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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2012-0175**

**DIRECT TESTIMONY**

**OF**

**JOHN P. WEISENSEE**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
February 2012**

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**JOHN P. WEISENSEE**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

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**DIRECT TESTIMONY**

**OF**

**JOHN P. WEISENSEE**

**Case No. ER-2012-0175**

1 **Q: Please state your name and business address.**

2 A: My name is John P. Weisensee. My business address is 1200 Main Street, Kansas City,  
3 Missouri 64105.

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

5 A: I am employed by Kansas City Power & Light Company ("KCP&L") as Regulatory  
6 Affairs Manager.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company ("GMO" or  
9 the "Company") for the territories served by L&P ("L&P") and MPS ("MPS").

10 **Q: What are your responsibilities?**

11 A: I have primary responsibility for preparing the financial information contained in various  
12 regulatory filings in Missouri and Kansas.

13 **Q: Please describe your education, experience and employment history.**

14 A: I graduated from The University of Texas at Austin in 1977 with a Masters in  
15 Professional Accounting. I had previously received my Bachelors of Business  
16 Administration degree in Accounting from the same university, summa cum laude. I  
17 have been a Certified Public Accountant since 1977. I began my career with KCP&L in  
18 January 2007. From 1986 to 2001, I was the Manager, Finance and Accounting for  
19 St. Joseph Light & Power Company. In the years between leaving that utility and

1 beginning at KCP&L, I was self-employed as a business consultant in the utility industry  
2 and for many other industries.

3 **Q: Have you previously testified in a proceeding before the Missouri Public Service**  
4 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**  
5 **agency?**

6 A: Yes, I have testified before the MPSC on several occasions while at St. Joseph Light &  
7 Power and at KCP&L. In addition, I have testified before the Kansas Corporation  
8 Commission.

9 **Q: What is the purpose of your testimony?**

10 A: The purpose of my testimony is to: (i) describe the revenue requirement model and  
11 schedules that are used to support the rate increases MPS and L&P are requesting in this  
12 proceeding (Schedules JPW-1 through JPW-3, by jurisdiction, attached to this  
13 testimony); and (ii) support various accounting adjustments listed on the summary of  
14 adjustments (Schedules JPW-4, by jurisdiction, attached to this testimony).

15 **REVENUE REQUIREMENT MODEL AND SCHEDULES**

16 **Q: What is the purpose of Schedules JPW-1 through JPW-3?**

17 A: These schedules represent the key outputs of the Company’s revenue requirement model  
18 used to support the rate increase that GMO requests in this proceeding. JPW-1 shows the  
19 revenue requirement calculation. Schedule JPW-2 lists the rate base components, along  
20 with the sponsoring witnesses. Schedule JPW-3 is the adjusted income statement.

21 **Q: Were the schedules prepared either by you or under your direction?**

22 A: Yes, they were.

1 Q: Please describe the process the Company used to determine the requested rate  
2 increase.

3 A: We utilized a standard ratemaking process to determine the rate increase request. We  
4 used historical test year data from the financial books and records of the Company as the  
5 basis for operating revenues, operating expenses and rate base. We then adjusted the  
6 historical test year data to reflect: (i) normal levels of revenues and expenses that would  
7 have occurred during the test year; (ii) annualizations of certain revenues and expenses;  
8 (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable  
9 changes that have been identified since the end of the historical test year. We then  
10 allocated the adjusted test year data to arrive at operating revenues, operating expenses,  
11 and rate base applicable to the Missouri electric retail jurisdictions. We subtracted  
12 operating expenses from operating revenues to arrive at operating income. We multiplied  
13 the net original cost of rate base times the requested rate of return to determine the net  
14 operating income requirement. This was compared with the net operating income  
15 available to determine the additional net operating income before income taxes that  
16 would be needed to achieve the requested rate of return. Additional current income taxes  
17 were then added to arrive at the gross revenue requirement. This requested rate increase  
18 for each jurisdiction is the amount necessary for the post-increase calculated rate of  
19 return to equal the rate of return supported by GMO witness Dr. Samuel C. Hadaway in  
20 his Direct Testimony.

**TEST YEAR**

1  
2 **Q: What historical test year did GMO use in determining rate base and operating**  
3 **income?**

4 A: The revenue requirement schedules are based on a historical test year of the twelve  
5 months ending September 30, 2011, with known and measurable changes projected  
6 through August 31, 2012. We will update the schedules as of March 31, 2012 and then  
7 true up to actuals as part of the true-up process.

8 **Q: Why was this test year selected?**

9 A: The Company used the twelve-month period ending September 30, 2011 for the test year  
10 in this rate proceeding because that period reflects the most currently available quarterly  
11 financial information at the time the revenue requirement was prepared.

12 **Q: Does test year expense reflect an appropriate allocation of KCP&L overhead to**  
13 **GMO and other affiliated companies?**

14 A: Yes, KCP&L incurs costs for the benefit of GMO and other affiliated companies and  
15 these costs are billed out as part of the normal accounting process. Certain projects are  
16 set up to allocate costs among the various companies based on appropriate cost drivers  
17 while others are set up to assign costs directly to the benefiting affiliate.

18 **Q: Does GMO incur costs that are allocated to KCP&L?**

19 A: Yes, although not as significant as costs allocated by KCP&L, GMO does incur certain  
20 costs that are allocated to KCP&L.

1 JURISDICTIONAL/UTILITY ALLOCATIONS

2 **Q: Have jurisdictional/utility allocation factors been developed for the MPS and L&P**  
3 **jurisdictions?**

4 A: Yes. Since MPS electric operations encompass both retail and wholesale jurisdictions, it  
5 is appropriate to develop allocation factors to segregate the electric retail jurisdictional  
6 operations from wholesale jurisdictional operations for this case. L&P operations include  
7 costs associated with the provision of Lake Road Station electric and steam service. As  
8 such, allocation factors have been developed to separate costs between the two utilities.

9 **Q: Please explain the categories of jurisdictional allocations used to separate retail and**  
10 **wholesale operations for MPS operations.**

11 A: Separate allocation factors were developed to separate costs using the following cost  
12 drivers: (1) Demand (Capacity), (2) Energy, (3) Transmission, (4) Distribution, (5)  
13 Payroll, and (6) Plant. These factors were applied to their associated cost of service  
14 components to create a split between the retail and wholesale operations for MPS  
15 operations.

16 **Q: What allocation factors were used in the current rate case to separate MPS's retail**  
17 **and wholesale jurisdictions?**

18 A: The allocation factors are listed in Schedule JPW-6 for MPS.

19 **Q: Please describe the L&P operations at its Lake Road generation facility.**

20 A: Two separate products are produced at the L&P Lake Road Station: electricity for L&P's  
21 electric power grid and process steam delivered to industrial customers located near the  
22 Lake Road Station. The two business operations are referred to as the electric and steam  
23 utilities.



1 **Q: What allocation factors were used in the current rate case to separate L&P cost of**  
2 **service between electric and steam products?**

3 A: The allocation factors are listed in Schedule JPW-6 for L&P.

4 **Q: Is the Lake Road allocation method used in the current rate case consistent with the**  
5 **method used in File No. ER-2010-0356 (“2010 Case”)?**

6 A: Yes, the methodology is consistent with that employed in GMO and former Aquila, Inc.  
7 (“Aquila”) L&P rate cases since Case No. HR-2005-0450, wherein it was stipulated that  
8 *“Aquila will continue to allocate the cost of Lake Road operations between steam and*  
9 *electric in the Aquila Networks - L&P division....”*

10 **ACCOUNTING ADJUSTMENTS**

11 **Q: Please discuss Schedule JPW-4.**

12 A: This schedule presents a listing of adjustments to net operating income, by jurisdiction,  
13 for the 12 months ended September 30, 2011, along with the sponsoring Company  
14 witnesses. Various Company witnesses will support, in their direct testimonies, the need  
15 for each of these adjustments.

16 **Q: Please explain the adjustments to reflect normal levels of revenues and expenses.**

17 A: Adjustments are made to reflect “normal” levels of revenues and expenses; for example,  
18 retail revenue and bad debt levels that would have occurred if the weather had been  
19 “normal” during the test year.

20 **Q: Please explain the adjustments to annualize certain revenues and expenses.**

21 A: Revenues are annualized to reflect anticipated customer growth during the true-up period.  
22 Annualization adjustments have been made to reflect an annual level of expense in cost  
23 of service, such as the annualization of payroll and depreciation expenses. The former

1 reflects a full year's impact of recent pay increases, while the latter reflects the impact of  
2 a full-year's depreciation on recent plant additions.

3 **Q: Please explain the adjustments to amortize regulatory assets and liabilities.**

4 A: Various regulatory assets and liabilities have been established in past GMO/Aquila  
5 Missouri rate cases. These assets/liabilities are then amortized over the number of years  
6 authorized in the Orders for the applicable rate cases. Adjustments are sometimes  
7 necessary to annualize the amortization amount included in the test year.

8 **Q: Please explain the adjustments to reflect known and measurable changes that have  
9 been identified since the end of the historical test year.**

10 A: These adjustments are made to reflect changes in the level of revenue, expense, rate base  
11 and cost of capital that either have occurred or are expected to occur prior to the true-up  
12 date in this case, August 31, 2012. For example, payroll expense and fuel costs have  
13 been adjusted for known and measurable increases.

14 **Q: Do the adjustments listed on each jurisdiction's Schedule JPW-4 and discussed  
15 throughout the remainder of this testimony entail an adjustment of test year  
16 amounts?**

17 A: Yes, the adjustments summarized on each jurisdiction's Schedule JPW-4 and discussed in  
18 this testimony reflect adjustments to the test year ended September 30, 2011. Unless  
19 otherwise specified below, each adjustment was created individually for the MPS  
20 jurisdiction and for the L&P jurisdiction.

1 **RB-20 PLANT IN SERVICE**

2 **Q: Please explain adjustment RB-20.**

3 A: We rolled September 30, 2011 plant balances forward to August 31, 2012, by using the  
4 Company's 2011 and 2012 capital budgets for capital additions. Projected retirements  
5 were based on normalized retirement levels in the test year.

6 **RB-25/CS-111 IATAN 1 & IATAN COMMON REGULATORY ASSET**

7 **Q: Please explain adjustment RB-25.**

8 A: Pursuant to the terms of the Non-Unanimous Stipulation and Agreement approved by the  
9 Commission in Case No. ER-2009-0090 ("2009 case") on June 10, 2009 ("2009 S&A"),  
10 GMO was authorized to include in a regulatory asset depreciation expense and carrying  
11 costs for the Iatan Unit 1 Air Quality Control System and Iatan common plant not  
12 included in rate base in that case. Adjustment RB-25 establishes the anticipated rate base  
13 value as of August 31, 2012 by rolling forward the regulatory asset balance, which is  
14 recorded on a Missouri electric retail jurisdictional basis, from September 30, 2011 to  
15 August 31, 2012 to include additions to the regulatory asset for the period subsequent to  
16 the December 31, 2010 true-up date in the 2010 case and prior to the June 25, 2011  
17 effective date of new rates resulting from that case. Those balances were then decreased  
18 for projected amortization of the regulatory asset from the effective date of new rates  
19 through August 31, 2012.

20 **Q: Is this regulatory asset properly includable in rate base?**

21 A: Yes, the 2009 S&A provided for rate base treatment.

1 **Q: Please explain adjustment CS-111.**

2 A: We annualized the amortization of this regulatory asset based on the remaining  
3 depreciable life of Federal Energy Regulatory Commission (“FERC”) account 312 for  
4 Iatan Unit 1, as included in the Company’s depreciation study approved by the  
5 Commission in the 2010 Case.

6 **RB-26/CS-112 IATAN 2 REGULATORY ASSET**

7 **Q: Please explain adjustment RB-26.**

8 A: The Order Granting an Accounting Authority Order, approved by the Commission on  
9 September 28, 2010 (“Iatan 2 AAO”), provided that GMO could use construction  
10 accounting during the period from the Iatan 2 commercial in-service date (August 26,  
11 2010) through the effective date of new rates in the 2010 Case (June 25, 2011).  
12 Construction accounting allows the Company the same treatment for expenditures and  
13 credits consistent with the treatment for Iatan 2 prior to Iatan 2’s commercial in service  
14 operation date. Construction accounting impacts, including depreciation, carrying costs,  
15 operations and maintenance (“O&M”) expenses, and fuel and revenue impacts are  
16 accumulated in a regulatory asset. Adjustment RB-26 establishes the anticipated rate  
17 base value as of August 31, 2012 by rolling forward the regulatory asset balance, which  
18 is recorded on a Missouri electric retail jurisdictional basis, from September 30, 2011 to  
19 August 31, 2012, to include additions to the regulatory asset for the period subsequent to  
20 the December 31, 2010 true-up date in the 2010 case and prior to the June 25, 2011  
21 effective date of new rates resulting from that case. Those balances were then decreased  
22 for projected amortization of the regulatory asset from the effective date of new rates  
23 through August 31, 2012.

1 **Q: Is this regulatory asset properly includable in rate base?**

2 A: Yes, rate base treatment was included in the final revenue determination in the 2010  
3 Case.

4 **Q: Please explain adjustment CS-112.**

5 A: We annualized the amortization of this regulatory asset based on the remaining  
6 depreciable life of FERC account 312 for Iatan Unit 2, as included in the Company's  
7 depreciation study approved by the Commission in the 2010 Case.

8 **RB-30 RESERVE FOR DEPRECIATION**

9 **Q: Please explain adjustment RB-30.**

10 A: This adjustment rolls forward the Reserve for Depreciation from September 30, 2011 to  
11 balances projected as of August 31, 2012.

12 **Q: How was this roll-forward accomplished?**

13 A: The depreciation/amortization provision component was calculated in two steps: (i) by  
14 multiplying the September 2011 provision times eleven to approximate the provision that  
15 will be charged to the Reserve for Depreciation from October 2011 through August 2012  
16 (eleven months) for plant existing at September 30, 2011; and (ii) by estimating the  
17 depreciation/amortization through August 31, 2012 attributable to projected net plant  
18 additions from October 2011 through August 2012. In the second step, we assumed the  
19 net plant additions occurred ratably over this period.

20 **Q: How were the retirement and net salvage components included in the roll-forward?**

21 A: Projected retirements and changes to net salvage were based on normalized levels  
22 incurred for the period June 2011 through December 2011.

1 **RB-40/RB-127/CS-106 SIBLEY REBUILD/WESTERN COAL (MPS ONLY)**

2 **Q: Please explain adjustment RB-40.**

3 A: This adjustment relates to costs deferred by Accounting Authority Orders (“AAO”)  
4 issued by the Commission in Case Nos. EO-90-114 and EO-91-358, in connection with  
5 MPS’s Sibley Rebuild Program and the Sibley Western Coal Conversion Project,  
6 respectively.

7 **Q: Please discuss the two projects.**

8 A: The Sibley Rebuild Program extended the life of its three generating units by twenty  
9 years. Without this rebuild program, MPS would have had to find alternative sources of  
10 energy before Sibley Units 1 and 2 were retired from use in 1990 and Sibley Unit 3 by  
11 the mid-1990s. The Sibley Western Coal Conversion Project allowed MPS to achieve  
12 significant reductions in sulfur dioxide (“SO<sub>2</sub>”) emissions at the Sibley Generating  
13 Station. This project allowed MPS to stay in compliance with the Clean Air Act  
14 amendments and to protect the environment.

15 **Q: What costs are being deferred by MPS in rate base adjustment RB-40?**

16 A: MPS’s AAO addition to rate base includes deferred depreciation and carrying costs  
17 associated with the plant-in-service resulting from these Sibley projects as of August 31,  
18 2012.

19 **Q: Please explain adjustment RB-127.**

20 A: This adjustment reflects accumulated deferred income taxes (“ADIT”) on the  
21 unamortized deferred AAO balances at August 31, 2012.

1 **Q: Please explain adjustment CS-106.**

2 A: This adjustment represents the annual amortization of the AAO amounts included in rate  
3 base.

4 **Q: What has been the treatment of the unamortized balance of the Sibley-related**  
5 **AAOs, associated ADIT, and amortization expense in past rate proceedings**  
6 **involving MPS?**

7 A: The Company and the MPSC have included the recovery of the unamortized balance of  
8 AAOs in rate base, net of associated ADIT, and included the related amortization  
9 expense in cost of service.

10 **RB-50 PREPAYMENTS**

11 **Q: Please explain adjustment RB-50.**

12 A: We normalized this rate base item based on a thirteen-month average of prepayment  
13 balances. Prepayment amounts can vary widely during the course of the year and an  
14 averaging method minimizes these fluctuations.

15 **Q: Is there one specific type of prepayment that makes up most of the prepaid balance?**

16 A: Yes, over 90% of the balance relates to prepaid insurance.

17 **Q: What period was used for the thirteen-month averaging?**

18 A: We used the period September 2010 through September 2011.

19 **Q: Did the MPSC Staff ("Staff") use thirteen-month averaging for prepayments in the**  
20 **2010 Case?**

21 A: Yes, they did.

1 **RB-51 PREPAYMENTS- PENSIONS (L&P ONLY)**

2 **Q: Please explain adjustment RB-51.**

3 A: The Second Nonunanimous Stipulation and Agreement Regarding Pensions and Other  
4 Post Employment Benefits in the 2010 Case, approved by the Commission on May 27,  
5 2011 (“2010 Pension and OPEB S&A”) provided the following:

6 The customer rates established in this case for L&P will include a  
7 \$3,352,742 annual provision prior to capitalization (\$2,527,967 excluding  
8 amounts capitalized) for electric jurisdictional prepaid pension  
9 amortization. This amortization is in effect for a nine and one-quarter (9  
10 ¼) year period beginning with the effective date of rates established in  
11 Case No. ER-2004-0034, and concluding July 31, 2013. The unamortized  
12 balance of the regulatory asset established as result of this ratemaking  
13 treatment is included in the L&P-Electric rate base. The unamortized  
14 balance at December 31, 2010 is \$8,577,432.

15 **Q: Has the Company included in this rate case a prepaid pension amount in rate base**  
16 **consistent with the amounts in this Stipulation and Agreement?**

17 A: The Company has included in L&P’s rate base the August 31, 2012 unamortized portion  
18 of prepaid pension balances. No amount has been included in MPS’s rate base in this  
19 rate proceeding since the MPS prepaid balance was fully amortized as of October 31,  
20 2009.

21 **Q: Is the amortization of the prepaid balances included in cost of service in this case?**

22 A: L&P’s test year cost of service includes a full year’s amortization expense; therefore, no  
23 further rate case adjustment is necessary. No prepaid pension amortization was included  
24 in the MPS test year cost of service in this case. Prepaid pension amortizations and their  
25 effect on overall pension expense in this case are discussed later in this testimony  
26 (adjustment CS-66).



1 **RB-55 AND CS-22 EMISSION ALLOWANCES**

2 **Q: Please explain adjustment RB-55.**

3 A: The Company is required to obtain rights from the federal government for the production  
4 of SO<sub>2</sub> emissions resulting from fossil fuel consumption in its power plants. These rights  
5 are secured through the acquisition of emission allowances, which are consumed as the  
6 various plants operate. This adjustment normalizes the SO<sub>2</sub> allowance inventory.

7 **Q: What method was used to calculate the SO<sub>2</sub> emission allowance inventory?**

8 A: Adjustment RB-55 is based on a thirteen-month average of the SO<sub>2</sub> emission allowance  
9 inventory (FERC account 158.1) maintained by MPS and L&P for the period September  
10 2010 through September 2011. Since the allowances are purchased by MPS and then  
11 allocated annually to L&P, the monthly balances were averaged in total and then  
12 allocated based upon actual allowance purchases for test year usage. This balance was  
13 then offset by the unamortized amount held in account 254 for the proceeds from the sale  
14 of Environmental Protection Agency ("EPA") withheld allowances sold at auction.

15 **Q: Please explain adjustment CS-22.**

16 A: This adjustment amortizes the proceeds received from the sale of EPA SO<sub>2</sub> emission  
17 allowances.

18 **Q: Why have MPS and L&P received proceeds from an EPA auction of SO<sub>2</sub>  
19 allowances?**

20 A: Each year, in addition to the EPA allocated free allowances provided to MPS and L&P,  
21 the EPA holds back a certain number of SO<sub>2</sub> emission allowances allocated to each  
22 covered company. These allowances are held by the EPA for the specific purpose of

1 having allowances available for auction. Once these allowances are sold at the annual  
2 EPA allowance auction, the proceeds are forwarded to the associated companies.

3 **Q: How was adjustment CS-22 calculated?**

4 A: The balance in account 254 is segregated by vintage. The vintages represent allowance  
5 proceeds included in various prior Company rate cases. Each vintage is being amortized  
6 over five years.

7 **Q: Why are these proceeds being amortized as an offset to expense?**

8 A: Since the expense associated with the purchase and usage of SO<sub>2</sub> emission allowances is  
9 includable in cost of service, the proceeds from the sale of allocated allowances are  
10 appropriately flowed through to reduce the overall cost of service and therefore shared  
11 with MPS and L&P customers.

12 **Q: Why is the sharing of the proceeds being amortized over a period of five years?**

13 A: These proceeds have been accumulating in account 254 for a number of years.  
14 Therefore, the sharing of the proceeds over a five year period spreads this accumulation  
15 and fairly shares this cost reduction with MPS and L&P customers. The amortization of  
16 the current vintaged amount over five years is consistent with the presentation made in  
17 prior Company rate cases.

18 **RB-61/CS-61 OTHER POST-EMPLOYMENT BENEFITS**

19 **Q: Please explain adjustment RB-61.**

20 A: Beginning June 25, 2011, GMO initiated a new tracker for Other Post-Employment  
21 Benefits ("OPEB") costs consistent with the provisions of the 2010 Pension and OPEB  
22 S&A, with the difference between current period costs and costs underlying rates being  
23 amortized over five years in the next case. Because OPEB costs decreased from the

1 amount included in the 2010 Case, a regulatory liability was created and the Missouri  
2 electric retail jurisdictional portion is reflected as a reduction of rate base.

3 **Q: Is amortization of the operations and maintenance portion of this difference**  
4 **included in adjustment CS-61?**

5 A: Yes, it is.

6 **Q: Please explain the other components of adjustment CS-61.**

7 A: We annualized OPEB expense for MPS and L&P based on each jurisdiction's applicable  
8 share of the costs in the 2011 Great Plains Energy Incorporated actuarial reports. Each  
9 applicable share was equal to the share identified in the payroll adjustment (CS-50),  
10 discussed later in this testimony.

11 **Q: Does this adjustment take into consideration OPEB expense billed by KCP&L to**  
12 **GMO as a joint partner in the Iatan 1 and 2 generating units and amounts charged**  
13 **to capital?**

14 A: Yes it does, based on data from the payroll adjustment.

15 **RB-63/CS-66 ERISA PENSION TRACKER**

16 **Q: Please explain adjustment RB-63.**

17 A: The 2010 Pension and OPEB S&A provided the following related to the Company's  
18 Employee Retirement Income Security Act ("ERISA") pension costs:

19 In the ER-2009-0090 case ("2009 Case"), GMO was authorized to  
20 continue, for the MPS and L&P jurisdictions, its previously authorized  
21 process to reflect pension cost equal to the respective provisions for the  
22 ERISA minimum and record the difference between the ERISA minimum  
23 included and the annual provision for pension cost as a regulatory asset or  
24 liability. These regulatory assets and/or liabilities were intended to track  
25 separately for MPS and L&P, the difference between the provision for the  
26 ERISA minimum contribution included in costs of service for MPS and  
27 L&P in the 2009 Case, and the actual ERISA minimum contributions  
28 made for MPS and L&P, respectively, after the effective date of rates

1 established in that case. These regulatory assets will continue to be  
2 tracked until the effective date of rates in this case, anticipated to be June  
3 4, 2011. Amounts that will be incurred as of the December 31, 2010 True  
4 Up date will be included in the rate base of MPS and L&P in this rate case  
5 and amortized over five-year period beginning in this case. To the extent  
6 that there is activity for the period January 1, 2011 through May 31, 2011,  
7 the amortization in the next case will be adjusted. No new activity will be  
8 added subsequent to May 31, 2011. Deferred amounts as of December 31,  
9 2010 for MPS and L&P-Electric respectively, are \$6,324,263 and  
10 (\$205,033) including amounts capitalized. The annual amortization  
11 included in cost of service with the effective date of new rates in this case  
12 is \$926,125 and (\$30,919), respectively, excluding amounts capitalized.

13 As such, the Company has collected in rates certain amounts for pension expenditures.  
14 These collections are compared to actual contributions. The difference between these  
15 amounts is treated as a regulatory asset or liability. RB-63 reflects the projected August  
16 31, 2012 regulatory assets/liabilities.

17 **Q: Please explain CS-66.**

18 **A:** CS-66 reflects the amortization of the pension-related regulatory assets that were in place  
19 prior to the effective date of rates in the 2010 Case. It was established to segregate  
20 amortization of these prior pension-related regulatory assets from the consideration of  
21 new pension-related regulatory assets authorized in the 2010 Case and discussed in  
22 adjustment CS-65/RB-65, discussed later in this testimony. Amortization of both the  
23 L&P Prepaid Pension regulatory asset (discussed earlier in this testimony under  
24 adjustment RB-51) and both the MPS and L&P ERISA Tracker regulatory assets are  
25 reflected in this adjustment.

26 **Q: Are the amortization amounts that are included in adjustment CS-66 consistent**  
27 **with the treatment authorized in the 2010 Pension and OPEB S&A?**

28 **A:** Yes, although the cut-off for new costs going into the ERISA Tracker, originally  
29 anticipated to end at the end of May 2011 based on a June 4, 2011 effective date of rates

1 in the 2010 Case, was extended to June 25, 2011, the actual effective date of rates.  
2 Consistent with the authorized treatment, the amortization amounts for both MPS and  
3 L&P in this case for the ERISA Tracker have been adjusted to reflect the new activity  
4 between January 1, 2011 and June 25, 2011.

5 **RB-65/CS-65 PENSION COSTS**

6 **Q: Why were RB-65 and CS-65 initiated in this case?**

7 A: In the 2010 Case, GMO was authorized to adopt a new method of ratemaking for pension  
8 costs as documented in the 2010 Pension and OPEB S&A. RB-65 and CS-65 reflect the  
9 application of this ratemaking treatment beginning June 25, 2011, the effective date of  
10 new rates in the 2010 Case.

11 **Q: Please explain adjustments RB-65 and CS-65.**

12 A: These adjustments consist of three components:

- 13 (a) Expense – Adjust partial year costs for Financial Accounting Standard No. 87  
14 “*Employers’ Accounting for Pensions*” (“FAS 87”) and No. 88 “*Employers’*  
15 *Accounting for Settlements and Curtailments of Defined Benefit Pension Plans*  
16 *and for Termination Benefits*” (“FAS 88”) pension expense for ratemaking  
17 purposes to an annualized level. As a result of the Financial Accounting  
18 Standards Board issuance of the Accounting Standards Codification (“ASC”) in  
19 June 2009, the guidance for pensions formerly included within FAS 87 and 88 is  
20 now included in the ASC within Topic 715, “*Compensation – Retirement*  
21 *Benefits;*”  
22 (b) Rate base – Initiate a FAS 87 regulatory asset for costs after June 25 and roll  
23 forward such asset to the projected August 31, 2012 balance; and

1 (c) Rate base- Initiate a prepaid pension asset for contributions after June 25, 2011  
2 and roll forward this asset to the projected August 31, 2012 balance.

3 **Q: Do these pension adjustments take into consideration pension expense billed to**  
4 **GMO as joint venture partners in the Iatan 1 and Iatan 2 generating units as well as**  
5 **amounts charged to capital?**

6 A: Yes, they do, based on data from the payroll adjustment discussed later in this testimony  
7 (adjustment CS-50).

8 **Q: Please explain component (a) of the pension adjustment.**

9 A: FAS 87 expense was annualized based on information provided by the Company's  
10 actuarial firms. In addition, annualized pension expense includes an amortization of the  
11 FAS 87 regulatory asset, as discussed under component (b) below, and an amortization of  
12 the FAS 88 regulatory asset.

13 **Q: Was annualized pension expense determined in accordance with established**  
14 **regulatory practice?**

15 A: Yes, the calculation was made in accordance with the methodology documented in the  
16 2010 Pension and OPEB S&A.

17 **Q: What is the amount of FAS 87 expense on a total company basis currently built into**  
18 **rates for MPS?**

19 A: The 2010 Pension and OPEB S&A established the annual amount built into rates at  
20 \$7,916,590, 1) after removal of capitalized amounts and 2) after inclusion of the portion  
21 of KCP&L's annual pension cost which is allocated to MPS for its joint owner share of  
22 KCP&L's Iatan generating unit/station, but 3) before inclusion of allowable  
23 Supplemental Executive Retirement Plan ("SERP") pension costs and 4) before

1 amortization of pension-related regulatory assets/liabilities and 5) before application of  
2 the retail jurisdictional allocation factor.

3 **Q: What is the comparable level of FAS 87 expense for MPS on a total company basis**  
4 **included in cost of service for this case?**

5 A: The comparable amount included in cost of service in this rate case is \$7,664,285.

6 **Q: What is the amount of FAS 87 expense currently built into rates for L&P?**

7 A: The 2010 Pension and OPEB S&A established the annual amount built into L&P rates at  
8 \$1,100,735 (L&P-Electric) for annual pension cost expensed under FAS 87, 1) after  
9 removal of capitalized amounts and amounts related to the steam jurisdiction and 2) after  
10 inclusion of the portion of KCP&L's annual pension cost which is allocated to L&P for  
11 its joint owner share of KCP&L's Iatan 1 and 2 generating units/stations, but 3) before  
12 inclusion of allowable SERP pension costs and 4) before amortization of pension-related  
13 regulatory assets/liabilities. Had the amount included in the 2010 Pension and OPEB  
14 S&A been expressed on a total company basis before removal of amounts pertaining to  
15 the L&P steam jurisdiction, it would have been \$1,200,561.

16 **Q: What is the comparable level of FAS 87 expense for L&P on a total company basis**  
17 **included in cost of service for this case?**

18 A: The comparable amount included in L&P cost of service in this rate case, including  
19 amounts subsequently allocated to the steam jurisdiction, is \$1,731,092.

1 **Q: Why is the presentation of L&P pension costs being changed from an electric-only**  
2 **basis to a total L&P basis?**

3 A: The presentation is being changed to make it consistent with those used for MPS and  
4 KCP&L, both of which are expressed before allocation to the Missouri electric retail  
5 jurisdiction.

6 **Q: What is the nature of the FAS 88 regulatory asset amortization?**

7 A: As a result of the Company's Organizational Realignment and Voluntary Separation  
8 ("ORVS") program, discussed in the Direct Testimony of Company witness Kelly R.  
9 Murphy, KCP&L in 2011 incurred FAS 88 costs that are being amortized over five years.  
10 This regulatory asset is not included in rate base.

11 **Q: Why was a five-year amortization period used for the FAS 88 regulatory asset?**

12 A: A five-year amortization period was used consistent with the 2010 Pension and OPEB  
13 S&A provision for future FAS 88 costs.

14 **Q: Does annualized pension expense include SERP expense?**

15 A: No, that expense is considered separately, in adjustment CS-62 discussed later in this  
16 testimony.

17 **Q: Please explain component (b) of the pension adjustment.**

18 A: Component (b) was made to initiate a FAS 87 regulatory asset/liability for both MPS and  
19 L&P beginning June 25, 2011 and to roll forward that regulatory asset, expressed on a  
20 total company basis, to August 31, 2012, in order to determine the proper amount to be  
21 included in the jurisdictional rate base and upon which to base normalized amortization  
22 in this case.



1 **Q: What is the nature of this regulatory asset?**

2 A: This regulatory asset represents the cumulative unamortized difference in FAS 87  
3 pension expense for ratemaking purposes (as discussed in component (a) above) and  
4 pension expense built into rates during the corresponding periods.

5 **Q: When was the beginning point for accumulating this difference in FAS 87 pension  
6 expense for ratemaking purposes and FAS 87 pension expense built into rates?**

7 A: The 2010 Pension and OPEB S&A specified that the accumulation was to begin with the  
8 effective date of rates in the 2010 Case.

9 **Q: How was the FAS 87 regulatory asset rolled forward to August 31, 2012?**

10 A: The FAS 87 pension regulatory assets for MPS and L&P were each calculated based on  
11 the actual and projected differences between FAS 87 expense for ratemaking purposes  
12 based on pension costs provided by the Company's actuaries and FAS 87 expense  
13 currently built into rates for the period July 1, 2011 to August 31, 2012. Before inclusion  
14 in rate base, the appropriate jurisdictional allocation factor was first applied to each total  
15 company amount.

16 **Q: What was the amount of the December 31, 2010 FAS 87 regulatory asset on a total  
17 company Missouri basis included in the 2010 Pension and OPEB S&A?**

18 A: Neither MPS nor L&P had a FAS 87 regulatory asset in the 2010 Case.

19 **Q: What are the projected amounts at August 31, 2012 for the MPS and L&P FAS 87  
20 regulatory assets on a total company basis?**

21 A: The FAS 87 regulatory asset is projected to be \$6,953,334 (total company) for MPS and  
22 \$564,989 (total company) for L&P at August 31, 2012.

1 **Q: Is the FAS 87 regulatory asset properly includable in rate base?**

2 A: Yes, in accordance with the 2010 Pension and OPEB S&A.

3 **Q: Please explain component (c) of the pension adjustment.**

4 A: This adjustment was made to initiate a prepaid pension asset beginning June 25, 2011 and  
5 to roll it forward, expressed on a total company basis, to August 31, 2012, in order to  
6 determine the proper amount to be included in rate base.

7 **Q: What is the nature of this asset?**

8 A: This asset represents the cumulative difference between pension expense computed under  
9 FAS 87 from June 25, 2011 through August 31, 2012 and contributions made to the  
10 pension trusts projected through the same period, as addressed in the 2010 Pension and  
11 OPEB S&A. This is a different prepaid pension asset than that described earlier in this  
12 testimony for L&P (adjustment RB-51) and which is currently being amortized in CS-66.

13 **Q: How was the prepaid pension asset rolled forward to August 31, 2012?**

14 A: The difference between FAS 87 expense for ratemaking purposes and projected  
15 contributions for the period June 25, 2011 through August 31, 2012 was calculated for  
16 both MPS and L&P to determine the August 31, 2012 prepaid pension assets for each  
17 company. Before inclusion in rate base for either company, the appropriate jurisdictional  
18 allocation factor was first applied to the total company amount.

19 **Q: What are the projected amounts at August 31, 2012 for the MPS and L&P prepaid  
20 pension assets on a total company basis?**

21 A: The prepaid pension asset is projected to be \$14,175,202 (total company) for MPS and  
22 \$6,651,238 (total company) for L&P at August 31, 2012.

1 **Q: Is the net prepaid pension asset properly includable in rate base?**

2 A: Yes, inclusion of this asset in rate base was authorized in the 2010 Pension and OPEB  
3 S&A.

4 **Q: Is the regulatory treatment of pension costs in this rate filing consistent with the**  
5 **2010 Pension and OPEB S&A?**

6 A: Yes, it is.

7 **RB-70 CUSTOMER DEPOSITS**

8 **Q: Please explain adjustment RB-70.**

9 A: We examined customer deposit balances from September 2010 through September 2011.  
10 We observed a declining balance for both MPS and L&P and therefore chose to use the  
11 September 30, 2011 balance in rate base for both jurisdictions.

12 **RB-71 CUSTOMER ADVANCES**

13 **Q: Please explain adjustment RB-71.**

14 A: We examined customer advance balances from September 2010 through September 2011  
15 and observed that the MPS balance was declining while the L&P balance was relatively  
16 stable. Therefore, we used the September 2011 balance for MPS's rate base and a  
17 thirteen-month average balance for L&P's rate base.

18 **RB-72 MATERIALS AND SUPPLIES**

19 **Q: Please explain adjustment RB-72.**

20 A: We reviewed the individual Materials and Supplies category balances during the period  
21 September 2010 through September 2011 to determine if there was a discernable trend,  
22 either upward or downward. If there was a trend, the test year-end balance was not  
23 adjusted. Otherwise, a thirteen-month average was used.

1                    **RB-100/CS-100 ENERGY EFFICIENCY/DEMAND RESPONSE COSTS**

2    **Q:    Please explain adjustment RB-100.**

3    A:    Company witness Tim Rush discusses KCP&L's energy efficiency/demand response  
4        ("EE/DR") programs in his Direct Testimony. This adjustment rolls forward the deferred  
5        EE/DR costs from December 31, 2010 to August 31, 2012 based on actual costs incurred  
6        through September 30, 2011 and budgeted expenditures to August 31, 2012, less amounts  
7        amortized in rates during the period. Consistent with the order in the 2010 Case, carrying  
8        costs have also been included on costs incurred after December 31, 2010.

9    **Q:    Please explain adjustment CS-100.**

10   A:    This adjustment includes an annual amortization of deferred EE/DR costs based on the  
11        projected deferred cost balance included in adjustment RB-100 and a ten-year  
12        amortization for costs incurred through December 2010, and a six-year amortization of  
13        costs incurred from January 1, 2011 through April 30, 2012. These amortization periods  
14        were ordered by the Commission in the 2010 Case. Costs incurred from May 1, 2012  
15        through August 31, 2012 were given a four-year amortization period consistent with the  
16        Missouri Energy Efficiency Investment Act ("MEEIA") filing discussed by Mr. Rush.  
17        Also consistent with the MEEIA filing discussed by Mr. Rush, an ongoing level of  
18        program and net benefit costs have been included in the annualized expense amount.  
19        Although the MEEIA filing requested that a Rider be initiated for costs incurred under  
20        MEEIA, because a Commission Order had not been issued at the time this testimony was  
21        prepared, adjustment CS-100 was prepared as if a Rider was not authorized. If use of a  
22        Rider is subsequently approved, costs to be recovered through the Rider will be removed  
23        from this adjustment at true up.

1 **RB-116/CS-116 RENEWABLE ENERGY STANDARDS COSTS**

2 **Q: Please explain adjustments RB-116 and CS-116.**

3 A: On December 30, 2011, GMO filed a request for an AAO in Case No. EU-2012-0131, to  
4 defer incremental costs expected to be incurred as a result of compliance with sections  
5 393.1020 et seq. RSMo (Renewable Energy Standards (“RES”)). While that request is  
6 pending at the time of this filing, KCP&L has included in this rate request both deferred  
7 RES costs in rate base (adjustment RB-116) and an ongoing level of RES costs, as well  
8 as an amortization of deferred RES costs, in expense (adjustment CS-116).

9 **Q: How was the RES rate base amount (adjustment RB-116) determined?**

10 A: We projected deferred costs as of January 1, 2013, the expected date of new rates in this  
11 rate proceeding, based on costs accumulated through the end of the test period in this rate  
12 case (September 30, 2011) and costs expected to be incurred from that date through  
13 December 31, 2012.

14 **Q: Why does the Company believe that deferred RES costs should be included in rate  
15 base?**

16 A: The primary objective of the RES is to increase the use of renewable energy and thereby  
17 reduce future coal generation. Therefore, and particularly as relates to solar renewable  
18 energy, the deferred RES costs are similar in nature to deferred EE/DR costs. Since the  
19 Company has consistently included deferred, unamortized EE/DR costs in rate base,  
20 KCP&L has included deferred, unamortized RES costs in rate base in this rate case.

21 **Q: Does the deferred cost balance include carrying costs?**

22 A: Yes, consistent with the Company’s RES AAO application and the Company’s treatment  
23 of EE/DR costs, carrying costs have been included.

1 **Q: How was the expense amount (adjustment CS-116) determined?**

2 A: First, we annualized an ongoing level of costs based on anticipated 2012 RES costs. To  
3 that amount we added an amortization of the RES rate base amount, based on a five-year  
4 amortization.

5 **Q: Why was a five-year amortization period selected?**

6 A: This time period selected was similar to that used for EE/DR amortization. KCP&L is  
7 open to discussion with the parties in this rate case on this matter.

8 **CASH WORKING CAPITAL**

9 **Q: Please discuss Cash Working Capital.**

10 A: Cash working capital ("CWC") is included in rate base as summarized on Schedule JPW-  
11 5 for each jurisdiction.

12 **Q: Why is it necessary to calculate an amount of CWC?**

13 A: CWC is the amount of cash required by a utility to pay the day-to-day expenses incurred  
14 to provide utility service to its customers. A lead/lag study is generally used to analyze  
15 the cash inflows from payments received by the company and the cash outflows for  
16 disbursements paid by the company. When the utility receives payment from its retail  
17 customers for utility service less quickly than it makes the disbursements for utility  
18 expenses, then the company has a positive cash working capital requirement.  
19 Conversely, when the utility receives payment from its retail customers for utility service  
20 more quickly than it makes the disbursements for utility expenses it has a negative cash  
21 working capital requirement.

1 **Q: How did you determine the amount of CWC?**

2 A: We applied lead/lag factors used consistently in the Company's previous rate cases to the  
3 appropriate cost of service amounts. The application of the individual lead/lag factors to  
4 applicable amounts is shown on Schedule JPW-5 for each jurisdiction.

5 **Q: Were any of the factors updated from those used in the 2010 Case?**

6 A: We updated the retail revenue lag factor and initiated use of an associated blended total  
7 revenue lag factor.

8 **Q: Please explain why these factors were updated.**

9 A: The final accounting schedules used in the 2010 Case reflected a revenue lag calculated  
10 as if GMO participated in a sale of its Accounts Receivables similar to KCP&L. In the  
11 current case, GMO anticipates that it will enter into an accounts receivable sale program  
12 prior to the true-up date. Therefore, GMO has calculated a retail revenue lag and an  
13 associated blended revenue lag consistent with the methodology used by KCP&L.

14 **Q: Please explain the changes that were made to the factors reflected in the 2010 final  
15 accounting schedules.**

16 A: We revised the retail revenue lag factor primarily to reflect the proper collection  
17 lag. The retail revenue factor used by the Company in this case was 25.031 days, made  
18 up of four components: service period lag, billing lag, collection lag and float lag. The  
19 service period lag was adjusted slightly to 15.25 days to reflect the 2012 leap year. The  
20 billing lag was retained in this case at 2.00 days. We reflected a change in the collection  
21 lag from 7.245 days used in the 2010 Case to 7.531 days. Float lag was retained at .25  
22 days. This resulted in a total retail revenue lag of 25.031 days.

1 **Q: Why was it necessary to update the collection lag?**

2 A: The collection lag is a weighted value that reflects two components: 1) a zero-day lag  
3 for the percentage of receivables that we anticipate will be sold under the new GMO  
4 Accounts Receivable facility (the facility is discussed later in this testimony (adjustment  
5 CS-78)); and 2) an average number of days outstanding for the percentage that is not  
6 sold. The percentage of receivables sold was revised from KCP&L's 72.64% in the  
7 2010 Case to the anticipated 73.96% level following the initiation of the GMO Accounts  
8 Receivable facility later in 2012. The average number of days that bills are outstanding  
9 was recalculated for the period October 1, 2010 to September 30, 2011, resulting in a  
10 revision from 26.479 days in the 2010 Case to 28.921 days in the current rate case.

11 **Q: What is the blended total revenue lag?**

12 A: Consistent with KCP&L's 2010 Case (File No. ER-2010-0355), GMO initiated use of a  
13 blended revenue factor for retail revenues and for other revenues, which includes bulk  
14 power sales and miscellaneous revenues. The blended revenue factor in this case was  
15 calculated at 25.50 days. A blended revenue lag was not used in the 2010 Case.

16 **Q: What is the relationship between the retail revenue lag and the associated blended  
17 total revenue lag?**

18 A: If the retail lag factor is updated it impacts the blended revenue lag factor. Additionally,  
19 the weighting of the components of revenues must be adjusted in each case.

20 **Q: Did GMO make any other changes to the CWC lead/lag factors determined in the  
21 2010 Case?**

22 A: No, the Company did not.



1 Q: Are you aware of any changes in GMO's processes which would cause any of the  
2 other lead/lag factors to require modification from those used in the 2010 Case?

3 A: No, none that I am aware of. The processes have remained substantially unchanged.

4 Q: How were the resulting lead/lag factors used?

5 A: Lags for both blended revenues and payments were posted to Schedule JPW-5. On this  
6 schedule, the net blended revenue/payment lag for each payment group was calculated  
7 and the result was divided by 366 days to arrive at a net lead/lag factor. These factors  
8 were subsequently applied to the applicable Missouri jurisdictional cost of service  
9 amounts on Schedule JPW-5. The total resulting CWC amount was then carried forward  
10 to Schedule JPW-2 (rate base schedule).

11 **R-21 FORFEITED DISCOUNTS**

12 Q: Please explain adjustment R-21.

13 A: We normalized forfeited discounts by computing MPS and L&P-specific forfeited  
14 discount factors based on test period forfeited discounts and revenues and applying these  
15 factors to MPS and L&P jurisdictional weather-normalized revenue, respectively.

16 **R-30/CS-30 INTER-COMPANY OFF-SYSTEM SALES**

17 Q: Please explain adjustments R-30 and CS-30.

18 A: These adjustments eliminate the inter-company transactions between MPS and L&P that  
19 were recorded during the test year (R-30 for revenues and CS-30 for costs).

20 **R-80 TRANSMISSION REVENUE**

21 Q: Please explain adjustment R-80.

22 A: This adjustment provides for the Company's retail customers to bear responsibility for  
23 the return on transmission rate base at the Commission-allowed level. Essentially, the

1 adjustment reduces the amount of transmission revenue that is credited against the gross  
2 transmission revenue requirement so that the adjusted revenue credit is consistent with  
3 the return allowed in Missouri rather than the return allowed by FERC. Without this  
4 adjustment, the return on equity ("ROE") included in *retail* rates for transmission assets  
5 would be less than that authorized by the MPSC.

6 **Q: Please describe the calculation of this adjustment.**

7 A: The Company has a transmission formula rate on file with the FERC ("Formula Rate")  
8 that is updated each year to determine the revenue requirement and rate level for  
9 transmission service provided through the Southwest Power Pool ("SPP") Open Access  
10 Transmission Tariff ("OATT") and the GMO OATT. The ROE allowed by the FERC in  
11 the Formula Rate is 11.1 percent. However, the ROE requested by the Company in this  
12 case is 10.4 percent. The first step in calculating the adjustment is to determine the  
13 difference between the annual revenue requirement in the Formula Rate when the ROE is  
14 set at 11.1 percent and the annual revenue requirement when the ROE is set at 10.4  
15 percent. This difference is divided by the annual revenue requirement at 11.1 percent to  
16 derive an adjustment percentage. This should be adjusted for the final ROE determined  
17 by the Commission in this case.

18 **Q: Please continue with the further steps required.**

19 A: The next step is to determine the amount of transmission revenue received by GMO that  
20 is derived through application of the Formula Rate in charging wholesale customers for  
21 transmission service. The preponderance of this revenue is collected as a result of service  
22 provided under the SPP OATT. This excludes certain types of revenue that are  
23 unaffected by the Formula Rate, such as revenue collected through grandfathered

1 agreements and revenue for provision of ancillary services. A further calculation is made  
2 to exclude the portion of the revenue attributable to service that GMO paid for as a  
3 transmission customer. Because those service charges are included in the retail cost-of-  
4 service not only as revenue credits but also as expenses under Account 565, those  
5 amounts are removed from the revenue adjustment so that the costs borne by retail  
6 customers reflect the overall ROE level of 10.4 percent. The remaining revenue, after the  
7 above-described adjustments, essentially represents the portion based on the Formula  
8 Rate that is derived from sources other than GMO. This revenue is then multiplied by the  
9 ROE adjustment percentage described above to arrive at the final adjustment amount.  
10 These calculations are performed in a parallel fashion for two sets of facilities and their  
11 corresponding revenues: Base Plan projects built under the direction of SPP and Zonal  
12 projects built under the Company's own initiative. In addition, the calculations are  
13 performed in a manner to quantify separate adjustments for MPS and L&P. The result is  
14 a reduction in the revenue credits for both MPS and L&P.

#### 15 **CS-11 OUT-OF-PERIOD ITEMS/MISCELLANEOUS ADJUSTMENTS**

16 **Q: Please explain adjustment CS-11.**

17 A: We adjusted certain expense transactions recorded during the test year from the cost of  
18 service filing in this rate case. The following is a listing of the various components:

19 Remove charges from test year- The Company has identified certain costs recorded  
20 during the test year for which it is not seeking recovery in this rate proceeding or which  
21 were adjustments to transactions recorded prior to the test period, netting to about \$2.2  
22 million and \$0.6 million for MPS and L&P, respectively, (total company amounts).  
23 These costs for which the Company is not seeking recovery primarily include officer

1 long-term incentive compensation, non-recurring additional compensation, legal fees and  
2 other outside services, lobbying costs, and expense report charges. We believe the costs  
3 were ordinary and reasonable business expenses; however, we are not requesting  
4 recovery of these costs from ratepayers in this case.

5 2010 Case items- GMO established various regulatory assets and liabilities as a result of  
6 the Commission's Report and Order and associated Stipulations and Agreements in the  
7 2010 Case. The net operating income impacts of these entries have been removed from  
8 cost of service in this rate case as such expenses or contra-expenses are not part of  
9 recurring operations. Similar CS-11 adjustments have been made in prior rate cases.

10 Miscellaneous coding corrections- The test year included corrections of coding errors  
11 made prior to the test year. Because the corrections related to prior period transactions,  
12 they have been removed from the test year costs.

### 13 CS-20 BAD DEBTS

14 **Q: Please explain adjustment CS-20.**

15 A: In adjustment CS-20a we adjusted bad debt expense applicable to the weather-normalized  
16 revenues sponsored by Company witness Tim M. Rush (adjustment R-20) by applying a  
17 jurisdictional-specific net bad debt write-off factor to jurisdictional weather-normalized  
18 revenue. In CS-20b, we established bad debt expense for the requested revenue  
19 adjustment in this rate case, again using the bad debt write-off factor.

20 **Q: How was the bad debt write-off factor determined?**

21 A: We examined net bad debt write-offs on an MPS and L&P-specific basis as compared to  
22 the applicable revenues that resulted in the bad debts. For L&P, steam-related amounts  
23 were excluded from the calculation of the write-off factor.

1 **Q: Over what period was this experience analyzed?**

2 A: Net bad debt write-offs were for the test year, October 2010 through September 2011,  
3 while the related retail revenue was for the 12-month period April 2010 through March  
4 2011.

5 **Q: Why were different periods used for the calculation?**

6 A: There is a significant time lag between the date that revenue is recorded and the date that  
7 any resulting bad debt write-off is recorded, time spent on various collection efforts.  
8 While the time expended can vary depending on circumstances, we assumed a six-month  
9 lag, representing the standard time span between when a customer is first billed and the  
10 time when an account is disconnected and the receivable subsequently written off.

11 **Q: The term “net” write-offs is used. What does it mean?**

12 A: This term refers to accounts written off less recoveries received on accounts previously  
13 written off.

14 **CS-40/CS-41 TRANSMISSION AND DISTRIBUTION MAINTENANCE**

15 **Q: Please explain adjustments CS-40 and CS-41.**

16 A: These adjustments are for the purpose of including an appropriate level of transmission  
17 and distribution (“T&D”) maintenance expense in this case. Since the maintenance level  
18 has been increasing and is projected to continue to increase, GMO included test year  
19 maintenance expenses in its direct case, as being the most representative level for  
20 ongoing expense. Therefore, net operating income is properly stated and requires no  
21 adjustment.

1 CS- 42 GENERATION MAINTENANCE

2 **Q: Please explain adjustment CS-42.**

3 A: This adjustment is for the purpose of including an appropriate level of generation  
4 maintenance expense in this case. Since the maintenance level has been increasing and is  
5 projected to continue to increase, GMO included test year maintenance expenses in its  
6 direct case, as being the most representative level for ongoing expense. Therefore, net  
7 operating income is properly stated and requires no adjustment.

8 CS-44 ECONOMIC RELIEF PILOT PROGRAM

9 **Q: Please explain adjustment CS-44.**

10 A: As part of the 2009 S&A, the Company was authorized to defer to a regulatory asset 50%  
11 of its Economic Relief Pilot Program (“ERPP”) costs until the next GMO rate case (the  
12 2010 case), with cost recovery to be determined at that time. The remaining 50% of costs  
13 were to be borne by GMO’s shareholders. Company witness Jimmy D. Alberts discusses  
14 the ERPP program in his Direct Testimony in this case. This adjustment reflects a three-  
15 year amortization of deferred ERPP costs as of December 31, 2010 as well as an ongoing  
16 level of ERPP costs based on 100% of the total program costs.

17 **Q: Why was a three-year amortization period selected?**

18 A: A three-year period was selected to coincide with the three-year pilot program described  
19 in the ERPP tariff approved by the Commission in the 2009 Case. The three-year period  
20 was utilized by both the Company and MPSC Staff in the 2010 Case.

1 **CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS**

2 **Q: Please explain adjustment CS-45.**

3 A: The Company annualized base plan funding costs recorded in FERC account 565 based  
4 on rates expected to be in effect at August 31, 2012. All other account 565 costs were  
5 annualized based on projected costs for the twelve-month period ending August 31, 2012.

6 **Q: Are transmission costs increasing significantly?**

7 A: Yes, primarily related to SPP base plan upgrades, as discussed by Company witness John  
8 R. Carlson in his Direct Testimony.

9 **Q: What is the Account 565 cost that the Company has included in its cost of service in  
10 this case?**

11 A: MPS and L&P included \$11,700,015 and \$1,708,388, respectively (total company  
12 amounts). This is one of the components included in the transmission tracker request  
13 discussed by Company witness Darrin R. Ives in his Direct Testimony in this case.

14 **CS-48 IATAN 2 AND IATAN COMMON TRACKER**

15 **Q: Please explain adjustment CS-48.**

16 A: As discussed earlier in this testimony (adjustment RB-26), the Company utilized  
17 Construction Accounting for Iatan 2 for the period from the in-service date (August 26,  
18 2010) through June 25, 2011, the effective date of new rates in the 2010 Case. Therefore,  
19 Iatan 2 O&M expense recorded during the test year of October 1, 2010 through  
20 September 30, 2011 is not representative of an ongoing annual expense level.  
21 Adjustment CS-48 reflects an annual ongoing expense level, based on the 2012 Budget.  
22 This adjustment will be trued up to actual in the true-up phase of this rate case.

1 **Q: Does adjustment CS-48 include any other components?**

2 A: Yes, the Non-Unanimous Stipulation and Agreement As To Miscellaneous Issues in the  
3 2010 Case (“2010 Miscellaneous S&A”), approved by the Commission on May 4, 2011,  
4 included a provision for an Iatan 2 and Iatan Common O&M expense tracker. While the  
5 first full year of the tracker will not be completed until June 25, 2012, we have included  
6 in adjustment CS-48 an estimate of the costs to be incurred in excess of the amount built  
7 into base rates in the 2010 Case, based on actual 2011 costs and 2012 budgeted costs.  
8 This adjustment will be trued up to actual in the true-up phase of this rate case.

9 **Q: What amortization period was used to amortize this excess?**

10 A: The 2010 Miscellaneous S&A did not specify how or over what period of time any  
11 excess would be recovered (or any shortage returned to ratepayers). Presumably, the  
12 intent was for the parties to work out a recovery mechanism in the next rate case, the  
13 current rate case. For purposes of the direct filing in this rate case GMO assumed a three-  
14 year amortization period, but the Company is open to discussion with the parties in this  
15 rate case on this matter.

16 **Q: Will this tracker continue to be utilized in the future?**

17 A: The 2010 Miscellaneous S&A did not address the duration of this tracker. However,  
18 GMO recommends that the tracker continue at least until the Company’s next rate case,  
19 because the Iatan 2 plant, and related Common plant, is still relatively new and does not  
20 have the maintenance history necessary to establish a representative ongoing cost level.



**CS-50 PAYROLL**

- 1
- 2 **Q: Please explain adjustment CS-50.**
- 3 A: We annualized payroll expense based on the employee headcount as of September 30,
- 4 2011, multiplied by salary and wage rates expected to be in effect as of August 31, 2012.
- 5 **Q: How were salary and wage rates determined?**
- 6 A: Wage rates for bargaining (union) employees were based on contractual agreements.
- 7 Salary rates for non-bargaining employees were based on annual salary adjustments
- 8 expected to be in effect as of August 31, 2012.
- 9 **Q: Were amounts over and above base pay, such as overtime, premium pay, etc.**
- 10 **included in the payroll annualization?**
- 11 A: Yes, overtime was annualized at an amount equal to the average of the amounts incurred
- 12 for the period January 2009 through September 2011, adjusted for labor escalations.
- 13 Amounts were included for other categories at test year levels.
- 14 **Q: Does annualized payroll include payroll KCP&L billed to GMO and Great Plains**
- 15 **Energy Incorporated?**
- 16 A: The annualization process includes all payroll, since all employees are KCP&L
- 17 employees. However, annualized payroll included in this rate proceeding includes only
- 18 GMO's allocated share of this cost. The allocation to MPS and L&P is based on their
- 19 respective share of test year payroll cost.
- 20 **Q: Does the payroll annualization adjustment take into consideration payroll billed to**
- 21 **joint venture partners and payroll charged to capital?**
- 22 A: Yes, the payroll annualization adjustment takes these factors into consideration.

1 Q: **How was the payroll capitalization factor determined?**

2 A: The Company used the test year payroll capitalization factor, as being representative of  
3 payroll capitalization going forward.

4 Q: **Is the process used to calculate adjustment CS-50 the same process followed by the  
5 Company and by Staff in the 2010 Case?**

6 A: Yes, it is.

7 Q: **Does the Company's payroll annualization include the impact of the ORVS  
8 program?**

9 A: Yes, the employee complement reduction and associated annualized payroll cost  
10 reduction discussed by Company witness Kelly Murphy in her Direct Testimony was  
11 factored into the payroll annualization.

12 **CS-51 INCENTIVE COMPENSATION**

13 Q: **Please explain adjustment CS-51.**

14 A: The Company annualized incentive compensation based on the projected March 2012  
15 payouts, adjusted for the September 30, 2011 salary levels.

16 Q: **Does this adjustment take into consideration incentive compensation billed to joint  
17 venture partners, billed to affiliated companies, and charged to capital?**

18 A: Yes, based on data from the payroll adjustment discussed earlier in this testimony  
19 (adjustment CS-50).

20 **CS-52 401(k)**

21 Q: **Please explain adjustment CS-52.**

22 A: GMO adjusted 401(k) expense to an annualized level by applying the average matching  
23 percentage from the September 30, 2011 payroll to the O&M adjustment for annualized

1 payroll (adjustment CS-50), excluding bargaining unit overtime, and including eligible  
2 incentive compensation (adjustment CS-51).

3 **Q: Does this adjustment take into consideration 401(k) expense billed to joint venture  
4 partners, billed to affiliated companies, and charged to capital?**

5 A: Yes, based on data from the payroll adjustment discussed earlier in this testimony  
6 (adjustment CS-50).

7 **CS-53 PAYROLL TAXES**

8 **Q: Please explain adjustment CS-53.**

9 A: The Company annualized Federal Insurance Contributions Act ("FICA") payroll tax  
10 expense by applying the average test year FICA percent (FICA expense/payroll expense)  
11 to the O&M portions of the annualized payroll adjustment (adjustment CS-50) and  
12 incentive compensation adjustment (adjustment CS-51).

13 **Q: Does this adjustment take into consideration payroll tax expense billed to joint  
14 venture partners, billed to affiliated companies, and charged to capital?**

15 A: Yes, based on data from the payroll adjustment discussed earlier in this testimony  
16 (adjustment CS-50).

17 **CS-60 OTHER BENEFITS**

18 **Q: Please explain adjustment CS-60.**

19 A: GMO annualized these costs based on projected costs included in the 2012 Budget. This  
20 adjustment will be trued up to actual in the true-up phase of this rate case.

21 **Q: What types of benefits are included in this category?**

22 A: The most significant benefit is medical expense, which comprises about 80% of other  
23 benefit expense.

1 **Q: Does this adjustment take into consideration benefits expense billed to joint venture**  
2 **partners, billed to affiliated companies, and charged to capital?**

3 A: Yes, based on data from the payroll adjustment discussed earlier in this testimony  
4 (adjustment CS-50).

5 **Q: Does this adjustment take into consideration the impact of the ORVS program**  
6 **discussed earlier in this testimony?**

7 A: Yes.

8 **CS-70 INSURANCE**

9 **Q: Please explain adjustment CS-70.**

10 A: We annualized insurance costs based on premiums projected to be in effect on August 31,  
11 2012. These premiums include the following types of coverage: property, directors and  
12 officers, workers' compensation, bonds, fiduciary liability, general and excess liability,  
13 crime, and auto liability.

14 **Q: Does this adjustment take into consideration insurance billed to joint venture**  
15 **partners and affiliated companies?**

16 A: Yes, it does.

17 **CS-71 INJURIES AND DAMAGES**

18 **Q: Please explain adjustment CS-71.**

19 A: We normalized Injuries and Damages ("I&D") costs based on average payout history  
20 during the period 2009 through September 2011 as reflected by amounts relieved from  
21 FERC account 228.2. This account captures all accrued claims for general liability,  
22 worker's compensation, property damage, and auto liability costs. The expenses are

1 included in FERC account 925 as the costs are accrued. The liability reserve is relieved  
2 when claims are paid under these four categories.

3 **Q: Does account 925 also include costs charged directly to that account?**

4 A: Yes, for smaller dollar claims. We normalized these expenses over the same time period  
5 as the larger claims.

6 **Q: Why was a multi-year average chosen?**

7 A: I&D claims and settlements of these claims can vary significantly from year-to-year. A  
8 period of almost three years was used to establish an appropriate on-going level of this  
9 expense by leveling out fluctuations in the payouts from the reserve account that can exist  
10 from one year to the next depending on claims activity and settlements.

11 **CS-76 CUSTOMER DEPOSIT INTEREST**

12 **Q: Please explain adjustment CS-76.**

13 A: We annualized customer deposit interest in accordance with the Company's tariff, which  
14 states that the interest rate established for each year for Missouri customer deposits will  
15 be based on the December 1 prime rate published in the *Wall Street Journal*, plus 100  
16 basis points. The rate used in this adjustment for Missouri deposits is the 2012 rate of  
17 4.25%.

18 **Q: What customer deposit balance was this interest rate applied to?**

19 A: The interest rate was applied to the Missouri customer deposit balance determined in  
20 adjustment RB-70, discussed earlier in this testimony.

1 **CS-77 CREDIT CARD PROGRAM**

2 **Q: Please explain adjustment CS-77.**

3 A: We annualized credit card program expenses based on participation levels and costs  
4 anticipated at August 31, 2012.

5 **Q: What is the status of the implementation of the credit card payment program?**

6 A: KCP&L began offering no-fee credit card payment options to residential customers in the  
7 GMO territory in September 2009. Customers have the option to make one-time card  
8 payments through either the interactive voice response telephone system or the KCP&L  
9 Website. Participation levels have steadily increased, reaching 13.4% of all GMO  
10 payments at the end of 2011.

11 **CS-78 ACCOUNTS RECEIVABLE SALES FEES**

12 **Q: Please explain adjustment CS-78.**

13 A: GMO anticipates entering into an accounts receivable sales facility similar to that in place  
14 for KCP&L prior to the August 31, 2012 true up. Consequently, it has initiated  
15 adjustment CS-78 to annualize projected fees, determined by (a) calculating monthly  
16 interest, based upon the commercial paper rate in effect at September 30, 2011,  
17 applicable to the anticipated monthly advance amount of \$70 million; (b) calculating the  
18 monthly Program Fee based on this monthly advance amount and a Program Fee Rate of  
19 85 bps (the applicable level for the accounts receivable securitization in the KCP&L  
20 renegotiated agreement in effect at September 30, 2011); and (c) calculating the monthly  
21 Commitment Fee based upon a fee rate of 25 bps (again, the applicable level in the  
22 KCP&L renegotiated agreement in effect at September 30, 2011). The sum of (a), (b),  
23 and (c) represents the total projected bank fees on an annualized basis as of August 2012.

1 **CS-79 OUTSOURCE OF METER READING (MPS ONLY)**

2 **Q: Please explain adjustment CS-79.**

3 A: The Company contracts with a third party service provider to perform meter reading and  
4 related services for a large portion of MPS's service territory, pursuant to a Service  
5 Agreement. MPS's test year cost of service includes a full year's amortization expense;  
6 therefore, no further rate case adjustment is necessary.

7 **CS-80 RATE CASE COSTS**

8 **Q: Please explain adjustment CS-80.**

9 A: We annualized rate case costs by including an amortization of costs incurred in the 2010  
10 Case and projected costs for the current rate proceeding which will be trued up in the  
11 true-up process in this rate case. Costs incurred in the 2009 Case were fully amortized in  
12 August 2011; therefore, associated test year amortization amounts were removed from  
13 cost of service in this rate case.

14 **Q: Why are rate case costs being deferred?**

15 A: Consistent with prior GMO rate cases, expenses incurred for each Missouri rate case are  
16 deferred in a regulatory asset and amortized over an appropriate amortization period.

17 **Q: What amortization period was used for the estimated current rate proceeding costs?**

18 A: The Company used a three-year amortization period, as it is likely GMO will file another  
19 rate case within three years of the effective date of new rates in this rate case.

20 **Q: How was rate case cost related to the current Missouri rate proceeding estimated?**

21 A: We estimated costs based on the consultants and attorneys it anticipates will be used in  
22 this case and based on the scope of work anticipated.

1 **Q: In making this estimate did GMO anticipate a full rate case, including hearings,**  
2 **briefs, etc., as opposed to a settled case?**

3 A: Yes, a full rate case was assumed.

4 **Q: How were amounts incurred after the true-up date for the last rate case considered?**

5 A: Amounts for the 2010 Case that were incurred subsequent to December 31, 2010, the  
6 true-up date in that rate case, were transferred to the current rate case for recovery  
7 consideration, as specified in Commission's Order in the 2010 Case.

8 **Q: Did the costs transferred to the current rate case include a reduction for GMO's**  
9 **share of reimbursements received from The Empire District Electric Company**  
10 **("Empire") related to assistance provided Empire on the Iatan 2 issue in Case No.**  
11 **ER-2011-0004?**

12 A: Yes, this adjustment was reflected in the transfer.

13 **Q: Did the Company adjust its rate case cost amortization for prior rate case costs**  
14 **collected from ratepayers in excess of costs incurred?**

15 A: Yes, consistent with past practice, GMO made this adjustment.

16 **CS-85 REGULATORY ASSESSMENTS**

17 **Q: Please explain adjustment CS-85.**

18 A: The Company annualized Missouri regulatory assessments based on quarterly  
19 assessments in effect at September 30, 2011. GMO annualized FERC Schedule 12 fees  
20 based on fees projected to be in effect at August 31, 2012. Company witness John  
21 Carlson discusses the Schedule 12 fees in his direct testimony.



1 **Q: What is the amount of the Schedule 12 fees that the Company has included in its**  
2 **cost of service in this case?**

3 A: MPS and L&P included \$521,027 and \$168,090 (respectively). This amount is one of the  
4 components included in the transmission tracker request discussed by Company witness  
5 Darrin R. Ives in his Direct Testimony in this case.

6 **CS-86 SCHEDULE 1-A FEES**

7 **Q: Please explain adjustment CS-86.**

8 A: GMO annualized SPP Schedule 1-A fees based on rates projected to be in effect at  
9 August 31, 2012. Company witness John R. Carlson discusses the Schedule 1-A fees in  
10 his Direct Testimony.

11 **Q: What is the amount of the Schedule 1-A fees that the Company has included in its**  
12 **cost of service in this case?**

13 A: MPS and L&P included \$2,990,586 and \$1,031,101, respectively (total company  
14 amounts). This amount is one of the components included in the transmission tracker  
15 request discussed by Company witness Darrin R. Ives in his Direct Testimony in this  
16 case.

17 **CS-90 ADVERTISING**

18 **Q: Please explain adjustment CS-90.**

19 A: The Company eliminated from the test year all advertising expenses coded to FERC  
20 accounts 908, 909, 913 and 930100 that related to institutional or image advertising.

1 **Q: With this elimination what types of advertising are still included in test year cost of**  
2 **service?**

3 A: The primary types still remaining include safety, customer assistance, and energy  
4 efficiency.

5 **CS-92 DUES AND DONATIONS**

6 **Q: Please explain adjustment CS-92.**

7 A: The Company removed from cost of service dues and donations to certain civic  
8 organizations.

9 **CS-95 AQUILA MERGER EXPENSE**

10 **Q: Please explain adjustment CS-95.**

11 A: See page 47a.

12 **CS-99 ST. JOSEPH MERGER TRANSITION COSTS**

13 **Q: Please explain adjustment CS-99.**

14 A: Transition costs were incurred by Aquila when it acquired St. Joseph Light & Power  
15 Company in 2000. This adjustment amortizes these transition costs.

16 **Q: Were transition costs associated with this merger included in cost of service in MPS**  
17 **and L&P's prior rate case filings?**

18 A: Yes. As stated in the Non-Unanimous Stipulation and Agreement in Case No. ER-2005-  
19 0436 approved by the Commission on February 23, 2006:

20 Aquila agrees not to seek rate recovery of additional transition costs  
21 associated with its merger with St. Joseph Light & Power Company  
22 beyond the annual amortization amount settlement agreement between  
23 Company and Staff.

24 **Q: What was the amount of transition costs allowed in that case?**

25 A: Total transition costs allowed were \$4,959,664, with a ten-year amortization.

26 **Q: Were these costs also allowed in the Company's rate cases since then?**

27 A: Yes, they were.

1 **CS-95 AQUILA MERGER EXPENSE [CONT.]**

2 A: The Commission, in its Report and Order in the 2010 Case authorized GMO to establish  
3 a regulatory asset to defer and amortize over five years the transition costs associated  
4 with the Aquila merger (Case No. EM-2007-0374). The test year in this rate case  
5 includes only amortization from June 25, 2011, the effective date of new rates in the 2010  
6 Case, to September 30, 2011. Therefore, this adjustment is necessary to reflect a full  
7 year's amortization in this rate case.

1 **Q: Has the Company included the unamortized costs in rate base?**

2 A: No it has not. The Company has only asked for a “return of” transition costs, not a  
3 “return on” the unamortized balance.

4 **CS-107 ICE STORM AMORTIZATION (L&P ONLY)**

5 **Q: Please explain adjustment CS-107.**

6 A: In December 2007, severe winter storms struck L&P’s electric service territory disrupting  
7 electric service to almost 90% of the customers in L&P’s service territory. As a result,  
8 the Company incurred significant costs to support outside crews and incurred  
9 extraordinary overtime and related expenses. Accordingly, an application was filed  
10 requesting that the Commission issue an AAO authorizing the Company to defer and  
11 record to Account 182.3, as a regulatory asset, incremental maintenance costs associated  
12 with the December 2007 ice storm, to be amortized over a five-year period commencing  
13 in January 2008. The application was approved by the Commission in Case No. EU-  
14 2008-0233 on March 20, 2008. The test year cost of service reflects a full year’s  
15 amortization expense and, therefore, net operating income is properly stated and requires  
16 no adjustment.

17 **Q: Was a similar amortization expense included in the 2010 Case?**

18 A: Yes, it was.

19 **Q: Has the Company included the unamortized costs in rate base?**

20 A: No it has not. The Company has only asked for a “return of” transition costs, not a  
21 “return on” the unamortized balance.

1 CS-109 LEASES

2 **Q: Please explain adjustment CS-109.**

3 A: There are two components of this adjustment. First, we annualized corporate  
4 headquarters lease costs, including rent, parking and electricity. The annualized expense  
5 was calculated as twelve times the monthly cost expected to be in effect on August 31,  
6 2012, the true-up date in this rate case.

7 **Q: What was the second component?**

8 A: In the 2010 Case, GMO agreed to establish a regulatory liability for lease costs that  
9 would not be incurred during an "abatement period" recognized in the lease and which  
10 ended June 2010. These costs were to be returned to ratepayers over a five-year period  
11 beginning with the effective date of new rates in that case. The test year in this rate case  
12 includes only amortization from June 25, 2011, the effective date of new rates in the 2010  
13 Case, to September 30, 2011. Therefore, this adjustment is necessary to reflect a full  
14 year's amortization in this rate case.

15 CS-120 DEPRECIATION

16 **Q: Please explain adjustment CS-120.**

17 A: We calculated annualized depreciation expense by applying jurisdictional depreciation  
18 rates to adjusted Plant in Service balances. The jurisdictional rates used in the  
19 annualization were those included in the Non Unanimous Stipulation and Agreement  
20 Regarding Depreciation and Accumulated Additional Amortizations in the 2010 Case  
21 ("Depreciation S&A"), approved by the Commission on May 4, 2011.

1 **Q: In the Depreciation S&A the Signatories agreed on certain provisions related to**  
2 **general plant. Please discuss these provisions.**

3 A: The Signatories agreed that GMO would be allowed to implement an accounting practice  
4 known as general plant amortization, wherein general plant asset recordkeeping is  
5 maintained by vintage year and not by individual asset. For regulatory mass property  
6 accounting purposes, all of the additions to an account over a vintage (one year) are  
7 depreciated over a set amortization period. For depreciation accounting purposes, all of  
8 the equipment in each vintage is retired at the end of the amortization period.

9 **Q: Has the Company implemented this accounting practice?**

10 A: Yes, GMO implemented general plant amortization commensurate with the June 25,  
11 2011 implementation of new rates in the 2010 Case.

12 **Q: Has GMO recorded the appropriate retirements for each vintage?**

13 A: The appropriate retirements have been reflected in the plant schedules in this rate case.  
14 GMO has not yet recorded these retirements on its plant records because the Depreciation  
15 S&A requires that the Signatories re-confirm this accounting practice in the next rate  
16 case, the current rate case. The Company did not want to record these retirements if there  
17 was a chance that this accounting practice would be reversed in the current rate case as it  
18 would be very difficult and time consuming to “unretire” assets.

19 **Q: Does the Company believe that this accounting practice should be continued on a**  
20 **permanent basis?**

21 A: Yes, KCP&L recommends that this accounting practice be made a permanent practice.

22 **Q: Has GMO complied in all respects with the provisions of the Depreciation S&A?**

23 A: Yes, it has.

1 CS-121 AMORTIZATION

2 **Q: Please explain adjustment CS-121.**

3 A: We annualized amortization expense applicable to certain plant including computer  
4 software and land right, by multiplying September 2011 amortization expense by twelve.  
5 To this amount was added annualized amortization expense on projected Intangible plant  
6 net additions for the period October 2011 through August 2012.

7 **Q: What amortization periods were used to amortize intangible assets?**

8 A: Computer software, the most significant intangible asset, is amortized over a five-year  
9 amortization period, consistent with the Company's past practice. Cost of land rights is  
10 amortized using rates that vary by function, consistent with the Company's past practice.  
11 Accumulated amortization is maintained by each individual intangible asset, other than  
12 land rights which is maintained in total by account, and amortization stops when the net  
13 book value reaches zero.

14 **Q: GMO classifies certain equipment as intangible assets. Why is this and how are  
15 these assets amortized?**

16 A: The Company possesses the right to use/operate certain equipment for which it paid but  
17 does not retain legal ownership. These rights are classified as intangible assets and are  
18 amortized over an appropriate life.

19 INFRASTRUCTURE IMPROVEMENTS (L&P ONLY)

20 **Q: Please explain the Infrastructure Improvements?**

21 A: Company witness William P. Herdegen, III explains the need for this pilot project and the  
22 operational aspects of this program in his Direct Testimony.

1 **Q: Please explain the accounting treatment the Company is requesting in this rate case.**

2 A: The Company is requesting construction accounting treatment for the infrastructure  
3 improvements. The treatment would allow for the deferral to a regulatory asset of  
4 depreciation on the infrastructure assets until the next rate case in which the costs are  
5 included in rate base, coupled with a carrying cost similar to Allowance for Funds Used  
6 during Construction. The amortization of the regulatory asset would be determined in a  
7 future rate case. The infrastructure assets are principally those assets recorded in the  
8 Distribution plant accounts (360s thru 370s). The requested treatment will not affect the  
9 normal recording of activity to the depreciation reserve, or the asset account.

10 **Q: Why is there a need for this type of accounting treatment?**

11 A: Without rate relief timed to when these costs are included in Plant and depreciation starts,  
12 GMO will experience earnings decline. In order to address this issue, construction  
13 accounting has been used on occasion for major plant additions, such as for the Iatan 2  
14 costs incurred by GMO and discussed earlier in this testimony (adjustment RB-26/CS-  
15 112).

16 **Q: What does the Company ask of the Commission concerning this item?**

17 A: The Company is asking for approval to record, as an offset to depreciation expense, an  
18 amount equal to the depreciation and a carrying cost charge to a regulatory asset account,  
19 which will be recognized in a future rate case. Additionally, GMO requests that the  
20 deferred, unamortized balance, net of accumulated deferred income taxes, be included in  
21 rate base in future rate cases.

22 **Q: Does that conclude your testimony?**

23 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 ) Case No. ER-2012-0175  
Implement General Rate Increase for Electric Service )

**AFFIDAVIT OF JOHN P. WEISENSEE**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF JACKSON )

John P. Weisensee, being first duly sworn on his oath, states:

1. My name is John P. Weisensee. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Regulatory Affairs Manager.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KC&PL Greater Missouri Operations Company consisting of fifty-two (52) 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.

John P. Weisensee  
John P. Weisensee

Subscribed and sworn before me this 27<sup>th</sup> day of February, 2012.

Nicole A. Wehry  
Notary Public

My commission expires: Feb. 4, 2015

NICOLE A. WEHRY  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Jackson County  
My Commission Expires: February 04, 2015  
Commission Number: 11391200

**KCP&L Greater Missouri Operations Company  
 For All Territories Served As L&P Electric  
 TY 9/30/11; Update TBD; K&M 8/31/12  
 2012 RATE CASE - Direct Filing**

**Revenue Requirement**

Line No.	Description A	8.173% Return B
1	Net Orig Cost of Rate Base (Sch 2)	\$ 479,530,569
2	Rate of Return	8.173%
3	Net Operating Income Requirement	\$ 39,192,992
4	Net Income Available (Sch 9)	\$ 23,673,822
5	Additional NOIBT Needed	15,519,171
6	Additional Current Tax Required	9,669,995
7	Gross Revenue Requirement	<u>\$ 25,189,166</u>

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As MPS**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Revenue Requirement**

Line No.	Description <u>A</u>	8.173% Return <u>B</u>
1	Net Orig Cost of Rate Base (Sch 2)	\$ 1,411,988,738
2	Rate of Return	<u>8.173%</u>
3	Net Operating Income Requirement	\$ 115,404,664
4	Net Income Available (Sch 9)	<u>\$ 79,480,269</u>
5	Additional NOI BT Needed	35,924,395
6	Additional Current Tax Required	<u>\$ 22,384,849</u>
7	Gross Revenue Requirement	<u><u>\$ 58,309,244</u></u>

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As L&P Electric**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Rate Base**

Line No.	Description A	Amount B	Witness C	Adj No. D
	<b>Total Plant :</b>			
1	Total Plant in Service-MPS Only (Sch 3)	\$ 721,546,534	J. Weisensee	RB-20
	<b>Subtract from Total Plant:</b>			
2	Depr Reserve-MPS & Corp Share (Sch 6)	239,143,711	J. Weisensee	RB-30
3	<b>Net (Plant in Service)</b>	<u>\$ 482,402,823</u>		
	<b>Add to Net Plant:</b>			
4	Cash Working Capital	\$ (6,941,278)	J. Weisensee	Model
5	Materials and Supplies	11,812,236	J. Weisensee	RB-72
6	SO2 Emission Allowances	288,847	J. Weisensee	RB-55
7	Prepayments	319,549	J. Weisensee	RB-50
8	Prepayments - Pensions	2,989,528	J. Weisensee	RB-51
9	Fuel Inventory - Oil	2,579,201	E. Blunk	RB-74
10	Fuel Inventory - Coal	6,196,852	E. Blunk	RB-74
11	Fuel Inventory - Other	501,428	E. Blunk	RB-74
12	Deferral of DSM/EE Costs	5,984,173	T. Rush / J. Weisensee	RB-100
13	latan 1 Regulatory Asset	2,872,898	J. Weisensee	RB-25
14	latan 2 Regulatory Asset	5,322,479	J. Weisensee	RB-26
15	Regulatory Asset - ERISA Minimum Tracker	1,692,620	J. Weisensee	RB-63
16	Reg Asset - FAS 87 Pension Tracker	518,249	J. Weisensee	RB-65
17	Reg Asset - FAS 87 Prepaid Pension Exp	6,101,003	J. Weisensee	RB-65
18	Reg Asset (Liab) - OPEB Tracker	(206,569)	J. Weisensee	RB-61
19	Reg Asset - Renewable Energy Stds	477,790	J. Weisensee	RB-116
	<b>Subtract from Net Plant:</b>			
20	Customer Advances for Construction	\$ 264,785	J. Weisensee	RB-71
21	Customer Deposits	1,163,359	J. Weisensee	RB-70
22	Deferred Income Taxes	41,953,115	M. Hardesty	RB-125
23	<b>Total Rate Base</b>	<u>\$ 479,530,569</u>		

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As MPS**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Rate Base**

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
	<b>Total Plant :</b>			
1	Total Plant in Service-MPS Only (Sch 3)	\$ 2,373,092,507	J. Weisensee	RB-20
	<b>Subtract from Total Plant:</b>			
2	Depr Reserve-MPS & Corp Share (Sch 6)	826,157,774	J. Weisensee	RB-30
3	<b>Net (Plant in Service)</b>	<u>\$ 1,546,934,733</u>		
	<b>Add to Net Plant:</b>			
4	Cash Working Capital	\$ (24,540,361)	J. Weisensee	Model
5	Materials and Supplies	27,179,644	J. Weisensee	RB-72
6	SO2 Emission Allowances	2,639,993	J. Weisensee	RB-55
7	Prepayments	1,546,533	J. Weisensee	RB-50
8	Fuel Inventory - Oil	15,949,092	E. Blunk	RB-74
9	Fuel Inventory - Coal	14,146,761	E. Blunk	RB-74
10	Fuel Inventory - Other	1,022,355	E. Blunk	RB-74
11	AAO Def Sibley Rebuild & Western Coal 1990	8,912	J. Weisensee	RB-40
12	AAO Def Sibley Rebuild & Western Coal 1992	121,294	J. Weisensee	RB-40
13	DSM/EE Deferral	24,777,654	T. Rush / J. Weisensee	RB-100
14	Iatan 1 Regulatory Asset	3,077,519	J. Weisensee	RB-25
15	Iatan 2 Regulatory Asset	9,991,635	J. Weisensee	RB-26
16	Regulatory Asset - ERISA Minimum Tracker	10,191,581	J. Weisensee	RB-63
	Reg Asset - FAS 87 Pension Tracker	6,916,759	J. Weisensee	RB-65
	Reg Asset - FAS 87 Prepaid Pension Exp	14,100,640	J. Weisensee	RB-65
	Reg Asset (Liab) - OPEB Tracker	(325,708)	J. Weisensee	RB-61
	Reg Asset - Renewable Energy Stds	2,149,787	J. Weisensee	RB-116
	<b>Subtract from Net Plant:</b>			
17	Customer Advances for Construction	\$ 2,356,990	J. Weisensee	RB-71
18	Customer Deposits	5,143,148	J. Weisensee	RB-70
19	Deferred Income Taxes	236,349,964	M. Hardesty	RB-125
20	Deferred Income Taxes - AAO	49,986	J. Weisensee	RB-127
21	<b>Total Rate Base</b>	<u><u>\$ 1,411,988,738</u></u>		

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As L&P Electric**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Income Statement**

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	\$ 188,406,716	\$ 1,293,783	\$ 189,700,499	\$ 173,493,787
2	Operating & Maintenance Expenses:				
3	Production	\$ 98,162,088	\$ (12,661,965)	\$ 85,500,123	\$ 73,679,367
4	Transmission	5,317,805	(506,249)	4,811,556	4,811,556
5	Distribution	6,920,275	330,320	7,250,595	7,013,486
6	Customer Accounting	3,606,125	982,429	4,588,554	4,588,554
7	Customer Services	482,345	6,396,079	6,878,425	6,878,425
8	Sales	51,889	2,706	54,595	54,595
9	A & G Expenses	19,078,190	1,896,789	20,974,979	19,240,653
10	Total O & M Expenses	<u>\$ 133,618,717</u>	<u>\$ (3,559,890)</u>	<u>\$ 130,058,826</u>	<u>\$ 116,266,636</u>
11	Depreciation Expense	\$ 15,246,456	\$ 2,663,111	\$ 17,909,567	\$ 17,748,037
12	Amortization Expense	1,051,430	255,404	1,306,834	1,983,397
13	Taxes other than Income Tax	7,414,659	302,014	7,716,673	7,194,373
14	Net Operating Income before Tax	<u>\$ 31,075,454</u>	<u>\$ 1,633,145</u>	<u>\$ 32,708,599</u>	<u>\$ 30,301,345</u>
15	Income Taxes	\$ 184,730	\$ (2,889,814)	\$ (2,705,084)	\$ (2,705,084)
16	Income Taxes Deferred	7,157,881	2,200,882	9,358,763	9,371,280
17	Investment Tax Credit	(41,072)	-	(41,072)	(38,673)
18	Total Taxes	<u>\$ 7,301,538</u>	<u>\$ (688,931)</u>	<u>\$ 6,612,607</u>	<u>\$ 6,627,523</u>
19	Total Net Operating Income	<u><u>\$ 23,773,915</u></u>	<u><u>\$ 2,322,076</u></u>	<u><u>\$ 26,095,992</u></u>	<u><u>\$ 23,673,822</u></u>

**KCP&L Greater Missouri Operations Company  
For All Territories Served As MPS  
TY 9/30/11; Update TBD; K&M 8/31/12  
2012 RATE CASE - Direct Filing**

**Income Statement**

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	\$ 574,682,349	(18,985,652)	555,696,697	554,059,435
2	Operating & Maintenance Expenses:				
3	Production	\$ 252,061,837	\$ (30,155,869)	\$ 221,905,968	\$ 220,536,576
4	Transmission	15,525,859	3,251,984	18,777,843	18,681,325
5	Distribution	21,991,534	736,732	22,728,266	22,615,761
6	Customer Accounting	14,195,308	2,262,002	16,457,310	16,457,310
7	Customer Services	1,863,957	20,443,745	22,307,702	22,307,702
8	Sales	173,893	2,461	176,354	176,354
9	A & G Expenses	50,610,748	\$ 8,822,700	59,433,448	59,174,181
10	Total O & M Expenses	<u>\$ 356,423,136</u>	<u>\$ 5,363,755</u>	<u>\$ 361,786,892</u>	<u>\$ 359,949,208</u>
11	Depreciation Expense	\$ 60,632,243	\$ 4,959,386	\$ 65,591,629	\$ 65,166,547
12	Amortization Expense	(72,729)	899,242	826,513	1,128,419
13	Taxes other than Income Tax	20,723,011	1,288,134	22,011,145	21,899,083
14	Net Operating Income before Tax	<u>\$ 136,976,688</u>	<u>\$ (31,496,169)</u>	<u>\$ 105,480,519</u>	<u>\$ 105,916,178</u>
15	Income Taxes	\$ 859,278	\$ 4,969,945	\$ 5,829,223	\$ 5,829,223
16	Income Taxes Deferred	35,920,100	(14,635,850)	21,284,250	21,284,250
17	Investment Tax Credit	(677,564)	-	(677,564)	(677,564)
18	Total Taxes	<u>\$ 36,101,815</u>	<u>\$ (9,665,906)</u>	<u>\$ 26,435,909</u>	<u>\$ 26,435,909</u>
19	Total Net Operating Income	<u><u>\$ 100,874,873</u></u>	<u><u>\$ (21,830,264)</u></u>	<u><u>\$ 79,044,610</u></u>	<u><u>\$ 79,480,269</u></u>

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As L&P Electric**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Summary of Adjustments**

Adj No.	Description	Witness	Adjustment Increase (Decrease)
A	B	C	D
R-20	Revenue Normalization	T. Rush/ G. McCollister	\$ 5,687,352
R-21	Forfeited Discounts	J. Weisensee	\$ 5,006
R-30	Eliminate Inter-company Off-System Revenue	J. Weisensee	\$ (3,067,391)
R-35	Off-System Sales Revenue	B. Crawford	\$ (1,278,144)
R-80	Transmission Revenue	J. Weisensee	\$ (53,041)
CS-11	Out-of-Period Items - Cost of Service	J. Weisensee	\$ (818,038)
CS-20a	Bad Debt	J. Weisensee	\$ 379,973
CS-20b	Bad Debt - Revenue Requirement "Ask"	J. Weisensee	\$ 162,774
CS-22	Amortization of SO2 Proceeds	J. Weisensee	\$ 31,136
CS-24	Fuel & PP Energy (On-system)	B. Crawford/W. Blunk	\$ (4,857,858)
CS-25	Purchased Power (Capacity)	B. Crawford	\$ (6,644,750)
CS-30	Eliminate Inter-company Off-System Sales Costs	J. Weisensee	\$ (3,068,793)
CS-34	Pipeline Reservation Charges	B. Crawford/W. Blunk	\$ -
CS-40	Transmission Maintenance	J. Weisensee	\$ -
CS-41	Distribution Maintenance	J. Weisensee	\$ -
CS-42	Generation Maintenance	J. Weisensee	\$ -
CS-44	ERPP	J. Alberts/ J. Weisensee	\$ 387,819
CS-45	Transmission of Electricity by Others	J. Carlson /J. Weisensee	\$ (770,486)
CS-48	Iatan II O&M	J. Weisensee	\$ 1,145,971
CS-49	Distribution Field Intelligence	W. Herdegen	\$ 104,198
CS-50	Payroll	J. Weisensee	\$ 1,263,148



**KCP&L Greater Missouri Operations Company**  
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**2012 RATE CASE - Direct Filing**

**Summary of Adjustments**

Adj No.	Description	Witness	Adjustment Increase (Decrease)
A	B	C	D
CS-51	Incentive	J. Weisensee	\$ 119,173
CS-52	401(k)	J. Weisensee	\$ 66,389
CS-53	Payroll Taxes	J. Weisensee	\$ 103,377
CS-55	ORVIS	K. Murphy	\$ (706,758)
CS-60	Other Benefits	J. Weisensee	\$ 527,853
CS-61	OPEB	J. Weisensee	\$ (24,357)
CS-62	SERP	J. Weisensee	\$ (96,012)
CS-65	Pension Expense	J. Weisensee	\$ 1,868,097
CS-66	Pension Amort - Prior Regulatory Assets	J. Weisensee	\$ 350,725
CS-70	Insurance	J. Weisensee	\$ 24,361
CS-71	Injuries and Damages	J. Weisensee	\$ (755,536)
CS-76	Customer Deposit - Interest	J. Weisensee	\$ 49,443
CS-77	Credit Card & Electronic Check Fee Expense	J. Weisensee	\$ 89,730
CS-78	GREC Bank Fees	J. Weisensee	\$ 172,941
CS-80	Rate Case Expense Regulatory Assets	J. Weisensee	\$ 364,093
CS-85	Regulatory Assessment	J. Carlson /J. Weisensee	\$ 91,981
CS-86	SPP Schedule 1A Admin Fees	J. Carlson /J. Weisensee	\$ 210,249
CS-90	Advertising	J. Weisensee	\$ (8,676)
CS-91	DSM Advertising Costs	J. Weisensee	\$ 3,259
CS-92	Dues and Donations	J. Weisensee	\$ (2,326)

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As L&P Electric**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Summary of Adjustments**

Adj No.	Description	Witness	Adjustment Increase (Decrease)
A	B	C	D
CS-95	Amortization of Merger Transition Costs	J. Weisensee	\$ 653,030
CS-99	St. Joe Merger Transition Costs	J. Weisensee	\$ -
CS-100	DSM/EE	T. Rush / J. Weisensee	\$ 5,645,047
CS-107	L&P Ice Storm AAO	J. Weisensee	\$ -
CS-109	Lease Expense	J. Weisensee	\$ 82,978
CS-111	Amort latan I and Common Reg Asset	J. Weisensee	\$ 91,851
CS-112	Amort latan II Reg Asset	J. Weisensee	\$ 102,466
CS-116	RES/Solar	T. Rush/ J. Weisensee	\$ 302,910
CS-120	Depreciation	J. Weisensee	\$ 2,719,946
CS-121	Plant Amortization Expense	J. Weisensee	\$ 61,087
CS-125	Income Taxes	M. Hardesty	\$ (688,931)
CS-126	Property Taxes	S. Smith	\$ 238,223
<b>Total Impact on Net Operating Income</b>			<b><u>\$ 2,322,076</u></b>

**KCP&L Greater Missouri Operations Company  
For All Territories Served As MPS  
TY 9/30/11; Update TBD; K&M 8/31/12  
2012 RATE CASE - Direct Filing**

**Summary of Adjustments**

Adj No.	Description	Witness	Total Company Increase (Decrease)
A	B	C	D
R-20	Revenue Normalization	T. Rush/ G. McCollister	\$ (15,900,235)
R-21	Forfeited Discounts	J. Weisensee	\$ (17,748)
R-30	Eliminate Inter-company Off-System Revenue	J. Weisensee	\$ (2,599,029)
R-35	Off-System Sales Revenue	B. Crawford	\$ (384,038)
R-80	Transmission Revenues	J. Weisensee	\$ (84,602)
CS-11	Out-of-Period Items - Cost of Service	J. Weisensee	\$ (2,373,930)
CS-20a	Bad Debt	J. Weisensee	\$ 577,469
CS-20b	Bad Debt	J. Weisensee	\$ 403,252
CS-22	Amortization of SO2 Proceeds	J. Weisensee	\$ 206,043
CS-24	Fuel & PP Energy (On-system)	B. Crawford/W. Blunk	\$ (28,875,036)
CS-25	Purchased Power (Capacity)	B. Crawford	\$ (360,457)
CS-30	Eliminate Inter-company Off-System Sales Costs	J. Weisensee	\$ (2,599,281)
CS-34	Pipeline Reservation Charges	B. Crawford/W. Blunk	\$ (109,678)
CS-40	Transmission Maintenance	J. Weisensee	\$ -
CS-41	Distribution Maintenance	J. Weisensee	\$ -
CS-42	Generation Maintenance	J. Weisensee	\$ -
CS-44	ERPP	J. Alberts/ J. Weisensee	\$ 1,163,103
CS-45	Transmission of Electricity by Others	J. Carlson/ J. Weisensee	\$ 2,493,864
CS-48	Iatan II O&M	J. Weisensee	\$ 1,326,833
CS-49	Distribution Field Intelligence	W. Herdegen	\$ 327,086

**KCP&L Greater Missouri Operations Company  
For All Territories Served As MPS  
TY 9/30/11; Update TBD; K&M 8/31/12  
2012 RATE CASE - Direct Filing**

**Summary of Adjustments**

Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
CS-50	Payroll	J. Weisensee	\$ 805,905
CS-51	Incentive	J. Weisensee	\$ (353,715)
CS-52	401(k)	J. Weisensee	\$ 20,098
CS-53	Payroll Taxes	J. Weisensee	\$ 8,089
CS-55	ORVS	J. Weisensee	\$ (2,120,199)
CS-60	Other Benefits	J. Weisensee	\$ 681,477
CS-61	OPEB	J. Weisensee	\$ (194,675)
CS-62	SERP	J. Weisensee	\$ 290,671
CS-65	Pension Expense	J. Weisensee	\$ 6,882,720
CS-66	ERISA Minimum Tracker	J. Weisensee	\$ 2,181,583
CS-70	Insurance	J. Weisensee	\$ 234,437
CS-71	Injuries and Damages	J. Weisensee	\$ (535,397)
CS-76	Customer Deposit - Interest	J. Weisensee	\$ 218,584
CS-77	Credit Card & Electronic Check Fee Expense	J. Weisensee	\$ 335,530
CS-78	GREC Bank Fees	J. Weisensee	\$ 585,938
CS-79	Outsourced Meter Reading Expense	J. Weisensee	\$ -
CS-80	Rate Case Expense Regulatory Assets	J. Weisensee	\$ 999,977
CS-85	Regulatory Assessment	J. Carlson /J. Weisensee	\$ 281,612
CS-86	SPP Schedule 1A Admin Fees	J. Carlson /J. Weisensee	\$ 716,844
CS-90	Advertising	J. Weisensee	\$ (27,573)

**KCP&L Greater Missouri Operations Company  
For All Territories Served As MPS  
TY 9/30/11; Update TBD; K&M 8/31/12  
2012 RATE CASE - Direct Filing**

**Summary of Adjustments**

Adj No.	Description	Witness	Total Company Increase (Decrease)
A	B	C	D
CS-91	DSM Advertising Costs	J. Weisensee	\$ 10,716
CS-92	Dues and Donations	J. Weisensee	\$ (7,456)
CS-95	Amortization of Merger Transition Costs	J. Weisensee	\$ 2,600,014
CS-99	St. Joe Merger Transition Costs	J. Weisensee	\$ -
CS-100	DSM/EE	J. Weisensee	\$ 17,641,045
CS-106	Sibley AAO Amortization	J. Weisensee	\$ 116,409
CS-109	Lease Expense	J. Weisensee	\$ 213,451
CS-111	Amort latan I and Common Reg Asset	J. Weisensee	\$ 97,479
CS-112	Amort latan II Reg Asset	J. Weisensee	\$ 193,336
CS-116	RES/Solar	T. Rush/ J. Weisensee	\$ 1,481,583
CS-120	Depreciation	J. Weisensee	\$ 5,084,436
CS-121	Amortization of Plant Expense	J. Weisensee	\$ 489,663
CS-125	Income Taxes	M. Hardesty	\$ (9,665,906)
CS-126	Property Taxes	S. Smith	\$ 1,398,667
<b>Total Impact on Net Operating Income</b>			<b><u>\$ (21,830,264)</u></b>

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As L&P Electric**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Cash Working Capital**

Line No.	Account Description	(Elec-Juris)	Revenue	Expense	Net	Factor	CWC Req
		Test Year Expenses	Lag	Lead	(Lead)/Lag (C) - (D)	(Col E/366)	(B) X (F)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
<b>Operations &amp; Maintenance Expense</b>							
1	Net Payroll	17,635,597	25.50	13.85	11.65	0.03	561,159
2	Accrued Vacation	1,318,921	25.50	344.83	(319.33)	(0.87)	(1,150,740)
3	Sibley Coal	13,816,847	25.50	17.39	8.11	0.02	306,160
4	Jeffrey Coal	5,564,764	25.50	16.64	8.86	0.02	134,710
5	Iatan - Coal	8,355,432	25.50	43.69	(18.19)	(0.05)	(415,183)
6	Lake Road - Coal & Freight	3,785,615	25.50	20.37	5.13	0.01	53,061
7	Purchased Gas and Oil	1,985,698	25.50	39.83	(14.33)	(0.04)	(77,769)
8	Purchased Power	17,831,214	25.50	34.50	(9.00)	(0.02)	(438,472)
9	Injuries & Damages	175,501	25.50	31.45	(5.95)	(0.02)	(2,853)
10	Pension Expense	4,594,748	25.50	51.74	(26.24)	(0.07)	(329,416)
11	OPEB Expense	995,975	25.50	178.44	(152.94)	(0.42)	(416,187)
	Cash Vouchers	40,206,323	25.50	30.00	(4.50)	(0.01)	(494,340)
12	<b>Total Operation &amp; Maintenance Expense</b>	<b>116,266,636</b>					<b>(2,269,871)</b>
<b>Taxes</b>							
13	FICA Taxes - Employer's	1,625,983	25.50	13.63	11.87	0.03	52,733
14	City Franchise Taxes	4,051,611	10.25	38.63	(28.38)	(0.08)	(314,166)
15	Corporate Franchise Taxes	128,817	10.25	(76.00)	86.25	0.24	30,356
16	Ad Valorem/Property Taxes	5,438,543	25.50	182.07	(156.57)	(0.43)	(2,326,537)
17	<b>Total Taxes</b>	<b>11,244,954</b>					<b>(2,557,613)</b>
18							
<b>Other Expenses</b>							
	Sales Taxes	3,462,369	10.25	22.00	(11.75)	(0.03)	(111,155)
19	<b>Total Other Expenses</b>	<b>3,462,369</b>					<b>(111,155)</b>
20							
<b>Tax Offset From Rate Base</b>							
21	Current Income Taxes-Federal	(2,295,223)	25.50	45.63	(20.13)	(0.06)	126,237
22	Current Income Taxes-State	(409,861)	25.50	45.63	(20.13)	(0.06)	22,542
	<b>Interest Expense</b>	<b>12,897,934</b>	25.50	86.55	(61.05)	(0.17)	(2,151,418)
		<b>10,192,850</b>					<b>(2,002,638)</b>
	<b>Total Cash Working Capital Requirement</b>	<b>141,166,808</b>					<b>(6,941,278)</b>

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As MPS**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Cash Working Capital**

Line No.	Account Description	(Elec-Juris)	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/365)	CWC Req (B) X (F)
		Test Year Expenses					
	A	B	C	D	E	F	G
<b><u>Operations &amp; Maintenance Expense</u></b>							
1	Net Payroll	41,900,490	25.50	13.85	11.65	0.03	1,333,718
2	Accrued Vacation	3,245,841	25.50	344.83	(319.33)	(0.87)	(2,831,952)
3	Sibley - Coal & Freight	47,333,108	25.50	17.39	8.11	0.02	1,048,713
4	Jeffrey - Coal	18,989,443	25.50	16.64	8.86	0.02	459,529
5	Iatan 2 - Coal	24,940,171	25.50	43.69	(18.19)	(0.05)	(1,239,513)
6	Lake Road - Coal	9,598,503	25.50	20.37	5.13	0.01	134,536
7	Purchased Gas & Oil	6,560,901	25.50	39.83	(14.33)	(0.04)	(256,956)
8	Purchased Power	53,901,882	25.50	34.50	(9.00)	(0.02)	(1,325,456)
9	Injuries & Damages	843,259	25.50	44.27	(18.77)	(0.05)	(43,246)
10	Pension Expense	11,149,284	25.50	51.74	(26.24)	(0.07)	(799,337)
11	OPEBs	3,373,053	25.50	178.44	(152.94)	(0.42)	(1,409,494)
12	Cash Vouchers	138,113,271	25.50	30.00	(4.50)	(0.01)	(1,698,114)
13	<b>Total Operation &amp; Maintenance Expense</b>	<b><u>359,949,208</u></b>					<b><u>(6,627,571)</u></b>
<b><u>Taxes</u></b>							
14	FICA Taxes - Employer's	3,952,178	25.50	16.50	9.00	0.02	97,185
15	City Franchise Taxes - 6%	4,033,663	10.25	68.29	(58.04)	(0.16)	(639,655)
16	City Franchise Taxes - 4%	1,349,331	10.25	36.60	(26.35)	(0.07)	(97,144)
17	City Franchise Taxes - Other Cities	26,088,262	10.25	45.92	(35.67)	(0.10)	(2,542,536)
18	Corporate Franchise Taxes	580,244	10.25	(77.50)	87.75	0.24	139,116
19	Ad Valorem/Property Taxes	17,350,618	25.50	188.36	(162.86)	(0.44)	(7,720,551)
20	<b>Total Taxes</b>	<b><u>53,354,294</u></b>					<b><u>(10,763,586)</u></b>
<b><u>Other Expenses</u></b>							
21	Sales Taxes	15,378,150	10.25	22.00	(11.75)	(0.03)	(493,697)
22	<b>Total Other Expenses</b>	<b><u>15,378,150</u></b>					<b><u>(493,697)</u></b>
<b><u>Tax Offset From Rate Base</u></b>							
23	Current Income Taxes-Federal	5,037,600	25.50	45.63	(20.13)	(0.06)	(277,068)
24	Current Income Taxes-State	791,623	25.50	45.63	(20.13)	(0.06)	(43,539)
25	Interest Expense	37,978,261	25.50	86.55	(61.05)	(0.17)	(6,334,898)
26	<b>Total Offset from Rate Base</b>	<b><u>43,807,484</u></b>					<b><u>(6,655,506)</u></b>
27	<b>Total Cash Working Capital Requirement</b>	<b><u>472,489,136</u></b>					<b><u>(24,540,361)</u></b>

**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As L&P Electric**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Allocation Factors**

		12/31/10		
		Electric	Steam	Total
<b><u>Electric/Steam Allocation Factors</u></b>				
1	Electric - 100%	100.000 %	0.000 %	100.000 %
2	Steam - 100%	0.000 %	100.000 %	100.000 %
3	Allocated Plant Base Factor	94.158 %	5.842 %	100.000 %
4	Land Factor	74.961 %	25.039 %	100.000 %
5	Structures Factor	74.961 %	25.039 %	100.000 %
6	Boiler Plant Factor	63.166 %	36.834 %	100.000 %
7	Turbogenerators Factor	99.940 %	0.060 %	100.000 %
8	Access Elec Eqpt Factor	74.961 %	25.039 %	100.000 %
9	Misc Steam Gen Eqpt Factor	47.600 %	52.400 %	100.000 %
10	Electric/Steam Plant Factor	74.961 %	25.039 %	100.000 %
11	900 lb Steam Demand Factor	47.600 %	52.400 %	100.000 %
12	Total Coal Burned Factor	75.436 %	24.564 %	100.000 %
<b><u>Income Statement Allocation Factors (Elec/Steam)</u></b>				
13	Electric After Steam Alloc (O&M)	82.870%	17.130%	100.000%
14	Electric After Steam Alloc (A&G)	91.727%	8.273%	100.000%



**KCP&L Greater Missouri Operations Company**  
**For All Territories Served As MPS**  
**TY 9/30/11; Update TBD; K&M 8/31/12**  
**2012 RATE CASE - Direct Filing**

**Allocation Factors**

Line No.	Jurisdiction Factors	2010		Total
		Retail	Wholesale	
	A	B	C	D
1	Jurisdictional-100%	100.000%	0.000%	100.000%
2	Non-jurisdictional-100%	0.000%	100.000%	100.000%
3	Demand (Capacity) Factor	99.486%	0.514%	100.000%
4	Energy Factor	99.359%	0.641%	100.000%
5	Distribution Factor	99.505%	0.495%	100.000%
6	Payroll Factor	99.474%	0.526%	100.000%
7	Plant Factor	99.493%	0.507%	100.000%
8	Transmission Factor	99.486%	0.514%	100.000%