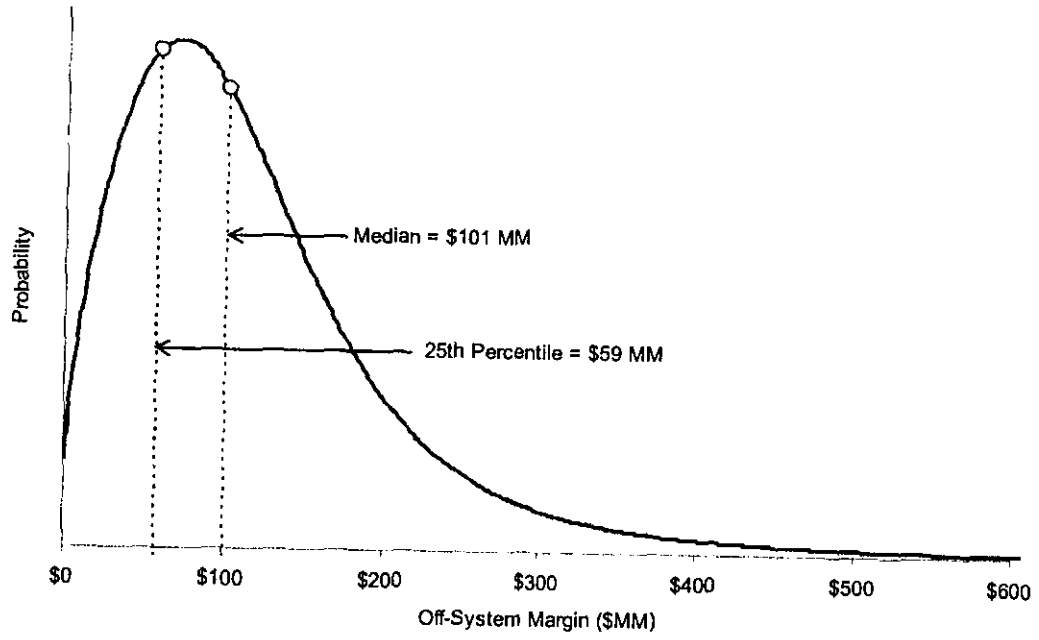


OFF-SYSTEM SALES MARGINS

- 40TH percentile of Schnitzer's Direct off-system sales model represents the single most likely outcome.
- 40th percentile equates to \$83.8 million of off-system sales (total company)

OFF-SYSTEM CONTRIBUTION MARGIN OUTCOMES
(April 2011 - March 2012)



OFF-SYSTEM SALES MARGINS

- KCPL achieved \$33.0 million in off-system sales in 2010 (Ex. 1209). KCPL achieves these sales without any sales from latan 2.
- Schnitzer (page 3 of True-Up testimony) says that latan 2 alone will account for \$54 million of increased off-system sales at the 25th percentile.
- If KCPL continues to make the same level of sales from non-latan 2 (\$33 million) and the 25th percentile level from latan 2 (\$54 million), it will reach \$87 million

OFF-SYSTEM SALES MARGINS

- Assumptions underlying True-Up Analysis are faulty.
 - Change Baseload Planned Outage rate to match the actual unit outage schedule increases level by \$3.5 million.
 - Change Firm Obligation to match system output in fuel model – increases level by \$9.0 million.
 - Adjusted True-Up Analysis = \$82.2 million
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OFF-SYSTEM SALES MARGINS

- 40TH percentile of Direct = \$83.8 million
- Iatan 2 + 2010 off-system sales = \$87.0 million
- Adjusted True-Up Direct = \$82.2 million

KCPL RESULT IS LUDICROUS!

- Schnitzer says latan 2 is worth \$54 million (page 3 of True-Up Direct). Yet, KCPL is asking to set off-system sales margins at \$54.9 million.
- This assumes that latan 2 will make the entirety of the off-system sales.
- What happened to the other units that made \$33 million of off-system sales last year?

KCPL RESULT IS LUDICROUS

- KCPL made 4.57 million MWhs of off-system sales in 2010.
 - At KCPL's proposed level of off-system sales, it only assumes 4.48 million MWhs of off-system sales in the next year.
 - Why less? You're adding 465 MWs of Iatan, 50 MWs of wind, increased capacity at Wolf Creek, elimination of MJMEUC contract and still selling less off-system MWhs!!
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OFF-SYSTEM SALES MARGINS

- MEUA position is conservative. Page 9 of Meyer
- Set at 40th percentile. Therefore, 60% opportunity to achieve.
- KCPL has demonstrated that it can reach 43rd percentile when pushed.
- Only assumes an increase of 5.6% in MWh sales despite Iatan 2 addition, more wind generation, Wolf Creek increased capacity and elimination of MJMEUC contract