

KCP&L Additional Affiliate Transaction Information

March 12, 2012

Pursuant to the Stipulation and Agreement in Case No. EM-2001-464 between Kansas City Power & Light Company (KCPL), the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel,

and

Pursuant to the Stipulation and Agreement in Docket No. 01-KCPE-708-MIS between Kansas City Power & Light Company, the Staff of Kansas Corporation Commission, and the Citizens' Utility Ratepayer Board,

KCPL submits this additional information:

- 1. KCPL's Cost Allocation Manual (CAM) will be modified to identify and describe all KCPL functions that will provide support to nonregulated affiliated business units, including the Holding Company.**
 - A. A listing of each function**
 - B. The positions and numbers of employees providing each function.**
 - C. The procedures to be used to measure and assign costs to nonregulated business units for each function provided by KCPL.**

Response:

- A. See attached CAM, Exhibit 4
- B. KCPL does not have employees dedicated to non-regulated affiliate business units. However, in the course of business, employees may provide services to an unregulated affiliate on a limited basis for which the non-regulated affiliate would be charged.
- C. See attached CAM, Exhibit 4, Tabs B, C, D & E.
- 2. The CAM will be modified to include:**
 - A. A description of all services and goods that will be provided to KCPL from each affiliate of KCPL.**
 - B. A description of all services and goods that will be provided to affiliated companies from KCPL.**
 - C. The dollar amount of each service and good charged to each affiliate by KCPL, and the total cost related to each service and good listed.**
 - D. The dollar amount of each service and good bought from each affiliate from (by) KCPL, and the total cost related to each service and good listed.**
 - E. A detailed discussion of the basis for determining the charges from the regulated utility, affiliated companies and the Holding Company, including:**

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- a. **If costs are allocated, a description of the cost allocation process employed for each service and good.**
- b. **How direct, indirect and common activities are assigned for each service and good.**
- c. **How market value for each service and good is determined.**
- d. **A description of the criteria employed to determine whether volume discounts or other pricing considerations are to be provided to KCPL or affiliates.**

Response:

- A. The list of goods and services KCPL received from affiliates during 2011 is in Exhibit 2B and 2C attached to the KCPL Affiliate Transaction Report.
- B. The list of goods and services KCPL provided to affiliates during 2011 is in Exhibit 2A and 2C attached to the KCPL Affiliate Transaction Report.
- C. See Exhibit 2A and 2C of the KCPL Affiliate Transaction Report.
- D. See Exhibit 2B and 2C of the KCPL Affiliate Transaction Report.
- E. Part a. See CAM, Exhibit 4, Sections B, C, D & E.
Part b. See CAM, Exhibit 4, Sections B, C, D & E.
Part c. Except as indicated below, KCPL has used only Fully Distributed Costs.

Under the agreement with Kansas City Power & Light Receivables Company, KCP&L receives an annual servicing fee based on a fixed-percentage applied to the outstanding principal amount of the receivables sold to Receivables Company. Amounts billed to affiliates are reflected on Exhibit 2A attached to the KCPL Affiliate Transaction Report. See CAM, Exhibit 4, Sections B, C, D & E.

Part d. Volume discounts are not used.

- 3. **The CAM will be modified to include a Code of Conduct to ensure adherence to the policies and procedures incorporated within the CAM.**
 - A. **Training will be provided and information disseminated regarding the current policies and procedures and any future modification to them.**
 - B. **KCPL will enforce penalties, up to and including possible termination, for noncompliance with its policies and procedures.**
 - C. **A designated person will be responsible for enforcement of the policies and procedures.**
 - D. **KCPL will conduct regularly scheduled internal and/or external audits to examine compliance with its policies and procedures.**
 - E. **At least once a year, KCPL will consider whether modifications to the Code of Conduct are necessary to support appropriate compliance**

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with the company's policies and procedures. If modifications to the Code of Conduct are made by KCPL, they will be provided as part of the overall CAM filing.

Response:

- A. KCPL provides annual training on its Code of Conduct. See response to E. below for dissemination procedures, if required.
- B. The code of Conduct, Exhibit 5a, Pg. 2 addresses "Consequences".
- C. The Controller is responsible to ensure adherence to the policies and procedures incorporated within the CAM.
- D. Audit Services regularly reviews KCPL transactions for compliance with policy and procedures; such transactions may include the cost allocations that are documented in the CAM and referenced in the documentation of internal controls over financial reporting for compliance with the Sarbanes Oxley Act.
- E. The Code of Conduct was revised in 2010. Exhibit 5a is the Code and Exhibit 5b summarizes the history of revisions to the code.

4. KCPL will file as part of the CAM the following organization charts:

- A. Total family of companies within the Holding Company.**
- B. KCPL alone.**
- C. Affiliates doing business with KCPL.**

Response:

See Exhibit 6a & 6b.

5. The CAM will be modified to include a listing of all deregulated activities that will be provided within the regulated company (KCPL) to nonaffiliated third party customers following formation of the Holding Company. This information to be provided in this area shall include:

- A. The amount of revenues and expenses for each deregulated activity for the last calendar year.**
- B. Listings of all KCPL cost centers/functions that will directly assign, indirectly assign, or allocate costs to each regulated activity listed.**

Response:

Because deregulation has not been approved in KCPL's service territory no such activities have been developed.