volatilities, dividend yield and risk-free rates. Expected volatility is based on daily stock price change during a historical period commensurate with the remaining term of the performance period of the grant. The risk-free rate is based upon the rate at the time of the evaluation for zero-coupon government bonds with a maturity consistent with the remaining performance period of the grant. The dividend yield is based on the most recent dividends paid and the actual closing stock price on the valuation date. For shares granted in 2018, inputs for expected volatility, dividend yield and risk-free rates were 17%, 3.72% and 2.34%, respectively.

**Restricted Stock**
Restricted stock activity for the three months ended March 31, 2018, is summarized in the following table.

| | Nonvested Restricted Stock | Grant Date Fair Value* |
|---|---|---|
| Beginning balance January 1, 2018 | 192,402 | $ 27.87 |
| Granted and issued | 70,001 | 29.08 |
| Vested | (56,878) | 26.12 |
| Forfeited | (700) | 28.87 |
| Ending balance March 31, 2018 | 204,825 | 28.77 |

* weighted-average

At March 31, 2018, the remaining weighted-average contractual term was 1.9 years. The weighted-average grant-date fair value of shares granted was $29.08 and $28.60 for the three months ended March 31, 2018, and 2017, respectively. At March 31, 2018, there was $3.5 million of total unrecognized compensation expense, net of forfeiture rates, related to nonvested restricted stock granted under the Long-Term Incentive Plan, which will be recognized over the remaining weighted-average contractual term. Total fair value of shares vested was $1.5 million and $2.3 million for the three months ended March 31, 2018, and 2017, respectively.

## 10. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT

**Great Plains Energy's $200 Million Revolving Credit Facility**
Great Plains Energy's $200 million revolving credit facility with a group of banks expires in October 2019. The facility's terms permit transfers of unused commitments between this facility and the KCP&L and GMO facilities





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discussed below, with the total amount of the facility not exceeding $400 million at any one time. A default by Great Plains Energy or any of its significant subsidiaries on other indebtedness totaling more than $50.0 million is a default under the facility. Under the terms of this facility, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At March 31, 2018, Great Plains Energy was in compliance with this covenant. At March 31, 2018, Great Plains Energy had $23.0 million of outstanding cash borrowings at a weighted-average interest rate of 3.23% and had issued $1.0 million in letters of credit under the credit facility. At December 31, 2017, Great Plains Energy had $11.0 million of outstanding cash borrowings at a weighted-average interest rate of 2.94% and had issued $1.0 million in letters of credit under the credit facility.

**KCP&L's $600 Million Revolving Credit Facility and Commercial Paper**
KCP&L's $600 million revolving credit facility with a group of banks provides support for its issuance of commercial paper and other general corporate purposes and expires in October 2019. Great Plains Energy and KCP&L may transfer up to $200 million of unused commitments between Great Plains Energy's and KCP&L's facilities. A default by KCP&L on other indebtedness totaling more than $50.0 million is a default under the facility. Under the terms of this facility, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At March 31, 2018, KCP&L was in compliance with this covenant. At March 31, 2018, KCP&L had $288.3 million of commercial paper outstanding at a weighted-average interest rate of 2.39%, had issued letters of credit totaling $2.7 million and had no outstanding cash borrowings under the credit facility. At December 31, 2017, KCP&L had $167.5 million of commercial paper outstanding at a weighted-average interest rate of 1.95%, had issued letters of credit totaling $2.7 million and had no outstanding cash borrowings under the credit facility.

**GMO's $450 Million Revolving Credit Facility and Commercial Paper**
GMO's $450 million revolving credit facility with a group of banks provides support for its issuance of commercial paper and other general corporate purposes and expires in October 2019. Great Plains Energy and GMO may transfer up to $200 million of unused commitments between Great Plains Energy's and GMO's facilities. A default by GMO or any of its significant subsidiaries on other indebtedness totaling more than $50.0 million is a default under the facility. Under the terms of this facility, GMO is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At March 31, 2018, GMO was in compliance with this covenant. At March 31, 2018, GMO had $235.5 million of commercial paper outstanding at a weighted-average interest rate of 2.38%, had issued letters of credit totaling $2.1 million and had no outstanding cash borrowings under the credit facility. At December 31, 2017, GMO had $209.3 million of commercial paper outstanding at a weighted-average interest rate of 1.85%, had issued letters of credit totaling $2.1 million and had no outstanding cash borrowings under the credit facility.

requirements, for CCR units. The rule took effect in October 2015 with various obligations effective at specified times within the rule. Estimated capital costs to comply with the CCR rule are included in the estimated capital expenditures table above. Certain requirements of the rule would require Great Plains Energy or KCP&L to expedite or incur additional capital expenditures in the future.

Great Plains Energy and KCP&L have AROs on their balance sheets for closure and post-closure of ponds and landfills containing CCRs. Certain requirements of the rule could in the future require further evaluation of the expected method of compliance and refinement of assumptions underlying the cost estimates for closure and post-closure. Great Plains Energy's and KCP&L's AROs could increase from the amounts presently recorded.

*Remediation*
Certain federal and state laws, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), hold current and previous owners or operators of contaminated facilities and persons who arranged for the disposal or treatment of hazardous substances liable for the cost of investigation and cleanup. CERCLA and other laws also authorize the EPA and other agencies to issue orders compelling potentially responsible parties to clean up sites that are determined to present an actual or potential threat to human health or the environment. GMO retains some environmental liability for several operations and investments it no longer owns. In addition, GMO also owns, or has acquired liabilities from companies that once owned or operated, former manufactured gas plant (MGP) sites, which are subject to the supervision of the EPA and various state environmental agencies.

At March 31, 2018 and December 31, 2017, KCP&L had $0.3 million accrued for environmental remediation expenses, which covers ground water monitoring at a former MGP site. The amount accrued was established on an undiscounted basis and KCP&L does not currently have an estimated time frame over which the accrued amount may be paid.

In addition to the $0.3 million accrual above, at March 31, 2018 and December 31, 2017, Great Plains Energy had $1.5 million accrued for the future investigation and remediation of certain additional GMO identified MGP sites and retained liabilities. This estimate was based upon review of the potential costs associated with conducting investigative and remedial actions at identified sites, as well as the likelihood of whether such actions will be necessary. This estimate could change materially after further investigation, and could also be affected by the actions of environmental agencies and the financial viability of other potentially responsible parties; however, given the uncertainty of these items the possible loss or range of loss in excess of the amount accrued is not estimable.

GMO has pursued recovery of remediation costs from insurance carriers and other potentially responsible parties. As a result of a settlement with an insurance carrier, approximately $1.6 million in insurance proceeds less an annual deductible is available to GMO to recover qualified MGP remediation expenses. GMO would seek recovery of additional remediation costs and expenses through rate increases; however, there can be no assurance that such rate increases would be granted.

## 13. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

KCP&L employees manage GMO's business and operate its facilities at cost, including GMO's 18% ownership interest in KCP&L's Iatan Nos. 1 and 2. The operating expenses and capital costs billed from KCP&L to GMO were $46.4 million and $47.9 million, respectively, for the three months ended March 31, 2018 and 2017.





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KCP&L and GMO are also authorized to participate in the Great Plains Energy money pool, an internal financing arrangement in which funds may be lent on a short-term basis to KCP&L and GMO from Great Plains Energy and between KCP&L and GMO. At March 31, 2018 and December 31, 2017, KCP&L had no outstanding receivables or payables under the money pool.

The following table summarizes KCP&L's related party net receivables.

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | (millions) | |
| Net receivable from GMO | $ 50.5 | $ 65.8 |
| Net receivable from Great Plains Energy | 18.6 | 18.9 |

## 14. FAIR VALUE MEASUREMENTS

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad categories, giving the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. A definition of the various levels, as well as discussion of the various measurements within the levels, is as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that Great Plains Energy and KCP&L have access to at the measurement date.

Level 2 – Market-based inputs for assets or liabilities that are observable (either directly or indirectly) or inputs that are not observable but are corroborated by market data.

Level 3 – Unobservable inputs, reflecting Great Plains Energy's and KCP&L's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Great Plains Energy and KCP&L record cash and cash equivalents and short-term borrowings on the balance sheet at cost, which approximates fair value due to the short-term nature of these instruments.

### Interest Rate Derivatives

In June 2016, Great Plains Energy entered into four interest rate swaps, with a total notional amount of $4.4 billion, to hedge against interest rate fluctuations on future issuances of long-term debt expected to be issued to finance a portion of the cash consideration for the acquisition of Westar under the Original Merger Agreement. The interest rate swaps were designated as economic hedges (non-hedging derivatives). Settlement of the interest rate swaps was contingent on the consummation of the acquisition of Westar. In March 2017, in connection with Great Plains Energy's $4.3 billion senior note issuance, the settlement value of the interest rate swaps to Great Plains Energy of $140.6 million was fixed.

In July 2017, the interest rate swap agreements were amended to make their cash settlement contingent on the consummation of the anticipated merger with Westar under the Amended Merger Agreement by November 30, 2018. Also in July 2017, Great Plains Energy redeemed its $4.3 billion senior notes that the interest rate swaps were entered into to hedge.

The fair value of the interest rate swaps recorded on Great Plains Energy's balance sheets reflects a contingency factor that management believes is representative of what a market participant would use in valuing these instruments in order to account for the contingent nature of the cash settlement of the interest rate swaps. The contingency factor was 0.3 and 0.35 at March 31, 2018 and December 31, 2017, respectively. At March 31, 2018 and December 31, 2017, the fair value of the interest rate swaps was $98.4 million and $91.4 million, respectively, and was recorded on Great Plains Energy's consolidated balance sheets in interest rate derivative instruments.

| THIS FILING IS | |
|---|---|
| Item 1: [X] An Initial (Original) Submission | OR [ ] Resubmission No. ____ |

Form 60 Approved
OMB No. 1902-0215
Expires 05/31/2019

# FERC FINANCIAL REPORT
# FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

| Exact Legal Name of Respondent (Company) | Year of Report |
|---|---|
| Great Plains Energy Services Incorporated | Dec 31, 2017 |

Schedule RES-R-1

## GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

### I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

### II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

### III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

### IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

### V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

### VI. Time Period

This report covers the entire calendar year.

### VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

### VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

### IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

## X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

## XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

## XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

## XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

## XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission, (Attention: Information Clearance Officer, CIO),
888 First Street NE,
Washington, DC 20426
or by email to DataClearance@ferc.gov

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Office for the Federal Energy Regulatory Commission).
Comments to OMB should be submitted by email to: oira_submission@omb.eop.gov

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

| DEFINITIONS |
|---|
| I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made. |

# FERC FORM NO. 60
# ANNUAL REPORT FOR SERVICE COMPANIES

## IDENTIFICATION

| | |
|---|---|
| 01 Exact Legal Name of Respondent<br>Great Plains Energy Services Incorporated | 02 Year of Report<br>Dec 31, 2017 |
| 03 Previous Name (If name changed during the year) | 04 Date of Name Change<br>/ / |
| 05 Address of Principal Office at End of Year (Street, City, State, Zip Code)<br>1200 Main, Kansas City, MO 64105 | 06 Name of Contact Person<br>Joyce Swope |
| 07 Title of Contact Person<br>Regulatory Analyst | 08 Address of Contact Person |
| 09 Telephone Number of Contact Person<br>(816) 556-2984 | 10 E-mail Address of Contact Person<br>joyce.swope@kcpl.com |
| 11 This Report is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | 12 Resubmission Date (Month, Day, Year)<br>/ / |
| 13 Date of Incorporation<br>04/01/2003 | 14 If Not Incorporated, Date of Organization<br>/ / |

15 State or Sovereign Power Under Which Incorporated or Organized

MISSOURI

16 Name of Principal Holding Company Under Which Reporting Company is Organized:

Great Plains Energy

## CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

| | | |
|---|---|---|
| 17 Name of Signing Officer<br>Steven P. Busser | 19 Signature of Signing Officer<br>Steven P. Busser | 20 Date Signed (Month, Day, Year)<br>04/27/2018 |
| 18 Title of Signing Officer<br>VP-Risk Management & Controller | | |

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| Name of Respondent | This Report Is: | Resubmission Date (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Great Plains Energy Services Incorporated | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | Dec 31, 2017 |

## Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

| Line No. | Account Number (a) | Description (b) | Reference Page No. (c) | As of Dec 31 Current (d) | As of Dec 31 Prior (e) |
|---|---|---|---|---|---|
| 1 | | **Service Company Property** | | | |
| 2 | 101 | Service Company Property | 103 | 711,446 | 711,446 |
| 3 | 101.1 | Property Under Capital Leases | 103 | | |
| 4 | 106 | Completed Construction Not Classified | | | |
| 5 | 107 | Construction Work In Progress | 103 | | |
| 6 | | Total Property (Total Of Lines 2-5) | | 711,446 | 711,446 |
| 7 | 108 | Less: Accumulated Provision for Depreciation of Service Company Property | 104 | | |
| 8 | 111 | Less: Accumulated Provision for Amortization of Service Company Property | | | |
| 9 | | Net Service Company Property (Total of Lines 6-8) | | 711,446 | 711,446 |
| 10 | | **Investments** | | | |
| 11 | 123 | Investment In Associate Companies | 105 | | |
| 12 | 124 | Other Investments | 105 | | |
| 13 | 128 | Other Special Funds | 105 | | |
| 14 | | Total Investments (Total of Lines 11-13) | | | |
| 15 | | **Current And Accrued Assets** | | | |
| 16 | 131 | Cash | | 287,209 | 297,992 |
| 17 | 134 | Other Special Deposits | | | |
| 18 | 135 | Working Funds | | | |
| 19 | 136 | Temporary Cash Investments | | | |
| 20 | 141 | Notes Receivable | | | |
| 21 | 142 | Customer Accounts Receivable | | | |
| 22 | 143 | Accounts Receivable | | | |
| 23 | 144 | Less: Accumulated Provision for Uncollectible Accounts | | | |
| 24 | 146 | Accounts Receivable From Associate Companies | 106 | | |
| 25 | 152 | Fuel Stock Expenses Undistributed | 107 | | |
| 26 | 154 | Materials And Supplies | | | |
| 27 | 163 | Stores Expense Undistributed | 108 | | |
| 28 | 165 | Prepayments | | 16,484 | |
| 29 | 171 | Interest And Dividends Receivable | | | |
| 30 | 172 | Rents Receivable | | | |
| 31 | 173 | Accrued Revenues | | | |
| 32 | 174 | Miscellaneous Current and Accrued Assets | | | |
| 33 | 175 | Derivative Instrument Assets | 109 | | |
| 34 | 176 | Derivative Instrument Assets – Hedges | | | |
| 35 | | Total Current and Accrued Assets (Total of Lines 16-34) | | 303,693 | 297,992 |
| 36 | | **Deferred Debits** | | | |
| 37 | 181 | Unamortized Debt Expense | | | |
| 38 | 182.3 | Other Regulatory Assets | | | |
| 39 | 183 | Preliminary Survey And Investigation Charges | | | |
| 40 | 184 | Clearing Accounts | | | |
| 41 | 185 | Temporary Facilities | | | |
| 42 | 186 | Miscellaneous Deferred Debits | | 15,079 | 15,079 |
| 43 | 188 | Research, Development, or Demonstration Expenditures | 110 | | |
| 44 | 189 | Unamortized loss on reacquired debt | 111 | | |
| 45 | 190 | Accumulated Deferred Income Taxes | | 3,722 | 51 |
| 46 | | Total Deferred Debits (Total of Lines 37-45) | | 18,801 | 15,130 |
| 47 | | TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46) | | 1,033,940 | 1,024,568 |

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| Name of Respondent | This Report Is: | Resubmission Date (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Great Plains Energy Services Incorporated | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | Dec 31, 2017 |

**Schedule I - Comparative Balance Sheet (continued)**

| Line No. | Account Number (a) | Description (b) | Reference Page No. (c) | As of Dec 31 Current (d) | As of Dec 31 Prior (e) |
|---|---|---|---|---|---|
| 48 | | **Proprietary Capital** | | | |
| 49 | 201 | Common Stock Issued | 201 | 10,000 | 10,000 |
| 50 | 204 | Preferred Stock Issued | 201 | | |
| 51 | 211 | Miscellaneous Paid-In-Capital | 201 | | |
| 52 | 215 | Appropriated Retained Earnings | 201 | | |
| 53 | 216 | Unappropriated Retained Earnings | 201 | | |
| 54 | 219 | Accumulated Other Comprehensive Income | 201 | | |
| 55 | | Total Proprietary Capital (Total of Lines 49-54) | | 10,000 | 10,000 |
| 56 | | **Long-Term Debt** | | | |
| 57 | 223 | Advances From Associate Companies | 202 | | |
| 58 | 224 | Other Long-Term Debt | 202 | | |
| 59 | 225 | Unamortized Premium on Long-Term Debt | | | |
| 60 | 226 | Less: Unamortized Discount on Long-Term Debt-Debit | | | |
| 61 | | Total Long-Term Debt (Total of Lines 57-60) | | | |
| 62 | | Other Non-current Liabilities | | | |
| 63 | 227 | Obligations Under Capital Leases-Non-current | | | |
| 64 | 228.2 | Accumulated Provision for Injuries and Damages | | | |
| 65 | 228.3 | Accumulated Provision For Pensions and Benefits | | | |
| 66 | 230 | Asset Retirement Obligations | | | |
| 67 | | Total Other Non-current Liabilities (Total of Lines 63-66) | | | |
| 68 | | **Current and Accrued Liabilities** | | | |
| 69 | 231 | Notes Payable | | | |
| 70 | 232 | Accounts Payable | | 15,441 | |
| 71 | 233 | Notes Payable to Associate Companies | 203 | | |
| 72 | 234 | Accounts Payable to Associate Companies | 203 | 1,004,632 | 1,014,577 |
| 73 | 236 | Taxes Accrued | | ( 14) | ( 5,875) |
| 74 | 237 | Interest Accrued | | | |
| 75 | 241 | Tax Collections Payable | | | |
| 76 | 242 | Miscellaneous Current and Accrued Liabilities | 203 | | |
| 77 | 243 | Obligations Under Capital Leases – Current | | | |
| 78 | 244 | Derivative Instrument Liabilities | | | |
| 79 | 245 | Derivative Instrument Liabilities – Hedges | | | |
| 80 | | Total Current and Accrued Liabilities (Total of Lines 69-79) | | 1,020,059 | 1,008,702 |
| 81 | | **Deferred Credits** | | | |
| 82 | 253 | Other Deferred Credits | | | |
| 83 | 254 | Other Regulatory Liabilities | | | |
| 84 | 255 | Accumulated Deferred Investment Tax Credits | | | |
| 85 | 257 | Unamortized Gain on Reacquired Debt | | | |
| 86 | 282 | Accumulated deferred income taxes-Other property | | | |
| 87 | 283 | Accumulated deferred income taxes-Other | | 3,881 | 5,866 |
| 88 | | Total Deferred Credits (Total of Lines 82-87) | | 3,881 | 5,866 |
| 89 | | TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88) | | 1,033,940 | 1,024,568 |

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## Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

| Line No. | Acct # (a) | Title of Account (b) | Balance at Beginning of Year (c) | Additions (d) | Retirements or Sales (e) | Other Changes (f) | Balance at End of Year (g) |
|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization | | | | | |
| 2 | 303 | Miscellaneous Intangible Plant | | | | | |
| 3 | 306 | Leasehold Improvements | | | | | |
| 4 | 389 | Land and Land Rights | 711,446 | | | | 711,446 |
| 5 | 390 | Structures and Improvements | | | | | |
| 6 | 391 | Office Furniture and Equipment | | | | | |
| 7 | 392 | Transportation Equipment | | | | | |
| 8 | 393 | Stores equipment | | | | | |
| 9 | 394 | Tools, Shop and Garage Equipment | | | | | |
| 10 | 395 | Laboratory Equipment | | | | | |
| 11 | 396 | Power Operated Equipment | | | | | |
| 12 | 397 | Communications Equipment | | | | | |
| 13 | 398 | Miscellaneous Equipment | | | | | |
| 14 | 399 | Other Tangible Property | | | | | |
| 15 | 399.1 | Asset Retirement Costs | | | | | |
| 16 | | Total Service Company Property (Total of Lines 1-15) | 711,446 | | | | 711,446 |
| 17 | 107 | Construction Work In Progress: | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | | | | | | | |
| 22 | | | | | | | |
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| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | | Total Account 107 (Total of Lines 18-30) | | | | | |
| 32 | | Total (Lines 16 and Line 31) | | | | | 711,446 |

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| Name of Respondent | This Report Is: | Resubmission Date (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Great Plains Energy Services Incorporated | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | Dec 31, 2017 |

## Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

| Line No. | Account Number (a) | Title of Account (b) | Description (c) | Amount (d) |
|---|---|---|---|---|
| 1 | 201 | Common Stock Issued | Number of Shares Authorized | 100 |
| 2 | | | Par or Stated Value per Share | |
| 3 | | | Outstanding Number of Shares | 1 |
| 4 | | | Close of Period Amount | 10,000 |
| 5 | | Preferred Stock Issued | Number of Shares Authorized | |
| 6 | | | Par or Stated Value per Share | |
| 7 | | | Outstanding Number of Shares | |
| 8 | | | Close of Period Amount | |
| 9 | 211 | Miscellaneous Paid-In Capital | | |
| 10 | 215 | Appropriated Retained Earnings | | |
| 11 | 219 | Accumulated Other Comprehensive Income | | |
| 12 | 216 | Unappropriated Retained Earnings | Balance at Beginning of Year | |
| 13 | | | Net Income or (Loss) | |
| 14 | | | Dividend Paid | |
| 15 | | | Balance at Close of Year | |

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| Name of Respondent<br><br>Great Plains Energy Services Incorporated | This Report is:<br>(1) X An Original<br>(2) _ A Resubmission | Resubmission Date<br>(Mo, Da, Yr)<br>/ / | Year of Report<br><br>2017 |
|---|---|---|---|
| FOOTNOTE DATA | | | |

***Schedule Page: 201 Line No.: 4 Column: d***

Great Plains Energy Services has one share of no par common stock outstanding.

| Name of Respondent | This Report Is: | Resubmission Date (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Great Plains Energy Services Incorporated | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | Dec 31, 2017 |

## Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $50,000 may be grouped, showing the number of items in each group.

| Line No. | Account Number (a) | Title of Account (b) | Balance at Beginning of Year (c) | Balance at Close of Year (d) |
|---|---|---|---|---|
| 1 | 233 | Notes Payable to Associates Companies | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
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| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | | | | |
| 23 | | | | |
| 24 | 234 | Accounts Payable to Associate Companies | | |
| 25 | | KCP&L Greatter Missouri Operations | 835,619 | 835,361 |
| 26 | | Kansas City Power & Light Company | 179,161 | 163,680 |
| 27 | | Great Plains Energy Incorporated | ( 356) | 5,438 |
| 28 | | GXP Investments, Inc. | 153 | 153 |
| 29 | | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | 242 | Miscellaneous Current and Accrued Liabilities | | |
| 42 | | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | | | | |
| 46 | | | | |
| 47 | | | | |
| 48 | | | | |
| 49 | | | | |
| 50 | | (Total) | 1,014,577 | 1,004,632 |

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1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

Note 1-Summary of Significant Accounting Policies

Organization

Great Plains Energy Services, Incorporated (GPES) is a wholly-owned subsidiary of Great Plains Energy Incorporated (GPE), a public utility holding company subject to the regulations of the Public Utility Holding Company Act of 2005. GPES did not provide services to GPE or its subsidiaries during 2017.

Basis of Presentation

GPES follows the Uniform System of Accounts for Centralized Service Companies as prescribed by the Federal Energy Regulatory Commission.

Note 2-Common Stock

GPES is authorized to issue 100 shares of no par common stock. At December 31, 2017, GPES had one share of stock issued and outstanding that was held by GPE.

Schedule XX - Organization Chart

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

Great Plains Energy Services Incorporated*

President-Terry Bassham
Vice President-Maria Jenks
Secretary-Ellen Fairchild
Treasurer-Lori Wright

General Allocator
For 2017

| | | Expenses Directly Assigned (1) | Expenses Allocated using causal factors (2) | Total Direct and Causal Allocated | General Allocator Ratio |
|---|---|---|---|---|---|
| HLDCO | Great Plains Energy Inc. | 14,268,056 | | 14,268,056 | 0.59% |
| GPES | Great Plains Energy Services | - | | - | 0.00% |
| GPTHC | Great Plains Transmission HLDG | 1,119,493 | 42,333 | 1,161,826 | 0.05% |
| PARNT | GMO Parent Division | 1,614,001 | | 1,614,001 | |
| SJINV | SJLP Investments | - | | - | |
| TRNSU | Trans MPS Inc | 658 | | 658 | |
| MPSFC | MPS Finance Corp | 517 | | 517 | |
| MPSCH | MPS Canada Holdings | 447 | | 447 | |
| MPSNC | MPS Networks Canada | 4,719 | | 4,719 | |
| MPSCC | MPS Canada Corp | 490 | | 490 | |
| MPSMS | MPS Merchant Services | 1,430,703 | | 1,430,703 | |
| MPSGP | MPS Gas Pipeline | 2,216 | | 2,216 | |
| MPSPC | MPS Piatt County Power LLC | 443 | | 443 | |
| MGI | MOPUB Group Inc. | 1,118 | | 1,118 | |
| GBH | Golden Bear Hydro Inc. | 773 | | 773 | |
| ENI | Energia Inc. | 943 | | 943 | |
| | Total PARNT | 3,057,028 | - | 3,057,028 | 0.13% |
| KLT | KLT Inc. | 746,423 | | 746,423 | |
| KLTG | KLT Gas Inc. | 97 | | 97 | |
| KLTIV | KLT Investments Inc. | (735,253) | | (735,253) | |
| HSS | Home Service Solutions | - | | - | |
| FGAS | FAR Gas Acquisitions Corp | 743 | | 743 | |
| | Total KLT | 12,010 | - | 12,010 | 0.00% |
| SOLAR | KCPL Solar Inc. | 200,871 | | 200,871 | 0.01% |
| KCREC | KCPL Receivables Company | 12,034,960 | | 12,034,960 | 0.50% |
| GREC | GMO Receivables Company | 5,786,464 | | 5,786,464 | 0.24% |
| KCSUB | KCPL owned Subsidiaries | - | | - | 0.00% |
| NREG | KCP&L Non Regulated Activity | 1,036,587 | | 1,036,587 | 0.04% |
| XPLOD | Combo Exploide BU | - | | - | 0.00% |
| ELELM | Electric Utilities Elimination | - | | - | 0.00% |
| ECORP | GMO Utilities | - | | - | 0.00% |
| MOPUB | Missouri Public Service Utility | 523,150,331 | 25,672,136 | 548,822,467 | 22.74% } 30.86 |
| SJLP | Saint Joseph Power & Light Utility | 187,961,989 | 8,074,149 | 196,036,138 | 8.12% |
| KCPL | Kansas City Power & Light Utility | 1,563,849,668 | 67,470,502 | 1,631,320,170 | 67.58% |
| | | 2,312,477,457 | 101,259,120 | 2,413,736,577 | 100.00% |

(1) Directly assigned based on 2016 charges and include O&M, interest & taxes that were not negative.
The taxes on any business unit with negative total taxes were changed to zero.

(2) Includes the following indirect allocations:
- Utility Mass
- Number of Customers
- Tranmission Miles
- Customers/Trans Miles
- Plant Capacity
- Charging Stations

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Kansas City Power & Light Company | (1) [X] An Original<br>(2) [ ] A Resubmission | 04/18/2018 | End of 2017/Q4 |

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

| Line No. | Account (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|---|---|---|---|
| 165 | 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES | | |
| 166 | Operation | | |
| 167 | (907) Supervision | 97,132 | 89,973 |
| 168 | (908) Customer Assistance Expenses | 33,629,310 | 40,114,474 |
| 169 | (909) Informational and Instructional Expenses | 110,940 | 150,641 |
| 170 | (910) Miscellaneous Customer Service and Informational Expenses | 9,170,252 | 8,749,192 |
| 171 | TOTAL Customer Service and Information Expenses (Total 167 thru 170) | 43,007,634 | 49,104,280 |
| 172 | 7. SALES EXPENSES | | |
| 173 | Operation | | |
| 174 | (911) Supervision | | |
| 175 | (912) Demonstrating and Selling Expenses | 573,744 | 487,158 |
| 176 | (913) Advertising Expenses | | |
| 177 | (916) Miscellaneous Sales Expenses | | |
| 178 | TOTAL Sales Expenses (Enter Total of lines 174 thru 177) | 573,744 | 487,158 |
| 179 | 8. ADMINISTRATIVE AND GENERAL EXPENSES | | |
| 180 | Operation | | |
| 181 | (920) Administrative and General Salaries | 40,440,422 | 40,102,091 |
| 182 | (921) Office Supplies and Expenses | -401,693 | -834,128 |
| 183 | (Less) (922) Administrative Expenses Transferred-Credit | 15,570,960 | 14,396,197 |
| 184 | (923) Outside Services Employed | 14,095,357 | 13,436,217 |
| 185 | (924) Property Insurance | 3,802,353 | 4,194,668 |
| 186 | (925) Injuries and Damages | 6,469,023 | 17,067,418 |
| 187 | (926) Employee Pensions and Benefits | 81,463,294 | 83,444,475 |
| 188 | (927) Franchise Requirements | | |
| 189 | (928) Regulatory Commission Expenses | 7,207,504 | 7,596,069 |
| 190 | (929) (Less) Duplicate Charges-Cr. | | |
| 191 | (930.1) General Advertising Expenses | 35,742 | |
| 192 | (930.2) Miscellaneous General Expenses | 6,555,299 | 6,024,015 |
| 193 | (931) Rents | 3,499,384 | 3,391,511 |
| 194 | TOTAL Operation (Enter Total of lines 181 thru 193) | 147,595,725 | 160,026,139 |
| 195 | Maintenance | | |
| 196 | (935) Maintenance of General Plant | 9,084,438 | 8,070,993 |
| 197 | TOTAL Administrative & General Expenses (Total of lines 194 and 196) | 156,680,163 | 168,097,132 |
| 198 | TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197) | 974,978,749 | 944,622,571 |

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| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Kansas City Power & Light Company | (1) [X] An Original<br>(2) [ ] A Resubmission | 04/18/2018 | End of 2017/Q4 |

## MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

| Line No. | Description (a) | Amount (b) |
|---|---|---|
| 1 | Industry Association Dues | 1,448,506 |
| 2 | Nuclear Power Research Expenses | 1,495,734 |
| 3 | Other Experimental and General Research Expenses | 1,743,493 |
| 4 | Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities | 1,664,086 |
| 5 | Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000 | |
| 6 | Winning Culture | 227 |
| 7 | Support Services | 20,487 |
| 8 | Safety | 12 |
| 9 | Reporting | 165,689 |
| 10 | Other | 72 |
| 11 | Labor | 14,083 |
| 12 | Manage Environmental Programs | 2,910 |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
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| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | | |
| 41 | | |
| 42 | | |
| 43 | | |
| 44 | | |
| 45 | | |
| 46 | TOTAL | 6,555,299 |

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Schedule RES-R-1
32/37

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| KCP&L Greater Missouri Operations Company | (1) [X] An Original<br>(2) [ ] A Resubmission | 04/18/2018 | End of 2017/Q4 |

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

| Line No. | Account (a) | Amount for Current Year (b) | Amount for Previous Year (c) |
|---|---|---|---|
| 165 | 6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES | | |
| 166 | Operation | | |
| 167 | (907) Supervision | 68,619 | 63,296 |
| 168 | (908) Customer Assistance Expenses | 35,028,975 | 21,816,883 |
| 169 | (909) Informational and Instructional Expenses | 41,198 | 59,766 |
| 170 | (910) Miscellaneous Customer Service and Informational Expenses | 6,696,400 | 9,486,586 |
| 171 | TOTAL Customer Service and Information Expenses (Total 167 thru 170) | 41,835,192 | 31,426,531 |
| 172 | 7. SALES EXPENSES | | |
| 173 | Operation | | |
| 174 | (911) Supervision | | |
| 175 | (912) Demonstrating and Selling Expenses | 308,693 | 274,041 |
| 176 | (913) Advertising Expenses | | |
| 177 | (916) Miscellaneous Sales Expenses | | |
| 178 | TOTAL Sales Expenses (Enter Total of lines 174 thru 177) | 308,693 | 274,041 |
| 179 | 8. ADMINISTRATIVE AND GENERAL EXPENSES | | |
| 180 | Operation | | |
| 181 | (920) Administrative and General Salaries | 15,115,484 | 16,458,161 |
| 182 | (921) Office Supplies and Expenses | 4,592,097 | 3,698,851 |
| 183 | (Less) (922) Administrative Expenses Transferred-Credit | -13,709,697 | -12,242,823 |
| 184 | (923) Outside Services Employed | 4,260,770 | 5,943,631 |
| 185 | (924) Property Insurance | 1,684,470 | 1,763,639 |
| 186 | (925) Injuries and Damages | 2,677,322 | 2,487,265 |
| 187 | (926) Employee Pensions and Benefits | 32,676,072 | 27,474,638 |
| 188 | (927) Franchise Requirements | | |
| 189 | (928) Regulatory Commission Expenses | 3,082,495 | 4,537,044 |
| 190 | (929) (Less) Duplicate Charges-Cr. | 583,780 | 577,016 |
| 191 | (930.1) General Advertising Expenses | 14,340 | |
| 192 | (930.2) Miscellaneous General Expenses | 2,432,704 | 2,253,810 |
| 193 | (931) Rents | 1,713,110 | 1,728,879 |
| 194 | TOTAL Operation (Enter Total of lines 181 thru 193) | 81,374,781 | 78,011,725 |
| 195 | Maintenance | | |
| 196 | (935) Maintenance of General Plant | 3,652,833 | 3,434,155 |
| 197 | TOTAL Administrative & General Expenses (Total of lines 194 and 196) | 85,027,614 | 81,445,880 |
| 198 | TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197) | 479,025,404 | 477,575,219 |

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| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| KCP&L Greater Missouri Operations Company | (1) [X] An Original<br>(2) [ ] A Resubmission | 04/18/2018 | End of 2017/Q4 |

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

| Line No. | Description (a) | Amount (b) |
|---|---|---|
| 1 | Industry Association Dues | 585,099 |
| 2 | Nuclear Power Research Expenses | |
| 3 | Other Experimental and General Research Expenses | 783,309 |
| 4 | Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities | 969,111 |
| 5 | Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000 | |
| 6 | Winning Culture | 100 |
| 7 | Support Services | 8,178 |
| 8 | Safety/Medical | 5 |
| 9 | Reporting | 79,283 |
| 10 | Other | 34 |
| 11 | Labor | 4,203 |
| 12 | Manage Environmental Programs | 3,382 |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
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| 38 | | |
| 39 | | |
| 40 | | |
| 41 | | |
| 42 | | |
| 43 | | |
| 44 | | |
| 45 | | |
| 46 | TOTAL | 2,432,704 |

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## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### GREAT PLAINS ENERGY

Great Plains Energy's common stock is listed on the New York Stock Exchange under the symbol "GXP". At February 16, 2018, Great Plains Energy's common stock was held by 13,952 shareholders of record. Information relating to market prices and cash dividends on Great Plains Energy's common stock is set forth in the following table.

| | Common Stock Price Range [a] | | | | Common Stock Dividends Declared | | |
|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | | | |
| Quarter | High | Low | High | Low | 2018 | 2017 | 2016 |
| First | $ 29.24 | $ 26.87 | $ 32.26 | $ 26.34 | $ 0.275 [b] | $ 0.275 | $ 0.2625 |
| Second | 29.92 | 27.86 | 32.68 | 28.35 | | 0.275 | 0.2625 |
| Third | 31.58 | 29.14 | 31.22 | 26.53 | | 0.275 | 0.2625 |
| Fourth | 34.70 | 30.55 | 28.60 | 26.20 | | 0.275 | 0.275 |

[a] Based on closing stock prices.
[b] Declared February 13, 2018, and payable March 20, 2018, to shareholders of record as of February 27, 2018.

### Dividend Restrictions

For information regarding dividend restrictions, see Note 13 to the consolidated financial statements.

### Purchases of Equity Securities

The following table provides information regarding purchases by Great Plains Energy for the three months ended December 31, 2017.

| Issuer Purchases of Equity Securities | | | | |
|---|---|---|---|---|
| Month | Total Number of Shares (or Units) Purchased [a] | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
| October 1 - 31 | 2,981 | $ 31.54 | — | N/A |
| November 1 - 30 | 2,421 | 33.63 | — | N/A |
| December 1 - 31 | 17,424 | 32.53 | — | N/A |
| Total | 22,826 | $ 32.52 | — | N/A |

[a] Represents open market purchases for the Company's Dividend Reinvestment and Direct Stock Purchase Plan and defined contribution savings plan (401(k)).

### KCP&L

KCP&L is a wholly owned subsidiary of Great Plains Energy, which holds the one share of issued and outstanding KCP&L common stock.

### Dividend Restrictions

For information regarding dividend restrictions, see Note 13 to the consolidated financial statements.

## 17. SEGMENTS AND RELATED INFORMATION

Great Plains Energy has one reportable segment based on its method of internal reporting, which segregates reportable segments based on products and services, management responsibility and regulation. The one reportable business segment is Electric Utility, consisting of KCP&L, GMO's regulated utility operations and GMO Receivables Company. Other includes GMO activity other than its regulated utility operations, GPETHC and unallocated corporate charges including certain costs to achieve the anticipated merger with Westar. The summary of significant accounting policies applies to the reportable segment. Segment performance is evaluated based on net income (loss).

The following tables reflect summarized financial information concerning Great Plains Energy's reportable segment.

| Three Months Ended March 31, 2018 | Electric Utility | Other | Eliminations | Great Plains Energy |
|---|---|---|---|---|
| | | (millions) | | |
| Operating revenues | $ 583.9 | $ — | $ — | $ 583.9 |
| Depreciation and amortization | (93.7) | — | — | (93.7) |
| Interest (charges) income | (47.8) | (8.3) | 8.0 | (48.1) |
| Income tax expense | (2.9) | (2.6) | — | (5.5) |
| Net income | 28.0 | 7.0 | — | 35.0 |

| Three Months Ended March 31, 2017 | Electric Utility | Other | Eliminations | Great Plains Energy |
|---|---|---|---|---|
| | | (millions) | | |
| Operating revenues | $ 570.7 | $ — | $ — | $ 570.7 |
| Depreciation and amortization | (90.3) | — | — | (90.3) |
| Interest (charges) income | (50.1) | (24.5) | 8.0 | (66.6) |
| Income tax (expense) benefit | (10.1) | 15.9 | — | 5.8 |
| Net income (loss) | 16.1 | (25.7) | — | (9.6) |

| | Electric Utility | Other | Eliminations | Great Plains Energy |
|---|---|---|---|---|
| **March 31, 2018** | | (millions) | | |
| Assets | $ 11,529.0 | $ 1,304.1 | $ (384.7) | $ 12,448.4 |
| Capital expenditures (a) | 119.7 | — | — | 119.7 |
| **December 31, 2017** | | | | |
| Assets | $ 11,508.1 | $ 1,285.7 | $ (335.9) | $ 12,457.9 |
| Capital expenditures (a) | 573.5 | — | — | 573.5 |

(a) Capital expenditures reflect year to date amounts for the periods presented.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### GREAT PLAINS ENERGY INCORPORATED

### EXECUTIVE SUMMARY

**Description of Business**

Great Plains Energy is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries and cash and cash equivalents.

Great Plains Energy's sole reportable business segment is Electric Utility. Electric Utility consists of KCP&L, a regulated utility, GMO's regulated utility operations and GMO Receivables Company. Electric Utility has approximately 6,500 MWs of owned generating capacity and engages in the generation, transmission, distribution and sale of electricity to approximately 870,500 customers in the states of Missouri and Kansas. Electric Utility's retail electricity rates are comparable to the national average of investor-owned utilities.

Great Plains Energy's corporate and other activities not included in the sole reportable business segment includes GMO activity other than its regulated utility operations, GPETHC and unallocated corporate charges including certain costs to achieve the anticipated merger with Westar.

**Anticipated Merger with Westar Energy, Inc.**
On July 9, 2017, Great Plains Energy entered into an Amended Merger Agreement by and among Great Plains Energy, Westar, Holdco, and Merger Sub. Pursuant to the Amended Merger Agreement, subject to the satisfaction or waiver of certain conditions, Great Plains Energy will merge with and into Holdco, with Holdco surviving such merger, and Merger Sub will merge with and into Westar, with Westar surviving such merger. Upon closing, pursuant to the Amended Merger Agreement, each outstanding share of Great Plains Energy's and Westar's common stock will be converted into the right to receive 0.5981 and 1.0, respectively, of validly issued, fully paid and nonassessable shares of common stock, no par value, of Holdco. Following the mergers, Holdco, with a new name that has yet to be publicly announced, will be the parent of Great Plains Energy's direct subsidiaries, including KCP&L, and Westar.

The anticipated merger has been structured as a merger of equals in a tax-free exchange of shares that involves no premium paid or received with respect to either Great Plains Energy or Westar. Following the completion of the anticipated merger, Westar shareholders will own approximately 52.5 percent and Great Plains Energy shareholders will own approximately 47.5 percent of the combined company.

Great Plains Energy's anticipated merger with Westar was unanimously approved by the Great Plains Energy Board and Westar Board of Directors, has received the approvals of each of Great Plains Energy's and Westar's shareholders, the NRC, FERC and FCC and has received early termination of the waiting period under the HSR Act with respect to antitrust review. The anticipated merger remains subject to regulatory approvals from KCC and the MPSC as well as other contractual conditions.

See Note 3 to the consolidated financial statements for more information regarding the anticipated merger.

**Earnings Overview**
Great Plains Energy had earnings available for common shareholders of $35.0 million or $0.16 per share for the three months ended March 31, 2018, compared to a loss of $24.7 million or $0.11 per share for the same period in 2017. This increase in earnings was largely driven by colder weather; an increase in weather-normalized retail demand; a decrease in costs to achieve the anticipated merger with Westar; lower interest charges and preferred stock dividend requirements; partially offset by a provision for rate refund related to the Tax Cuts and Jobs Act and higher income tax expense.

For additional information regarding the change in earnings (loss), refer to the Great Plains Energy Results of Operations and the Electric Utility Results of Operations sections within this Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Adjusted Earnings (Non-GAAP) and Adjusted Earnings Per Share (Non-GAAP)**
Great Plains Energy's adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) for the three months ended March 31, 2018, were $29.4 million or $0.19 per share, respectively. Great Plains Energy's adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) for the three months ended March 31, 2017, were $19.9 million and $0.13, respectively. In addition to earnings (loss) available for common shareholders and diluted earnings (loss) per common share, Great Plains Energy's management uses adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) to evaluate earnings and earnings per share without the impact of the anticipated merger with Westar.

Adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP) excludes certain costs, expenses, gains, losses and the per share dilutive effect of equity issuances resulting from the anticipated merger and the