Exhibit No.: 29
Issue: Prepayments, Bad Debt Expense and Late Payment Fees, Payroll and Payroll Related Benefits, Incentive Compensation, Supplemental Executive Retirement Plan ("SERP"), Maintenance, Dues, Expense Report Review (accounting), Staff's Retroactive Tracking/Ratemaking Proposals, Expense Trackers in Rate Base, Severance Payments
Witness: Ronald A. Klote
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2016-0156
Date Testimony Prepared: August 15, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0156

REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
August 2016

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REBUTTAL TESTIMONY OF

RONALD A. KLOTE

KCP&L GREATER MISSOURI OPERATIONS COMPANY

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REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2016-0156

Q: Please state your name and business address.

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

Q: Are you the same Ronald A. Klote who prefiled Direct Testimony in this matter on behalf of KCP&L Greater Missouri Operations Company ("GMO" or the "Company") for the territories served by St. Joseph Light & Power ("L&P") and Missouri Public Service ("MPS")?

A: Yes, I am.

Q: What is the purpose of your Rebuttal Testimony?

A: I will offer Rebuttal Testimony concerning issues addressed in the Missouri Public Service Commission ("MPSC" or the "Commission") Staff's Revenue Requirement Report and Class Cost-of-Service Report. In addition, I will be addressing issues raised in the Direct Testimony of Office of the Public Counsel ("OPC") witness Charles R. Hyneman. The issues that I will be addressing include the following:

1. Prepayments (Response to OPC)
2. Bad Debt Expense and Late Payment Fees (Response to Staff)
3. Payroll and Payroll Related Benefits (Response to Staff)
4. Incentive Compensation (Response to Staff)
5. Supplemental Executive Retirement Plan ("SERP") (Response to Staff and OPC)

6. Maintenance (Response to Staff)
7. Dues (Response to Staff)
8. Expense Report Review (Response to Staff and OPC)
9. Retroactive Tracking / Ratemaking Proposals (Response to Staff)
10. Expense Trackers in Rate Base (Response to OPC)
11. Severance Payments (Response to OPC)

Prepayments

Q: Does the Company agree with OPC's witness Hyneman's position of excluding Missouri Public Service Commission Assessment ("PSC Assessment") fees in rate base and his claim that these charges were not properly accounted for?

A: No. The Company prepays PSC Assessment fees quarterly. PSC Assessment fees are defined in the provisions of Section 386.370 RSMo as payment for the expenses of the MPSC, and the Commission has been charged with collecting an assessment for the Office of Public Counsel. The fees are properly accounted for as a prepayment in account 165 as they cover the expenses incurred by the MPSC in regulating the public utilities of the state of Missouri. Account 165 in the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") includes the following definition:

> Account 165, Prepayments.
>
> This account must include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and must be kept or supported in such manner so as to disclose the amount of each class of prepayment.
>
> 18 CFR 367.1650 (2016)

On a quarterly basis these costs are paid and recorded in Account 165 and are amortized monthly to account 928 Regulatory Commission Expenses, as required in the FERC's USOA.

Q: **Does the Company agree with OPC's witness Hyneman's claim that the Company should seek a waiver from Commission rule 4 CSR 240-20.030 Uniform System of Accounts—Electrical Corporations to include the PSC Assessment in FERC Account 165 Prepayments instead of FERC Account 186 Miscellaneous Deferred Debits?**

A: No. A waiver is not necessary if the Company is recording the PSC Assessments appropriately and the Company is properly accounting for the PSC Assessments as a prepayment as they are prepaid quarterly and amortized over the remaining months in the quarter. Interestingly, witness Hyneman includes in the opening paragraph of his testimony the following explanation of prepayments:

> Q: What are prepayments and why are they included in GMO's rate base?
>
> A: Prepayments relate to items that the Company "prepaid" so that the services required will be available during the normal course of the utility's operations. Prepayments are booked to FERC asset account No. 165. FERC Account 165 includes amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items. Just as accumulated deferred income taxes represent a prepayment of income taxes by ratepayers, prepayments such as insurance and rents represent a prepayment of the cost of certain utility services by shareholders and are appropriately included in rate base.

Witness Hyneman could not have said it better in explaining that prepayments are for utility services. The PSC Assessment is the prepayment of regulation services to public utilities provided by the MPSC. The Company considers these PSC Assessment fees to be "miscellaneous items" under Account 165 Prepayment's definition and properly recordable to this account. I do not believe that the definition of FERC Account 186 is the proper account to record the PSC Assessment payments. The prepaid PSC Assessment charges are not costs that are deferred in a particular regulatory docket that are spread over future periods that are longer than one year. Further, the definition of Account 186 for major utilities states, "This account must include all debits <u>not provided for elsewhere</u>, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, that are in process of amortization and items the proper final disposition of which is uncertain" (emphasis added). The PSC Assessment fees do not fall into any of these definitions. In addition, the Company's external auditors, Deloitte and Touche, LLP, as part of their audit of the annual FERC Form 1 process have provided unqualified opinions on the balance sheet accounts in which FERC Account 165 Prepayments is included. The auditor's opinion states the following:

> We have audited the accompanying financial statements of KCP&L Greater Missouri Operations Company (the "Company"), which comprise the balance sheet—regulatory basis as of December 31, 2015, and the related statements of income—regulatory basis, retained earnings—regulatory basis, and cash flows—regulatory basis for the year then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form 1, and the related notes to the financial statements.

The auditor's opinion section goes on to state:

> In our opinion, the regulatory-basis financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of KCP&L Greater Missouri Operations Company as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

FERC Account 165 is included in the assets section which is listed in the auditor's opinion above and expressly states that the assets are presented fairly in all material respects. This should provide this Commission additional assurance that FERC Account

165 Prepayments includes the appropriate transactional recording of PSC assessment fees.

Finally, from *The Process of Ratemaking* by Leonard Saul Goodman, page 324 states:

> A company has the option of treating a once-a-year expense as prepaid at the time of payment; it should then be allowed to amortize the expense monthly and to include the average unamortized balance in rate base.

This is exactly the regulatory accounting that is used to record the PSC Assessments during the test year and is not a change from historical precedent. As such, a waiver is not required since the Company properly accounts for PSC Assessment fees.

Q: Should the Commission continue to allow the Company to charge PSC Assessment fees to prepayment Account 165 and amortize these to Account 928?

A: Yes, the Commission should continue to allow the Company to account for PSC Assessment charges in this manner as it is the appropriate accounting as supported by the Company's external auditor's unqualified opinion.

Q: Should the Commission continue to allow the Company to include all current balances in prepayment Account 165 in the rate base calculation?

A: Yes, the Commission should continue to allow the Company to include all appropriately recorded current balances in Account 165 in rate base. The PSC Assessment is a true prepaid item and is paid on a quarterly basis. The prepaid amount is amortized on a monthly basis. This is consistent with past rate cases and is consistent with the rate base treatment of Staff in this rate case.

<u>Bad Debt Expense and Late Payment Fees</u>

Q: Please discuss the bad debt issue.

A: There are two bad debt issues: (1) determining the proper bad debt write-off factor to apply to weather normalized revenue; and (2) deciding whether bad debt write-offs to be incurred as a result of the rate increase ordered by the Commission in this rate case should be factored into the revenue requirement calculation.

Q: Does the Company agree with Staff's write-off factor to apply to weather normalized revenue?

A: Yes, the Company and Staff are in agreement concerning the methodology of the bad debt write-off factor.

Q: Please discuss the issue related to a bad debt factor being applied to the rate increase in this case.

A: Staff's Cost of Service Report was silent regarding the application of the bad debt write-off factor being applied to the rate increase in this case. The application of the bad debt factor to the rate increase was approved by the Commission in Case No. ER-2006-0314 ("2006 Case"). The application of the bad debt write-off percentage should be applied not only to the weather normalized revenue in this case, but also be applied to the revenue requirement increase in this case.

Q: Why is it necessary to add additional bad debt expense for the revenue increase resulting from this case?

A: The Company's historical bad debt levels occurred when overall revenue levels were lower than they will be after the rate increase ordered by the Commission in this case. For customers who were unable to pay all of their electric bills prior to the rate increase, there is no reason to believe that they will somehow be able to pay the entirety of the increased rates resulting from this rate case. It is therefore logical and intuitive that increased revenue as a result of an increased percentage applied to tariff rates will result in increased bad debt write-offs.

Q: If the Company and Staff are in agreement regarding the application of a bad debt factor to a 12-month period of revenues, what is significant about the 12-month period of revenues to which Staff limits application of the bad debt factor?

A: Staff and Company have agreed to base the development of the bad debt write-off factor on a historical 12-month period level of revenues and a related 12-month period of write-offs. This level of historical revenues captures a point in time but is not tied to the revenues that will result from this rate case. If the methodology to create an annualized level of bad debt expense for this rate case is to create a bad debt write-off factor, this factor should be applied to the ultimate annual level of revenues that are produced from this rate case proceeding. The bad debt write-off should not be applied only to the revenue levels that are available prior to the rate increase. That is not sound logic in developing an ongoing annualized level of bad debt expense.

Q: Can you link this argument to a typical customer bill?

A: Yes. Assume a customer currently has an average monthly bill of $100 and that the customer is in arrears. Assume for illustrative and simplicity purposes that rates increase 8%, resulting in this customer's bill now being $108. If that customer has been delinquent in paying his/her monthly $100 bills he/she will more than likely be delinquent paying a $108 bill; therefore, bad debt write-offs increase as a result of the rate increase approved.

Q: Please discuss the MPSC's handling of this same issue in the 2006 Case.

A: In that case the Commission ruled in the Company's favor on this identical issue, described by the Commission as follows:

> Should the bad debt percentage be applied to reflect the total revenues, including any rate increase in Missouri jurisdictional retail revenues awarded in this proceeding?

Report and Order, p. 62, Case No. ER-2006-0314 (Dec. 21, 2006).

As stated on page 63 of the 2006 Case Report and Order:

> The Commission finds that the competent and substantial evidence supports KCPL's position, and finds this issue in favor of KCPL. The Commission understands Staff's argument that there is not a perfect positive correlation between retail sales and the percentage of bad debts. While it's possible that KCPL's bad debt expense could decrease, the Commission finds it more probable, and therefore just and reasonable, that an increase in the amount of revenue that KCPL is allowed to collect from its Missouri retail ratepayers will result in a corresponding increase in bad debt expense.

Q: Should the Commission apply the "factor up" methodology to late payment fees (forfeited discounts)?

A: Yes. If the Commission grants the Company's request regarding the bad debt factor applied to the increased revenue requirement then the same methodology should be applied to late payment fees. The Company believes it is reasonable to apply the same methodology to late payment fees associated with an increased revenue requirement granted in this case. The Company has included an adjustment for late payment fees (forfeited discounts) in its case in adjustment R-21b.

Q: Should the Commission grant an adjustment for bad debt expense relating to the revenue requirement adjustment increase from this case?

A: Yes. The Commission should rely on the logical methodology to arrive at an annualized level of bad debt expense in this rate case. Applying the bad debt factor to the increased level of revenues that will result from this rate case is a logical conclusion and should be re-affirmed by the Commission in this case.

Payroll and Payroll Related Benefits

Q: What is the current status of the payroll issues that the Company has discussed with Staff?

A: Staff has indicated that they will be making changes to their payroll annualization that will include overtime hours at a three-year average based on a 2015 composite hourly rate.

Q: If Staff makes this change, will the Company have any issue with their payroll annualization?

A: If the Staff makes that change to overtime, the Company agrees with Staff's method. However, the Company will still disagree with the Staff's treatment of the removal of the Missouri Energy Efficiency Act ("MEEIA") employees as discussed below. At the time of the writing of this testimony, the Company was unable to determine if this change in overtime had been made. As such, the below rebuttal testimony is provided to discuss the Companies disagreement with Staff's position as filed in direct testimony.

Q: What was Staff's position regarding the payroll and payroll related benefits adjustments included in their revenue requirement calculation?

A: For the most part Staff was in agreement and followed the methodology used by the Company in its calculation of payroll and payroll related benefits. Yet, there were some differences that were identified in the calculation that the Company takes exception to which include the following:

1. First, Staff did not include an escalation factor into its calculation of overtime costs which date back over four years ago.

2. Second, Staff chose to use a four-year average of overtime dollars as opposed to the Company's position of using a three-year average in many areas of the calculation.

3. Finally, Staff did not include the business unit ECORP's overtime dollars in its calculation of annualized overtime costs.

Q: What is your position regarding Staff's overtime calculation included in its payroll annualization calculation?

A: I disagree with the overtime calculation that Staff has included in its payroll adjustment. Staff has not only failed to recognize increased wages that have occurred over the three year period in which the Company has averaged the overtime costs, but additionally they have added an extra period to the overtime averaging calculation which further escalates the difference between the Company's and Staff's calculation. In addition, the Company believes the ECORP overtime dollars should be included in the calculation.

Q: Why does the Company average over a three-year period the overtime costs included in its payroll annualization?

A: Overtime can vary significantly year-over-year depending on many different scenarios that may occur. Some of these could include large storms, unexpected outages, environmental compliance issues, etc. Averaging overtime ensures that these scenarios are smoothed out and that a reasonable level of ongoing cost is included in the revenue requirement. A three-year average has typically been used in these situations by both Staff and Company in prior cases. By the Company using this three-year averaging calculation, it took a conservative approach in this rate case since overtime hours and costs have been increasing during this time period.

Q: Since the Company included an averaging calculation why is it important to index the overtime costs to current wages rates?

A: Part of the Company's request included in overtime averaging calculation was an index to ensure that past year's overtime worked was appropriately indexed to current period dollars. This ensures that overtime dollars paid in previous periods are indexed to current wage rates to reflect merit and pay increases over time. The index rate that was used in the calculation was a 3% annual wage applied to the appropriate annual overtime amount calculation. This ensures that there is an appropriate "apples to apples" comparison of overtime dollars included in the averaging calculations over multiple periods. It is especially important in this case to include this indexing since overtime hours and costs have continually increased in each of the three years used in the averaging calculation. Staff did not include this index in its overtime calculations for GMO.

Q: When looking at prior periods how do the overtime hours compare to the overtime dollars that are included in this calculation?

A: Total Company overtime levels experienced in 2015 are still lower than levels experienced on a total company basis in 2010 and 2011. Since 2008, overtime hours and overtime dollars have both varied significantly over those periods. During this period, the highest year for overtime hours is 2010 whereas the lowest year is 2012 which is the additional year that Staff has included in their calculation.

The Company reviewed overtime hours for several years from 2008 to 2015. The chart below depicts the trend in overtime hours for Total Company over the period 2008 – 2015.

TOTAL CO OVERTIME HOURS			
	MGMT	**Union**	**Total**
2008	63,962.30	481,414.70	545,377.00
2009	61,359.80	494,782.00	556,141.80
2010	70,323.10	545,818.80	616,141.90
2011	68,211.00	537,660.80	605,871.80
2012	51,708.80	427,122.20	478,831.00
2013	61,775.40	478,388.00	540,163.40
2014	60,248.90	480,448.00	540,696.90
2015	67,142.10	508,736.20	575,878.30

Q: In Staff's payroll annualization, why did they choose to add a year to the overtime averaging calculation?

A: Staff states in their testimony that they used a four year average because overtime has increased from 2012 to 2015, with a significant spike in 2015. Thus, they include the lowest year (which is 2012) to smooth out the spike in 2015. Staff also claims that during 2015 there were "irregular" overtime dollars that occurred related to storms, outages and environmental work. The Company does not consider these types of overtime costs to be "irregular" and instead believes that these costs do occur on a periodic basis. In fact, as stated earlier the levels experienced in 2015 are still lower than overtime hours experienced in 2010 and 2011 on a total company basis.

Q: What can you conclude from this?

A: Including 2012 in the averaging calculation significantly reduces the resulting amount, and therefore the Company concludes that Staff has only included it for this fact. The Company does not feel that 2012 should be included because it is lower than all years since 2008, and it also is significantly lower than current years' overtime in a period when overtime costs have been increasing year-over-year.

Q: You noted that Staff's overtime calculation did not include overtime dollars recording on the ECORP business unit. Should they be included?

A: The ECORP business unit was set up to capture costs that are common to both the MPS and L&P jurisdictions. Therefore, any overtime recorded to the ECORP business unit must be allocated between MPS and L&P and included in the three year average of overtime costs.

Q: Is there any other components of Staff's payroll annualization that the Company does not agree with?

A: Yes. Staff removed labor associated with MEEIA positions by using an annualization based on actual labor charges from January 2015 through May 2016. In order to be consistent with the base salary information for all employees, the Company believes that the MEEIA positions should be removed following this same methodology. The Company plans to include base salary data for all employees at the true-up date, and will therefore remove the MEEIA positions at that same salary level at the true-up date.

Q: What does the Company recommend regarding the payroll annualization?

A: The Company recommends only using a three year average of overtime indexed to current dollars. This will ensure a smoothing of variable costs over the time period when costs are increasing. The Company also recommends removing MEEIA employees base salary dollars at the true-up date, consistent with the methodology for inclusion of base salary dollars for all employees.

Q: If changes are made to the payroll annualization calculation, what impact does it have on other adjustments?

A: If Staff's payroll annualization adjustment is changed then the corresponding changes should be reflected in both the payroll taxes and 401k annualization calculations.

Q: If Staff agrees to include a 3 year average of overtime costs, escalated to current dollars, what is the impact to their payroll annualization?

A: By including this amount Staff's payroll annualization would increase by approximately $555,000.

<u>**Incentive Compensation**</u>

Q: What did Staff include in its revenue requirement regarding short term annual incentive compensation?

A: Staff included as part of its revenue requirement a four year average of short term incentive compensation expense, excluding amounts attributable to earnings per share (EPS) metrics for the years 2012 (AIP only) and 2013 (ValueLink and AIP)

Q: Does the Company agree with Staff's treatment of short term annual incentive compensation in the calculation of their revenue requirement?

A: No. In fact, during 2016 changes were made to the ValueLink plan which is the short term annual incentive compensation plan used by the Company for non-executive and non-union employees. The Company feels that it is more appropriate for the Commission to provide ratemaking treatment of short-term incentive expense that directly coincides with the current plan the Company is operating under.

Q: Please explain the purpose of the Company's two short term annual incentive programs?

A: The Company implemented the ValueLink Incentive Plan to reward non-union/non-executive employees for their efforts in supporting the objectives of the company. The purpose of the Plan is to provide an incentive for the achievement of defined annual results of the organization and business units. The Annual Incentive Plan (AIP) for all executive officers is based upon a mix of Company-wide financial and operational metrics. The purpose of the AIP is to focus the entire organization on delivering key financial results and strategic business outcomes. Both of these plans are part of the overall compensation package of the Company which helps to ensure that the following outcomes are achieved: balanced mix of compensation elements, general compensation philosophy and objectives, attract and retain qualified executives, pay for performance, reward long-term growth and sustained profitability, encourage teamwork and close collaboration, and encourage integrity and ethics.

Q: In what years was Earnings Per Share metrics included as part of the short term incentive calculation?

A: The Earnings Per Share (EPS) metric was included as part of the Officers AIP incentive calculation for the plan years 2012 to the current plan. The ValueLink Plan included EPS as a metric during the plan years 2013, 2014, and 2015. The current 2016 Value-Link plan does not include EPS as a metric.

Q: What changes did the Company make to the 2016 Value-Link short term incentive plan?

A: The 2016 Value-Link plan which is in effect at the time of the true-up in this case includes the following components:

*Financial component decreased to 25% while Operational component increased to 50%

*EPS dropped from financial component (replaced by Non-Fuel Operations and Maintance costs) or (NFOM)

*JD Power Customer Satisfaction Index added

*Energy Value Chain Investment added

*Every Corporate Scorecard measure has a ValueLink weighting

The 2016 ValueLink Plan document is attached as Schedule RAK-22.

Q: How did the Company propose short term incentive compensation to be included in this case?

A: For the ValueLink Plan, the Company annualized incentive compensation based on a target (average) payout percentage multiplied by June 2015 base salary for all non-bargaining/non-executive employees. For the Officers AIP Plan, the Company also utilized target percentages on June 2015 base salary for officers, however, the Company excluded the amount related to the EPS metric. The Company expects to true these amounts up to July 2016 base salary for both plans.

Q: Why is Staff's averaging technique not needed in this rate case since the Company's calculation already includes an averaging component by using a target level?

A: Each employee may receive from 0% to 150% of the target amount based on achievement of Company Financial, Company Operational, and Individual Component Objectives. The Company in its incentive annualization calculation uses the target percentage of 100% to apply to base salaries. This design, in effect, utilizes an averaging component because a maximum or minimum amount of achievement of all objectives is not a guarantee. Thus, in some years amounts greater than 100% will be paid out and in other years amounts less than 100% will be paid out as incentive compensation expense. In addition, utilizing an averaging method for incentive compensation expense does not provide an "apples to apples" comparison year over year since the plan that is in effect currently for the Company does not include the same metrics as in previous years. EPS is a metric that historically has not been favored by Staff as a metric to use for incentive compensation programs. The Company acknowledges this point and has changed their incentive compensation program that is currently in effect to include metrics in which customers will benefit from solid employee performance in achieving the objectives.

Q: Does excluding the EPS amounts from Staff's incentive calculation provide an accurate depiction of the costs of how the incentive plan is currently structured?

A: No it does not for the ValueLink Plan. The current plan that GMO is operating under is the 2016 ValueLink Plan which does not include EPS as a metric. The AIP plan currently still utilizes an EPS metric in its calculation. Thus, this EPS metric has been excluded from the calculation of officers incentive plan.

Q: What should the Commission include as short term annual incentive compensation in this rate case proceeding?

A: The Commission should include the Company's target incentive payout (less the EPS metric for the Officers AIP) that the Company has proposed as a true reflection of the level of ongoing incentive expense to the Company. This calculation already includes an averaging component by utilizing the target payout of 100% to be applied to base salary amounts. The Company has removed the EPS component of the ValueLink Plan for the 2016 plan year. Thus, averaging prior year plan's that included the EPS component should be rejected by the Commission.

<u>Supplemental Executive Retirement Plan ("SERP")</u>

Q: What was the Companies position on SERP in its direct filing?

A: For the direct filing, the Company requested an annualized level of SERP cost for both annuity payments and lump sum payments averaged over a three year period. This calculation did not include a capitalization component.

Q: Why did the Company take this position?

A: The Company based this position on the Missouri Public Service Commission Staff report in Case ER-2010-0356. The report states the following:

> Staff does not believe that SERP payments should be capitalized in a manner similar to normal pension expense. The SERP payments are made to former employees who provide no current or future value to the utility's operations or construction of capital assets. Therefore, all of the payments, to the extent that they are reasonable and prudently incurred, should be charged to expense.

Q: What is Staff's position in this case?

A: In this case, the Staff chose to capitalize a portion of the annualized SERP amount adjustment.

Q: **Does the Company agree?**

A: Yes, the Company does agree and believes this is the appropriate treatment for SERP costs.

Q: **What is OPC's witness Hyneman's position on this issue?**

A: OPC's position was not to capitalize any SERP costs. In addition, OPC witness Hyneman chose to eliminate any allocation of former KCP&L executives to the GMO service territory.

Q: **Does the Company agree?**

A: No, the Company does not agree with OPC witness Hyneman's position on this issue.

Q: **Why not?**

A: The Company's position is that SERP charges are a corporate benefit cost similar to other corporate benefits provided by the Company. These benefit costs are a common cost and incurred in support of the entire company's performance, including the operations of the Company, the maintenance of its facilities and assets, the capital investment activities and the administrative and general support of the operations of the Company as a whole. The premise that SERP is treated on a cash payment basis for regulatory purposes while pensions are treated on an accrual basis is simply a timing issue of when the cost is recorded and is irrelevant from a capitalization perspective as both are corporate overhead type costs for employees that operate and manage the operations and property of the company. These costs should follow how labor is recorded in operating and managing the Company. Therefore, it is appropriate accounting policy to capitalize a portion of the annualized SERP costs.

Q: Secondly, witness Hyneman states that the portion of SERP costs relating to KCP&L executives should not be charged to the GMO business units. Do you agree?

A: No. The Company does not agree. The corporate SERP costs are a common corporate cost that is incurred to manage and operate both operating utilities, KCP&L and GMO. As such, separating out individuals that are lumped into a common corporate cost calculation is creating complexities that are simply not necessary. The SERP benefit costs should follow the common corporate cost allocation that is currently in effect as the SERP program benefits both utilities. If the Commission does find that the previous executives SERP costs should be removed from GMO and wants to create this complexity into the SERP calculation, then at a minimum the costs associated with previous KCP&L executives should be included in the KCP&L revenue requirement that is currently on file in case number ER-2016-0285.

<u>Maintenance</u>

Q: What was Staff's position concerning maintenance costs across the functional areas of steam production, other production, transmission, distribution and general?

A: Staff states in its Revenue Requirement Cost of Service Report that they analyzed maintenance costs from 2001 to 2015 and arrived at the following adjustment methods by category (pp. 118 to 120 of Staff Report):

- Steam Production — 3-year average 2013 – 2015
- Other Production — 3-year average 2013 – 2015
- Transmission — 12 months ended Dec. 2015
- Distribution — 3-year average 2013 – 2015

- General 12 months ended June 2015

Q: Does the Company agree with the adjustments Staff has prepared?

A: The Company reviewed prior year costs to understand the trends that were occurring in the functional maintenance areas. In addition, the Company looked at current budgets for 2016 to get an understanding if forecasted amounts would continue to hold any trends that already were occurring in the maintenance expense functional areas. By performing this analysis, the Company determined that Staff's adjustments in this case are reasonable.

Dues

Q: What is the current status of the dues issues that the Company has discussed with Staff?

A: Staff indicated that they intended to remove all EEI dues from the test year, however, the Company discovered several payments that were missed. If Staff removes these additional EEI dues their adjustment will increase by approximately $188,000.

Q: Please explain the adjustments that Staff made concerning dues in its revenue requirement calculation?

A: Staff made adjustments for membership dues that the Company has paid that fall into two categories. First, Staff removed membership dues which it considers to be personal in nature to a GMO employee or of no direct benefit to ratepayers. Secondly, Staff eliminated the dues paid to Edison Electric Institute ("EEI").

Q: Does the Company agree with these adjustments?

A: No. The Company does not agree.

Q: Please explain why you do not agree with Staff's adjustments concerning membership dues?

A: The Schedule RAK-23 details each due that the Staff has eliminated along with an explanation as to why each of the dues provides benefits to GMO ratepayers. In general, the benefits to GMO ratepayers are that they allow the utility to maintain and protect its infrastructure while also providing safe and reliable service to ratepayer through dues paid to energy associations and other regulatory groups where expertise and energy best practices are obtained helping assist in management of the utility. Also, dues paid to regional chambers and community foundations helps the Company partner with area organizations to ensure that the Kansas City region is a valuable destination point and brings tourism to the city.

Q: Should Staff's adjustment of membership dues be accepted by the Commission?

A: No. Membership dues should be a part of any utilities cost of service in order to continually improve and be a good community corporate citizen.

Q: Staff also eliminated dues associated with the EEI. What is EEI?

A: EEI is the association that represents all U.S. investor owned electric utilities. It provides public policy leadership, strategic business intelligence, and essential conferences and forums to ensure that safe, reliable, affordable and clean energy is available to all customers.

Q: Please explain what services EEI provides that benefit GMO customers?

A: EEI provides essential services and resources, industry best practices and products as well as national leadership that contribute to the long-term viability and service of the electric power industry. Additionally, EEI helps its member companies operate more reliably, more effectively, at lower cost, with less environmental impact, and more efficiencies. All of these efforts benefit GMO customers.

Q: Does the company already record some of the EEI dues below the line and exclude those costs from the revenue requirement calculation?

A: Yes. The Company records approximately 21% of the EEI invoices below the line. This represents the portion of time that EEI is engaged in lobbying activities for the electric utility industry. This percentage is based off of the invoice that is received from EEI on an annual basis. As such, the Company has already eliminated costs that should not be charged to ratepayers.

Q: Should Staff's EEI adjustment be accepted by the Commission?

A: No. The EEI membership dues provide access to services that assist the Company in providing more reliable and efficient services. Thus, this membership provides benefits to GMO ratepayers. The costs associated with lobbying are already recorded below the line and not included in the cost of service for this rate case. Staff's attempt to eliminate the beneficial costs of EEI should be rejected by this commission.

<u>Expense Report Review</u>

Q: Please explain the adjustments that OPC made concerning expense report reimbursements in its revenue requirement calculation?

A: OPC reviewed several KCP&L employees expense reports and derived an estimated excessive charge amount of $150 that could possibly be included on all management employees expense reports, and then applied this $150 to each month's total population of management employees expense reports.

Q: Is the adjustment that OPC made regarding the expense report review arbitrary in nature?

A: Yes. The adjustment is completely arbitrary and unreasonable.

Q: Does the company have adequate internal controls involving expense report reimbursements?

A: Yes. As Mr. Hyneman acknowledged on page 46 of his direct testimony, the Company has recently enhanced its practices regarding employee expense report reimbursement. The employee expense policy is discussed in further detail by Company witness Steve Busser.

Q: Does the Company agree with this OPC adjustment?

A: No. The Company is in complete disagreement of OPC's arbritrary adjustment.

Q: Please explain.

A: First, witness Hyneman provides no support for his $150 arbitrary monthly expense disallowance per employee. Other than a list of employee expenses attached to his testimony that provide no explanation other than the restaurant and location and amount, there is no justification provided in determining the $150 amount disallowance per employee per month. Secondly, the simple insinuation that every management employee on a monthly basis turns in an expense report that is contrary to the companies expense reimbursement policy is simply outlandish and should not be given any attention by this Commission. In addition, Mr. Hyneman is insinuating that every supervisor of all management employees who are requesting expense reimbursement is approving an expense reimbursement that is contrary to GMO's corporate expense reimbursement policy which provides that employees will be reimbursed for all reasonable, legitimate and properly documented business expenses made in accordance with KCPL-E201 and any other applicable policy. An individual who approves and / or validates credit card transactions or a reimbursement request, accepts responsibility for the propriety of all costs included therein and for adherence to this procedure. Adoption of the disallowance proposed by Mr. Hyneman would require the assumption that all supervisors are ignoring corporate expense reimbursement policies which is simply not the case. Finally, when reviewing the magnitude of Mr. Hyneman's adjustment it is simply just not possible. Total expense report reimbusements for management employees totaled $3.6 million during the test year. Mr. Hyneman's expense report excess charges adjustment totaled $1.98 million before allocation to GMO. As you can see this relationship of the total disallowed cost to total expense reimbursements and the methodology that Mr. Hyneman's has proposed is simply not reasonable and should be ignored.

Q: Did Staff perform an expense report review?

A: Yes. Staff performed a test year review of employee expense reports. Their adjustment in this case totaled approximately $2,500 after correction with duplicate items included in the Company's expense report review adjustment. The "actual" review of employee expense reports during the test year produced a significantly less dollar amount of an adjustment than the arbitrary adjustment made by OPC.

Q: What are your comments regarding the expense report charges that witness Hyneman included in his testimony on pages 51 – 53?

A: All of these charges occurred outside of the test year established by the Commission in this rate case. Therefore, the Company is not seeking recovery of any of the charges. In addition, as alluded to by OPC witness Hyneman on page 46 of his rebuttal testimony, KCP&L and GMO have recently implemented additional control procedures that are directly targeted at the inappropriate recording of expense report charges.

Q: What should the Commision do concerning the review of employee expense reports?

A: The Commission should reject OPC's adjustment because it is arbitrary and simply not in the range of reasonableness. The Company is in agreement with the adjustment performed and proposed in the Staff's Cost of Service Report.

<u>Staff's Retroactive Tracking / Ratemaking Proposals</u>

Q: What is this issue?

A: On a retroactive basis, Staff proposes a number of adjustments that, if adopted, change the ratemaking and regulatory accounting framework regarding a number of items from the framework for those items as understood at the conclusion of the Company's last rate case. In doing so, Staff violates the prohibition against retroactive ratemaking. The Staff's proposed adjustments are as follows:

a. Regulatory Liabilities and Assets Amortizations (pp. 157-160 of Staff's Cost of Service Report).

b. Iatan Unit 2 O&M Expenses (pp. 123-124 of Staff's Cost of Service Report)

c. Renewable Energy Standard("RES") (pp. 202-203 of Staff's Cost of Service Report)

d. ERISA Prepaid Pension Amortization (pp. 112-113 of Staff's Cost of Service Report)

e. Going Forward Tracker Treatment

I will address each of these items in turn.

Q: Before I address each of the retroactive ratemaking issues, were there any issues that were contemplated in the prior case that were specifically identified to be "tracked" for ratemaking purposes?

A: Yes. First, the L&P Ice Storm regulatory asset which was the deferral of certain costs that resulted from the significant ice storm that struck the St. Joseph, Missouri area in 2007. The January 9, 2013, Commission Report and Order in the 2012 rate case approved the Non-Unanimous Stipulation and Agreement as to Certain Issues filed October 19, 2012, which included the following provision:

> GMO's recovery of its five-year amortization for the L&P Ice Storm in December 2007 shall end on October 1, 2013, and to the extent GMO's L&P rate district rates from this case continue beyond that date, GMO shall "track" as a single issue the overrecovery of that amortization and adjust its revenue requirement for L&P in the following general electric rate case to return that "over-recovery" to its retail customers in its L&P district.

The Company has appropriately "tracked" this regulatory asset and in this rate case has proposed the return of the overcollected amount which was specifically identified and approved by the Commission in the Company's 2012 rate case.

Secondly, in the 2012 rate case an agreement was reached between the parties which allowed for the recovery of unrecovered revenues from a previous cases "phase-in" recovery. The January 9, 2013, Commission Report and Order in the 2012 rate case approved the Non-Unanimous Stipulation and Agreement as to Certain Issues filed October 19, 2012, which included the following provision:

> The phase-in of the rate increase in the L&P rate district that was the subject of Case Nos. ER-2012-0024 and ER-2010-0356 shall be terminated early and the unrecovered portion of the remaining increase plus carrying costs the Commission ordered be recovered shall be included in the revenue requirement for the L&P rate district in this case at the annual amount of $1,870,245. The annual amount of the $1,870,245 is based on a three-year amortization of the unrecovered portion of the remaining increase plus carrying costs. To the extent that GMO's general rates that incude this annual

> amount for more than three years, GMO shall pro rate the annual amount by the time period beyond three years and shall reduce the revenue requirement upon which it bases its subsequent general electric rate increase to return that amount to its retail customers in its L&P rate district.

The Company appropriately tracked this amortization and in this rate case has proposed the return of the overcollected amount which was specifically identified and approved by the Commission in the Company's 2012 rate case.

Q: Does the Company believe the Staff has stretched beyond the framework of understanding of the results of the 2012 rate case?

A: Yes. I will explain each of the issues that Staff has attempted to now develop a tracking mechanism from issues included in the 2012 rate case.

a. <u>Regulatory Liability and Asset Amortizations</u>

Q: How does Staff propose retroactive tracking/ratemaking treatment of certain regulatory assets?

A: Staff proposes to apply retroactive tracking and ratemaking treatment to the regulatory assets items denominated as SJLP Transition costs (amortization ended February 2016), Rate Case Expense-Case No. ER-2010-0356 (amortization ended June 2014) and Rate Case Expense-Case No. ER-2010-0356 (amortization ended January 2016). (Staff's Cost of Service Report, pp. 157-160).

Q: Is Staff's proposed treatment of these regulatory assets reasonable?

A: No.

Q: Why is Staff's proposed treatment of these amortization items unreasonable?

A: Based upon their amortization schedules, I'll address each of these items separately.

First, the effect of this Staff proposal relating to SJLP Transition Costs, a regulatory asset, would be to reduce GMO's earnings levels for the period March 2016 through July 2016 by removing – on a book basis – the rate allowance from GMO's current rates and deferring those amounts to a regulatory liability for that period.

Second, Staff's proposal relating to Rate Case Expense-Case No. ER-2010-0356 (amortization ended in June 2014) would be to reduce GMO's earnings levels for the period July 2014 through July 2016 by removing – on a book basis – the rate allowance from GMO's current rates and deferring those amounts to a regulatory liability for that period.

In addition, the effect of the Staff's proposal relating to Rate Case Expense-Case No. ER-2010-0356 (amortization ended in January 2016) would be to reduce GMO's earnings levels for the period February 2016 to July 2016 by removing – on a book basis – the rate allowance from GMO's current rates and deferring those amounts to a regulatory liability for that period.

In sum, there is no basis whatsoever for Staff's proposal because "tracker" treatment for these regulatory assets was not approved by the Commission in the 2012 rate case and is therefore an improper attempt by Staff to retroactively change the Commission's 2012 GMO rate case order.

b. <u>Iatan Unit 2 O&M Expenses</u>

Q: How does Staff propose to treat the ending of Vintage 1 Iatan Unit 2 O&M Expenses once it was fully amortized?

A: The Iatan Unit 2 O&M expense vintage 1 tracker was included in rates in the 2012 rate case and was amortized over three years. The amortization of vintage 1 ended in January 2016. Staff has asserted that an over-recovery has occurred on this vintage and goes on to request the Commission to track vintages included in this case on a prospective basis.

Q: Was the treatment of a tracking of the amortization of the Iatan Unit 1 O&M considered in the 2012 rate case?

A: No.

Q: Should Staff be granted a retroactive tracking mechanism in this case?

A: No. A reading of the order in GMO's last rate case (ER-2012-0175) clearly demonstrates that it was not contemplated that a tracking mechanism would be set-up to track the amortizations associated with the vintages of Iatan 1 O&M expenses. Since the last rate case the Company has fallen into a position in which it was unable to earn its authorized return on equity. Setting up this type of tracker would exacerbate the companies inability to earn this authorized return and be retroactive ratemaking, if granted, thus this retrospective tracking should not be granted.

c. Renewable Energy Standard

Q: How does Staff propose to treat revenue collected after the RES vintage is fully amortized?

A: Staff proposes that the revenue collected for these amortizations above the amount of deferred costs in the RES vintage be applied to current deferred RES costs or as an offset to the RESRAM mechanism (Staff's Cost of Service Report, p. 202-203).

Q: Does GMO agree with this Staff proposal?

A: No. If the Commission had ordered that the amortization of Renewable Energy Costs be accorded tracker treatment in the Company's last rate case, GMO would have no basis to object to Staff's proposed treatment of such amounts in this proceeding. But no such tracking treatment was ordered in Case No. ER-2012-0175 and Staff's proposal to utilize tracking treatment on a retroactive basis now is unreasonable and overreaching.

Q: Why is Staff's proposed treatment of RES revenue unreasonable and overreaching?

A: The effect of this Staff proposal would be to reduce GMO's earnings level for the period February 2016 through December 31, 2016 by removing – on a book basis – the rate allowance for amortization of Renewable Energy Costs from GMO's current rates and applying those amounts as an offset (i.e., reduction) to the amortization of Renewable Energy Costs to be reflected in future rates without such treatment ordered by the Commission in the 2012 Case.

d. <u>ERISA Prepaid Pension Amortization</u>

Q: How does Staff propose to treat FAS 87 Tracker?

A: In the L&P FAS 87 tracker Staff included the prepaid pension regulatory asset, which relates to the regulatory asset established in Case ER-2004-0034 when an agreement was made to base pension rate recovery on ERISA minimum contributions. At the time, this prepaid pension regulatory asset was established as a catch-up to transition to the new method of pension cost rate recovery with the Company allowed amortization over a 9 ¼ year period ending in July 31, 2013.

Q: Does GMO agree with this Staff inclusion of prepaid pension?

A: No. The FAS 87 Tracker, established in Case ER-2010-0356, is different than the prepaid pension regulatory asset that was established in the 2004 case. In the 2010 case, it was agreed that L&P would change the ratemaking methodology for pensions to be consistent with the KCP&L method which is based on the FAS 87 pension expense. Also, it was agreed that a new prepaid pension regulatory asset would be established when contributions to the pension trust exceed FAS 87 costs. This regulatory asset would not be amortized to expense but would be used to satisfy FAS 87 funding requirements.

Q: Why is Staff's proposed treatment of prepaid pension unreasonable?

A: The effect of Staff's inclusion of the prepaid pension amortization in the FAS 87 tracker calculation beginning in July 2013 when the prepaid pension amortization was fully amortized would reduce future FAS 87 amortizations in rates. Neither the 2004 case nor any subsequent cases allowed for the tracking and return of any over collection of prepaid pension amortizations.

In the 2010 Case the method of pension rate recovery was changed to be based on FAS 87 pension expense with the related regulatory assets/liabilities established to meet the objective of pension expense, contributions and rate recovery being equal from that time forward. These calculations did not include any provisions for the over recovery of the prior prepaid pension amortization nor should they have as the prior prepaid pension asset was established under a different recovery methodology. The issue of pension regulatory assets incurred under prior agreements was addressed separately in the Stipulation and Agreements for both Case ER-2010-0356 and Case ER-2012-0175, with each allowing for continued recovery of the prepaid pension regulatory asset. In addition, the current FAS 87 tracker is a rolling calculation not established by vintage, so any over or under recovery is rolled into the balance and addressed in subsequent rate proceedings. In sum, trackers should be used to provide dollar for dollar recovery for specific expenses and that is the intent of GMO's current pension trackers. The recapture of over amortization of pension costs from over ten years ago under a different recovery method and not agreed to in prior cases, is not reasonable and is overreaching by the Staff.

The prior prepaid pension regulatory asset established in 2004 for L&P was a negotiated amount to transition to a cash basis of pension recovery and is independent of the current methodology of rate recovery. Therefore, the prepaid amortization should not be mixed together with the current FAS 87 regulatory asset which would upset the balance of contributions, expense and recovery under the current method.

e. <u>Going Forward Tracker Treatment</u>

Q: Staff has proposed that, on a going forward basis, in the instance of the regulatory assets associated with demand side management cost recovery that when a vintage is fully amortized that GMO apply the funds to the next ending DSM vintage. Is the Company in agreement with this?

A: Yes. As a part of the result of this rate case proceeding the Company is in agreement that when DSM vintages become fully amortized the Company is willing to apply the funds collected to the next-ending DSM vintage.

Q: Is the Company willing to agree with a tracking of regulatory assets and liabilities on a going forward basis?

A: Yes. Consistent with the treatment agreed to in the KCP&L's most recent rate case, ER-2014-0370, KCP&L agreed to the following:

> In each future KCP&L general rate case, the Signatories agree that the balance of each amortization relating to regulatory assets or liabilities that remains, after full recovery by KCP&L (regulatory asset) or full credit to KCP&L customers (regulatory liability), shall be applied as offsets to other amortizations which do not expire before KCP&L's new rates from that rate case take effect. In the event no other amortization expires before KCP&L's new rates from that rate case take effect, then the remaining unamortized balance shall be a new regulatory liability or asset that is

> amortized over an appropriate period of time. For example, the Demand Side Management amortizations, once fully recovered, will be used to offset (reduce) other vintages of DSM amortizations, each reducing other vintages as those become fully recovered and, in the event no other vintages remain to be amortized, the Demand Side Management amortizations will be applied to other amortizations that do not end before new rates take effect.

The Company is willing, beginning with the effective date of rates in this case, to grant similar treatment to the tracking of regulatory assets and liabilities. The Commission should only grant this on a prospective basis and should not grant retroactive tracking treatment.

Expense Trackers in Rate Base

Q: What was OPC's witness Hyneman's position regarding what he identifies as expense trackers in rate base?

A: OPC witness Hyneman surprisingly has challenged components of GMO's rate base that have been included in GMO's rate base and approved by the Commission in previous rate cases. He states that GMO must meet its burden of proof that the deferred expenses must meet the specific standards to be included in rate base even though the items he has identified have been included in rate base in multiple past GMO rate cases and identical assets have been included in multiple KCP&L rate cases in the recent past. The majority of his argument is based on excerpts from a past KCP&L rate case that involved ice storm expense recovery, yet the issues he has identified are not ice storms. The issues he identifies involve significant historical construction projects and pension accounting issues that have been significant components of previous rate cases. The issues he identifies are as follows:

- Iatan 1 & Common Regulatory Asset

- Iatan 2 Regulatory Asset
- Regulatory Asset – ERISA Minimum Tracker-Elec
- Regulatory Asset – ERISA Minimum Tracker-Steam
- Regulatory Asset – FAS 87 Pension Tracker
- Regulatory Asset (Liab) – OPEB Tracker

Witness Hyneman goes on to say in his testimony that the ERISA Minimum trackers represent GMO's prepaid pension assets and that the Regulatory Liability – OPEB Tracker represents prepayments made by GMO ratepayers and thus these assets and liability are the only issues that should be included in GMO's rate base. That appears to leave the Iatan 1 & Common Regulatory Asset, Iatan 2 Regulatory Asset and the Regulatory Asset associated with the FAS 87 Pension Tracker as the issues that OPC witness Hyneman is taking issue with.

Q: **Does the Company agree with OPC witness Hyneman's position?**

A: No. Absolutely not. I will examine the regulatory history of these issues one at a time.

Q: **Has the MPSC Staff included these issues in rate base in their revenue requirement calculation?**

A: Yes. The MPSC Staff has included these items in their rate base calculation.

Q: **Please provide an explanation of what the Iatan 1 & Common Regulatory Asset is and provide its previous regulatory accounting history and inclusion in previous rate cases rate base?**

A: Pursuant to the terms of the Non-Unanimous Stipulation and Agreement approved by the Commission in Case No. ER-2009-0090 ("2009 case") on June 10, 2009 ("2009 S&A"), GMO was authorized to include in a regulatory asset depreciation expense and carrying costs for the Iatan Unit 1 Air Quality Control System and Iatan common plant not included in rate base in that case. Adjustment RB-25 establishes the anticipated rate base value by rolling forward the unamortized regulatory asset balance, which is recorded on a Missouri electric retail jurisdictional basis, to the True-up date. The unamortized regulatory asset balance was included and approved in Rate Base for all cases subsequent to the 2009 rate case (ER-2010-0356, ER-2012-0175).

Q: Please provide an explanation of what the Iatan 2 Regulatory Asset is and provide its previous regulatory accounting history and inclusion in previous rate cases rate base?

A: The Order Granting an Accounting Authority Order, File EU-2011-0034, approved by the Commission on September 28, 2010 ("Iatan 2 AAO"), provided that GMO could use construction accounting during the period from the Iatan 2 commercial in-service date (August 26, 2010) through the effective date of new rates in the 2010 Case (June 25, 2011). Construction accounting allows the Company the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2's commercial in service operation date. Construction accounting impacts, including depreciation, carrying costs, operations and maintenance ("O&M") expenses, and fuel and revenue impacts are accumulated in a regulatory asset. Adjustment RB-26 establishes the anticipated rate base value by rolling forward the unamortized regulatory asset balance, which is recorded on a Missouri electric retail jurisdictional basis, to the True-up date. The unamortized regulatory asset balance was included and approved in Rate Base for all cases including and subsequent to the 2010 rate case (ER-2010-0356, ER-2012-0175).

Q: Please provide an explanation of what the FAS 87 Pension Regulatory Asset is and provide its previous regulatory accounting history and inclusion in previous rate cases rate base?

A: This regulatory asset represents the cumulative unamortized differences in FAS 87 pension expense for ratemaking purposes and pension expense built into rates. In the 2010 Case, GMO was authorized to adopt a new method of ratemaking for pension costs which based pension expense recoverable in rates on FAS 87 expense. To ensure pension expense would be fully recoverable, the FAS 87 regulatory asset was established to track the difference between FAS 87 regulatory expense and the amount in rates with the balance amortized over five years. Because it was a cash item, the regulatory asset was included in rate base. This method was reaffirmed in Case ER-2012-0175.

Q: On page 28, witness Hyneman quotes a Commission Order in KCP&L's 2006 rate case, ER-2006-0314 as support for his position to not include these Regulatory Assets in rate base. What issue was being addressed in the 2006 rate case Commission Order?

A: The issue being addressed was whether or not the costs of the LED-LDI, Leadership Development, and CORPDP-KCPL, Corporate Development-KCPL projects, which were being deferred and amortized, be included in rate base. The LED-LDI projects captured costs to develop an enhanced leadership development program for supervisors and managers and to conduct associated training for eligible employees. The CORP-KCPL project captured costs related to KCPL for corporate-level resource planning, business analysis, strategic planning, development of short and long-term business plans and assessment and adjustment of such plans and business decisions in response to changes in the marketplace.

Q: Do the type of issues considered in the 2006 case have any relation to the regulatory assets that are included in rate base in this case that OPC has taken issue with?

A: No they do not.

Q: OPC witness Hyneman points out that the Commission in its Order stated that including items such as training expenses in rate base makes a "mockery" out of what constitutes a rate base asset. Does including the Iatan 1 & Common, Iatan 2 and FAS 87 Pension Regulatory Assets in rate base in this proceeding make a "mockery" out of GMO's rate base?

A: No. The regulatory accounting history as described above provides substantial proof for the proper inclusion in rate base of these assets. Secondly, major construction regulatory assets that are being amortized over 20 plus and 40 plus years should not be suddenly removed from rate base due to OPC's belief that these type of costs should not be included in rate base. These issues were addressed in previous cases and approved by the Commission.

Q: Should this Commission be persuaded by any of OPC witness Hyneman's position on this issue?

A: No. The record speaks clearly that these assets should be included in rate base.

<u>**Severance Payments**</u>

Q: Please explain the adjustment that OPC made concerning severance payments?

A: OPC has removed two severance payments that were paid during 2014 and 2015 claiming that these payments should be borne by shareholders and not ratepayers.

Q: What were OPC's arguments in support of that conclusion?

A: First, OPC states that severance payments are often recovered through regulatory lag in excess of the payment because salaries are generally recovered through rates until they are changed in the next utility rate case. Secondly, OPC states that agreements are typically signed with the severed employee which contains language to protect the utility from potential litigation. OPC claims that for these reasons, severance payments should be born by shareholders.

Q: Does the Company agree with OPC's position?

A: No. Severance payments are a necessary and recurring business expense and, as such, should be included in the Company's revenue requirement and rates.

Q: Please explain the Company's findings after reviewing OPC's severance adjustment.

A: The Company determined that neither of the severance payments OPC witness Hyneman proposes to disallow were included in GMO's cost of service in this rate case. One of the severance payments was recorded outside of the test year in this rate case. The second severance payment was not recorded to the GMO business unit and thus was not included in the cost of service in this rate case. As stated above, the Company does believe that severance payments are a legitimate cost of doing business and are incurred on an annual basis. Yet, in this instance, OPC's adjustments should not be included in this rate case as they simply were not part of the Company's requested cost of service in this rate case.

Q: Does this conclude your testimony?

A: Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2016-0156

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of thirty-nine (39) pages, 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.

Ronald A Klote
Ronald A. Klote

Subscribed and sworn before me this 15th day of August, 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200

KANSAS CITY POWER AND LIGHT
2016 ValueLink Incentive Plan

1) PURPOSE

KCP&L implemented the ValueLink Incentive Plan to reward non-union employees for their efforts in supporting the objectives of the company. The purpose of the Plan is to provide an incentive for the achievement of defined annual results of the organization and its business units.

2) ELIGIBILITY

In order to be eligible for this Plan, an employee must:

- Be a regular employee of KCP&L who is neither temporary nor an intern;
- Be regularly scheduled to work a minimum of 24 hours per week;
- Commence employment before November 1, 2016;
- Be actively employed on the payout date;*
- Have an Overall Review Rating of "Partially Meets Expectations" or better on the Annual Performance Review for the 2016 Plan Year; and
- Be a non-union employee who is not considered an officer of the company.

* Employees who become inactive due to retirement, death or long-term disability will be eligible for a pro rata award for the time during the Plan Year that they were considered active. Employees who become inactive due to severance will be considered on a case-by-case basis for a pro rata award. See "Proration of ValueLink Targets and Awards" in Section 3 below.

Employees who are terminated for cause during the Plan Year will not be eligible to receive a ValueLink award.

3) INCENTIVE TARGETS

Each eligible employee's incentive target is a percentage of his or her eligible pay as of December 31, 2016. For exempt employees, eligible pay is base pay. For non-exempt employees, eligible pay includes base pay, overtime and shift differential.

An employee may receive from 0% to 150%+ of the target amount based on achievement of Company Financial, Company Operational and Individual component objectives as described in Section 4.

Proration of ValueLink Targets and Awards

The ValueLink *target* will be prorated for an employee who changes positions during the Plan Year if the new position has a different target incentive than the original position.

For example: *Joe Generation has an annual base salary of $50,000 as of 12/31/16. He was in Position A with a 6% incentive target from January through June (6 months). He was in Position B with an 8% incentive target from July through December (6 months). Joe's incentive target is:*

Position A (January through June): $50,000 x 6% x 6/12 = $1,500

<u>*Position B (July through December: $50,000 x 8% x 6/12 = $2,000*</u>

Total ValueLink Target = $3,500

Joe could earn from 0% to 150% of his ValueLink target of $3,500, depending on the level of achievement in Company Financial, Company Operational and Individual ValueLink components. Employees should contact their supervisor or their HR generalist if they have questions related to their incentive target.

The ValueLink award may be prorated at the company's discretion in the following circumstances:

- An employee who is hired between January 1 and November 1 may receive a prorated award based on the number of months remaining in the Plan Year following the hire date.
- An employee who is not actively at work during the full Plan Year because of retirement, death or total disability (if approved to receive Long-Term Disability Insurance benefits under the GPE Welfare Plan) will receive a prorated award based on the length of active employment during the year.
- Approved absences under the Family Medical Leave Act (FMLA) or military leave will not reduce an employee's ValueLink award. Otherwise, an employee who has an absence for any reason of two or more weeks during the year will be reviewed on a case-by-case basis and may receive a prorated award.
- An employee who transfers from a bargaining unit position to a non-union position before November 1 will be eligible to participate in this Plan on a prorated basis for any month(s) in the non-union position.
- Part-time employees will be eligible for a prorated amount based on their weekly scheduled work hours. Awards paid under this Plan to an employee who works on a full-time basis for part of the Plan Year and on a part-time basis (at least 24 hours per week) for part of the Plan Year will be prorated.

Proration of awards under the Plan for any reason will be based on whole months. When an event that results in proration occurs on other than the first day of the month, that month will be included or excluded from the proration based on the following rules:

- If an action takes place between the 1st and 15th day of the month, it shall be considered to have taken place as of the first of the month.
- If an action takes place on or after the 16th day of the month, it shall be considered to have taken place as of the first day of the following month.

4) COMPONENTS OF VALUELINK – COMPANY AND INDIVIDUAL

The total incentive award for each employee is based on three performance components. The components and their corresponding weights are:

Components of ValueLink	
Company Financial	25%
Company Operational	50%
Individual	25%
Total ValueLink Incentive =	**100%**

2016 ValueLink award payments are determined by the component weightings and by achievement of specific objectives within each component as described below.

The Plan Administrative Committee (PAC) approves the component weightings and validates the specific threshold, target and maximum achievement levels for the Company Financial and Company Operational objectives established by company leadership. Year-end results against the Company Financial and Company Operational objectives will be approved by the PAC, validated by the Controller and Compensation Departments and are subject to review and confirmation by the Internal Audit Department. Any changes to company objectives and/or measures in the Plan Year must be approved by the PAC, tracked by the Controller and

Compensation Departments and are subject to review by the Internal Audit Department throughout the Plan Year.

Company Financial Component

The Company Financial component payout will be based on achievement of the following measure:

Company Financial Component – 25%		
Strategy Outcome	**Measure**	**Component Weight**
Manage the Existing Business	NFOM	25%
	Total Company Financial Component =	**25%**

Payment based on the Company Financial component will be made only if the threshold achievement level of the measure is met or exceeded. If the threshold is not met, payout for the Company Financial component is 0%. Financial measure achievement percentage will be interpolated between 50% and 150%.

Company Operational Component

The Company Operational component payment will be based on achievement of the following measures:

Payment for each of the measures in the Company Operational component will be made only if the threshold achievement level is met or exceeded. If the threshold achievement level is not met on at least one operational measure, payout for the Company Operational component is 0%. Operational measure percentages will be interpolated between 50% and 150%.

Company Operational Component – 50%		
Strategy Outcome	**Measure**	**Component Weight**
Guiding Principles	Safety Audits & Training	15%
Manage the Existing Business	EAF - % Equivalent Availability (Coal units, Winter & Summer Peak Months Only)	10%
Manage the Existing Business	SAIDI (system-wide reliability in minutes)	10%
Provider of Choice	JD Power Customer Satisfaction Index	10%
New and Entrepreneurial Activities	Non – utility investment across the Energy Value Chain	5%
	Total Company Operational Component =	**50%**

Individual Component

The Individual component of ValueLink makes up the remaining 25% of the employee's overall award calculation.

To be eligible for any portion of the Individual component, employees must receive a performance rating of Meets Expectations or better.

Division officers and leaders will assign an individual achievement percentage to each employee from 50% to 150% (0% for any employee who does not receive at least a "Meets Expectations" rating), based on successful completion of individual objectives and overall performance. The total of all individual achievement percentages within a division may not exceed 100%. These achievement percentages are subject to approval by each division's respective PAC Officer.

The Individual Component payouts will be adjusted by the weighted average of the Company Financial and Company Operational Components.

If the threshold achievement is met for neither the Company Financial nor Company Operational Component, there will be no Individual Component payout.

The actual Individual Component payout may range from 0% to more than 150%, depending upon the individual achievement percentage assigned by the employee's manager and the weighted average achievement of the Company Financial and Company Operational Component objectives.

An employee rated as "Does Not Meet Expectations" for the Plan Year is not eligible for any payout under the ValueLink Plan.

5) INCENTIVE CALCULATION

Interpolation for measure achievement between 50% and 150% will be applied to each of the Company Financial and Operational components and will be approved by the PAC. A weighted average will be calculated based on the Company Financial and Company Operational achievements. This weighted average will be used to determine the dollars available for the individual component. For example, if the Company Financial achievement is 150%, and the Company Operational achievement is 60%, the dollars available for the individual achievement would be 120%.

An individual participant's award under the Plan may be 0% to 150% of the target amount, depending on achievement of each of the objectives in the Company Financial, Company Operational and Individual Component.

If threshold levels for both the Company Financial and Operational components are not achieved, there will be no ValueLink payout.

	Eligible Pay as of 12/31/2015				Component Weighting		Component Achievement				Payout
Company Financial	$$$	x	6-20% (Dependent on Job)	x	25%	x	Company Financial Achievement			=	Company Payout
Company Operational	$$$	x	6-20% (Dependent on Job)	x	50%	x	Company Operational Achievement			=	Operational Payout
Individual	$$$	x	6-20% (Dependent on Job)	x	25%	x	Individaul Achievement	x	Weighted Average of Overall Compay Achievement	=	Individual Payout
					100%						Total ValueLink Incentive

See Appendix B for an example of an individual ValueLink award calculation.

6) PAYMENT

Any payments under the 2016 ValueLink Incentive Plan would be made on or about March 15, 2017. At the sole discretion of the PAC, payments may be paid in cash, Great Plains Energy Incorporated stock, or a combination of cash and stock.

ValueLink awards will be taxed as supplemental earnings.

7) PLAN ADMINISTRATION

The Chief Executive Officer of GPE shall appoint the PAC. The CEO retains the authority to make changes to the composition of the PAC, including changes in membership deemed necessary or prudent.

This PAC retains the sole discretion to interpret, modify, suspend, amend or terminate this Plan at any time for any reason. Any modification or addendum to this Plan shall be effective on the date specified in such modification or addendum and distributed to participants, whether or not each individual participant has received notice thereof. The PAC will conclusively determine participation, calculation of incentive targets and actual incentives, payment of incentive and all other matters necessary to administer this Plan.

Nothing in this Plan shall change the normal employee/employer relationship or be interpreted as a guarantee of continued employment. This Plan or any action taken hereunder shall not be construed as giving any right to be retained as an employee of KCP&L. Even though performance expectation criteria are in place, no payment of incentive compensation awards should be construed as an indication that overall job performance is satisfactory.

8) KEY DEFINITIONS

"Plan" or "the Plan" means the ValueLink Incentive Plan.

"Plan Year" means January 1, 2016 through December 31, 2016. This Plan remains in effect until it is terminated, modified or amended.

"PAC" is the Plan Administrative Committee for the ValueLink Incentive Plan.

Approval: ______________________

Terry Bassham
Chief Executive Officer

Date: 12-17-15

Appendix A – 2016 ValueLink Plan Metrics

	Metric	Weighting	2016 Targets: Threshold 50%	2016 Targets: Target 100%	2016 Targets: Stretch 150%
COMPANY FINANCIAL 25%	Total NFOM ($ millions)	25.00%	Confidential, Non-Public Information		
COMPANY OPERATIONAL 50%	Safety Audits	15.00%	1.5 Safety & Health Self-Audit Completed per Month	2 Safety & Health Self-Audits Completed per Month	2.5 Safety & Health Self-Audits Completed per Month
			95.0% of corrective action plans to be completed within 45 days or a plan to achieve	97.5% of corrective action plans to be completed within 45 days or a plan to achieve	100% of corrective action plans to be completed within 45 days or a plan to achieve
			Company-wide safety training 100% complete.	Company-wide safety training 100% complete.	Field Audit from either T&D or Generation per month and 97.5% of corrective action plan to be completed. Company-wide safety training 100% complete.
	JD Power Cust Satisfaction Index (Residential Customer Satisfaction)	10.00%	Year-end 2015 ranking	Improve one ranking from 2015 ranking by year-end 2016	Improve two rankings from 2015 ranking by year-end 2016
	SAIDI (system-wide reliability in minutes)	10.00%	97.22	84.58	82.51
	EAF - Equivalent Availability % Coal Units (Winter & Summer Peak Months Only)	10.00%	78.1%	86.5%	88.4%
	Investment across the Energy Value Chain that is adjacent to our Existing Business	5.00%	$17.0 Million Investment in KLT and $79 Million Investment in Transource	$20.0 Million Investment in KLT and $88 Million Investment in Transource	$22.5 Million Investment in KLT and $95 Million Investment in Transource
INDIVIDUAL 25%	Manager discretion Assignment of percentage between 50% - 150%	25.00%	50%	100%	150%
		100.00%			

1. SAIDI (System Average Interruption Duration Index) is an industry standard measurement of electrical outages. The index represents the average length of time (in minutes) that a customer experienced sustained electrical outages on the Utility's system during the year. The measurement defines the combined system outage duration and outage frequency in one measure as applied to the entire customer base served.

2. EAF (Equivalent Availability Factor) is a measure of the actual maximum capability of a unit (or system, in the case of multiple units) to generate electricity relative to the theoretically possible amount. To the extent that a plant has no outages (forced or planned) and no equipment issues that limit capacity (forced or planned, commonly referred to as derates), EAF would equal 100%. To the extent that a plant is off-line the entire time period being measured, the EAF would equal 0% as none of the capacity is capable of being generated.

Appendix B – Sample ValueLink Calculation

Name:	Tracie Davis	**Company Financial Target:**	$1,600	**Performance Rating**	Meets Expectations
Title:	Systems Analyst	**Company Operational Target:**	$3,200		
Eligible Pay:	$80,000	**Individual Target:**	$1,600		
Market Incentive Target:	8%	**Total Award Target Amount**	$6,400		

Actual Total Payout Based on Results: $5,266.67 — **See calculation below**

Tracie's Eligible Pay ($80,000) x VL Target Percent (8%) x

Component	Weightings		Measure		Achievement	Weighted Achievement	Actual Payout	Total	
Company Financial	25%	x 100%	NFOM	x	50%	50.0%	$ 800.00	$ 800.00	Total Company Financial
			Total Company Financial Achievement			50%			
Company Operational	50%	x 30%	Safety Audits & Training	x	100%	30.0%	$ 960.00	$ 3,200.00	Total Company Operational Payout
		x 20%	EAF - % Equivalent Availability (Coal units,Winter and Summer Peak Months Only)	x	100%	20%	$ 640.00		
		x 20%	SAIDI (system-wide reliability in minutes)	x	100%	20%	$ 640.00		
		x 20%	Jd Power Customer Satisfaction Index (Residential)	x	100%	20%	$ 640.00		
		x 10%	Investment Across the Energy Value Chain	x	100%	10.0%	$ 320.00		
			Total Company Operational Achievement			100%			
Individual	25%	x 100%	Assigned individual achievement percentage	x	95%	95%	$1,266.67	$ 1,266.67	Total Individual Payout
			Weighted Average Company Financial and Operational Achievement		83%				
			Individual Component Payout as a Percent of Target		79%				

$5,266.67 Total VL Payout

*Individual achievement percentages will vary by participant. This achievement is assigned based on the individual's performance and contributions during the plan year. The amount that the individual receives is adjusted based on the weighted average achievement of the Company Financial and Operational Component.

** Weighted Average Company Financial and Operational Achievement calculation: Financial = ((33.3% of total company component) x Financial Achievement (50)) =16.6% + Operational =((66.7% of total company component) x Operational Achievement (.30 x 100 +.20 x 100 +.20 x 100 +.20 x 100 +.10 x100)) = 66.7%. **Weighted Average = 16.6% + 66.7% = 83.3%**

GMO Test Year Dues
Explanations of Benefits to Ratepayers

Dues paid to community foundations and chambers of commerce allow KCP&L to be a good corporate citizen by increasing efforts to make Kansas City a regional, national and global destination point. These types of dues enhance the Kansas City area and bring tourism and dollars to the region.

Account	Month Number	Vendor Name	Total	MPS Amt	L&P Amt
593000	201407	LENEXA CHAMBER OF COMMERCE	1,000.00	219.80	79.80
593000	201407	MISSOURI CHAMBER OF COMMERCE & INDUSTRY	15,000.00	3,163.50	1,219.50
593000	201407	PARKVILLE CHAMBER OF COMMERCE	165.00	36.27	13.17
593000	201407	PLATTE CITY AREA CHAMBER OF COMMERCE	425.00	93.42	33.92
593000	201408	SOUTH KANSAS CITY CHAMBER OF COMMERCE	1,000.00	219.80	79.80
593000	201412	CHAMBER OF COMMERCE OF GREATER KC	300.00	65.94	23.94
593000	201412	NORTHEAST JOHNSON COUNTY	725.00	159.36	57.86
593000	201412	RICHMOND CHAMBER OF COMMERCE	500.00	109.90	39.90
930200	201501	ASIAN AMERICAN CHAMBER OF COMMERCE	4,000.00	879.20	319.20
930200	201501	ATCHISON COUNTY	250.00	54.95	19.95
930200	201501	CHAMBER OF COMMERCE OF GREATER KC	50,000.00	10,990.00	3,990.00
930200	201501	CIVIC COUNCIL OF GREATER KC	48,000.00	10,550.40	3,830.40
930200	201501	DOWNTOWN COUNCIL OF KANSAS CITY	6,500.00	1,428.70	518.70
930200	201501	KANSAS CITY INDUSTRIAL COUNCIL	5,000.00	1,099.00	399.00
930200	201501	KANSAS ECONOMIC PROGRESS COUNCIL	3,000.00	659.40	239.40
930200	201501	LENEXA CHAMBER OF COMMERCE	500.00	109.90	39.90
930200	201501	LOUISBURG CHAMBER OF COMMERCE	500.00	109.90	39.90
930200	201501	MARYVILLE CHAMBER OF COMMERCE	801.00	176.06	63.92
930200	201501	NORTHLAND REGIONAL CHAMBER OF COMMERCE	4,800.00	1,055.04	383.04
930200	201501	OLATHE CHAMBER OF COMMERCE	2,500.00	549.50	199.50
930200	201501	PLATTE CITY AREA CHAMBER OF COMMERCE	425.00	93.42	33.92
930200	201501	SAVANNAH CHAMBER OF COMMERCE	200.00	43.96	15.96
930200	201501	SOUTHTOWN COUNCIL	1,500.00	329.70	119.70
930200	201501	SOUTHWEST JOHNSON COUNTY ECONOMIC	2,500.00	549.50	199.50
930200	201501	SPRING HILL CHAMBER OF COMMERCE	1,000.00	219.80	79.80
930200	201501	TRENTON AREA CHAMBER OF COMMERCE	234.00	51.43	18.67
930200	201501	LEES SUMMIT ECONOMIC DEVELOPME	6,000.00	1,318.80	478.80
930200	201501	SEDALIA PETTIS COUNTY COMMUNIT	5,000.00	1,099.00	399.00
930200	201502	HISPANIC CHAMBER OF COMMERCE	10,000.00	2,198.00	798.00
930200	201502	KING CITY CHAMBER OF COMMERCE	35.00	7.69	2.79
930200	201502	LEAWOOD CHAMBER OF COMMERCE	645.00	141.77	51.47
930200	201502	NORTHEAST KANSAS CITY CHAMBER OF	450.00	98.91	35.91
930200	201502	MISSOURI MUNICIPAL LEAGUE	450.00	98.91	35.91
930200	201502	BOSTON COLLEGE	5,000.00	1,099.00	399.00
930200	201503	FRANKLIN COUNTY KS	1,000.00	219.80	79.80
930200	201503	GREATER CLINTON AREA CHAMBER OF	1,500.00	329.70	119.70
930200	201503	KANSAS CHAMBER OF COMMERCE	8,500.00	1,868.30	678.30
930200	201503	OLATHE CHAMBER OF COMMERCE	840.00	184.63	67.03
930200	201503	OLATHE CHAMBER OF COMMERCE	2,500.00	527.25	203.25
930200	201503	OVERLAND PARK CHAMBER OF COMMERCE	2,659.00	584.45	212.19
930200	201503	PAOLA CHAMBER OF COMMERCE	2,325.00	511.04	185.54
930200	201503	SEDALIA PETTIS COUNTY COMMUNITY SERV COR	5,000.00	1,099.00	399.00
930200	201503	SOUTHWEST JOHNSON COUNTY ECONOMIC	2,500.00	549.50	199.50
930200	201503	WESTON CHAMBER OF COMMERCE	1,000.00	219.80	79.80
930200	201503	WYANDOTTE ECONOMIC DEVELOPMENT COUNCIL	1,500.00	329.70	119.70
930200	201503	PAOLA CHAMBER OF COMMERCE	110.00	24.18	8.78
930200	201503	SHAWNEE CHAMBER OF COMMERCE	875.00	192.33	69.83
930200	201503	NONPROFIT CONNECT	750.00	164.85	59.85
930200	201504	MISSOURI CHAMBER OF COMMERCE & INDUSTRY	15,000.00	3,297.00	1,197.00
930200	201504	MISSOURI COMMUNITY BETTERMENT	1,500.00	329.70	119.70
930200	201504	NORTHEAST JACKSON COUNT CHAMBER	150.00	32.97	11.97
930200	201504	PAOLA CHAMBER OF COMMERCE	110.00	24.18	8.78
930200	201504	STATE OF KANSAS	5,000.00	1,099.00	399.00
930200	201504	PAOLA CHAMBER OF COMMERCE	(110.00)	(24.18)	(8.78)
930200	201504	SHAWNEE CHAMBER OF COMMERCE	(875.00)	(192.33)	(69.83)
930200	201505	BENTON COUNTY	1,500.00	329.70	119.70
930200	201505	LEAWOOD CHAMBER OF COMMERCE	208.33	45.79	16.62
930200	201505	SHAWNEE CHAMBER OF COMMERCE	800.00	175.84	63.84
930200	201505	SHAWNEE CHAMBER OF COMMERCE	875.00	192.33	69.83
930200	201506	PLATTE CITY AREA CHAMBER OF COMMERCE	425.00	93.42	33.92

930200	201506	SOUTH KANSAS CITY CHAMBER OF COMMERCE	1,025.00	225.30	81.80

Dues paid to energy associations and other regulatory groups allow KCP&L the ability to maintain and protect the utility infrastructure, while also providing safe and reliable service to ratepayers. In addition, these same types of dues allow the company timely access to environmental regulations for compliance purposes, and also provides a clean energy source to the ratepayers.

Account	Month Number	Vendor Name	Total	MPS Amt	L&P Amt
593000	201407	UARG ASSESSMENT & KCADC DUES	33,750.17	7,418.29	2,693.26
593000	201408	UARG ASSESSMENT & KCADC DUES	33,750.17	7,418.29	2,693.26
593000	201409	MISSOURI ENERGY DEVELOPMENT	51,699.17	11,363.48	4,125.59
593000	201409	UARG ASSESSMENT & KCADC DUES	33,750.17	7,418.29	2,693.26
593000	201410	UARG ASSESSMENT & KCADC DUES	33,750.17	7,418.29	2,693.26
593000	201411	UARG ASSESSMENT & KCADC DUES	33,750.17	7,418.29	2,693.26
593000	201412	UWAG	17,000.00	3,736.60	1,356.60
593000	201412	UARG ASSESSMENT & KCADC DUES	33,750.13	7,418.28	2,693.26
930200	201412	EDISON ELECTRIC INSTITUTE - Avian Power	2,500.00	549.50	199.50
593000	201412	HUNTON & WILLIAMS LLP - Utility Water Act Group	6,465.61	1,421.14	515.96
593000	201412	HUNTON & WILLIAMS LLP - Utility Water Act Group	6,051.43	1,330.10	482.90
930200	201501	UARG ASSESSMENT	17,763.58	3,904.43	1,417.53
930200	201502	MISSOURI ENERGY DEVELOPMENT	51,699.17	11,363.48	4,125.59
930200	201502	UARG	17,763.58	3,904.43	1,417.53
930200	201502	EDISON ELECTRIC INSTITUTE - USWAG	49,500.00	10,880.10	3,950.10
930200	201502	HUNTON & WILLIAMS LLP - Utility Water Act Group	6,798.84	1,494.39	542.55
930200	201503	HUNTON & WILLIAMS LLP - Utility Water Act Group	1,941.10	426.65	154.90
930200	201503	HUNTON & WILLIAMS LLP - Utility Water Act Group	4,315.79	948.61	344.40
930200	201503	ELECTRIC DRIVE TRANSPORTATION ASSOC	21,000.00	4,615.80	1,675.80
930200	201503	UARG	17,763.58	3,904.43	1,417.53
930200	201504	UARG	17,763.58	3,904.43	1,417.53
930200	201505	UARG	17,763.58	3,904.43	1,417.53
930200	201505	HUNTON & WILLIAMS LLP - Utility Water Act Group	1,935.42	425.41	154.45
930200	201506	UARG	17,763.58	3,904.43	1,417.53
930200	201506	HUNTON & WILLIAMS LLP - Utility Water Act Group	6,322.97	1,389.79	504.57

Dues paid to help conserve and protect natural resources.

Account	Month Number	Vendor Name	Total	MPS Amt	L&P Amt
930200	201501	NATURE CONSERVANCY	2,500.00	549.50	199.50
930200	201504	NATURE CONSERVANCY	2,500.00	527.25	203.25
930200	201506	NATURE CONSERVANCY	(2,500.00)	(527.25)	(203.25)
930200	201506	NATURE CONSERVANCY	2,500.00	549.50	199.50

Dues paid in support of these facilities enhances Kansas City's image as a regional, national and global destination point and brings tourism and millions of dollars to the area. KCP&L has limited opportunity to take advantage of space for business meetings.

Account	Month Number	Vendor Name	Total	MPS Amt	L&P Amt
930200	201501	KEMPER MUSEUM OF CONTEMPORARY ART	1,000.00	219.80	79.80
930200	201503	NELSON GALLERY FOUNDATION	10,000.00	2,198.00	798.00
930200	201506	KAUFFMAN CENTER FOR THE PERFORMING ARTS	10,000.00	2,198.00	798.00

Dues paid to support this agency's efforts to promote economic vitality and enhance the Main Street corridor in Kansas City. This helps enhance Kansas City's image as a regional, national and global destination point bringing tourism dollars to the area.

Account	Month Number	Vendor Name	Total	MPS Amt	L&P Amt
593000	201408	MAINCOR	1,000.00	219.80	79.80
930200	201506	MAINCOR	1,000.00	219.80	79.80

Dues paid to support professional licensing for employees to ensure that KCP&L attracts and retains qualified individuals.

593000	201409	STATE BAR OF MICHIGAN	285.00	60.11	23.17
593000	201412	JOHNSON COUNTY KS	100.00	21.98	7.98
593000	201412	STATE OF NORTH CAROLINA	325.00	71.44	25.94
921000	201501	KANSAS BOARD OF TECHNICAL PROFESSIONS	60.00	13.19	4.79
				175,715.63	**63,878.99**