

- B. If the decision to make investment depends on the extent of the regulatory change, please provide information as to investments that will be made under various regulatory environments (e.g. performance-based rates, shortened rate cases, an electric ISRS, construction accounting/plant-in-service, trackers/riders, projected/partially-projected test year, interim rates, CWIP in rate base, etc.)***

Regardless of the regulatory mechanisms employed, KCP&L and GMO believe that providing a realistic opportunity to achieve the authorized return on equity should be a fundamental goal of any utility regulatory construct. Over the 10-year period of the CEP, KCP&L's actual Missouri jurisdictional earnings fell short of its Commission-authorized return on equity by more than \$34 million per year, on average. It is therefore clear that, in the current electric utility operating environment characterized by flat-to-declining usage per customer and generally increasing cost of service, the historically-focused ratemaking practices used in Missouri will not allow electric utilities a reasonable opportunity to achieve the Commission-authorized return on equity during periods when electric utility capital expenditures exceed annual depreciation expense by 200% or more.

Absent comprehensive changes to ratemaking practices used in Missouri that will provide a reasonable opportunity to achieve the Commission-authorized return on equity sustainably over an extended period of time, KCP&L and GMO cannot continue operating under the proactive capital expenditure philosophy in place during the CEP while at the same time honoring their fiduciary obligation to Great Plains Energy, Inc. shareholders. KCP&L and GMO assert that ISRS, plant-in-service accounting, performance-based rates, trackers/riders and revenue decoupling are the best candidates to enable electric utilities to have a reasonable opportunity to achieve the Commission-authorized return on equity. Any changes that are implemented must sustainably and reliably address all of the material problems (delayed recovery of capital expenditure costs, declining and variable customer usage levels and increasing expenses such as

RTO fees and property taxes) with the current historically-focused process in a thoughtful manner so that the policy changes can impact KCP&L and GMO's capital expenditure philosophy.

Until KCP&L and GMO have a realistic and sustainable opportunity to achieve the Commission-authorized earnings level, capital expenditures will be restricted. Examples of projects that could be pursued under a proactive capital expenditure philosophy that could be delayed under a more tightly restricted capital expenditure regime include but are not limited to:

- Downtown Kansas City, Missouri infrastructure improvements – includes a new Charlotte Street substation, expansion of the Terrace substation, new Truman substation, and related underground conduit and cable replacements to upgrade the aging assets serving downtown Kansas City;
- Distribution Automation/Smart Grid – includes expanded deployment of automated switches, reclosers, fault indicators, and other equipment to improve fault detection and location and enable automated reconfiguration of the grid;
- Downtown Kansas City and Plaza network renewal – replacement of aging secondary cables, connectors, transformers, network protectors, and other components to refurbish the aging secondary network system;
- Replace/rebuild aging substations – rebuild aging substations and upgrade to current standards. Approximately 45 50 MVA, 161/12 KV transformers with an average age over 40 years are still in service;
- Rebuild aging transmission lines – refurbishment of 161 KV and 69 KV lines, many of which are approaching 40-50 years or more since initial construction;
- Replace underground feeder and lateral (URD) cables – replacement of portions of the underground feeder cable system approaching 60-80 years of age, as well as more than 1,000 miles of direct buried URD cable that are approaching 40 years of age;
- Generation Infrastructure Improvements – improvement of facilities at generating stations, including roads, buildings, offices, HVAC systems, and structures such as maintenance shops and lab space. New construction/renovation of offices, maintenance shops, lab space, etc.;

- Upgraded Generation Computer Systems – deploy new systems for document management, drawing management, and maintenance management;
- Centralized Generation Monitoring System – add a centralized monitoring system to assist generation plants in monitoring performance and troubleshooting equipment;
- Replace aging components – replace or upgrade aging assets (Power Cables, Piping, etc.) that have been in service 30 or more years;
- Upgrades to Aging Combustion Turbines – upgrade equipment and controls, on older combustion turbines; and
- Winterization of Combustion Turbines – upgrade combustion turbine units to increase operating flexibility.

Pursuing projects like these can offer benefits to customers in terms of enhanced service reliability, reduced outage time when system failure occurs and lower ongoing O&M expense associated with newer facilities less prone to failure and thus needing fewer repairs.

WHEREFORE, KCP&L and GMO respectfully submit these responses.

Respectfully submitted,

/s/ Robert J. Hack

Robert J. Hack, MBN 36496

Phone: (816) 556-2791

E-mail: rob.hack@kcpl.com

Roger W. Steiner, MBN 39586

Phone: (816) 556-2314

E-mail: roger.steiner@kcpl.com

Kansas City Power & Light Company

1200 Main – 19th Floor

Kansas City, Missouri 64105

Fax: (816) 556-2110

Attorneys for Kansas City Power & Light Company
and KCP&L Greater Missouri Operations Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid this 23rd day of September, 2016, to all parties of record.

/s/ Robert J. Hack

Robert J. Hack