FILED[3]
NOV 13 2006
Missouri Public Service Commission

Exhibit No.:
Issue: Hawthorn Unit 5; Pensions; Severance Cost; Bad Debts; Injuries and Damages; Corporate Projects and Strategic Initiatives; Rate Case Expenses; Lobbying Expenses, Dues, Board Costs and Charitable Contributions; Payroll, including A&G Salaries; Other Benefits
Witness: Lori Wright
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2006-0314
Date Testimony Prepared: September 8, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2006-0314

REBUTTAL TESTIMONY

OF

LORI WRIGHT

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
September 2006

KCPL Exhibit No. 8
Case No(s). ER-2006-0314
Date 10-16-06 Rptr KF

REBUTTAL TESTIMONY

OF

LORI WRIGHT

Case No. ER-2006-0314

Q: Please state your name and business address.

A: My name is Lori A. Wright. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCPL") as Controller.

Q: Are you the same Lori Wright who filed pre-filed direct testimony in this case?

A: Yes, I am.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide rebuttal testimony in the following areas:

I. Hawthorn Unit 5

II. Pensions

III. Severance Cost

IV. Bad Debts

V. Injuries and Damages

VI. Corporate Projects and Strategic Initiatives

VII. Rate Case Expenses

VIII. Lobbying Expenses, Dues, Board Costs and Charitable Contributions

IX. Payroll, including A&G Salaries

X. Other Benefits

I. Hawthorn Unit 5

Q: Staff witness Williams' testimony asserts on page 35, lines 17 through 19, the Company should have booked the insurance recoveries and lawsuit settlements related to the Hawthorn Unit 5 explosion to plant-in-service as a direct offset to the cost of construction. Do you agree with this assertion?

A: No. I do not.

Q: Please explain.

A: Under Section 301 of the Federal Power Act, KCPL is required to adopt the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts and the rules and regulations therein ("USofA"). As discussed by Mr. Williams on page 39, lines 11-14 of his testimony, KCPL was required pursuant to the USofA, specifically Paragraph 108, Section B (18 CFR Ch. 1, page 351), to treat the insurance proceeds related to Hawthorn Unit 5 property damage as salvage and record the proceeds to FERC Account 108, Accumulated Provision for Depreciation. Recording these proceeds as a credit to construction (reduction of gross plant) as recommended by Staff would have resulted in an understatement of allowance for funds used during construction ("AFUDC"), gross plant, depreciation expense and accumulated depreciation. Although there would have been no change in net plant, the accounting records would have been in violation of the Federal Power Act and the USofA.

Q: On page 39, lines 17-18 of Mr. Williams' testimony, he asserts the USofA did not take into consideration catastrophic events. Do agree with this assertion?

A: Neither I, nor Staff, can answer that question with certainty. KCPL is obligated to comply with the UsofA, as directed by the FERC, without consideration for what the

FERC did or did not take into consideration at the time the guidance was originally issued.

Q: **On page 34 of Mr. William's testimony, he states that because the plant value is overstated it is necessary to go to the depreciation reserve to determine the net plant value correctly. Do you agree that the plant value is overstated?**

A: No, I do not. The net plant value is gross plant less accumulated depreciation. Therefore, the net plant value is the same whether the insurance proceeds are recorded as a credit to gross plant or a credit to accumulated depreciation. Either way, the net plant value is the same.

Q: **Mr. Williams asserts on page 40 of his testimony that as a result of booking the Hawthorn Unit 5 insurance proceeds to the depreciation reserve in accordance with the USofA, AFUDC related to the Hawthorn 5 rebuild was overstated. Do you agree with that assertion?**

A: No. I do not agree that AFUDC was overstated due to KCPL recording insurance proceeds in accordance with the USofA.

Q: **Do you agree with Staff's assertion that the Company had excess cash from insurance proceeds to fund the Hawthorn Unit 5 rebuild and therefore, did not need to use as much debt or equity to pay for the project?**

A: No. I do not agree with either their assertion or the associated adjustment.

Q: **Please explain.**

A: Staff's analysis omits several important factors in its cash flow consideration. The two most glaring omissions are that the Company spent approximately $162 million in un-reimbursed purchased power from the time Hawthorn Unit 5 went down until the rebuild in-service date in June 2001 and approximately $10 million on cost of removal. Schedule LAW-2 demonstrates the cash flow impact when these two important facts are considered.

Q: How does cost of removal and purchased power impact Staff's theory?

A: KCPL incurred cash expenditures to remove the damaged/destroyed assets and to purchase replacement power during the period of removal and rebuild. As shown in Schedule LAW-2, KCPL incurred approximately $296 million in additional cash expenditures related to the Hawthorn Unit 5 explosion in excess of insurance proceeds.

Q: What level of potential cash from insurance proceeds did KCPL have during the period of removal and rebuild?

A: The maximum amount available during that period was $165 million, including approximately $7.2 million for recovery of replacement power and A&G costs, as reflected in Schedule LAW-2.

Q: On pages 36-37 of Mr. Williams testimony, he indicates the value of the Hawthorn Unit 5 plant is overstated because insurance proceeds and lawsuit settlements were recorded to the depreciation reserve. Does the recording of insurance proceeds in accordance with the USofA overstate the value of the plant?

A: No. The value of the assets placed in service related to the Hawthorn Unit 5 rebuild represents the cost to construct those assets and the insurance and lawsuit settlements were recorded in accordance with the USofA.

Q: Does the application of lawsuit proceeds to the depreciation reserve benefit the customers?

A: Yes, it does. Since the proceeds are reflected in the depreciation reserve as salvage, they reduce the net plant investment that reduces the allowed return on rate base.

II. Pensions

Q: Please explain the prepaid pension asset as described in the Stipulation and Agreement, Case EO-2005-0329 ("Agreement").

A: Under the Agreement, a total prepaid pension asset of $63,658,444 ($34,694,918 Missouri jurisdictional) was established in rate base to allow recovery of the excess of cash contributions over FAS 87 pension costs in prior years. Subsequently, the prepaid pension asset is to be reduced by the excess of any FAS 87 regulatory expense over pension contributions. Conversely, the prepaid pension asset will increase when pension contributions exceed FAS 87 regulatory expense. These amounts will be tracked to ensure that when the prepaid asset becomes zero, amounts collected in rates will be used to fund the trust.

Q: Does KCPL agree with Staff witness Traxler's method of tracking the prepaid pension asset?

A: KCPL agrees with the method used by Staff in the prepaid pension asset calculation except for the treatment of pension allocated to the partners of our jointly-owned power plants ("Joint Partners") and the treatment of Supplemental Executive Retirement Plan ("SERP") FAS 87 expenses. SERP has been excluded from Staff's calculation and the FAS 87 expense and contributions have been reduced for the portion relating to the Joint Partners. In addition, Staff's calculation is through June 30, 2006, but there is agreement between KCPL and Staff that the calculations will be updated through September 30, 2006.

Q: Please describe the regulatory asset and the related amortization authorized in the Agreement.

A: The Agreement, as approved by the Commission in August 2005, requires KCPL to establish a regulatory asset or liability to track the difference between the level of FAS 87 regulatory expense and the level of pension expense included in rates. The regulatory asset or liability will be included in rate base and amortized over five years beginning with this case.

Q: Does KCPL agree with Staff's method of tracking the regulatory asset established with the implementation of the Agreement?

A: KCPL agrees with the method used by Staff in tracking the regulatory asset except for the treatment of SERP and Joint Partners. Staff excluded SERP from the calculation and Staff reduced FAS 87 regulatory expense and the $22 million in rates per the Agreement for Joint Partners' portion. Staff's calculation is through June 30, 2006, but Staff indicated it will be updated through September 30, 2006, in the true-up audit.

Q: Does KCPL agree with the Staff's method of amortizing the regulatory asset in adjustment S-78.3?

A. KCPL agrees with Staff's method of amortizing the regulatory asset except for the treatment of the Joint Partners' portion. As explained previously, Staff reduced the regulatory asset by the Joint Partners' portion. Staff then amortized the net amount over five years. KCPL amortized the gross regulatory asset and then charged a portion of the amortization expense to Joint Partners.

Q: Does KCPL agree with Staff's method of updating FAS 87 regulatory expense in adjustment S-78.4?

A: KCPL agrees with the method used in the calculation of updating FAS 87 regulatory expense, except for the treatment of SERP. Staff excluded SERP in the calculation.

Q: What is the basis for KCPL's opinion regarding the intended treatment of SERP expenses?

A: The $22 million currently allowed in rates is based upon the FAS 87 actuarial information for 2003 included in Accounts 926041, Pension Costs-WCNOC and 926200, Pension Costs-KCPL. These accounts include costs associated with the Management, Joint Trusteed, WCNOC and SERP Plans. Therefore, KCPL believes the $22 million established in the Agreement for FAS 87 expense includes SERP.

Q: Does the Agreement include the Joint Partners' portion in the calculation of the prepaid pension asset and the regulatory asset?

A: Yes, as stated above, the $22 million is based on FAS 87 expense in Accounts 926041 and 926200, which is before the Joint Partners' portion.

Q: Why is it reasonable to assume that the Agreement included the Joint Partners?

A: The purpose of tracking the prepaid pension asset and the regulatory asset are to keep all parties whole so that KCPL will collect the cost of the plans in rates and any costs collected in rates will be contributed to the pension trusts. By excluding Joint Partners, the tracking would not be synchronized as the percent allocable to Joint Partners varies from year to year, thus creating a discrepancy between collections and funding. Additionally, using differing FAS 87 costs for KCPL and its Joint Partners would require different loading percentages resulting in different asset costs per ownership percentage dependent upon whether you are KCPL or a Joint Partner. Maintaining all components on an equal basis ensures the concept of keeping each party, including ratepayers, whole.

Q: Has the Staff made a recommendation regarding KCPL's requested treatment of FAS 88 costs?

A: No. Staff has not made a recommendation regarding KCPL's requested treatment of FAS 88 costs.

Q: What are FAS 88 expenses?

A: Financial Accounting Standard No. 88 "Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("FAS 88") expenses relate to the settlement or curtailment of defined benefit plans. FAS 88 requires immediate recognition of previously unrecognized gains and losses when certain transactions occur.

Q: What treatment is KCPL requesting for FAS 88 expense?

A: In the current case, ER-2006-0314, KCPL witness Terry Bassham addresses FAS 88 expense in his Direct Testimony. In addition, KCPL has filed an application for an Accounting Authority Order ("AAO") regarding pension benefits under FAS 88 (Case No. EU-2006-0560). In both cases, KCPL requests approval to set up a regulatory asset or liability in rate base to track the difference in FAS 88 pension expense recorded for financial purposes and the level of FAS 88 pension expense in rates (currently determined to be $0) beginning January 1, 2006 and to amortize that difference over five years beginning in KCPL's next rate case. The 2006 FAS 88 settlement charges are projected to be approximately $20 million but the final amount will not be determinable until the plans' year-end. KCPL reaffirms its requested AAO treatment for FAS 88 expense in Case No. EU-2006-0560 and requests the Commission reaffirm the requested treatment in the Final Order of this case.

Q: Is the requested regulatory treatment for FAS 88 similar to the rate treatment received for FAS 87?

A: Yes, the requested treatment is consistent with the FAS 87 pension expense treatment included in the Agreement, which was approved by the Commission in August 2005, with the difference between regulatory expense and the level of pension expense in rates recorded as a regulatory asset or liability that is included in rate base and amortized over five years in the next rate case.

Q: Why should FAS 88 expense be included in rates?

A: The current regulatory practice of establishing a regulatory asset or liability for any difference between FAS 87 regulatory expense and the amount of FAS 87 pension expense in rates, allows the full cost of FAS 87 expense to be recovered in rates. Settlement accounting required by FAS 88 is an acceleration of the gains or losses that have not been recognized under FAS 87 and is merely a timing issue. Therefore, pension costs determined in accordance with FAS 88 warrant comparable treatment to pension costs determined pursuant to FAS 87.

III. Severance Cost

Q: Does KCPL routinely incur severance costs?

A. Yes. The Company incurs some amount of severance cost each year. There are many reasons severance cost is incurred, including changing job requirements, corporate reorganization and downsizing. As the Company continues to position employees within the organization to implement its strategic intent, severance costs will continue to be incurred. Severance cost is an ongoing cost of providing service at an economical price.

Q: Did Staff propose an adjustment to severance costs?

A: Yes. Staff witness Hyneman sponsored adjustment S-72.1 to adjust test year expense to remove severance costs in the amount of $2,383,662.

Q: What does KCPL recommend for treatment of severance cost?

A: KCPL recommends a three-year average be included in cost of service, excluding the 2005 severance cost paid to two former executives totaling $2,076,300, which was provided by KCPL in response to data requests 210 and 210.1. KCPL's recommended three-year average severance amount to be included after consideration of the severance for the two former executives is $897,024, which is representative of an ongoing level of severance costs.

IV. Bad Debts

Q: What did Staff recommend regarding bad debt expense in cost of service?

A: Staff witness Bolin sponsored adjustment S-68.1 for $1,321,817.

Q: Does KCPL agree with the Staff's recommendation regarding bad debt expense?

A: No. Ms. Bolin calculated the adjustment based on the twelve-months ended June 30, 2006. In Ms. Bolin's calculation of adjustment S-68.1, she incorrectly compared Missouri jurisdictional write-offs net of recoveries to Missouri jurisdictional retail revenue including gross receipts tax to determine a bad debt percentage of 0.565%. Ms. Bolin should have excluded $39,468,543 of gross receipts tax from Missouri jurisdictional retail revenue to determine the bad debt percentage.

Q: Why should gross receipts tax be excluded from Missouri jurisdictional retail revenues?

A: The write-off amounts for Missouri customers do not include gross receipts tax.

Q: By excluding gross receipts tax from Missouri retail revenues, what does KCPL recommend for the adjustment?

A: KCPL recommends, and has reached agreement with Ms. Bolin, excluding the $39,468,543 of gross receipts tax from Missouri jurisdictional revenue in determining the bad debt percentage to be applied to the revenue requirement determined in this case. This change increases the bad debt percentage from Ms. Bolin's 0.565% to 0.610%. This increases Staff's proposed bad debt expense by $219,411.

V. Injuries and Damages

Q: What is your understanding of Staff's proposal regarding injuries and damages?

A: Staff witness Vesely proposed to reflect insurance and related premiums based upon KCPL's test year cost, which is calculated using the accrual method of accounting. However, Staff has made an adjustment to reflect the remainder of injuries and damages on a cash basis of accounting. Staff proposed the use of a three-year average of cash payments.

Q: What adjustment did Staff recommend?

A: Mr. Vesely sponsored adjustment S-77.3 to reduce KCPL's total Company test year injuries and damages expense by $1,085,638.

Q: **Do you support Mr. Vesely's proposal regarding injuries and damages?**

A: No. KCPL recommends the 2005 test year injuries and damages expense of $9,038,759 on a total Company basis is the most appropriate amount to include in cost of service. Mr. Vesely's proposal to reflect the remainder of injuries and damages on a cash basis of accounting fails to consider that the results of the cash lead/lag study accounts for the effects of the timing of cash payments versus accrual accounting. However, KCPL has analyzed Mr. Vesely's calculation of a three-year average of cash payments. Mr. Vesely compared this three-year average of cash payments of $2,015,656 to the 2005 test year provision amount for injuries and damages of $3,101,294.

Q: Is Mr. Vesely's comparison to the 2005 test year provision for this adjustment appropriate?

A: No, it is not. Mr. Vesely should have compared the three-year average of cash payments to a comparable three-year average of the provision, which would be $2,263,644 rather than to the 2005 test year provision amount of $3,101,294.

Q: Please quantify the effect to Mr. Vesely's calculation of comparing to a three-year average of the provision.

A: After consideration of KCPL's recommended changes to Mr. Vesely's calculation, Adjustment S-77.3 would reduce KCPL's total Company test year injuries and damages expense by $247,988, or $837,650 less than the original adjustment, which is the difference between the three-year averages of cash payments and provisions.

VI. Corporate Projects and Strategic Initiatives

Q: What treatment has Staff proposed regarding costs incurred for KCPL project MSC0140 (KCPL Strategic Initiative)?

A: Staff has proposed to KCPL that the non-payroll test year costs, updated through May 2006, are directly associated with the construction of Iatan Unit II and should be charged to the Iatan Unit II construction project.

Q: Do you agree with Staff's recommendation regarding KCPL project MSC0140?

A: I agree with Staff's proposal. Total Company test year costs for project MSC0140 to be removed from cost of service should be $2,024,024. Total Company project MSC0140 costs incurred through May 31, 2006, that should be charged to the Iatan Unit II construction project under the Staff's proposal total $2,233,867. This amount should be updated in this case through September 30, 2006.

Q: **Does KCPL agree with Staff's proposed treatment of KCPL's projects LED-LDI (Leadership Development) and CORPDP-KCPL (Corporate Development/ Planning KCPL) associated with the Comprehensive Energy Plan (CEP) as sponsored by Staff witness Vesely on pages 9-11 of his direct testimony?**

A: KCPL agrees the costs associated with these projects reflect KCPL's efforts to reshape and align the Company to implement the CEP. Therefore, KCPL is supportive of Staff's proposal to amortize these costs over 5 years. KCPL believes these amounts should be included in rate base because these are cash expenditures, the recovery of which Staff is proposing be deferred.

Q: **Does KCPL agree with Staff's allocation of costs incurred by GPES to KCPL for Project LED-LDI (Leadership Development)?**

A: No. Staff allocated 98% of the GPES costs incurred for this project to KCPL's cost of service. Staff should have allocated 88.9% of the GPES costs to KCPL. This lower rate reflects the 2005 blended rate for GPES costs allocated to KCPL. A blended rate is necessary for 2005 due to the transfer of approximately 80% of GPES employees to KCPL effective August 1, 2005. The GPES allocation factors used to allocate costs changed materially subsequent to the transfer of these employees.

Q: **Please quantify your proposed adjustment for using the correct GPES allocation factor.**

A: Cost of service should be increased in Staff adjustments S-73.7 and S-75.3 for Project LED-LDI by $114,823 for utilization of the correct blended rate.

Q: Do you have any other issues regarding Staff's recommendation for these Projects?

A: Yes, I do.

Q: Please explain.

A: These costs are cash expenditures for which the Staff is proposing to defer recovery; therefore, KCPL believes the non-payroll costs to be deferred and amortized should be included in rate base. The total of the two projects, updated through May 31, 2006, to be included in rate base and amortized over five years is as follows:

LED-LDI	$1,728,381
CORPDP-KCPL	<u>$1,541,001</u>
Total	$3,269,382

Q: Are the amounts listed above after the correction for Project LED-LDI mentioned earlier?

A: Yes.

Q: Does Mr. Vesely indicate these amounts will be updated through September 30, 2006?

A: No, he does not.

Q: Does KCPL believe these costs should be updated through September 30, 2006?

A: Yes, I do.

VII. Rate Case Expenses

Q: Please describe your understanding of Staff witness Harris' recommendation regarding rate case expenses.

A: Staff recommends deferral and amortization of reasonable rate case expenses through the duration of the case over a three-year period.

Q: What is your understanding of Adjustment S-79.3.

A: Adjustment S-79.3 removes rate case expenses and reflects the amortization of the deferred costs over three years.

Q: Is this adjustment appropriate?

A: No. The adjustment removes rate case expenses from cost of service that had already been deferred resulting in an understatement of rate case expenses in cost of service. KCPL and Staff have reached agreement that the Staff adjustment of $373,468 needs to be added back to the 2005 test year. In fact, Staff needs to recognize a positive increase to KCPL's test year expense to recognize annual amortization of rate case expenses deferred through the duration of the case. KCPL believes the appropriate amortization period for the deferred rate case costs is two years.

VIII. Lobbying Expenses, Dues, Board Costs and Charitable Contributions

Q: Do you have any issues regarding lobbying expenses?

A: Yes. I will discuss Staff witness Williams adjustment S-81.4 related to Edison Electric Institute ("EEI") dues.

Q: What was the purpose of this adjustment?

A: Mr. Williams is attempting to remove the lobbying expenses associated with the EEI dues because lobbying expenses, in Staff's opinion, do not directly benefit the ratepayers.

Q: Please explain Mr. Williams' treatment of KCPL's 2005 EEI annual dues in adjustment S-81.4?

A: Mr. Williams did not start with the gross amount paid to EEI of $349,551. Rather, Mr. Williams made adjustments to the portion KCPL appropriately treated in cost of service of $262,163. Mr. Williams allowed 30%, or $78,649, of the $262,163 in cost of service and disallowed 70%, or $183,514, as lobbying expenses.

Q: Do you agree with Mr. Williams treatment of this cost?

A: No, I do not. Based on the total amount paid to EEI of $349,551, KCPL recorded 75%, or $262,163 in account 930231 and the remaining 25%, or $87,388, in account 826402 (FERC Account 426). Therefore, KCPL appropriately recorded the amounts in cost of service.

Q: How does KCP&L determine the 75% - 25% split between cost of service and below the line?

A: EEI's annual invoice provides a percentage estimate for lobbying. For 2005, EEI estimated on the invoice that 25% of the EEI dues were for lobbying. In addition, in July 2006, KCPL received a letter from EEI updating the original estimate provided for lobbying. In July 2006, EEI revised the estimate downward from 25% to 19.4%.

Q: Did KCPL make an adjustment for the difference between 25% and 19.4% to include more expense in cost of service?

A: No. KCPL determined this difference to be immaterial.

Q: Do you have any other issues with Mr. Williams S-81.4 adjustment?

A: Yes, in addition to the amount paid to EEI above, KCPL paid EEI $119,017 in 2005 and expensed 100% to account 930200. Mr. Williams allowed 75%, or $89,263, and disallowed 25%, or $29,754, from test year cost of service.

Q: Please explain this additional payment to EEI?

A: This payment is for KCPL's 2005 Utility Air Regulatory Group ("UARG") annual dues. The UARG does not conduct lobbying activities.

Q: Please quantify the adjustment you are recommending.

A: Mr. Williams should increase KCPL's test year cost of service for $223,269, or completely remove his adjustment (S-81.4), for the amounts mentioned above ($183,514 and $29,754) because KCPL appropriately did not include the lobbying portion of the EEI dues in its test year cost of service.

Q: Did the Staff propose adjustments related to lobbying expenses, costs associated with an off-site Board Meeting and charitable contributions?

A: Yes, Staff proposed adjustments S-83.2, S-81.3, S-81.7, S-78.2, S-73.3, S-73.5, S-73.2, S-72.4, S-81.2, S-80.2, S-77.2, S-67.2, S-55.3, S-38.2-.4 and S-39.2.

Q: Does KCPL agree with Staff's adjustments?

A: Yes. As identified in the responses to Staff data request numbers 467, 355, 305, 322, 322S, 354 and 301, KCPL recommends removal of these costs from test year cost of service.

Q: Are there any other issues you would like to discuss?

A: Yes.

Q: Please continue.

A: During review of accounts included in cost of service, KCPL discovered that certain dues and lobbying expenses were incorrectly recorded to above the line accounts.

Q: Please quantify the amount of the adjustment.

A: KCPL recommends an adjustment to remove these expenses from the test year cost of service for $320,226.

Q: Have you reviewed Staff witness Hyneman's S-81.8 adjustment?

A: Yes, I have.

Q: What was the purpose of this adjustment?

A: Mr. Hyneman was attempting to quantify an adjustment in which Staff identified inappropriate amounts charged to KCPL. This amount was intended to include costs related to lobbying activities and costs that were incorrectly charged to KCPL.

Q: Do you believe this adjustment is still necessary?

A: No, I do not. The adjustments I discussed throughout this Section VIII. of my testimony resolve the issues Mr. Hyneman was attempting to address in his adjustment S-81.8. KCPL, as previously discussed, has quantified $320,226 that should be removed from cost of service. In addition, Staff removed several items as a result of KCPL responses to data requests as previously discussed.

IX. Payroll, including A&G Salaries

Q: Did you review Staff witness Bolin's testimony, adjustments and supporting work papers regarding annualization of payroll costs?

A: Yes, I have.

Q: Do you agree with the Staff's methodology for annualizing payroll costs?

A. I do not agree with the methodology used by the Staff in their filed case; however, Staff and KCPL have subsequently agreed on many components of a methodology to annualize payroll costs.

Q: Have KCPL and Staff agreed to true up the payroll annualization using employees on the Company's payroll at September 30, 2006.

A: Yes, we have. Staff filed their case using employees on the Company's payroll at June 30, 2006; however, KCPL and Staff have agreed to true up the payroll annualization using employees on the Company's payroll at September 30, 2006, using the agreed upon methodology I mentioned earlier.

Q: Are Incentive Compensation and Severance costs addressed in the payroll annualization?

A: KCPL included incentive compensation and severance costs in its determination of annualized payroll; however the Staff addressed these two items separately with V. William Harris of the Staff providing testimony and adjustments regarding incentive compensation and Staff witness Chuck R. Hyneman providing testimony and adjustments regarding severance payments. KCPL witness David Cross is providing rebuttal testimony addressing the Staff adjustment regarding incentive compensation and I provided rebuttal testimony regarding severance costs earlier in this testimony.

Q: Do you agree with the percentage utilized by the Staff to allocate the annualized payroll costs of GPES employees to KCPL?

A: I do not agree with the allocation percentage used by the Staff to allocate annualized payroll costs of GPES employees to KCPL. Ms. Bolin used the average of payroll billings from GPES to KCPL of 66.57% for the period from August 2005 to December 2005. Since the Company completed a reorganization of employees effective August 1, 2005, resulting in approximately 80% of GPES's employees being transferred to KCPL, I agree with Staff that billings prior to August 2005 should not be used in the payroll annualization as the percentage of billings to KCPL prior to August 2005 would not be reflective of billings post reorganization. Considering the reorganization; however, results in the Staff using only five months of billings to determine the normalized billing percentage of 66.57% used in their case. I believe that the percentage of payroll billings should be trued up to September 30, 2006, consistent with the update of employees on the Company's payroll. Payroll billings from GPES to KCPL should be normalized using the billings during the period August 2005 through September 2006.

Q: **Do you agree with the percentage utilized by the Staff to determine the amount of annualized payroll costs to be included in cost of service versus capitalized?**

A: No, I do not. I do; however, agree with the starting point for Staff's calculation of the expense versus capital percentage. In its filed case, Staff started its calculation of the expense versus capital percentage utilizing information from pages 354 and 355, "Distribution of Salaries and Wages" of the Company's Annual FERC Form No. 1 filing for the year ended December 31, 2005. Additionally, Staff and KCPL have agreed to an adjustment to total salaries and wages reported on page 355 of the FERC Form No. 1 related to capitalized labor billed to KCPL from Wolf Creek resulting in an agreed upon year ended 2005 total salaries and wages amount of $192,543,065.

Q: **Do you agree with how the Staff treated A&G salaries in its determination of the expense versus capitalization percentage?**

A: No, I do not. In its filed case, Staff attempted to remove A&G salaries included in FERC Account 920 from the starting points for salaries and wages expense and total salaries and wages amounts derived from KCPL's FERC Form No. 1, as I previously discussed. However, Staff only considered A&G amounts allocated to capital based on a time study conducted by KCPL.

Q: **Is Staff's treatment consistent with KCPL's process for capitalizing A&G salaries?**

A: No, it is not. KCPL has two methods to capitalizes A&G salaries. First, KCPL conducts an annual survey to determine the percentage of time that should be allocated to construction. The survey conducted in 2005 concluded that KCPL should capitalize 4.42% of A&G salaries. Second, individuals directly charge their time to construction projects.

Q: Has KCPL analyzed the time directly charged to construction?

A: Yes, we have. However, it is impossible to assess time directly charged to construction related to the A&G salaries that otherwise would have been included in FERC Account 920 that the Staff is attempting in its case to analyze separately.

Q: Please explain.

A: FERC Account 920 is utilized by virtually all employees in the Company at some level. Some employees use FERC Account 920 only for administrative or support meetings or for non-job specific training (such as diversity training), while other employees in the Company primarily use FERC Account 920 to record their time on a daily basis (such as Accounting employees). Because of the prevalent use of FERC Account 920 throughout the Company (i.e., FERC Account 920 is not limited to Executives and support personnel), the Company proposes use of a blended expense versus capital percentage derived from the FERC Form No. 1 to determine the appropriate annualized payroll to be allowed in cost of service rather than analyzing A&G salaries separately as the Staff has done in its filing.

Q: In assessing Staff's treatment of A&G salaries, what analysis did the Company perform to assess the level of time charged to construction (FERC account 107) relative to the amounts recorded in FERC Account 920?

A: As previously mentioned, it would be impossible given the Company's use of FERC Account 920 to completely separate A&G salaries between those actually charged to FERC Account 920 and those direct charged to capital accounts to determine an appropriate expense versus capital percentage; however, KCPL performed an analysis on the 2005 test year to determine the percentage of KCPL A&G time directly charged to construction. To conduct this analysis, KCPL only considered KCPL employees who charged more than 80 hours to FERC Account 920. This consisted of approximately 500 individuals. As a result of this analysis, KCPL determined that 15.32% of A&G salaries analyzed were directly charged to construction (FERC account 107).

Q: What did your analysis determine the overall average percentage of A&G salaries charged to construction would be for this set of KCPL employees analyzed when considering both methods used by KCPL to capitalize A&G salaries?

A: The two components mentioned above total 19.74% (4.42% + 15.32%).

Q: Do you believe this is an adequate amount of A&G salaries to be capitalized?

A: Yes, I believe this is a reasonable amount of A&G salaries to be capitalized. In the 2005 test year, KCPL had not yet fully initiated the construction projects under the Comprehensive Energy Plan. The amount of A&G capitalized should be expected to increase modestly in years 2006 – 2010 as KCPL begins construction on the projects identified in the Comprehensive Energy Plan.

Q: In summary, based on current agreements with the Staff since the filing of their case, what would the impact be of using a total company blended expense versus capital percentage as proposed by the Company versus separately addressing A&G salaries in the computation as the Staff proposes?

A: The Company has proposed to Staff using a blended expense versus capital percentage derived from the FERC Form No. 1 to determine the appropriate annualized payroll to be allowed in cost of service, then reducing the derived amount of annualized payroll costs to be included by cost of service by the amount of A&G salaries allocated to capital, using the 4.42% determined by the study discussed above, of $1,565,745, which would result in 78.35% of annualized payroll costs to be included in cost of service. This compares to a calculated blended average of the percentages used by the Staff most recently provided to KCPL of 75.52%. As I mentioned earlier, in the 2005 test year, KCPL had not yet fully initiated the construction projects under the Comprehensive Energy Plan. The 78.35% proposed by KCPL is more reflective of the construction activity ongoing for the annualization of payroll costs considered for the test year.

X. Other Benefits

Q: Please describe Staff's other benefit adjustments, S-78.8, S-78.9. S-78-10, S-78.11 and S-78.12 in Ms. Bolin's testimony?

A: Staff adjusted 2005 test year expenses for long-term disability, life & accident insurance, dental, vision, medical and WCNOC other benefits to twelve months ended June 30, 2006.

Q: What does KCPL recommend for an adjustment?

A: KCPL is recommending an increase of $571,202 to other benefits expense proposed by Staff, the components of which are detailed in the following table and discussed below.

Methodology difference	$757,413
Transfers to joint partners & construction	(288,255)
Other miscellaneous benefits	102,044
Total difference	$571,202

Q. Does KCPL agree with the methodology used for the other benefits adjustments?

A. No, KCPL is recommending the use of six months actual through June 30, 2006 and six month projected through December 31, 2006, for other benefit costs, to be updated September 30, 2006, which more accurately reflects ongoing health care related costs. A significant portion of these benefits is health care related costs, which are expected to increase due to inflation in the health care sector.

Q. Are there any other differences between Staff's and KCPL's other benefits adjustment?

A. Yes, Staff did not reduce their proposed adjustments for transfers to construction or for transfers to partners of KCPL's jointly owned power plants for KCPL plans. In addition, Staff made no adjustment for other miscellaneous benefits included in the test period such as educational assistance or physical examinations.

Q: Does that conclude your testimony?

A: Yes, it does.

Kansas City P... Light
Case No. ER-2006-0314

File Name: Recalculation of AFUDC for Hawthorn V

AFUDC for Hawthorn 5 Reconstruction
Sheet Name: Constru Cost Vs. Ins Proceeds

LAW-2

Insurance Proceeds Date Received	Insurance Proceeds Amount Received	Insurance Proceeds Received Cumulative	Date	Construction Costs **	Cost of Removal	Purchase of Replacement Power for Loss Of Hawthorn 5	A&G Costs	Total Monthly Cost	Cumulative Monthly Costs	Cumulative Costs (Exceed)/Less than Insurance/Lawsuit Settlements
Insurance Recoveries										
February 28, 1999			Feb. 28, 1999			$1,254,640.00		1,254,640.00	1,254,640.00	(1,254,640.00) *
March 31, 1999			Mar. 31, 1999			$1,302,090.00		1,302,090.00	2,556,730.00	(2,556,730.00) *
April 30, 1999			Apr. 30, 1999			$3,376,040.00		3,376,040.00	5,932,770.00	(5,932,770.00) *
May 28, 1999	$ 7,500,000	$ 7,500,000	May 31, 1999			$2,116,370.00		2,116,370.00	8,049,140.00	(549,140.00) *
Jun. 24, 1999	$ 2,500,000	$ 10,000,000	Jun. 30, 1999			$4,987,550.00		4,987,550.00	13,036,690.00	(3,036,690.00) *
Jul. 20, 1999	$ 18,750,000	$ 28,750,000	Jul. 31, 1999			$30,431,000.00		30,431,000.00	43,467,690.00	(14,717,690.00) *
Aug. 9, 1999	$ 31,250,000	$ 60,000,000	Aug. 31, 1999	$ 704,679.07		$9,968,160.00		10,672,839.07	54,140,529.07	5,859,470.93
Sept. 15, 1999	$ 25,000,000	$ 85,000,000	Sept. 30, 1999	$ 14,661,796.24	$ 12,587.74	$1,798,950.00	$546,362.77	17,019,696.75	71,160,225.82	13,839,774.18
		$ 85,000,000	Oct. 31, 1999	$ 4,563,081.62	$ 1,219,100.59	$ 1,670,803.00		7,452,985.21	78,613,211.03	6,386,788.97
		$ 85,000,000	Nov. 30, 1999	$ 3,001,442.20	$ 664,960.43	$ 1,627,760.00		5,294,162.63	83,907,373.66	1,092,626.34
		$ 85,000,000	Dec. 31, 1999	$ 12,157,805.32	$ 3,891,361.47	$ 2,888,110.00		18,937,276.79	102,844,650.45	(17,844,650.45)
		$ 85,000,000	Jan. 31, 2000	$ 6,785,448.02	$ 223,401.32	$ 3,554,900.00		10,563,749.34	113,408,399.79	(28,408,399.79)
		$ 85,000,000	Feb. 29, 2000	$ 12,997,281.72	$ 1,196,833.80	$ 2,851,630.00		17,045,745.52	130,454,145.31	(45,454,145.31)
		$ 85,000,000	Mar. 31, 2000	$ 12,328,460.54	$ 185,181.87	$ 2,477,270.00		14,990,912.41	145,445,057.72	(60,445,057.72)
Apr. 18, 2000	$ 11,250,000	$ 96,250,000	Apr. 30, 2000	$ 22,855,953.95	$ 297,240.63	$ 2,712,160.00	$ 1,300,765.08	27,166,119.66	172,611,177.38	(76,361,177.38)
May 2, 2000	$ 21,250,000	$ 117,500,000	May 31, 2000	$ 25,551,253.97	$ 65,799.31	$ 6,809,044.00	$ 29,180.79	32,455,278.07	205,066,455.45	(87,566,455.45)
Jun. 19/2000	$ 17,500,000	$ 135,000,000	Jun. 30, 2000	$ 28,369,219.43	$ 1,988,883.67	$ 7,109,740.00		37,467,843.10	242,534,298.55	(107,534,298.55)
		$ 135,000,000	Jul. 31, 2000	$ 34,928,633.53	$ 31,847.89	$ 10,816,720.00		45,777,201.42	288,311,499.97	(153,311,499.97)
		$ 135,000,000	Aug. 31, 2000	$ 13,078,639.24	$ 33,940.13	$ 12,647,207.00		25,759,786.37	314,071,286.34	(179,071,286.34)
		$ 135,000,000	Sept. 30, 2000	$ 9,787,613.77	$ (30,974.80)	$ 6,882,890.00		16,639,528.97	330,710,815.31	(195,710,815.31)
		$ 135,000,000	Oct. 31, 2000	$ 19,218,161.92	$ -	$ 7,408,330.00		26,626,491.92	357,337,307.23	(222,337,307.23)
		$ 135,000,000	Nov. 30, 2000	$ 6,614,947.86	$ 11,419.68	$ 3,804,477.00		10,430,844.54	367,768,151.77	(232,768,151.77)
		$ 135,000,000	Dec. 31, 2000	$ 18,873,075.73	$ 370.00	$ 11,421,704.00		30,295,149.73	398,063,301.50	(263,063,301.50)
		$ 135,000,000	Jan. 31, 2001	$ 15,106,052.86	$ -	$ 4,617,404.00		19,723,456.86	417,786,758.36	(282,786,758.36)
Feb. 9, 2001	$ 15,000,000	$ 150,000,000	Feb. 29, 2001	$ 8,556,556.98	$ 11,524.64	$ 5,556,554.00	$ 392,688.24	14,517,323.86	432,304,082.22	(282,304,082.22)
		$ 150,000,000	Mar. 31, 2001	$ 7,655,424.89	$ 3,850.70	$ 6,571,130.00		14,230,405.59	446,534,487.81	(296,534,487.81)
		$ 150,000,000	Apr. 30, 2001	$ 4,800,667.25	$ 912.20	$ 5,003,810.00		9,805,389.45	456,339,877.26	(306,339,877.26)
		$ 150,000,000	May 31, 2001	$ 3,342,983.33	$ (20,934.86)	$ 4,741,110.00		8,063,158.47	464,403,035.73	(314,403,035.73)
Jun. 14, 2001***	$ 15,000,000	$ 165,000,000	Jun. 30, 2001	$ (3,742,432.48)	$ 372.46	$ 207,780.00	$ (49,966.64)	(3,584,246.66)	460,818,789.07	(295,818,789.07)
Totals @ 6/20/01	$ 165,000,000			$ 282,196,746.96	$ 9,787,678.87	$ 166,615,333.00	$ 2,219,030.24	$ 460,818,789.07		
		Recovered Costs through In-Svc Date		$ 157,780,969.76	$ -	$ 5,000,000.00	$ 2,219,030.24	165,000,000.00		
		Unrecovered Costs through In-Svc Date		$ 124,415,777.20	$ 9,787,678.87	$ 161,615,333.00	$ -	295,818,789.07		

Insurance Proceeds received Post In-Service

Mar. 28, 2003	$ 3,940,033	$ 168,940,033
Jul. 14, 2004	$ 30,809,967	$ 199,750,000
Jan. 28, 2005	$ 10,000,000	$ 209,750,000
	$ 44,750,000	$ 209,750,000

Notes:

* AFUDC was not calculated in these months
** Includes Cost from Projects 35-99535 & 35-99520
*** Hawthorn Unit 5 went into service June 20, 2001 and AFUDC was calculated though this date

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company to Modify Its Tariff to Begin the Implementation of Its Regulatory Plan	)))	Case No. ER-2006-0314

AFFIDAVIT OF LORI WRIGHT

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Lori Wright, being first duly sworn on her oath, states:

1. My name is Lori Wright. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Controller.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of twenty-four (24) pages and Schedules LAW-2, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Lori Wright

Lori Wright

Subscribed and sworn before me this 8th day of September 2006.

Nicole A. Wehry

Notary Public

My commission expires: Feb. 4, 2007

NICOLE A. WEHRY
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission Expires: Feb. 4, 2007