Exhibit No.:
Issue: Payroll, Incentive Compensation, Maintenance, Bad Debt Expense and Late Payment Fees, Dues and Donations, Credit Card Fees, Accounts Receivable Bank Fees, ERPP, Income Eligible Weatherization, DSM Cost Recovery Pre-MEEIA Opt-Outs, DSM Cost Recovery, AllConnect, Jurisdictional Allocations, Severance Payments, Cost Allocation Manual, Expense Trackers in Rate Base, SERP, Amortization of Depreciation Study, Management Expenses, Greenwood Solar Facility

Witness: Ronald A. Klote
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2016-0285
Date Testimony Prepared: December 30, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
December 2016

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REBUTTAL TESTIMONY OF

RONALD A. KLOTE

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2016-0285

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

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

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

A: I am employed by Kansas City Power & Light Company ("KCP&L" or the "Company") as Director, Regulatory Affairs.

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

A: I am testifying on behalf of KCP&L.

Q: **Are you the same Ronald A. Klote who filed Direct Testimony in this proceeding?**

A: Yes, I am.

Q. **What is the purpose of your rebuttal testimony?**

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

1. Payroll

2. Incentive Compensation
3. Maintenance
4. Bad Debt Expense and Late Payment Fees
5. Dues and Donations
6. Credit Card Fees
7. Accounts Receivable Bank Fees
8. ERPP
9. Income Eligible Weatherization
10. DSM Cost Recovery Pre-MEEIA Opt-Outs
11. DSM Cost Recovery
12. AllConnect
13. Jurisdictional Allocations
14. Severance Payments
15. Cost Allocation Manual
16. Expense Trackers in Rate Base
17. SERP
18. Amortization of Depreciation Study
19. Management Expenses
20. Greenwood Solar Facility

PAYROLL

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

A: For the most part Staff was in agreement and followed the methodology used by the Company in its calculation of payroll and payroll related benefits adjustments. Yet, there was one significant difference that was identified in the calculation that the Company takes exception. Staff did not remove the labor associated with employees who supported and directly assigned time to the Missouri Energy Efficiency Investment Act ("MEEIA") programs.

Q: First, what is the Company's position regarding the labor associated with MEEIA employees included in the payroll annualization adjustment?

A: The Company has removed 12 positions from the base salary level that are 100% dedicated to the MEEIA programs and one position that is 50% dedicated to the MEEIA programs since these costs are to be recovered through the DSIM Rider which was approved in Case No. EO-2015-0240. The positions include the following:

- 2 Sr. Marketing Communications Specialists
- Market Research Analyst
- DSM Planning Consultant
- Evaluation Measurement Manager
- Product Specialist I
- Product Manager II
- Sr. Manager Products and Services
- Product Manager I

- 3 Sr. Project Managers
- Sr. Projects Director

All of these positions are 100% dedicated to the DSIM Program except for the Sr. Projects Director whose salary was removed at the 50% level.

Q: What is Staff's reason for leaving the MEEIA labor in the Payroll Annualization?

A: The Staff claims that the Company is shifting the cost recovery risk to the customer by trying to recover labor through the DSIM Rider, which also creates a risk of double recovery if labor is recovered through the DSIM Rider without any safe guards to prevent such activity. In addition, Staff claims that the DSIM Rider doesn't specifically list labor as a program cost for recovery.

Q: Does the Company agree with Staff's arguments?

A: No, the Company believes it is appropriate to recover directly assigned labor associated with the MEEIA programs as part of the program costs in the DSIM Rider and has recovered program labor in previous DSIM Riders. On page 53 of the MEEIA Cycle 2 2016-2018 Filing made on August 28, 2015 the following definition of Program Costs is included:

> Program Costs- The Plan includes MEEIA Programs' costs of $50,065,616 which are based on the planned budgets for the 18 MEEIA Programs (9 residential, 8 business and the Research & Pilot program) to be delivered over approximately 36 months beginning January 1, 2016 and ending December 31, 2018. Consistent with the MEEIA rules, actual program costs will include the incremental cost of planning, developing, implementing, monitoring, and evaluating demand-side programs. **In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for incremental consultants, employees and administrative expenses, will be included in the program costs.** General administrative costs will be included on the basis of the estimated budget for each program. Indirect costs associated with DSM programs, including but not limited to costs of a market potential study, advertising, and/or the Company's portion of a statewide technical resource manual, will be included in the program costs.

This Cycle 2 filing was approved by the Commission in the Order Approving Second Stipulation and Agreement in Case No. EO-2015-0240 on April 6, 2016.

Q: How does the Company address Staff's contention that the Company has shifted the cost recovery to the customer?

A: The Company disagrees with Staff's contention. First, let me explain more clearly how the Company has computed the MEEIA labor adjustment included in the payroll annualization calculation. The employees that are assigned to administer the MEEIA programs included in the DSIM rider directly charge their time to account 908500 and assign their time to specific MEEIA projects that are included in the DSIM Rider. These individuals have been identified in this rate case and their base salary has been excluded from the Payroll Annualization adjustment.

Q: Does the Company's approach in handling the MEEIA labor adjustment align the costs to administer the MEEIA programs and the cost recovery mechanism established for the MEEIA programs?

A: Yes. By including the directly assigned costs that have been identified to administer the MEEIA programs and assigning those specific costs to the MEEIA programs for cost recovery the Company is correctly aligning the administration costs of the MEEIA programs to be accurately tracked and recovered.

Q: Are there safeguards in place associated with the charging of labor to the MEEIA programs?

A: Yes. There are several safeguards in place that help ensure that any and all costs included in the MEEIA program costs are appropriately managed and limited. First, in MEEIA rule 4 CSR 240-3.163 (2) subsections (D, E, F) when an electric utility files to establish a DSIM, several requirements exist that require the Company to: provide a complete explanation of all the costs that shall be considered for recovery under the proposed DSIM, estimate the effect of the DSIM (including costs) on customer rates and average bills for the next 5 years, and the estimate the effect of the DSIM on the utility's earnings and key credit metrics for the next 3 years. These requirements (including all costs) are all subject to review by all intervenors before approval by the Commission and to the extent there are issues, will likely be addressed before final Commission approval. Second, at the time of the application and throughout the duration of the approved MEEIA DSIM, MEEIA rule 4 CSR 240-3.164 (2) (B) requires demonstration of cost-effectiveness for each demand-side program and for the total of all demand-side programs of the utility. This means that that Company must demonstrate, utilizing the Total Resource Cost (TRC) test, which demonstrates the relationship between costs and benefits of a program, that a program's benefits exceed the associated cost. Third, once a MEEIA DSIM is approved, semi-annual requirements under MEEIA rule 4 CSR 240-20.093 (4) require the Company to file tariffs and supporting documentation that supports adjustments of the DSIM rates, which include all costs associated with MEEIA programs and is subject to MPSC Staff review. Fourth, all MEEIA programs are subject to Evaluation, Measurement, and Verification (EM&V) by an independent contractor according to MEEIA rules 4 CSR 240-20.093 (7) and 4 CSR 240-3.163 (7). The resulting EM&V report will include a demonstration of cost-effectiveness for each program. Since MEEIA rules generally only allow recovery of costs for cost-effective programs, any time the Company's program fails the TRC, it would be required to modify the program to make it cost beneficial or discontinue it. Fifth, after the approval of a MEEIA DSIM, the Company is subject to annual reporting requirements under MEEIA rule 4 CSR 240-3.163 (5) and is required to file a comparison of actual and budgeted program cost, including explanation of any variance of 10% or more. Sixth, under MEEIA rule 4 CSR 240-20.094 (4), should the Company exceed their 3 year budget by 20% or more, the Company will be required to file a modification to the DSM programs. This filing would be subject to Commission approval or denial. Seventh, the Company hosts a quarterly DSM Advisory Group (DSMAG) meeting with stakeholders that provides an update as to progress made on a portfolio and program basis against savings goals. This discussion also includes review of all program costs compared against budgets and monitoring of cost-effectiveness for each program. Lastly, according to MEEIA rule 4 CSR 240-20.093 (10), the Company is subject to a prudence review/audit, performed by MPSC Staff, of all costs included in the DSIM. Should the Staff find costs to be imprudent or otherwise problematic, their report would outline these. So, given this exhaustive list of cost controls and safeguards and the requirement for all programs to be cost-effective, it is crucial that all costs of MEEIA programs be considered. In order to determine cost-effectiveness, all costs of the program must be included which would include internal labor because these employees are 100% dedicated to the DSIM programs.

Q: **Does the Commission Staff review both the payroll adjustment included in rate case proceedings and the payroll that is requested for recovery as part of the DSIM Rider providing additional safeguards?**

A: Yes. As a part of any rate case proceeding, detailed payroll records are requested by the Commission Staff and reviewed by them in order to determine the appropriateness of the payroll annualization included in a rate case filing. In addition, as discussed above there are multiple review points by Commission Staff to review the program costs that are submitted as part of the DSIM rider program. These two exhaustive processes include the appropriate amount of safeguards to ensure that no double recovery of payroll exists. KCP&L has identified the positions and has assigned the appropriate costs to administration of the MEEIA programs which are under the review of Commission Staff.

Q: Why is it an important customer protection for MEEIA labor costs to be recovered in the DSIM rider as opposed to recovery in rates?

A: On page 10 of the Report and Order in Case No. EO-2015-0240, the Company was granted approval to include in their Cycle 2 tariff sheets the following:

> KCP&L/GMO reserves the right to discontinue the entire MEEIA Cycle 2 portfolio, if KCP&L/GMO determines that implementation of such programs is no longer reasonable due to changed factors or circumstances that have materially negatively impacted the economic viability of such programs as determined by KCP&L/GMO, upon no less than thirty days' notice to the Commission.

This clause is a good example of why it is very important to link the labor recovery to administer the MEEIA programs with the DSIM rider as opposed to keeping all KCP&L labor in base rates. In the event that this clause was executed and KCP&L were to discontinue the MEEIA Cycle 2 programs, under Staff's proposal in this rate case customers would be negatively impacted due to the fact that they would still be paying for 12 positions that supported the MEEIA programs in base rates even though the MEEIA programs were no longer in existence. In the Company's proposal, the 12 positions would not be included in base rates and when the MEEIA programs concluded the labor associated with these 12 positions would no longer be charged to customers. The Company proposal is linking the MEEIA labor costs to the programs it administers and recovery of those costs are included in the DSIM rider that has been established to recover such administration costs.

Q: In the recently completed KCP&L GMO Case No. ER-2016-0156 what was Staff's position regarding MEEIA labor and its inclusion in base rates?

A: On page 110 of Staff's Revenue Requirement Cost of Service Report in Case No. ER-2016-0156 Staff states the following:

> It is also necessary to remove an amount of payroll that is recovered outside of base rates. In GMO's case, payroll is charged to, and subsequently recovered from, ratepayers via the Missouri Energy Efficiency Investment Act ("MEEIA") rider. Both KCPL and GMO have a MEEIA rider currently in effect. Staff examined the amount of payroll historically charged to the MEEIA recovery mechanism and normalized the monthly costs during the period of January 1, 2015 through May 31, 2016. After obtaining a normalized monthly cost, Staff annualized the cost for a 12-month period and removed the annualized amount from KCP&L's total company labor.

This approach, in essence is the approach that the Company has proposed in this rate case. Staff's approach in this rate case is simply contrary to the approach that Staff took in a rate case that was concluded with rates to be effective February 22, 2017. Staff's approach would create a significant inconsistency in labor reporting between KCP&L and GMO and is creating a needless inconsistent complexity between the two jurisdictions.

Q: Should the Commission accept Staff's position regarding the elimination of the Company's MEEIA labor adjustment in the payroll annualization calculation?

A: No. The Company believes the assignment of MEEIA program administration costs to the MEEIA programs appropriately aligns cost recovery. As discussed previously, there is an exhaustive amount of safeguards that are built into the rate case process and the DSIM rider recovery process that enable Commission Staff to ensure appropriate recovery of labor dollars. The Commission should not accept Staff's adjustment to the payroll annualization calculation in this area.

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

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

INCENTIVE COMPENSATION

Q: Please describe the Company's incentive compensation plans?

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

Q: What is Staff's position regarding incentive compensation included in this rate case proceeding?

A: Staff included as part of its revenue requirement calculation a three year average of short term incentive compensation expense based on past incentive plans for the years 2012, 2014 and 2015 for both the ValueLink and AIP plans. Their incentive adjustment calculation did not include any incentive payments that were based on prior year plans that included earning per share (EPS) metrics. This was due in part to the fact that some plan years did not include an EPS payout due to pre-established goals not being met in the plan year and also due to the fact that Staff eliminated the EPS payout component in the plan year where goals were achieved.

Q: What is the Company's position regarding incentive compensation included in this case?

A: The Company in its direct filing included an incentive adjustment calculation that is aligned with the December 31, 2016 true-up period in this rate case proceeding for both the ValueLink and AIP plans. This period is more appropriate to base short-term incentive compensation costs on since it includes the full 2016 calendar year current plans that the Company is operating under. The Company has established 2016 Incentive Compensation plans that are in effect from January 1, 2016 to December 31, 2016. It eliminates the need to analyze past incentive plans that Staff has adjusted since they included components that Staff had disagreements in allowing recovery. The 2016 ValueLink Plan for non-union/non-executive employees has been restructured to not include metrics associated with EPS.

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

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

Q: Please explain the changes that were made to the Officers AIP incentive plan in 2016 from prior years?

A: The following changes were made to the 2016 AIP Plan from prior plans:

- EPS component decreased to 50%
- DART (Days Away, Restricted or Transferred) component was replaced with Safety Audits & Training
- Equivalent Availability % for Coal Units was increased to 10%
- JD Power Customer Satisfaction Index added
- Energy Value Chain Investment added
- Every Corporate Scorecard measure has a ValueLink weighting

Q: Did the Company in this rate case filing remove the metrics that were tied to EPS which were included in the Officers AIP incentive plan and not request recovery?

A: Yes. The Company calculated a target (100% average) payout percentage based on each Officer's base salary at June 2016, and then removed 70% of that amount as the piece of the 2015 AIP Plan that was tied to EPS.

Q: What changes did the Company make to the 2016 ValueLink short term incentive plan?

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

- **Company Financial Component – 25%**
  - Non-Fuel Operations and Maintenance Costs ("NFOM") 25%
- **Company Operational Component – 50%**
  - Safety Audits & Training 15%
  - EAF - % Equivalent Availability 10%
  - SAIDI (system wide reliability in minutes) 10%
  - JD Power Customer Satisfaction Index 10%
  - Non-utility investment across Energy Value Chain 5%
- **Individual Component – 25%**

  The changes that occurred from the prior years' plans included the following:
  - Financial component decreased to 25% while Operational component increased to 50%
  - EPS dropped from financial component (replaced by Non-Fuel Operations and Maintenance Costs) or (NFOM)
  - JD Power Customer Satisfaction Index added
  - Energy Value Chain Investment added
  - Every Corporate Scorecard measure has a ValueLink weighting

The 2016 ValueLink Plan document is attached as Schedule RAK-10.

Q: Are there any changes from the Company's Direct filed position in this rate case that the Company would like to make regarding the 2016 incentive plan year?

A: Yes. There is one change. As part of the Company's operational goals is a 5% targeted metric associated with making non-utility investments across the Energy Value Chain. This goal is not targeted at benefitting operations of the regulated utility. As such, in the Company's true-up incentive calculation the Company will only include 95% of target to be applied to base salary information at December 31, 2016.

Q: Please explain the range of possible payouts that are included in the incentive compensation calculation?

A: The ValueLink incentive compensation plan has a range of possible payouts between 0% and 150% based on the performance in each of the metrics categories listed above. In any plan year, the target payout percentage is structured to achieve a 100% payout if target metric goals are met. Yet, the payouts can vary above or below this 100% payout in any given plan year. In the same fashion, the Officers AIP plan has a range of possible payouts between 0% and 200% based on the performance in its stated metrics.

Q: Were there incentive plan payouts for the ValueLink Plan in recent years that ranged above and below this target percentage?

A: Yes. The 2013 ValueLink plan year payout was above the target percentage in the Financial component (150%) but the Operational component was lower than target (70%). The 2014 ValueLink plan year payout came in below target for the Financial component (0%) and also the Operational component was below target as well (65.4%). The 2015 ValueLink plan year payout was below target for Financial (75%) but was above target for the Operational piece (104%).

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

A: For the ValueLink Plan, the Company annualized incentive compensation based on a target (100% average) payout percentage multiplied by the December 2015 base salary in the Company's Direct filing, and then updated to the June 2016 base salary in the Company's Cut-Off calculation for all management employees. For the Officers AIP Plan, the Company also utilized target (100% average) percentages applied to the December 2015 base salary in the Company's Direct filing, and then updated to the June 2016 base salary in the Company's Cut-Off filing for officers, however, the Company conservatively excluded an amount related to the EPS metric (70% in this case). The Company expects to true these amounts up to December 2016 base salary for both plans during the true-up phase of this case. In addition, as discussed above, the Company will only include 95% as the payout percentage to account for the non-utility metric goal that was established at 5% of the total payout.

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

A: As described above for the ValueLink plan, each management employee may receive from 0% to 150% of the target amount based on achievement of Company Financial, Company Operational, and Individual Component Objectives. The Company in its incentive annualization calculation used the target percentage of 100% to apply to base salaries. This design, in effect, utilizes an averaging component because a maximum or minimum amount of achievement of all objectives is not a guarantee. Thus, in some years amounts greater than 100% will be paid out and in other years amounts less than 100% will be paid out as incentive compensation expense. The Company by using the target 100% rate is already incorporating an averaging component into the incentive compensation calculation. The same methodology can be applied to the Officers AIP plan since it also includes a possible range of payouts between 0% to 200% that can be achieved. Secondly, Staff's incentive compensation calculation is attempting to use an averaging technique for plan years that are not comparable to the 2016 incentive compensation plans for both ValueLink and AIP. Staff's calculation does not provide an "apples to apples" comparison year over year. Components of the incentive plan years in 2012, 2014 and 2015 are not part of the current ValueLink incentive plan document. By not using an applicable comparison in its averaging calculation, Staff is artificially minimizing the incentive cost calculation by reducing the financial component by using plan years that contained the EPS component and eliminating its impact. The Company has eliminated the EPS component from its incentive compensation calculation for the ValueLink and AIP plans, and going forward rates should be set on targets that closely align with the true-up phase in this case. The Company's restructuring of its current ValueLink incentive compensation program includes metrics that will benefit customers by having solid employee performance to achieve the incentive plans objectives.

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

A: The Commission should include the Company's target incentive payout (less the EPS metric for the Officers AIP) that the Company has proposed as a true reflection of the level of ongoing incentive expense to the Company. This calculation already includes an averaging component by utilizing the target payout of 95% to be applied to base salary amounts. The Company has removed the EPS component of the ValueLink Plan for the 2016 plan year. Thus, averaging prior year plans that included the EPS component should be rejected by the Commission.

MAINTENANCE

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

A: Staff states in its Revenue Requirement Cost of Service Report that they analyzed maintenance costs from 1999 through June 30, 2016 and arrived at the following adjustment methods by category (pp. 103 to 105 of Staff's Report):

- Steam Production — 12-Month Test Year Ended December 31, 2015
- Other Production — 12-Month Test Year Ended December 31, 2015
- Transmission — 12-Month Test Year Ended December 31, 2015
- Distribution — 12-Month Test Year Ended December 31, 2015
- General — 12-Month Test Year Ended December 31, 2015

In addition, Staff states on p. 104 of the Staff Report that Staff will review non-labor maintenance expense again during the true-up phase of this case.

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

A: The Company in its direct filed case requested 2016 budget amounts be included as part of the cost of service in this case with the expectations that budget amounts would be replaced with actuals at the true-up in this rate case. The Staff has stated 2016 actual maintenance amounts will be reviewed at the true-up phase of this rate case proceeding. The Company is in agreement with this approach.

BAD DEBT EXPENSE AND LATE PAYMENT FEES

Q: Please discuss the bad debt issue.

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

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

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

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

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

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

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

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

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

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

A: Yes. Assume a customer currently has an average monthly bill of $100 and that the customer is in arrears. Assume for illustrative purposes that rates increase 7%, resulting in this customer's bill now being $107. If that customer has been delinquent in paying his/her monthly $100 bills he/she will more than likely be delinquent paying a $107 bill; therefore, bad debt write-offs increase as a result of the rate increase approved.

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

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

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

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

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

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

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

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

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

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

DUES AND DONATIONS

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

A: Staff made adjustments for membership dues that the Company has paid that they propose fall into four categories. They include the following:

1. The expenses are involuntary ratepayer contributions of a charitable nature;
2. The expenses are supportive of activities which are duplicative of those performed by other organizations to which the Company belongs or pays dues;
3. The expenses are associated with active lobbying activities which have not been demonstrated to provide any direct benefit to the ratepayers; or
4. The expenses represent costs of other activities that provide no benefit or increased service quality to the rate payer.

Staff also removed a portion of EEI dues that are recorded above-the-line claiming that the Company failed to identify any benefit to the ratepayers from participation in EEI.

Q: What does Staff go on to say in testimony?

A: Staff goes on to say that in the first criteria listed above which is associated with the charitable contributions that the Company has accurately recorded these costs below the line and have not asked for recovery of these costs in their revenue requirement calculation.

Q: Does the Company agree with this?

A: Yes, except for the additional charitable donations listed below in my testimony the Company agrees that charitable contributions are appropriately recorded below the line on the Company's books and records.

Q: How does Staff conclude their Dues and Donations testimony?

A: In very limited testimony, Staff only states the following on page 112 of their Revenue Requirement Cost of Service Report:

> "While Staff recognizes the importance of charitable contributions, donations such as those that do not provide any direct benefit to ratepayers and are not necessary for the provision of safe and adequate service should be excluded from KCPL's revenue requirement. In addition, recovery in rates of donations made by regulated utilities would constitute an involuntary contribution on behalf of the rate-paying customer, and thus, those donations were excluded from the Company's revenue requirement."

Staff then provided a list of organizations that they assert apparently fit into categories 2, 3 or 4 from the list above and disallowed those costs from the Company's revenue requirement calculation. The workpaper provided by Staff does not explain why Staff believes those dues fall into categories 2, 3 or 4 listed above. The Company is left to speculate which categories the disallowance falls into.

Q: Does the Company agree with these adjustments?

A: No. It is very difficult to discern why each of the organizations have been disallowed and Staff's testimony continues to refer to the payments as donations and not dues. The Company only agrees with a limited number of organizations that were listed.

Q: What is the Company's response to the dues disallowance proposed by Staff?

A: The Company has taken the list of organizations provided by Staff and categorized the list into four categories. They are as follows:

1. Dues paid to economic development agencies and chambers of commerce.
2. Dues paid to energy associations and other regulatory groups.
3. Dues paid to environmental groups that conserve and protect natural resources.
4. Dues paid in support of regional tourism facilities.

These membership dues should be a part of a utilities cost of service to continually improve and be a good community corporate citizen. The testimony of Company witness Elizabeth Danforth provides a discussion on each of these four categories of the benefits to KCP&L and its ratepayers.

Q: Were there dues listed on Staff's schedule that the Company would agree are charitable contributions?

A: Yes. Listed on Staff's dues and donations workpaper are contributions that the Company would consider charitable contributions and should not be included in the Companies cost of service. These include contributions to the following organizations:

- Boys and Girls Clubs
- Bridging the Gap Inc.
- Nonprofit Connect

- Boston College
- University of Missouri

Contributions to these organizations should be eliminated from the Company's cost of service.

Q: Has Staff reached farther in their disallowance calculation associated with Company dues than what they have in previous cases?

A: Yes they have and Staff has provided little explanation as to why. Staff has made dues and donations adjustments in recent cases. First, the following is Direct Testimony from Staff witness Prenger in KCP&L's rate case in Case No. ER-2012-0174:

> *Staff included all dues payments made by KCPL to each area's Chamber of Commerce, but removed the state-level Chamber of Commerce. Allowing Chamber fees for individual cities or the state-level Chamber, but not both, is consistent with how Staff has treated Chamber fees for utility companies in past cases (page 137).*

In KCP&L's last rate case ER-2014-0370 Staff witness Molina states the following:

> *Staff reviewed the list of membership dues paid and donations made to various organizations that KCPL charged to its utility accounts during the test year. Staff removed costs in which it considers the expenses to be of a personal nature to a KCPL employee or of no direct benefit to the ratepayers and, thus, should not be included in a utility's cost of service (page 121).*

Staff's adjustment in KCP&L rate case ER-2014-0370 was consistent with this testimony in that there were three items adjusted out totaling $6,000.00 in the corrected adjustment E222.2. The three items were:

EEI – Spare Transformer Equipment Program

EEI – Avian Power Line Interaction Dues

Kemper Museum of Contemporary Art

In adjustment E195.8 $23,047 of miscellaneous dues were disallowed and finally in adjustment E222.6 $72,399 of MEDA dues were disallowed.

Staff did not adjust out State Chamber of Commerce dues.

Q: Did Staff provide any explanation for their change of approach in this rate case proceeding in their Revenue Requirement Cost of Service Report?

A: No. Staff simply listed three broad categories of reasons to disallow dues and then provided a list of organizations that Staff has chosen to now disallow, despite many dues to organizations that the Company has participated in and been included in their cost of service in past cases.

Q: Staff also eliminated dues associated with the Edison Electric Institute ("EEI"). What is EEI?

A: EEI is the association that represents all U.S. investor owned electric utilities. EEI is more fully explained and the benefits of participation in this organization are included in the Rebuttal Testimony of Company witness Elizabeth Danforth.

Q: In Staff's testimony, do they point to a previous case in which the Commission provided guidance on how to handle EEI dues?

A: Yes. On page 113 in Staff's Revenue Requirement Cost of Service Report Staff includes the following excerpt from a rate case filed in the 1980's:

> In Case Nos. EO-85-185 and EO-85-224, KCPL rate cases the Commission stated in its Report and Order regarding the need for the utility to allocate EEI benefits between ratepayers and shareholders:
>
> ... The argument that allocation is not necessary if the benefits lessen the cost of service to the ratepayers by more than the cost of the dues, misses the point.
>
> It is not determinative that the quantification of benefits to the ratepayer is greater than the EEI dues themselves. **The determining factor is what proportion of those benefits should be allocated to the ratepayer as opposed to the**

shareholder. It is obvious that the interests of the electric industry are not consistently the same as those of the ratepayers. The ratepayers should not be required to pay the entire amount of EEI dues if there is benefit accruing to the shareholders from EEI membership as well. The Commission finds this to be the case. The Company has been informed in prior rate cases that it must allocate its quantified benefits from membership in EEI. That has not been done herein. Therefore, no portion of EEI dues will be allowed in this case.

Q: Has the company already allocated some of the EEI dues below the line attributing them to shareholders and excluded those costs from the revenue requirement calculation?

A: Yes. The Company records approximately 21% of the EEI annual membership dues invoice below the line. This represents the portion of time that EEI is engaged in lobbying activities for the electric utility industry. This percentage is based off of the invoice that is received from EEI on an annual basis which separates out any amounts that are related to lobbying activities. As such, the Company has already eliminated costs that should not be charged to ratepayers. This is consistent with what the Commission stated in its Report and Order in Case Nos. ER-85-185 and EO-85-224. The Company has adhered to the guidance provided by this previous Commission Order and has allocated EEI dues between the ratepayers and shareholders.

Q: Should Staff's EEI adjustment and dues and donations disallowance be accepted by the Commission?

A: No. As more fully described in Company witness Danforth's Rebuttal Testimony, the EEI membership dues provide access to services that assist the Company in providing more reliable and efficient services and provide benefits to KCP&L ratepayers. The costs associated with lobbying benefit only shareholders are already recorded below the line during the test year and not included in the cost of service for this rate case. Staff's attempt to eliminate the beneficial costs of EEI should be rejected by this commission.

CREDIT CARD FEES

Q: What is Staff's position regarding credit card fees expense included in this rate case?

A: In Staff's credit card fee adjustment, Staff took the actual number of transactions that occurred for July 2015 to June 2016 and multiplied this by a unit price. This unit price was a calculation of averaging each of the 8 month's actual unit price for January 2016 through August 2016.

Q: Do you agree with Staff's calculation of the number of transactions?

A: No. Staff's witness mentions in the Cost of Service Report that "Participation is projected to increase into the future as more customers become aware of this program." Staff's annualized number of transactions is simply the actual number of transactions from July 2015 to June 2016 which ignores the trend of greater customer participation into the future that happened during the test year and update periods.

Q: What is the Company's position regarding credit card fees expense included in this case?

A: The Company annualized fees using April 2016 data in their Direct filing and June 2016 data in the updated adjustment. This was done to give recognition to the trend which Staff has agreed is occurring which provides that as customers become aware of this program there has been a continued increase in participation. Therefore, annualizing as the Company has done in their credit card fee adjustment based on the latest period's customer participation data is a better indication of future costs that will be incurred associated with the program. The Company would recommend that credit card fee expense be updated with the latest data available through December 31, 2016 in this rate case proceeding.

ACCOUNTS RECEIVABLE BANK FEES

Q: What is Staff's position regarding accounts receivable bank fees included in this case?

A: Staff included in its cost of service the annual level of accounts receivable bank fees for the 12 month period from July 2015 to June 2016.

Q: Does the Company agree with Staff's position regarding Accounts Receivable Bank Fees?

A: No. Staff has not considered fully the changes in rate components that have occurred subsequent to the test year in this rate case.

Q: Please explain the components of the Accounts Receivable Bank Fees?

A: As explained in my direct testimony there are three separate components that drive the Account Receivable bank fees cost. They are 1) a monthly Commercial Paper interest rate ("CP Rate"), applicable to the monthly advance amount of $110 million established in the accounts receivable sales agreement renegotiated in September 2015; 2) a monthly Program Fee Rate (currently 60.0 bps) applicable to the monthly advance amount of $110 million; 3) a monthly Commitment Fee based upon a fee rate of 22.5 bps applicable to the unused portion of the advance amount.

Q: Have changes occurred in these rates since the beginning of the test year?

A: Yes. Specifically in the CP Rate. Please reference the chart below.

	CP Rate	Prog Fee	Commit Fee
Jan-15	0.20341%	0.625%	0.225%
Feb-15	0.20447%	0.625%	0.225%
Mar-15	0.20460%	0.625%	0.225%
Apr-15	0.20517%	0.625%	0.225%
May-15	0.20615%	0.625%	0.225%
Jun-15	0.21221%	0.625%	0.225%
Jul-15	0.22052%	0.625%	0.225%
Aug-15	0.22935%	0.625%	0.225%
Sep-15	0.24589%	0.607%	0.225%
Oct-15	0.26713%	0.600%	0.225%
Nov-15	0.27860%	0.600%	0.225%
Dec-15	0.35039%	0.600%	0.225%
Jan-16	0.49205%	0.600%	0.225%
Feb-16	0.54328%	0.600%	0.225%
Mar-16	0.54863%	0.600%	0.225%
Apr-16	0.54092%	0.600%	0.225%
May-16	0.54207%	0.600%	0.225%
Jun-16	0.54882%	0.600%	0.225%
Jul-16	0.58622%	0.600%	0.225%
Aug-16	0.63001%	0.600%	0.225%
Sep-16	0.76551%	0.600%	0.225%
Oct-16	0.88692%	0.600%	0.225%
Nov-16	0.87573%	0.600%	0.225%

Q: **Does Staff's annualization calculation adequately address the increased CP Rate that has occurred since the beginning of the test year in this case?**

A: No. Staff used fees from the 12 month period July 2015 to June 2016. The CP Rate averaged 0.40064% during this time. The current rate at the end of June 2016 was 0.54882% and has continued to escalate to 0.87573% in November 2016.

Q: **What is the appropriate adjustment that should be computed for Accounts Receivable Bank Fees?**

A: Due to the increasing trend in the CP Rate Staff should have annualized bank fees using the rate in effect in June of 2016. In addition, since the CP Rate has continued to increase since June of 2016 then Accounts Receivable Bank Fees should be trued up using December 2016 rates in order to appropriately capture the annual going forward bank fee costs.

<u>ECONOMIC RELIEF PILOT PROGRAM ("ERPP")</u>

Q: What is Staff's position regarding ERPP expense included in this case?

A: Staff compared program funding and program costs from January 26, 2013, the effective date of rates ordered in a prior KCP&L rate case, Case No. ER-2012-0174, through June 30, 2016. The current unspent funding amount from Case No. ER-2012-0174 is $140,700, and from Case No. ER-2014-0370 is $386,145; for a total of $526,845 of unspent funds. Ratepayers have contributed a 50% share of the unspent funds. Staff recommends to continue the amount of program costs filed in this rate case for ratepayer expenditures of $589,984. Staff further recommends, due to the accumulation of over a half-million dollars in unspent funds, the ratepayer funding be set at $524,128 annually and $65,855 be funded annually from the balance of unspent funds. Further, Staff recommends KCP&L expand administration of the program to other community action agencies within its service territory to help achieve the 1,500 monthly participant level approved in Case No. ER-2014-0370.

Q: What is the Company's position regarding ERPP expense included in this case?

A: The Company is in agreement with Staff to include $524,128 in cost of service in this case. This amount represents the annual cost level of the 50% sharing of ERPP costs in addition to the amortization of unspent funds from previous rate cases.

Q: What is the Company's position regarding the recommendation by Staff to expand the administration of the program to other community action agencies?

A: Expanding administration of the program to other community action agencies causes a concern for KCP&L. Currently, KCP&L utilizes one business partner, The Salvation Army, to administer the program. Adding additional agencies could create confusion and questions among customers. Further, using multiple agencies to track the program participants could be problematic. The Salvation Army has been a good partner and operation of the program has been smooth. KCP&L would be in favor of identifying key agencies that serve our customers to ensure they are familiar with the program, have information available about the program and ensure they are equipped to answer any questions customers might have. This could potentially drive customer applications for the program.

INCOME ELIGIBLE WEATHERIZATION

Q: What is Staff's position regarding Income Eligible Weatherization Program funding included in this case?

A: Staff does not agree with KCP&L's proposal included in their direct testimony to not fund the Income Eligible Weatherization Program through base rates in this rate case. Instead, they recommend continued funding of the Program through rates at a reduced level of $254,385 annually, which will allow KCP&L to utilize the balance of unspent funds if the targeted annual expenditures of $573,888 is achieved annually. In addition, Staff compared the total funding KCP&L collected through rates for the Program from February 1, 2013 (date ratepayers began providing Program funding) through June 30, 2016 and compared the total with the funds spent over the same time period. The comparison returned a balance of $1,278,011 for unspent Program funding as of June 30, 2016. Staff has included unspent program funding amount as a deduction to rate base.

Q: What is the Company's position regarding Income Eligible Weatherization Program funding included in this case?

A: The Company has acknowledged that there has been an accumulation of unspent program funds associated with Income Eligible Weatherization Program. The Company agrees to reduce rate base by the amount of $1,278,011, the balance of unspent Program funding in the regulatory liability account, and continue to recover the Program expense Staff's proposed reduced level of $254,385 annually.

Q: Was there an additional proposal regarding Income Eligible Weatherization Program funding included in this case?

A: Yes. In the direct testimony of Missouri Department of Economic Development – Division of Energy – witness Sharlet E. Kroll, she supports the KCP&L administered low-income weatherization program and recommends continuing the current budget of $573,888 along with a tracking mechanism to ensure weatherization remains fully funded should the Company's weatherization surplus be exhausted prior to the next rate case.

Q: Does the Company agree with Ms. Kroll's proposal?

A: As stated above in the Company's response to Staff's position in this case, the Company is agreeable to including a reduced level of program costs to be included in rates while at the same time using fund expenditures to draw down the unspent fund liability that has accumulated over time. The Company is agreeable to these amounts being tracked on a going forward basis.

DEMAND-SIDE MANAGEMENT(DSM) COST RECOVERY PRE-MEEIA OPT-OUTS

Q: What is Staff's position regarding Pre-MEEIA Opt-Out adjustments included in this case?

A: It appears Staff's calculation of the pre-MEEIA opt-out costs were computed using a rate of .00167 per kWh which was applied to the total kWh opt-out usage from June 2015 through June 2016 to obtain the annual opt-out costs.

Q: What is Company's position regarding Pre-MEEIA Opt-Out adjustments included in this case?

A: The new pre-MEEIA opt-out rate $0.00167 per kWh did not take effect until September 29, 2015. This time period conflicts with the period that Staff used the $0.00167 per kWh rate. The old pre-MEEIA opt-out rate of $0.00081 per kWh should be used in the period before October 2015. The Company discussed this issue with Staff and it is the Company's understanding that Staff will apply the correct rate $0.00081 per kWh to calculate vintage 2 opt-out costs for the period between June 2015 and September 2015 at true-up.

DSM COST RECOVERY

Q: What is Staff's position regarding DSM Program costs included in this case?

A: In adjustment E-181.1 in this case, Staff did not remove the annual amortization of $239,667 for vintage 1, which expires in December 2016 because it still existed at June 30, 2016, the date of Staff's update case. In addition, on page 40 in the Staff Revenue Requirement Cost of Service Report, Staff states that since July 6, 2014, when KCPL's MEEIA programs became effective as a result of Case No. EO-2014-0095, a majority of Pre-MEEIA DSM program costs have been shifted to the Company's MEEIA recovery mechanism and the remaining DSM costs have virtually ceased. Therefore, Staff recommends that KCP&L no longer defer DSM costs into a regulatory asset for future recovery after the true-up date in this case, and DSM vintage 7 be the final DSM vintage.

Q: What is Company's position regarding DSM Program costs included in this case?

A: First, since the amortization of vintage 1 ends in December 2016, the Company has removed the annual amortization of $239,667 in the adjustment and anticipates Staff to make the same adjustment at true-up. Secondly, the pre-MEEIA DSM program has not incurred substantial costs for quite some time. The Company is in agreement with Staff's recommendation to discontinue deferring pre-MEEIA DSM costs into a regulatory asset for future recovery after the true-up date in this case except for carrying costs which should be calculated through the effective date of rates in this rate case proceeding. Vintage 7 will be the final DSM vintage.

ALLCONNECT

Q: What was the Company's position regarding AllConnect activities in its Direct filed testimony in this case?

A: KCP&L participated in a Direct Transfer Services Agreement with AllConnect, Inc. involving the offering of assistance with the establishment of household services such as communication bundles, video, internet, home phone, and home security through a variety of service providers. This activity was historically allocated to below-the-line activity. In Case No. EC-2015-0309 Report and Order the Commission ordered that the revenue and expenses associated with the AllConnect relationship should be treated as regulated revenue. As such, the Company proposed revenue adjustment R-75 and cost of service adjustment CS-75 to ensure that AllConnect revenue and allocated activities were included as part of the revenue requirement in this case. In addition, there are software costs that were included as part of RB-20 associated with the required functionality in order to make the transfers to AllConnect.

Q: What is the Company's position regarding AllConnect?

A: On December 9, 2016 the Company filed notification to the Commission to terminate transferring Missouri customer calls (including calls from customers of KCP&L Greater Missouri Operations Company) to AllConnect effective January 1, 2017. As such, on a going forward basis, AllConnect transfer activities that generated revenue from Missouri customers will no longer occur. Therefore, in the true-up phase of this rate case proceeding the Company will eliminate the capital costs included in adjustment RB-20 and will eliminate the revenue in R-75 associated with AllConnect call transfers that will no longer be taking place. Administration and general labor expenses that were moved above the line in adjustment CS-75 should remain in the Company's cost of service as the time spent on AllConnect activities will be re-prioritized to other regulated business activities. Depreciation expense associated with the AllConnect software costs should be excluded from cost of service in the true-up phase of this rate case proceeding.

JURISDICTIONAL ALLOCATIONS

Q: What is Staff's position regarding the Demand and Energy jurisdictional allocation factors included in this case?

A: For the Demand Factor, Staff utilized the four coincident peak (4 CP) methodology based on actual monthly coincident peaks of the four summer months in calendar year 2015. The actual peak hourly load in each month for the period June 2015 through September

2015 was totaled by jurisdiction and a factor was derived by dividing by the total A actual coincident peaks for the same period.

For the Energy Factor, Staff derived a ratio by dividing the actual annual kilowatt-hour (kWh) usage by jurisdiction, for the 12-month period of calendar year 2015, by the total system actual kWh usage for the same period. Staff applied adjustments to the actual kWh's to account for losses, anticipated growth and certain annualizations as well as normalizing for weather.

Q: What is the Company's position regarding the Demand and Energy jurisdictional allocation factors included in this case?

A: For the Demand Factor, the Company utilized the four coincident peak (4 CP) methodology based on Weather Normalized monthly coincident peaks and Customer growth of the four summer months in calendar year 2015. The Weather Normalized peak hourly load in each month for the period June 2015 through September 2015 was totaled by jurisdiction and a factor was derived by dividing by the total Weather Normalized coincident peaks for the same period.

For the Energy Factor, the company's methodology and calculation of the ratio is very similar to Staff's. The differences are within the kWh adjustments for losses, weather and annualizations but primarily for estimated Customer Growth which is explained further in the rebuttal testimony of company witness Albert R. Bass, Jr.

Q: Is the Company taking issue with the approaches Staff has taken in the rate case associated with the Demand and Energy jurisdictional allocation factor?

A: No not in this case. The Company believes the most appropriate method in calculating the Demand factor is to use Weather Normalized coincident peaks with customer growth data but the Company will not take issue in this case. The company will also not take issue in this case with Staff's calculation of its Energy Factor other than the inputs for Customer Growth as explained further in the rebuttal testimony of Company witness Albert R. Bass, Jr.

SEVERANCE PAYMENTS

Q: What is Staff's position regarding severance expense included in this case?

A: Staff has removed two severance payments that were paid during the test year claiming that severance payments are recovered through regulatory lag.

Q: Does OPC propose a similar adjustment?

A: Yes. OPC has proposed elimination of the two severance payments included in the test year.

Q: What is the Company's position regarding severance expense included in this case?

A: The Company has included severance payments in its cost of service as it believes that severance payments are a necessary and recurring annual business expense and part of its total operating expense through the employment of individual employees. The Company has included only 2 severance payments in its cost of service as a representative amount of annual severance costs.

Q: What are Staff and OPC's main arguments for the elimination of severance payments in cost of service?

A: Staff and OPC claim that severance payments are often recovered through regulatory lag in excess of the payment because salaries are generally recovered through rates until they are changed in the next utility rate case. Secondly, OPC states that agreements are typically signed with the severed employees which contain language to protect the utility from potential litigation. OPC and Staff claim that for these reasons, severance payments should not be allowed recovery in this rate case.

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

A: No. Severance payments are part of the annual recurring operating expense of the Company.

Q: Over the past 5 years what has been the annual level of severance payments that have occurred?

A:

YEAR	2011	2012	2013	2014	2015
TOTAL	$110,386	$29,646	$67,633	$57,343	$83,115

*Note: This table does not include severance payments that were paid as a result of the Voluntary Separation Plan (VSP) that occurred during 2011. The amounts are Total Company, and only includes above-the-line accounts.

Q: How does the level of severance cost compare to the annual levels of severance cost that have been incurred in the last 5 years?

A: Referring to the table above, a five year average of severance payments calculates to approximately $69,000. Thus, the $83,115 that was recorded during the test year for this case is a reasonable amount for an annual level of severance cost. In addition, past severance payments have been included as a part of the cost of service through previous rate cases.

Q: What is the Company's position regarding the Staff and OPC arguments regarding regulatory lag?

A: The Company agrees with Staff and OPC that from the time the employee is severed from the Company until the time the position is either filled by a new employee, or if the position is eliminated the time until a new payroll level is established in a rate case, the Company would benefit from regulatory lag. But, you cannot look at payroll related costs in a vacuum. Payroll costs like other costs are dynamic and change the instance a level is set in its cost of service. As such, payroll just like severance, have instances of both positive and negative regulatory lag. The Commission should look at the wholistic picture of payroll and payroll related costs in determining whether to allow or disallow certain costs. Payroll costs suffer from negative regulatory lag the first instance that a payroll rate increase occurs which establishes a level of payroll that is not recovered through base rates. Secondly, payroll costs are usually established in rate cases using only filled positions at a point in time. At any given point in time there are budgeted positions that are vacant within any Company. The first day that an open position is filled negative regulatory lag begins to occur until the newly filled position is included in rates. The Company understands that the reverse can happen as well in which filled positions included in rates can become vacant and positive regulatory lag exists. Yet, in looking at the total cost structure of KCP&L and looking at its ability in recent years to not be able to earn its authorized rate of return, the Company's position on regulatory lag is well documented. KCP&L has suffered negative regulatory lag in many cost areas and has had difficulty earning its authorized return on equity. As such, identifying positive regulatory lag in a minimal cost area such as severance costs should not be used by this Commission as a reason to disallow severance costs.

Q: What is the Company's response in regards to the reason why severance agreements are entered into?

A: The Company does not disagree with Staff or OPC's position as to why severance agreements are entered into and cause an operating cost to be incurred by the Company. But, the severance agreements are put in place to minimize the potential liability that future costs could be incurred by the utility. This relatively minimal cost incurred (ie: only 2 severance payments included in the Company's cost of service in this case) in order to avoid potential future costs that could possibly be significant to the Company provides support on why severance costs should be a human resource functional cost that should be included in a Company's cost of service.

Q: Should the Commission allow severance cost in this cost of service?

A: Yes. The severance cost requested to be included in the cost of service in this case is a minimal amount when considering total payroll and payroll related benefits costs. In addition, regulatory lag exists both positive and negative for payroll and payroll related costs and should not be viewed in a vacuum when considering the recoverability of severance costs.

COST ALLOCATION MANUAL

Q: What is OPC's witness Hyneman's position regarding the Company's Cost Allocation Manual (CAM)?

A: Mr. Hyneman attached a proposed CAM to his direct testimony in this case and believes it should be considered by the Commission for approval.

Q: Please provide some background as to what developments have occurred prior to OPC submitting this proposed CAM.

A: As part of the Order from the Transource Missouri case (EA-2013-0098) effective September 6, 2013, among other things the Company was required to file for Commission approval of their CAM. A docket was established as a means to submit the CAM for approval (EO-2014-0189) and OPC, KCP&L, and Staff held several meetings and developed several changes to the Company's existing CAM.

Q: What was the result of the EO-2014-0189 docket?

A: The docket remains open at this time pending submission of the CAM for Commission approval.

Q: Is that the appropriate docket in which the CAM should be submitted for approval?

A: Yes.

Q: Why have the parties to that case not submitted a CAM for Commission approval in that docket?

A: The Company, Staff and OPC have had productive discussions in developing a CAM that would be appropriate for submission to this Commission for approval. The Company and Staff, from the Company's perspective, were very close to entering into an agreement to submit the CAM for approval when in May of 2016 Great Plains Energy entered into an agreement to acquire Westar. Although at the time of the writing of this testimony, the cost allocation processes under the potential new organizational structure, which includes Westar, have not been completely developed and the impact of the acquisition could have a material impact on the CAM document. As such, the parties have not agreed upon a final CAM document to submit for Commission approval. The Company, in Case No. EE-2017-0113, have entered into a Stipulation and Agreement with both Staff and OPC that require the following:

> "KCP&L and GMO agree to meet with Staff no later than 60 days after the closing of the Transaction to provide a description of its expected impact on the allocation of costs among GPE's utility and non-utility subsidiaries as well as a description of its expected impact on the cost allocation manuals ("CAMs") of KCP&L and GMO. No later than six months after the closing of the Transaction but no less than two months before the filing of a general rate case for either KCP&L or GMO, whichever occurs first, KCP&L and GMO agree to file updates to their existing CAMs reflecting process and recordkeeping changes necessitated by the Transaction."

At the present time the Company is already operating under a CAM which documents the processes and procedures around its cost allocation process and ensures compliance with the affiliate transaction rules. It is the Company's opinion that submitting for approval a CAM that will go into effect at the rates effective date in this case would not be a good use of time due to the pending Westar acquisition, which could close as early as April 2017. Following the closing of the transaction , KCP&L must submit a new CAM thus creating the potential for the CAM document approved in this rate case to have a very short life or be out of date before potential material changes would be needed in the document. It is the Company's position and request in this case that the CAM document not be submitted in this rate case proceeding for approval due to the potential material changes that could occur as a result of the acquisition of Westar. Instead, the Case Number EO-2014-0189 should be used to submit the CAM document after the impacts of the Westar acquisition are known and documented in the CAM.

Q: **If the Commission believes this is the time to approve KCP&L's CAM, does the Company agree that the Commission should adopt the CAM proposed by OPC?**

A: No, not the version submitted by OPC. There are a few changes that the Company believes must be made before it can operate under the new CAM. If the Commission approves the CAM, the Company will begin operating under it upon the resolution of this rate case. The changes that were not incorporated into the version submitted by OPC are as follows:

1. On page 1, the line that says "OPC Proposed Cost Allocation Manual (CAM) For" should be removed.

2. A footnote should be added to Tab C on page 10 in the phrase "On a monthly basis, these accumulated fully distributed costs are then compared with the fair market price of the good or service." In Tab C on the bottom of page 10, the following footnote should be added:

> [1] Staff supports a two-year variance ending March 16, 2019 from KCP&L billing its affiliates, except GMO and Transource, the higher of cost (FDC) or market (FMP) at the time KCP&L bills its affiliates for the provision of assets, goods, information, and services on a monthly basis. KCP&L is to be allowed to bill its affiliates at cost for the first two months of each calendar quarter with true-up bills in the third month of each calendar quarter for market price to the extent market price is higher than cost. These true-up bills are to include an interest charge at the late payment charge rate for the period KCP&L delayed receiving its money if the initial bill would have reflected the higher market price. The variance described in this paragraph is to expire March 16, 2019, or sooner if KCP&L chooses to implement monthly billing, except as provided in section 4 CSR 240-20.015(10).

This two-year variance is needed so that KCP&L can develop its monthly billing process.

3. A footnote should be added to Tab F on page 28-29 in the phrase "On a monthly basis, these accumulated fully distributed costs are then compared with the fair market price of the good or service." In Tab F on the bottom of page 29, the following footnote should be added:

> [1] Staff supports a two-year variance ending March 16, 2019 from KCP&L billing its affiliates, except GMO and Transource, the higher of cost (FDC) or market (FMP) at the time KCP&L bills its affiliates for the provision of assets, goods, information, and services on a monthly basis. KCP&L is to be allowed to bill its affiliates at cost for the first two months of each calendar quarter with true-up bills in the third month of each calendar quarter for market price to the extent market price is higher than cost. These true-up bills are to include an interest charge at the late payment charge rate for the period KCP&L delayed receiving its money if the initial bill would have reflected the higher market price. The variance described in this paragraph is to expire March 16, 2019, or sooner if

> KCP&L chooses to implement monthly billing, except as provided in section 4 CSR 240-20.015(10).

This two-year variance is needed so that KCP&L can develop its monthly billing process. As stated previously the Company does not believe this is the appropriate time for the CAM to be approved by this Commission. If the Commission believes that this is the time to approve the Company's CAM, then the above changes should be included in the CAM that is considered for approval by this Commission.

Q: Have you attached a full version of the CAM to your testimony in this rate case proceeding?

A: Yes. Attached as Schedule RAK-11 is a full version of the Company's CAM that includes the discussed changes requested above.

EXPENSE TRACKERS IN RATE BASE

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

A: OPC witness Hyneman has challenged components of KCP&L's rate base that have been included in KCP&L's rate base and approved by the Commission in previous rate cases. He states that KCP&L must meet its burden of proof that the deferred expenses must meet the specific standards to be included in rate base even though the items he has identified have been included in rate base in multiple past KCP&L rate cases and identical assets have been included in multiple KCP&L-GMO rate cases in the recent past. In this rate case, he takes issue with the deferred expenses related to past construction projects. The issues he identifies are as follows:

- Iatan 1 & Common Regulatory Asset
- Iatan 2 Regulatory Asset

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

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

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

A: Yes. The MPSC Staff has included both the Iatan 1 & Common Regulatory Asset and the Iatan 2 Regulatory Asset in their rate base calculation.

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

A: The Iatan construction accounting regulatory assets are the result of the rate case agreements approved by the Commission during the course of the rate cases surrounding KCP&L's Experimental Regulatory Plan (the "Regulatory Plan"), which the Commission approved on July 28, 2005, in Case No. EO-2005-0329. As contemplated in the Regulatory Plan, KCP&L filed four general rate increase cases to address the economic impacts on KCP&L of its major environmental upgrades to its LaCyne 1 and Iatan 1 generating units and the construction of Iatan 2. KCP&L filed the four general rate increases on February 1, 2006 (Case No. ER-2006-0314), February 1, 2007 (Case No. ER-2007-0291), September 5, 2008 (Case No. ER-2009-0089) and June 4, 2010 (Case No. ER-2010-0355). Pursuant to the terms of the June 10, 2009 Non-Unanimous Stipulation and Agreement approved by the Commission in Case No. ER-2009-0089("2009 case"), KCP&L was authorized to include in a regulatory asset depreciation expense and carrying costs for the Iatan Unit 1 Air Quality Control System and Iatan common plant not included in rate base in that case due to the regulatory lag surrounding construction activity of when the asset goes in service and begins to be depreciated until the time the asset is included in rate base. This is the period of time the Company is not allowed to earn its return on a capital investment. Adjustment RB-25 in that case established the anticipated rate base value by rolling forward the unamortized regulatory asset balance, which is recorded on a Missouri electric retail jurisdictional basis, to the True-up date. The unamortized regulatory asset balance was included and approved in Rate Base for all cases subsequent to the 2009 rate case (ER-2010-0355, ER-2012-0174, ER-2014-0370).

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

A: The Regulatory Plan Stipulation and Agreement provided that KCP&L could use construction accounting during the period from the Iatan 2 commercial in-service date (August 26, 2010) through the effective date of new rates in the 2010 Case (May 4, 2011). Construction accounting allows the Company the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2's commercial in service operation date. Construction accounting impacts, including depreciation, carrying costs, operations and maintenance expenses, and fuel and revenue impacts are accumulated in a regulatory asset. Adjustment RB-26 in that case established the anticipated rate base value by rolling forward the unamortized regulatory asset balance, which is recorded on a Missouri electric retail jurisdictional basis, to the True-up date. The unamortized regulatory asset balance was included and approved in rate base for all cases including and subsequent to the 2010 rate case (ER-2010-0355, ER-2012-0174, ER-2014-0370).

Q: Should the Commission in this case take any different position regarding the inclusion of the regulatory assets for Iatan 1 and Common and Iatan 2 construction projects?

A: No. The Commission has approved the actions in multiple previous rate cases on what has now become long standing regulatory assets that have been afforded rate base treatment as they were all a part of significant capital investments made by KCP&L and established to reduce the inherent regulatory lag associated with the regulatory process associated with including large construction projects in rate base.

Q: On page 21, witness Hyneman quotes a Commission Order in KCP&L's 2006 rate case, ER-2006-0314 as support for his position to not include these Regulatory Assets in rate base. Was this case prior to the establishment of the Iatan 1 and Common and Iatan 2 Regulatory Assets?

A: Yes. The Iatan 1 and Common Regulatory Asset was established in the 2009 case and the Iatan 2 Regulatory Asset was established in the 2010 case.

Q: Would the Commission have been aware of its decision in ER-2006-0314 when issuing Orders approving agreements associated with the 2009 case and beyond?

A: Yes. ER-2006-0314 was prior to the cases in which the regulatory asset associated with construction activity involving Iatan 1 and Common were approved for rate base treatment in Case Nos. ER-2009-0089, ER-2010-0355, ER-2012-0174 and ER-2014-0370. The regulatory asset associated with construction activity involving Iatan 2 were approved for rate base treatment in Case Nos. ER-2010-0355, ER-2012-0174 and ER-

2014-0370. All of these cases were after the 2006 Commission order and the Commission would have had full knowledge of it prior to approving the Iatan 1 and Common and Iatan 2 Regulatory Assets in rate base.

Q: Do the type of issues considered in the 2006 case have any relation to the construction activity associated regulatory assets that are included in rate base in this case?

A: No they do not. Construction accounting can be distinguished from other expense deferrals.

Q: Does inclusion of the Iatan 1 & Common and Iatan 2 regulatory assets in rate base in this proceeding constitute proper ratemaking treatment by the Commission?

A: Yes. The regulatory accounting history as described above provides substantial proof for the proper inclusion in rate base of these assets associated with the regulatory lag of large capital investment projects from the time they went into service to the period they are included in rates. Second, major construction regulatory assets that are being amortized over 20 years and 40 years that have been included in multiple rate cases rate base determination for a number of cases should not be suddenly removed from rate base due to OPC's belief that these type of costs should not be included in rate base. These issues were addressed in previous cases and approved by the Commission.

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

A: Staff included the unamortized balance of both the Iatan 1 and Common and Iatan 2 Regulatory Assets in rate base, as illustrated in its Revenue Requirement Cost of Service Report.

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

A: No. The Iatan 1 & Common and Iatan 2 Regulatory Assets were major construction projects that were contemplated in past rate cases and have been included in rate base in many subsequent cases since their initial inclusion. The assets are and should be a part of KCP&L's rate base in this rate case proceeding.

<u>SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP")</u>

Q: What was the Company's position on SERP in its direct filing?

A: In the Company's Direct filing, the Company requested an annualized level of SERP costs for both types of SERP payments that can occur. These are annuity based payments and lump sum based payments. In addition, the SERP payments can be segregated between KCPL SERP payments and Wolf Creek Nuclear Operating Company ("WCNOC") payments. For the lump sum based payments, the Company converted the SERP lump sum payments into an equivalent annuity payment using an average period of 14.3 years. To calculate the annualized level of SERP payments the Company used a five year period to average the annual cost of both types of SERP payments. In the Direct filing, this calculation did not include a capitalization component.

Q: Why did the Company use an annualized level of SERP payments?

A: Under the GPE SERP plan, SERP costs are funded when paid with SERP participants having the option to elect either a lump sum payment or an annuity payment. Since the majority of participants elect the lump sum payment, the funding requirements can vary significantly between years. By using an average of total funding over a typical single life annuity period, the adjustment more closely reflects actual cash payments spread over time. The single life annuity factor applied to lump sum payments was 14.3 years.

Q: **Did Staff annualize SERP payments?**

A: Yes, Staff annualized both types of SERP payments, annuity and lump sum, and included the WCNOC SERP payments based on a three and half year period.

Q: **Does the Company believe the use of a five year period rather than a three and half year period more closely reflects actual costs?**

A: Yes, given the variability of SERP total cash payments each year using a multi-year average is important to obtain a normalized annual amount of SERP cost to include in cost of service. Secondly, the Company has converted the highly used payment option of lump sum distributions into annuity like payments spread over a 14.3 year period. As such, using a five year period captures more of the actual period in which the lump sum distribution has been averaged over and is a closer reflection and superior calculation of the actual cash impact and smoothing of the volatility on the Company than what a three and half year average provides. The ideal average would be to look at lump sum distributions over a 14 year period and normalize the lump sum and annuity payments over this longer period to match the period over which the lump sum distributions are spread.

Q: **Please describe OPC's proposed SERP adjustment.**

A: OPC is proposing a significant reduction in the amount of SERP cost to be recovered in rates. OPC is limiting their adjustment for KCP&L SERP payments to one payment made in 2015 and in fact has reduced this one payment even further. Secondly, OPC has made similar significant adjustment to the WCNOC annuity payments using the average of KCP&L's payouts.

Q: Does the Company agree?

A: No, the Company does not agree with OPC witness Hyneman's significantly reduced SERP position taken in this case.

Q: Why does the Company not agree with OPC's proposed adjustment:

A: The Company disagrees with the exclusion of lump sum payouts. Lump sum payments are merely discounted annuity payments paid as a one-time amount. They are a significant portion of actual costs impacting KCP&L and should be included. They are simply a timing difference from annuity payments and are not detrimental to rate payers. The Company has already taken an approach to convert the lump sum payments into annuity payments through its SERP adjustment calculation to smooth out the cash impact in an annual period. As such, the Company has taken a more conservative approach and has chosen a method that decreases the volatility of the cost over time by using the multi-year averaging of five years. OPC's calculation associated with KCP&L SERP payments completely ignores lump sum payments (the most commonly chosen distribution for SERP payments) and secondly chooses the 2015 year to base its calculation (which is the lowest level of SERP payments paid out over the past five year period). In addition, the Company disagrees with the adjustment to WCNOC payments as these represent actual valid costs incurred by the Company. OPC opposes the level of SERP costs that is incurred by the Company and thus has proposed very significant adjustments in this rate case. Yet, as the testimony of Company witness Kelly Murphy demonstrates , OPC does not appear to understand what the SERP payments for the KCP&L plan are based on when calculated.

Q: Was there an additional issue regarding capitalization that was brought up in OPC's testimony?

A: Yes.

Q: Why did the Company not capitalize a portion of SERP annualized costs in the direct filing?

A: The company based it's Direct filed position on the Missouri Public Service Commission Staff report in Case ER-2010-0356. The report in Case ER-2010-0356 states the following:

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

Q: What was Staff's position on capitalizing a portion of SERP cost in their Direct filing?

A: In this case the Staff proposed to capitalize a portion of the annualized SERP adjustment to maintain a consistent approach with how the Company records annual SERP costs on its books and records.

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

A: Yes the Company does agree and believes this is the appropriate treatment for SERP costs and should be done whether the annualized cost is based on accrual or cash basis accounting.

Q: What is OPC's witness Hyneman's position on capitalizing a portion of SERP costs?

A: OPC's position as discussed above is a significant reduction in SERP annualized cost and that these costs should not be capitalized.

Q: Does the Company agree with OPC's position to not capitalize a portion of SERP?

A: No, the Company does not agree with OPC's position of significantly reducing the SERP costs included in cost of service and their position of not to capitalize SERP costs.

Q: Why not?

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

Q: Will the Company be reflecting a capitalized portion of SERP costs in the true-up in this case?

A. Yes. The Company will include an amount attributable to capital in its true-up filing.

AMORTIZATION OF DEPRECIATION STUDY

Q: Please explain the adjustment that Staff made concerning the amortization period for depreciation study costs.

A: Staff proposes to include the depreciation study costs as a normalized expense over a five-year period, while the Company proposes to amortize these costs as part of rate case expense over a three-year time period.

Q: Does the Company agree with this approach?

A: No. Staff's "normalizing" approach does not allow for full recovery of the required depreciation study costs.

Q: How frequently must the Company prepare a depreciation study?

A: Pursuant to Commission rule (4 CSR 240-3.160(1)(A)), KCPL must submit a depreciation study (including data base and property unit catalog) with each general rate case filing unless the Commission's Staff received these items from the utility during the three years prior to the rate case filing. In any event, the Company must submit a depreciation study (including data base and property unit catalog) no less frequently than every five years.

Q: How frequently do you expect KCPL to file general rate cases in the future?

A: Our goal is to minimize the frequency of future general rate case filings, but our ability to do so depends significantly on the outcome of this rate proceeding and other issues from this proceeding. At a minimum due to requirements from mechanisms such as KCPL-MO's fuel adjustment clause rate cases are required to be filed every 4 years.

Q: Does this expected general rate case frequency for KCP&L support the use of a five year normalization period for depreciation study costs as recommended by Staff?

A: No. History since 2006 suggests that KCPL will file its next general rate case well before five years after this case concludes. In addition, KCP&L is required to file a rate case at a minimum of every 4 years. As such, by normalizing a cost over a 5 year period the Company has no ability to recover the full cost of the depreciation study

Q: What approach does the Company recommend regarding the treatment of depreciation study costs?

A: The Company recommended in its direct filed case that the depreciation study costs should be included as part of rate case expense and amortized over a three year period. Please see the Rebuttal Testimony of Company witness Tim Rush for discussion of rate case expense costs. If Staff wants to remove the depreciation study costs out of rate case expense and amortize it over a five year period, then the Company recommends that depreciation study costs should be treated as a deferral and amortized over a five year period. In this way, a Regulatory Asset can be established for the depreciation study costs and it can be amortized over the five year period that Staff is requesting. In addition, since Regulatory Assets and Liabilities are now being tracked based on the Stipulation and Agreement in Case No. ER-2014-0370, the Company and ratepayers will be protected in that full recovery of the depreciation study costs will be recovered by the Company and ratepayers will only pay for the depreciation study costs that were incurred for this rate case proceeding.

MANAGEMENT EXPENSES

Q: What was the position of OPC witness Amanda Conner regarding management expense charges?

A: OPC witness Conner asserts in her testimony that KCP&L employees are not in compliance with Company policy E201 employee-incurred business expenses. OPC proposes a very significant employee expense disallowance adjustment which is estimated at $933,900 for excessive charges. OPC arrived at this amount by estimating a $300 per officer (16 officers, disallowance of $39,600 for KCP&L jurisdiction) per month disallowance and estimated a $100 for the 1,084 non-officer management employees per month ($894,300 disallowance for KCP&L jurisdiction).

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

A: Yes. The Company has recently enhanced its practices regarding employee expense report reimbursement during the implementation of the new Credit Card and Expense Reporting (CCER) system, and is continually implementing process improvements. The employee expense reimbursement policy is discussed in further detail by Company witness Steve Busser.

Q: Is the adjustment that OPC made regarding the expense report review an unsupported estimate that is outside the range of reasonableness?

A: Yes. The adjustment is simply a created estimate and unreasonable when reviewing the population of expense reports submitted. OPC witness Connor states in testimony that she performed a comprehensive and detailed analysis of all or substantially all of the KCP&L's officer expense charges. However, she does not disallow specific officer expenses but makes a general $300 disallowance per officer per month. OPC then makes a $100 disallowance estimate for all 1,084 lower level non-officer management employees.

Q: Does the Company agree with these OPC disallowances?

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

Q: Please explain.

A: First, OPC witness Conner provides no support for her $100 arbitrary monthly expense disallowance per management employee, nor for her $300 disallowance per officer. Other than a list of employee expenses attached to her testimony that provides no explanation other than the restaurant and location and amount, there is no justification provided in determining how the $100 per employee per month amount of disallowance was calculated for the 1,084 non-officer management employees. Second, the simple insinuation based on the inputs into her calculation that every management employee on a monthly basis turns in an expense report that is contrary to the Company's expense reimbursement policy has no basis in reality and should not be given any attention by this Commission. The non-officer management employee portion of the $933,900 adjustment totaled $894,300 or 95.7% of the adjustment total. In addition, OPC appears to be insinuating based on the inputs into the calculation that every management employee supervisor is approving an excessive expense reimbursement that is contrary to KCP&L's corporate expense reimbursement policy. An individual who approves and / or validates credit card transactions or a reimbursement request, accepts responsibility for the propriety of all costs and for adherence to KCP&L's expense reimbursement policy which provides that employees will be reimbursed for all reasonable, legitimate and properly documented business expenses made in accordance with KCPL-E201 and any other applicable policy. Adoption of the disallowance proposed by OPC would require the assumption that all supervisors are ignoring corporate expense reimbursement policies which OPC has not shown and is simply not the case. Finally, the magnitude of OPC's adjustment does not make sense when compared to the total yearly expense reimbursement level. Total expense report reimbursements for management employees totaled approximately $4 million during the test year. OPC's management expense report adjustment proposes a $1.3 million disallowance before allocation to KCPL. The relationship between the total disallowed cost to total expense reimbursements (over 30%) shows that methodology that OPC has proposed is not reasonable and should be ignored.

Q: Does the Company have any other statistics that demonstrate that OPC's adjustment is unsupported?

A: Yes. OPC applies a $100 disallowance to all 1,084 management employees. However, during the test year only 885 management employees actually submitted at least one expense report for the year, and on average each management employee only submitted approximately 7 reports during the year. There are also a significant amount of expense reports items that were charged below-the-line during the test year, approximately 11% for management employees and 25% for officers. These figures show that OPC's disallowance is not based in reality.

Q: Did Staff calculate an adjustment associated with expense reporting?

A: Yes. It appears Staff calculated a test year adjustment of employee expense reports. Their adjustment in this case totaled approximately $15,000 which is similar to the Company's expense report review adjustment.

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

A: The Commission should reject OPC's adjustment because it is an unrealistic approach and simply not in the range of reasonableness. In addition, the Commission should review the testimony of Company witness Steve Busser for a response to the management expense report recommendations that OPC witnesses included in their Direct Testimony in this case. The Company is in agreement with the expense reimbursement adjustment performed and proposed in the Staff's Cost of Service Report.

GREENWOOD SOLAR FACILITY

Q: Please explain what is encompassed by the Greenwood Solar Facility?

A: The Greenwood Solar electrical production facility was built in unincorporated Jackson County, Missouri, near Greenwood, Missouri. The 300 acre site, already owned by KCP&L Greater Missouri Operations Company ("GMO"), is located within GMO's certificated service territory. The site includes the existing Greenwood Energy Center consisting of four General Electric 7B combustion turbines along with associated fuel oil tanks and switchyard. The Solar electrical production facility was placed in-service in June 2016 and consists of solar panels and support structures, transformer/inverter skids, switchgear, physical security (including fencing, lighting, and cameras), and a communications shelter.

Q: Are the Greenwood Solar assets owned by KCP&L or KCP&L GMO and where does the Company have Greenwood Solar recorded in their accounting records?

A: Greenwood Solar assets are owned and recorded on the books and records of KCP&L-GMO.

Q: How did Staff reflect Greenwood Solar assets in this case?

A: Staff reflected GMO's Greenwood Solar assets as if they were owned and recorded on the books and records of KCP&L. Staff added the Greenwood Solar plant balances to KCP&L's beginning test period balances and then removed their proposed allocation of GMO's share through a Staff rate case adjustment.

Q: Why does the Company believe Greenwood Solar should not be allocated?

A: Allocation of the GMO Greenwood solar system which operates at the Greenwood Energy Center is explained in the rebuttal testimony of company witness Tim M. Rush. If the Commission believes Greenwood Solar should be recognized as a common asset and allocated to KCP&L, the allocated KCP&L share of the Greenwood Solar Assets should be recorded as part of GMO's common use billing process similar to how all other assets that are owned by GMO and allocated to KCP&L. The Company believes it is inappropriate to transfer the assets to KCP&L's books and then subsequently adjust out GMO's share as Staff has done.

Q: Does this conclude your testimony?

A: Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2016-0285

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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

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

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of sixty (60) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Ronald A. Klote
Ronald A. Klote

Subscribed and sworn before me this 30th day of December, 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2019

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

KANSAS CITY POWER AND LIGHT
2016 ValueLink Incentive Plan

1) PURPOSE

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

2) ELIGIBILITY

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

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

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

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

3) INCENTIVE TARGETS

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

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

Proration of ValueLink Targets and Awards

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

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

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

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

Total ValueLink Target = $3,500

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

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

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

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

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

4) COMPONENTS OF VALUELINK – COMPANY AND INDIVIDUAL

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

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

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

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

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

Company Financial Component

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

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

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

Company Operational Component

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

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

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

Individual Component

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

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

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

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

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

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

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

5) INCENTIVE CALCULATION

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

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

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

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

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

6) PAYMENT

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

ValueLink awards will be taxed as supplemental earnings.

7) PLAN ADMINISTRATION

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

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

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

8) KEY DEFINITIONS

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

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

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

Approval: ______________________

Terry Bassham
Chief Executive Officer

Date: 12-17-15

Appendix A – 2016 ValueLink Plan Metrics

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

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

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

Appendix B – Sample ValueLink Calculation

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

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

		Weightings				Achieve-ment	Weighted Achievement	Actual Payout		
Tracie's Eligible Pay ($80,000) x VL Target Percent (8%) x	Company Financial	25%	x 100%	NFOM	x	50%	50.0%	$ 800.00	$ 800.00	Total Company Financial
				Total Company Financial Achievement			50%			
	Company Operational	50%	x 30%	Safety Autids & Training	x	100%	30.0%	$ 960.00	$ 3,200.00	Total Company Operational Payout
			x 20%	EAF - % Equivalent Availability (Coal units,Winter and Summer Peak Months Only)	x	100%	20%	$ 640.00		
			x 20%	SAIDI (system-wide reliability in minutes)	x	100%	20%	$ 640.00		
			x 20%	Jd Power Customer Satisfaction Index (Residential)	x	100%	20%	$ 640.00		
			x 10%	Investment Across the Energy Value Chain	x	100%	10.0%	$ 320.00		
				Total Company Operational Achievement			100%			
	Individual	25%	x 100%	Assigned individual achievement percentage	x	95%	95%	$1,266.67	$ 1,266.67	Total Individual Payout
				Weighted Average Company Financial and Operational Achievement		83%				
				Individual Component Payout as a Percent of Target		**79%**				
									$5,266.67	**Total VL Payout**

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

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

Kansas City Power & Light Company

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TAB A

Kansas City Power & Light Company

INTRODUCTION

Great Plains Energy Incorporated ("GPE"), headquartered in Kansas City, Missouri, is a registered public utility holding company with two wholly-owned direct utility subsidiaries—Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company (GMO) and three direct non-regulated subsidiaries. All GPE subsidiaries and affiliates are shown on the four (4) pages of Appendix 1 entitled GREAT PLAINS ENERGY INCORPORATED Organizational Structure. Only KCP&L employees operate and manage the business and properties of GPE and its affiliates as well as the non-regulated activities of KCP&L and GMO.

KCP&L is a regulated electric utility serving approximately 515,000 customers as of November 2013 in western Missouri and eastern Kansas and owns Kansas City Power & Light Receivables Company ("KREC"), a wholly-owned subsidiary to whom all its retail electric accounts receivables are sold through an affiliate transaction.

KCP&L is regulated by the Public Service Commission of the State of Missouri ("MoPSC") and The State Corporation Commission of the State of Kansas ("KCC") with respect to retail rates, certain accounting matters, standards of service and, in certain cases, the issuance of securities, certification of facilities and service territories. KCP&L is classified as a public utility under the Federal Power Act and is subject to regulation by the Federal Energy Regulatory Commission ("FERC"). KCP&L has a 47%

ownership interest in Wolf Creek Generating Station ("Wolf Creek"), which is regulated by the Nuclear Regulatory Commission. KCP&L also has a 47% ownership interest in Wolf Creek Nuclear Operating Corporation ("WCNOC"), which operates Wolf Creek.

GMO operates two separate Missouri-based rate jurisdictions—Missouri Public Service ("MPS") and St. Joseph Light and Power ("L&P"). GMO also wholly owns GMO Receivables Company ("GREC"), a wholly-owned subsidiary to whom all its retail electric accounts receivables are sold through an affiliate transaction and MPS Merchant Services, Inc., an unregulated subsidiary which has certain long-term natural gas contracts, and several unregulated subsidiaries some of which no longer have active operations. These unregulated subsidiaries are:

MPS Gas Pipeline Corporation
MPS Platt County Power LLC
MOPUB Group Inc.
Golden Bear Hydro Inc.
Energia Inc.
LoJamo, LLC MO
MPS Finance Corp.
SJLP Inc.
Trans MPS, Inc.
MPS Europe, Inc.
MPS Canada Holdings, Inc.
Missouri Public Service Company
MPS Networks Canada Corp.
MPS Canada Corp.
MPS Sterling Holdings, LLC

GMO serves approximately 315,000 customers as of November 2013 and is regulated by the MoPSC and FERC. In addition to providing electrical services, L&P also provides industrial steam to a limited number of customers in the St. Joseph service area.

In 2012, Transource Energy, LLC ("Transource") was formed as a non-MoPSC regulated joint venture between GPE and American Electric Power Company ("AEP") to pursue competitive transmission projects. GPE owns 13.5% of Transource through its wholly-owned non-MoPSC regulated direct subsidiary GPE Transmission Holding Company, LLC ("GPTHC") with AEP owning the remaining 86.5%. Transource Missouri, LLC, a wholly-owned subsidiary of Transource, was formed for regional transmission projects in Missouri and is in part MoPSC regulated. AEP will operate Transource and intends to provide the majority of staff and services through its service company. However, KCP&L provides certain services to Transource and will be reimbursed consistent with the Stipulation and Agreement approved by the MoPSC in File No. EA-2013-0098. A copy of the relevant pages of that Report and Order is attached as Appendix 4 for ease of reference.

GPE has two other non-regulated subsidiaries—KLT Inc. and Great Plains Energy Services Incorporated ("GPES"). KLT Inc. is an intermediate holding company that has investments in affordable housing limited partnerships, KCP&L Solar, Inc., a solar supplier and various wholly-owned unregulated companies that have no active operations and only receive corporate governance services from KCP&L at this time. Refer to Appendix 1 for the organizational chart identifying GPE and its affiliates.

This Cost Allocation Manual ("CAM") is a requirement of the MoPSC Affiliate Transactions Rule (4 CSR 240-20.015). This rule is intended to prevent MoPSC regulated utilities from subsidizing their non-regulated operations. KCP&L will include in its annual CAM the criteria, guidelines, and procedures it will follow to be in compliance with this rule.

In its July 1, 2008, Report and Order in File No. EM-2007-0374 the MoPSC granted GMO and KCP&L a variance to 4 CSR 240-20.015. The MoPSC granted the variance to all regulated transactions between GMO and KCP&L except for wholesale power transactions, which would be based on rates approved by FERC. This variance is referenced below in TAB F – Transfer Pricing.

Also in its July 1, 2008, Report and Order in File No. EM-2007-0374 the MoPSC required GMO and KCP&L to execute a joint operating agreement within ninety (90) days of the effective date of its July 1, 2008, Report and Order approving GPE's acquisition of Aquila Inc. ("GMO"). On October 10, 2008, GMO and KCP&L filed with the MoPSC a Joint Operating Agreement ("JOA") dated October 10, 2008. The purpose of the JOA is to provide the contractual basis for the coordinated planning, construction, acquisition, disposition, operation and maintenance of GMO's and KCP&L's business and properties to achieve synergies, consistent with reliable electric service and all legal and other requirements. A copy of the JOA is included as Appendix 5.

In July 2013, GPE completed a major upgrade of its accounting systems and processes. The upgrade resulted in significant revisions to the accounting chart field codes and to certain cost assignment allocations. These revisions were, effective July 1, 2013. Work will be completed by March 15, 2016 to identify all accounting needed to support the Affiliate Transactions Rule and will be reported in the KCP&L CAM filed by that date.

It is the objective of the KCP&L CAM to provide a high level of assurance that KCP&L has implemented and is monitoring a set of criteria, guidelines, and procedures that also provides a high level of assurance that KCP&L is not subsidizing its affiliated activities or non-regulated operations to the detriment of its regulated electric customers in Missouri.

KCP&L established a fully-functioning KCP&L CAM Team in January 2015 consisting of a necessary number of trained employees to oversee the operations and management of KCP&L's affiliate transactions. The KCP&L CAM Team will ensure that all affiliate transactions are either consistent with the MoPSC's Affiliate Transactions Rule or KCP&L has followed the required variance procedures to allow KCP&L to participate in non-complying affiliate transactions.

KCP&L will apply for a waiver from applicable affiliate transaction requirements consistent with the process specified in 4 CSR 240-20.015(10) or it will not participate in the noncomplying affiliate transaction as required in 4 CSR 240-20.015(2)(D).

Future KCP&L CAM submittals will identify the KCP&L management position that is responsible for the overall governance and enforcement of the KCP&L CAM preparation and implementation of criteria, guidelines, and procedures necessary to provide full compliance with the MoPSC's Affiliate Transactions Rule.

The KCP&L CAM Team will be involved in decision-making regarding all affiliate transactions to the extent necessary to ensure that these decisions will be based on information regarding complying with the MoPSC's Affiliate Transactions Rule.

Anytime there is 1) an addition or 2) a deletion of an affiliated entity or non-regulated activity, the KCP&L CAM Team will be notified within the day of the event.

All additions to or deletions of affiliated entities / non-regulated activities will be submitted in writing to the MoPSC Staff Counsel's Office and the Office of the Public Counsel ("OPC") within thirty (30) days of the event occurring.

Kansas City Power & Light Company

OVERVIEW OF COSTING METHODOLOGY & SERVICE AGREEMENTS

KCP&L provides information, assets, goods and services to GPE and its subsidiaries/affiliates. Related costs are collected and assigned directly or indirectly to a business unit when applicable, with business unit referring to a legal entity or regulatory jurisdiction within GPE.

Costs are assigned on a fully distributed cost ("FDC") basis to reflect all costs incurred in providing goods, assets, information, and services. Costs specifically related to one business unit are billed directly to that unit while costs related to more than one business unit are allocated or assigned based on a cost causative relationship as well as in the aggregate by a general allocator of truly common costs. Since GPE and all its subsidiaries/affiliates are operated and managed by KCP&L employees, KCP&L will be required to bill out labor charges and related loadings incurred by and benefiting other business and operating units. The allocation and billing of costs is designed to reflect benefits received as closely as practical and to prevent subsidization of any business unit and ensure equitable fair market price ("FMP") or fully distributed cost distributions, as applicable, among GPE and its affiliates.

KCP&L realizes that failure to fully charge affiliates or non-regulated activities for the relevant fully distributed cost or fair market price of goods, services, assets, or information provided to or on the behalf of these affiliated entities or non-regulated operations is expressly prohibited by the MoPSC's Affiliate Transactions Rule.

The regulated utility's billing of direct assigned, and allocated fully distributed cost or fair market price, if higher, is designed to prevent providing a financial advantage to or subsidization of any business unit or non-regulated activity while also ensuring equitable charges among GPE and its subsidiaries/affiliates.

Affiliates are billed on an FDC basis which includes all direct and indirect costs, including cost of capital and overheads, or at the fair market price, whichever is higher. The following three types of cost assignments are utilized to determine proper FDC billings:

1) **Billing between Business Units (TAB C)** – Applies to balance sheet and income statement costs between KCP&L and affiliates. The billing of costs between business units is based on the operating unit field charged in the account code. The operating unit field identifies what business unit is benefiting from the cost and is required on all capital and expense transactions. For billing purposes, costs are grouped into two basic groups: (a) direct billed projects and (b) indirect billed projects. Direct billed projects are assigned directly to a business unit based on the operating unit, while the indirect billed projects are allocated based on relevant cost allocation factors. In addition, affiliates will be charged for the use of common plant and for the use of capital whenever such charges are appropriate.

2) **Clearings and Loadings (TAB D)** – Applies to types of costs that are assigned based on the usage related to other costs. In some applications, costs are distributed, or "cleared" over a distribution of direct costs, such as fleet clearings. In other applications, costs are distributed, or "loaded" onto a related cost, such as paid absence, and distributed based on a payroll distribution.

3) **Specific Assignment Method (TAB E)** – Applies to costs that can be assigned to the benefiting business unit based on a statistical analysis, usage study, or association with the underlying asset or liability. For instance, depreciation expense is assigned based on the related plant asset.

KCP&L will rely upon its Accounting Department or the group responsible for control of the costs to determine the specific assignments. KCP&L and affiliates shall enter into service agreements which establish the terms and conditions for affiliate transactions, including a general description of goods and services provided, pricing, billing and payment methods and dispute resolution. Refer to Appendix 2 for a listing of services. Additional services may be provided if needed. Appendix 2 and Service Agreements will be updated if additional services are provided or removed. The agreements will comply with all applicable MoPSC rules and orders and to prevent any preferential treatment among the affiliates.

Kansas City Power & Light Company

SHARED SERVICE BILLINGS BETWEEN BUSINESS UNITS

KCP&L provides goods, services, assets, and information to other entities within GPE including GPE. When goods are provided or services are performed for the benefit of these entities, the fully distributed cost of providing the good or service is accumulated and billed to the affiliate. On a monthly[1] basis, these accumulated fully distributed costs are then compared with the fair market price of the good or service. After the comparison is made, if the fair market price is higher than the fully distributed cost an adjustment will be made for the difference and billed by KCP&L, to the benefiting business unit on a monthly basis.

Since KCP&L is the only business unit among all GPE business units that has employees, KCP&L must bill out labor charges and related loading costs (such as pensions, OPEBs and other loadings) incurred for the benefit of other business units. KCP&L employees enter their time by account code in a time-entry system which allows

[1] Staff supports a two-year variance ending March 16, 2019 from KCP&L billing its affiliates, except GMO and Transource, the higher of cost (FDC) or market (FMP) at the time KCP&L bills its affiliates for the provision of assets, goods, information, and services on a monthly basis. KCP&L is to be allowed to bill its affiliates at cost for the first two months of each calendar quarter with true-up bills in the third month of each calendar quarter for market price to the extent market price is higher than cost. These true-up bills are to include an interest charge at the late payment charge rate for the period KCP&L delayed receiving its money if the initial bill would have reflected the higher market price. The variance described in this paragraph is to expire March 16, 2018, or sooner if KCP&L chooses to implement monthly billing, except as provided in section 4 CSR 240-20.015(10).

for payroll to be accurately assigned in one-tenth hour increments. Below is a description of the various billings between business units.

Income Statement Billings – Income and expenses are classified into the following two groups for billings purposes—direct and indirect. Costs are accumulated at the operating unit level of the account code with the operating unit indicating the allocation group where the cost belongs.

1. **Direct Billings** – These are costs incurred by KCP&L to provide a specific service (e.g., filing federal income tax returns, satisfying filing requirements at a specific state or other level) to a specific business unit. There is a direct relationship between the cost incurred and the business unit receiving the benefit of the cost. These costs are billed to the business unit based on the owner of the operating unit charged.

2. **Indirect Billings** – These are costs incurred by KCP&L to provide services benefiting more than one business unit. These costs are billed to the business units based on predefined allocation factors or the results of periodic allocation studies. The allocation factors are determined based on a cost causative relationship as well as in the aggregate by a general allocator of truly common costs. KCP&L is aware that all costs are to be directly or indirectly charged to GPE or its affiliates to the maximum extent possible. Common costs result from residual costs that could not reasonably be directly or indirectly assigned. Refer to Appendix 3 for a list of allocation factors and how the factors are calculated.

The Utility Massachusetts Formula will only be used as a general allocator to allocate common costs that apply only to KCP&L and GMO regulated operations and activities. All other residual common costs will be allocated using the new General Allocator calculation. The General Allocator allocates costs based on an entity's relative ratio of direct and assigned expenses to total direct and assigned expenses incurred.

Balance Sheet Billings – All costs incurred by a business unit for the benefit of another business unit that are charged to a construction, undistributed stores expense or clearing account, are then billed to the benefiting business unit based on the operating unit designations. These costs are primarily direct billings from one business unit to another, however, there may be charges to undistributed stores expense or clearing accounts that are billed out based on an assignment or allocation factor.

Common Use Plant and Asset Transfers

Common Use Plant – In the ordinary course of business, assets belonging to KCP&L may be used by another entity. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. In order to ensure the regulated entities do not subsidize GPE and its other companies, KCP&L charges costs for the use of its common assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return applied to the net plant. The total cost is then assigned or allocated on an applicable factor to the business unit benefiting from the use of the asset. All direct costs incurred to common plant are directly charged to the GPE entity causing those costs.

Asset Transfers – KCP&L will not sell, lease, assign, mortgage, transfer, or otherwise dispose or encumber the whole or any part of its franchise, works, or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such works or system, or franchises, or any part thereof, with any other corporation, person, or public utility, without having first secured from the MoPSC an order authorizing it so to do. (Section 393.190 RSMo).

Compensation for the Use of Capital -- Transactions between legal entities result in the creation of intercompany receivables or payables with settlement due in the following month. In addition to the above charges, a charge for the use of capital based on the outstanding intercompany receivable balance and the daily Commercial Paper Rate published by the Board of Governors of the Federal Reserve System for A2/P2 non-financial issuers will be applied. Any receivables outstanding after thirty (30) days from month end will result in a late payment fee which will be based on the late payment fee charged to KCP&L's regulated customers.

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TAB D

Kansas City Power & Light Company

CLEARINGS & LOADINGS

Paid Absence Loadings – KCP&L is required to follow the FERC Uniform System of Accounts ("USOA") that describes how the various paid absence costs will be allocated over the "at work" activities. Monthly, costs charged to the various paid absence accounts are allocated to capital and expense accounts based on each account's respective straight-time payroll activity for the month. KCP&L employees will directly or indirectly[1] charge labor to GPE and its affiliates for each and every activity performed by KCP&L that benefits GPE and its affiliates, including KCP&L based on the goods or services provided by KCP&L to these entities. Paid absence loading will be assigned to these labor charges at the time of these direct and indirect charges.

Payroll Tax Loadings – Payroll taxes are loaded to labor charged to expense accounts, work orders and clearing accounts based on a projected rate applied to direct labor charged to these accounts. This process allows for payroll taxes to follow the original labor distribution and to be included in construction costs. KCP&L employees will directly or indirectly[2] charge labor to GPE and its affiliates and non-regulated operations for each and every activity benefitting GPE and its affiliates and non-

[1] Employees will directly charge labor that can be directly assigned to an affiliate. Employees will indirectly charge labor that cannot be directly assigned.

[2] See footnote 1.

regulated operations. Payroll taxes will be assigned to these labor charges at the time of these direct and indirect charges.

Pensions and Other Benefits Loadings – Pension, post-retirement, employee insurance and other benefits are applied to labor costs to ensure that an appropriate portion of benefits is capitalized and to provide management with costs per project. Loadings are based on a projected rate applied to direct labor. KCP&L employees will directly or indirectly[3] charge labor to GPE and its affiliates for each and every activity benefitting GPE and its affiliates and non-regulated operations. Pensions and other benefit costs will be assigned to these labor charges at the time of these direct and indirect charges.

Material and Tool Loading – The FERC USOA requires the use of undistributed stores expense accounts (163 accounts) to accumulate purchasing and store keeping costs of inventory materials. These costs are cleared based on historical loading rates. The rates are applied to materials issued to O&M and capital projects.

Administrative and General ("A&G") Loading – The purpose of this loading is to capitalize a portion of the various A&G costs that are incurred in support of capital activities. Based on a time study, specific departments monthly labor charges are allocated to all open construction projects.

[3] See footnote 1.

T&D Division Overheads – The purpose of this loading is to capitalize a portion of the delivery division service costs that are related to construction and removal activity but impractical to charge directly. Certain capital projects are loaded with a flat rate per labor dollar using account 184780 to accumulate and clear the applicable charges.

Generation Division Clearing – The purpose of this clearing is to capitalize a portion of the generation service costs that are related to construction and removal activity but impractical to charge directly. The overhead costs are cleared through account 184781 based on current month generation labor charges.

Flyash Clearings – This clearing distributes general costs in account 502010, Steam Operations Solid By-Products, to the appropriate coal fired plants. Current month activity in this account is cleared to expense plant projects based on a twelve months ended MMBTU's factor.

Unit Train Maintenance Clearing – The purpose of this clearing is to distribute general unit train maintenance charges to coal fired plants. Labor and non-labor in account 151601, Unit Train Maintenance, are spread to specific coal fired plant expense projects based on train cars assigned to each plant.

Combustion Turbine ("CT") Fuel Clearing – The purpose of this clearing is to distribute general charges in fuel expense and CT expense accounts 547101-554000, to the appropriate combustion turbines. This allocation transfers the monthly activity of general projects in these accounts to specific CT projects based on the twelve months ended MMBTU's factor.

Fuel Clearing – This clearing distributes general charges in fuel expense and steam accounts 500000 and 501500-514001, to the appropriate coal fired plants. This allocation transfers the monthly activity of general projects in these accounts to specific coal fired plant projects based on the twelve months ended MMBTU's factor.

Fleet Clearings – The purpose of this clearing is to spread the cost of vehicles to the appropriate departments and capital and expense accounts. Fleet vehicles are owned by specific departments with a vehicle rate assigned to each department based on the type and number of vehicles. Account 184004, Transportation, is used to accumulate the operations and maintenance expenses. The monthly charges are then cleared from this account to each departmental owner with the clearing following labor.

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SPECIFIC ASSIGNMENT METHOD

Specific assignment of costs among business units is used 1) when a statistical analysis of the underlying cost indicates the benefiting business unit or 2) when the cost can be assigned based on the ownership of the related assets or liabilities. Specific assignment methods could be used for such transactions as property insurance premiums which are allocated based on an appropriate cost causative driver or depreciation expense which follows the ownership of the related assets.

For example, property insurance premiums may provide coverage to more than one business unit but the premiums are billed with one invoice. Under the FDC method, to allocate the premium to the benefiting business units, an analysis is done to determine the appropriate cost causative driver which determines the amount related to each business unit. The invoice amount is then charged to all applicable business units.

In addition, the specific assignment method may be utilized to track costs that are or potentially will benefit non-regulated activities. When a potential new non-regulated activity is identified, a project may be assigned to help identify and accumulate costs associated with the new non-regulated activity. Ultimately, these projects will be used to segregate those costs from regulated activities.

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TRANSFER PRICING

Affiliate transactions between regulated and non-regulated affiliates follow a "best for the business" transfer pricing policy designed to prevent cross subsidization between affiliates. For example, a business would not provide a good, service, information, or asset below fully distributed cost unless it was operating under distressed circumstances. Also, a business would not provide a good, service, information, or asset at fully distributed cost if the fair market price was greater than the cost to create or provide the good or service. The MoPSC's Affiliate Transactions Rule is predicated on the utility acting in the utility's best interests when dealing with affiliates or its non-regulated activities. If a utility provides a good, service, asset, or information to an affiliate at cost when the fair market value is greater than fully distributed cost, the utility will experience the opportunity loss while the affiliate or non-regulated activity extracts the higher fair market value that the utility forfeited when it charged the affiliate the lower fully distributed cost-based price. All information, assets, goods or services provided by a regulated GPE affiliate to a non-regulated affiliate/product will be charged at the greater of fair market price or the fully distributed cost incurred to provide the good or service.

Information, assets, goods or services provided by a non-regulated affiliate to a regulated affiliate will be priced at the lower of fair market price or the fully distributed cost. The regulated affiliates will document the fair market price either through competitive bids or other measures and will analyze the fully distributed costs to determine appropriate pricing. KCP&L can and should acquire the good or service at fair market price from a non-affiliate source whenever it is below the fully distributed cost to produce the good or service itself. KCP&L should acquire the good or service at its fully distributed cost when fair market price is higher.

Transactions between GMO and KCP&L

As noted above in TAB A, in its July 1, 2008 Report and Order in File No. EM-2007-0374 the MoPSC granted GMO and KCP&L a variance to the Affiliate Transactions Rule for all transactions between GMO and KCP&L except for wholesale power transactions, which would be based on rates approved by FERC. At paragraph 589, page 187, of the MoPSC Report and Order, the MoPSC noted that "[r]ather than the asymmetrical pricing prescribed in the rule, the Applicants request that the Commission grant a waiver from the rules to the extent necessary to allow KCPL and Aquila to provide services at fully distributed costs, except for wholesale power transactions, which would be based on rates approved by FERC." [Footnote omitted].

The MoPSC explained the variance at page 264 of its Report and Order:

> G. Conclusions of Law Regarding the Commission's Affiliate Transactions Rule
>
> *   *   *   *
>
> 3. Final Conclusions Regarding the Affiliate Transactions Rule
>
> The Commission determines that substantial and competent evidence in the record as a whole supports the conclusions that: (1) the Commission's Affiliate Transactions Rule, 4 CSR 240.015, applies to KCPL and Aquila because these entities meet the Rule's definition of "affiliates"; (2) the

> purpose of the Commission's Affiliate Transactions Rule is to prevent cross-subsidization of regulated utility's non-regulated operations, not to prevent transactions at cost between two regulated affiliates; (3) to the extent that the Affiliate Transactions Rule is applicable to transactions between KCPL and Aquila, a variance shall be granted; and (4) more specifically, the variance shall be granted for all transactions except for wholesale power transactions, which would be based on rates approved by FERC.

Finally, at page 265 of the Report and Order the Commission noted that:

> ...although both KCPL and Aquila will continue to be subject to the Commission's recordkeeping requirements for regulated electrical corporations, the sections of 4 CSR 240.015 which relate to recordkeeping will not be waived. . . .

Fully Distributed Costs ("FDC"): FDC as described in this CAM include all costs to produce a product or service including direct, indirect, capital and overhead costs. First, labor and non-labor costs that are directly assignable to an affiliate are billed to that affiliate. These include costs that directly benefit the affiliate or product. Secondly, indirect costs are billed. These include costs attributable to affiliates which are allocated based on a cost causative relationship and general service costs that are allocated using the general allocator. The general allocator will be used with the exception of transactions that only benefit directly or indirectly KCP&L's or GMO's regulated operations between KCP&L and GMO. In transactions only between KCP&L and GMO, the Utility Massachusetts Formula may be used in lieu of the General Allocator. The Utility Massachusetts Formula is currently based on a three-factor formula which includes investments/net fixed assets, operating revenues and labor charged to operations and maintenance. The specific components of the Utility Massachusetts Formula should be adjusted as necessary to more closely fit (result in a more reasonable allocation) the type of cost that is being allocated based on the characteristics of the entities receiving the allocation. Refer to Appendix 3 for more information on the allocation factors.

FDC includes but is not limited to billings for the following:

1) Labor-the cost of human capital associated with the service provided.
2) Loadings-the benefits, pensions, OPEBs, insurance, paid absences, payroll taxes, etc. associated with labor and capital loadings associated with functional parts of the organization.
3) Plant, including Common Use Plant, which includes the use of common facilities such as telecommunication and network systems used in support of the organization.
4) Non-Labor-all other charges for materials, services and overheads.

Fair Market Price ("FMP"): The fair market price is the price that would be received to sell or acquire a good or service in an orderly transaction (i.e., not a forced liquidation or distressed sale) between market participants at or near the measurement date, under current market conditions. The fair market price will be used to document the pricing of goods and services to KCP&L's affiliates, with the exception of GMO's MoPSC regulated operations. In the absence of current comparable market prices, benchmarking, if approved by the MoPSC, may be used. The transaction to sell a good or provide a service is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the good or provides the service. The objective is to determine the price that would be received to sell or paid to acquire the good or service at or near the measurement date (an exit price).

Fair Value Measurement ("FMV"): Fair value measurement guidelines under generally accepted accounting principles ("GAAP") can be found in Accounting Standards Codification 820 ("ASC 820," formerly "FAS 157").

For purposes of this CAM, assets and liabilities in this definition will be the same for goods and services. Also for the purposes of this CAM, the term "fair value" or "fair value measurement" as used in this CAM and ASC 820 has the same meaning as "fair market price" as used in this CAM and the MoPSC's Affiliate Transactions Rule. KCP&L shall use a valuation technique that is appropriate for the circumstances and for which sufficient data is available to measure the fair market price, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The objective of using a fair market valuation technique, such as the one reflected in this CAM, is to determine the price at which an orderly transaction to transfer or acquire goods or provide or acquire services would take place between market participants at the measurement date under current market conditions. KCP&L will use the market approach described in this CAM to determine fair market prices. The market approach is described in ASC 820.

The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) goods and services. (A quoted price in an active market provides the most reliable evidence of fair value.) A fair market price is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing the good or service. As a basis for considering market participant assumptions in fair market price determinations, this CAM uses a fair value hierarchy (described below) that distinguishes between:

1) market participant assumptions developed based on market data obtained from sources independent of the regulated utility (observable inputs) and
2) the regulated utility's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The use of unobservable inputs is allowed only in situations in which there is little, if any, market activity for the good or service at or near the measurement date. In those situations, KCP&L need not undertake all reasonable efforts to obtain information about market participant assumptions. However, KCP&L will not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

The fair market price of the good or service shall be determined based on the assumptions that market participants would use in pricing the good or service. In developing those assumptions, KCP&L may, but need not identify specific market participants. Rather, KCP&L should identify characteristics that distinguish market participants generally, considering factors specific to:

a) the good or service,

b) the principal (or most advantageous) market for the good or service, and

c) market participants with whom KCP&L would transact in that market.

Market participants are buyers and sellers in the principal (or most advantageous) market for goods or services that are:

a) Not related parties,

b) Knowledgeable, having a reasonable understanding about the good or service and the transaction based on all available information, including information that might be obtained through due diligence efforts that are usual and customary,

c) Able to transact for the good or service, and

d) Willing to transact --motivated but not forced or otherwise compelled to do so.

Inputs refer broadly to the assumptions that market participants would use in pricing a good or service. Inputs may be observable or unobservable:

a) Observable inputs are inputs that reflect the assumptions market participants would use in pricing the good or service developed based on market data obtained from sources independent of the regulated utility.

b) Unobservable inputs are inputs that reflect the regulated utility's own assumptions about the assumptions market participants would use in pricing the good or service developed based on the best information available in the circumstances.

Fair Market Pricing Process: In the process of determining the fair market price for a good or service provided to or received from an affiliate, KCP&L will use a process based on obtaining the highest quality of information reasonably available to determine the fair market price of an affiliate transaction. The process for determining fair market price prioritizes the inputs to valuation techniques used to measure fair market price into three broad levels based on quality of information. The process used by KCP&L gives the highest priority to quoted prices (unadjusted) in active markets for identical goods and services and the lowest priority to unobservable inputs.

<u>High Quality inputs (observable)</u>

High quality inputs are quoted prices (unadjusted) in active markets for identical goods or services that the regulated utility has the ability to access at or near the measurement date (date of the transaction). An active market for a good or service is a market in which transactions for the good or service occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of a fair market price and shall be used to measure the fair market price (as required by 4 CSR 240-20.015(2)(A) whenever available. The MoPSC's Affiliate Transactions Rule requires at 4 CSR 240-20.015(3)(A) that when a utility purchases information, assets, goods or services from an affiliate, the utility shall either obtain competitive bids or demonstrate why competitive bids were neither necessary nor appropriate. Assuming a reasonably-designed bidding process, the obtaining of competitive bids for the purchase of goods or services by the utility may constitute a high quality input for the purposes of this CAM.

Medium Quality inputs (observable)

Medium quality inputs are inputs other than quoted prices that are observable for the good or service, either directly or indirectly. If the good or service has a specified (contractual) term, a medium quality input must be observable for substantially the full term of the good or service. Medium quality inputs include the following:

a) Quoted prices for similar goods or services in active markets.
b) Quoted prices for identical or similar goods or services in markets that are not active.
c) Inputs other than quoted prices that are observable for the good or service.
d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Depending on the nature of the benchmark, benchmarking practices that have the characteristics of medium quality inputs (if approved by the MoPSC - 4 CSR 240-20.015(3)(D)), can constitute a medium quality input.

Lower Quality inputs (unobservable)

Lower quality inputs are unobservable inputs for the good or service. Unobservable inputs shall be used to measure the fair market price to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the good or service at or near the measurement date. Unobservable inputs shall reflect the regulated utility's own assumptions about the assumptions that market participants would use in pricing the good or service. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the regulated utility's own data. Due to the lower quality nature of these unobservable inputs, greater effort will be made to ensure the fair market price determination using this data reviewed closely for reasonableness using the Conservatism Principle of Accounting. In developing unobservable inputs, KCP&L need not undertake all possible efforts to obtain information about market participant assumptions. However, KCP&L shall not ignore information about market participant assumptions that is reasonably available without undue cost and effort. Therefore, KCP&L's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

KCP&L's Labor Costs

Since GPE and all its subsidiaries/affiliates are operated and managed by KCP&L employees, KCP&L will be required to bill out labor costs benefiting affiliates and non-regulated activities. To determine the fair market price of a good or service provided by KCP&L to an affiliate, the market approach as described above will be used.

KCP&L's CAM Team, which includes representatives across several KCP&L functions, including KCP&L's Procurement Department, will conduct current fair market pricing analysis which will determine whether the appropriate amount to record an affiliate transaction is at FDC or fair market price.

KCP&L's Non-Labor Purchases

For all non-labor affiliate purchases exceeding corporate established competitive bid Policies ($100,000 for all purchases for the Transource affiliate, $75,000 for all other affiliates), KCP&L will do the following:

The KCP&L Procurement Department will solicit and obtain three competitive bids from non-affiliated vendors in addition to the bid from the affiliate. Prior to awarding the bid to an affiliate, the Procurement Department will review the bids received and use its procurement expertise to determine if the price proposed by the affiliate is within the range of the responsive bids received from the non-affiliated vendors. For transactions that are below the referenced competitive bid thresholds, the market approach as described in this Tab will be used.

Allocation of Costs Between KCP&L / GMO

The above language is subject to the Commission variance from the Affiliate Transactions Rule granted to KCP&L and GMO in File No. EM-2007-0374.

KCP&L provides goods, services, assets, and information to other entities within GPE, including GPE. When goods are provided or services are performed for the benefit of these entities, the fully distributed cost of providing the good or service is accumulated and billed to the affiliate. On a monthly[1] basis, these accumulated fully distributed costs are then compared with the fair market price of the good or service. After the comparison is made, if the fair market price is higher than the fully distributed cost an adjustment will be made for the difference and billed to the benefiting business unit on a monthly basis.

[1] Staff supports a two-year variance ending March 16, 2019 from KCP&L billing its affiliates, except GMO and Transource, the higher of cost (FDC) or market (FMP) at the time KCP&L bills its affiliates for the provision of assets, goods, information, and services on a monthly basis. KCP&L is to be allowed to bill its affiliates at cost for the first two months of each calendar quarter with true-up bills in the third month of each calendar quarter for market price to the extent market price is higher than cost. These true-up bills are to include an interest charge at the late payment charge rate for the period KCP&L delayed receiving its money if the initial bill would have reflected the higher market price. The variance described in this paragraph is to expire March 16, 2018, or sooner if KCP&L chooses to implement monthly billing, except as provided in section 4 CSR 240-20.015(10).

Kansas City Power & Light Company

AFFILIATE MARKETING MATERIALS

Any marketing materials or advertisements for the unregulated affiliates with similar names, logos or trademarks to regulated affiliates will state in a font size no smaller than the smallest font size on the page and will clearly display that it is "Not Regulated by the Missouri Public Service Commission." Copies of all such material for each reporting period will be available for review on or before the submittal date of the CAM.

TAB H

Kansas City Power & Light Company

RECORD KEEPING REQUIREMENTS

KCP&L's affiliate transactions policies and procedures are governed by the rules and regulations of FERC and the MoPSC. KCP&L will maintain each affiliate's books and records separately and each will be maintained so affiliate transactions are auditable on KCP&L's books. Affiliate transaction records will document the cost of transactions, the methods used to assign costs and descriptions of the services provided. Affiliate transactions will be retained for a period of at least six years or as required to meet MoPSC rules. Any non-assignment of affiliate costs or variances from the costing methods outlined in the CAM will be tracked and provided for MoPSC regulatory review on an annual basis.

An Affiliate Transactions Report will be submitted annually for review or as required to meet all regulatory requirements. The annual filing will include the following:

1) A list of affiliate entities
2) A description and dollar amount of all affiliate transactions
3) A list of all contracts between affiliates
4) A list of affiliate transactions without a written contract
5) The basis used for pricing the affiliate transactions (FDC or fair market price)
6) A Code of Conduct which discusses training, enforcements and audits
7) Cost Allocation Manual

KCP&L will conduct periodic audits to review affiliate transactions for compliance with the CAM's documented policies and procedures and with FERC and MoPSC rules and orders.

Kansas City Power & Light Company

TRAINING

Annually, employees are required to complete GPE's Code of Ethical Business Conduct which includes training and proper compliance with accounting and record keeping rules and procedures, antitrust regulations, fair trading and various ethical issues. The on-line training is mandatory for all employees and requires passage of an on-line test following completion of the training and a compliance questionnaire and certification.

New supervisors are required to complete Supervisor's Training. Beginning in 2016, a portion of the training will be dedicated to the rules governing affiliate transactions to ensure new supervisors are properly trained and informed regarding KCP&L's affiliate transaction policies and procedures and how they impact their departments.

KCP&L will identify the functional areas that will be involved in the provision of goods, services, information, or assets to GPE and its affiliates per executed written agreements.

All KCP&L employees (including supervisors and executives) who will be involved in the provision of goods, services, information, or assets to GPE, its affiliates, and non-regulated operations are to receive overall training regarding the MoPSC's Affiliate Transactions Rule.

All KCP&L employees (including supervisors and executives), who will be involved in the provision of goods, services, information, or assets to GPE, its affiliates, and non-regulated operations, will be given training materials that (1) identifies all of the goods, services, information, or assets identified in service agreements with affiliates they may provide to GPE and its affiliates and (2) indicates that goods, services, information, or assets are not to be provided in the absence of a service agreement.

In addition, employees (including supervisors and executives) are to be trained as to the proper recording required for the goods, services, information, or assets they will be providing to GPE and its affiliates. The training materials are maintained to provide continued support for affiliate transactions reporting and recording questions and issues. KCP&L will provide individual training as needed.

Beginning in 2014, training courses will be enhanced to include detailed information regarding the MoPSC Affiliate Transactions Rule and expectations to each designated employee (including supervisors and executives) regarding the specific goods, services, information, or assets he/she provides to GPE and its affiliates. Employees will be requested to certify if they have knowledge of any potential abuses specific to affiliate transactions, and that those abuses have been communicated in writing to the KCP&L CAM Team. Internal communications, department Intranet sites and new employee orientation will be updated and maintained to provide additional information on affiliated entities and affiliate rules and requirements. Internal communications may include company-wide leadership meetings, various staff meetings, manager-specific communications, company-wide e-mail announcements and printed communications regarding the MoPSC's Affiliate Transactions Rule and related topics.

Kansas City Power & Light Company

VARIANCES

The Affiliate Transactions Rule variance process is described in 4 CSR 240-20.015(10).

KCP&L understands that with limited exceptions an exemption needs to be granted by or be in process before the MoPSC from an applicable standard pursuant to the Affiliate Transactions Rule, 4 CSR 240-20.015, before KCP&L may participate in an affiliate transaction that is not consistent with the MoPSC's Affiliate Transactions Rule. The limited exception as outlined in the rule is related to the affiliated transaction pricing standard and only when KCP&L believes complying with the standards set out in the Affiliate Transactions Rule would to its best knowledge and belief not be in the best interests of its regulated customers. If any such pricing variance were to occur, KCP&L must request a variance through a written application to the MoPSC or provide notice to the Secretary of the MoPSC and the OPC within ten (10) days of the non-complying transaction.

To comply with Missouri Affiliate Transactions Rule 4 CSR 240-20.015(2)(D) and (10)(A)2, KCP&L will file notice of any non-complying affiliate transaction occurrence. The notice will contain a detailed explanation of why the affiliate transaction was exempt from affiliate requirements and why the variance was in the best interest of regulated customers.

At this time, KCP&L has variances/waivers granted by the MoPSC regarding transactions with GMO (File No. EM-2007-0374) and the provision of goods, services, information, and assets to Transource and Transource Missouri (File No. EA-2013-0098 – See Appendix 4 in Tab O). KCP&L has no variances pending before the MoPSC or noticed in accordance with the requirements of 4 CSR 240-20.015(10)(A)(2).

Any revisions, additions and deletions, to the CAM will be filed with the Secretary of the MoPSC and OPC within ten (10) days of the occurrence of the change as either a variance application: (1) in accordance with 4 CSR 240-20.015(10)(A)1 and 4 CSR 240-2.060(4), KCP&L cannot act in accordance with the variance application until the request receives MoPSC approval; or (2) in accordance with 4 CSR 240-20.015(10)(A)2, KCP&L can operate under the revised CAM before final MoPSC determination as explained below. The notice shall explain in detail the reasons for the change and explain why the change is in the best interest of regulated customers. Within thirty (30) days of the notice, Staff, OPC, or any entity shall have the right to request a hearing on the change. The MoPSC may grant or deny a request for a hearing. If the MoPSC denies a request for hearing, the denial shall not in any way prejudice an entity's ability to challenge the revision at the time of the annual KCP&L CAM filing. At the time of the filing of KCP&L's CAM, KCP&L shall provide to the Secretary of the MoPSC a listing of all revisions, additions and deletions, which occurred between the period of the last filing and the current filing. Any revisions shall remain interim, pending final MoPSC determination on whether each revision is in the best interests of the regulated customers.

Kansas City Power & Light Company

REPORTING PERIOD RESULTS

Reporting period results should include:

- A summary of charges by absolute total with the amount charged to or billed from each subsidiary or affiliate of GPE including KCP&L. The KCP&L portions should identify charges to both regulated and each of its non-regulated activities.
- "Affiliate Transactions Report" (the document titled "kcpl affiliate transaction filing 2013.pdf" in KCP&L's 2013 CAM filing) for KCP&L in its CAM.
- "KCP&L Additional Affiliate Transaction Information" (the document titled "KCPL Add'l Affiliate Transaction Information 2013.pdf" in KCP&L's 2013 CAM filing) for KCP&L in its CAM.
- A schedule listing all changes from prior CAM filing.
- A listing of all CAM changes that have not been approved by MoPSC.

Kansas City Power & Light Company

GLOSSARY OF TERMS

Cost Allocation Manual ("CAM") – a document that includes the criteria, guidelines and procedures a regulated utility will follow to be in compliance with the MoPSC's Affiliate Transactions Rule (4 CSR 240-20.015).

FERC – Federal Energy Regulatory Commission.

GAAP – Generally accepted accounting principles. As used in this CAM, GAAP refers to FASB Statement 157 and ASC 820 (Codification Topic 820) *Fair Value Measurements and Disclosures* (on July 1, 2009, FASB Statement 157 was codified into ASC Topic 820).

General Allocator – A "last resort" allocation method only used when neither direct nor indirect measures of cost causation can be found to charge a cost to a specific entity. KCP&L may use a three factor formula made up of operating revenues, labor charged to O&M and Net Plant as an allocator for costs allocated between KCP&L and GMO. For all other costs, KCP&L uses a General Allocator which allocates based on an entity's relative ratio of direct and assigned expenses to total direct and assigned expenses incurred.

GMO – KCP&L Greater Missouri Operations Company, a wholly-owned subsidiary of Great Plains Energy Incorporated, whose primary purpose is to provide electricity to customers within its regulated Missouri territories of MPS and L&P.

GPE – Great Plains Energy Incorporated, the holding company. GPE subsidiaries include: KCP&L, GMO, GPES, GPTHC and KLT.

GPE's Code of Ethical Business Conduct – a document together with GPE's "Guiding Principles" provides GPE the structure for decisions it makes and how it deals with legal and ethical issues. In addition, these documents, located on GPE's website, describe how GPE treats it employees, customers, shareholders, regulators, legislators and communities.

GPES – Great Plains Energy Services Incorporated, a wholly-owned subsidiary of GPE.

GPTHC – GPE Transmission Holding Company, LLC, a wholly-owned subsidiary of GPE.

IRS Form 7004 (Rev Dec 2012) – *Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns* for GPE's and Subsidiaries' Affiliated Group Information Statement 1 which lists the name and address of each member of the affiliated group.

KCC – The State Corporation Commission of the State of Kansas.

KCP&L – Kansas City Power & Light Company, a wholly-owned subsidiary of GPE, whose primary purpose is to provide electricity to customers within its regulated service territory in Missouri and Kansas.

KCP&L CAM Team – Team made up of KCP&L employees to implement and supervise the KCP&L CAM.

KCP&L Receivables Company ("KREC") – a wholly-owned subsidiary of KCP&L to whom all regulated retail electric accounts receivables are sold through an affiliate transaction.

KCP&L Solar, Inc. – a subsidiary of KLT.

KLT – KLT Inc. is a wholly-owned non-regulated subsidiary of GPE.

L&P – St. Joseph Light & Power, a regulated division within GMO.

MoPSC – Public Service Commission of the State of Missouri.

MPS – Missouri Public Service, a regulatory division within GMO.

MPS Merchant Services, Inc. – a wholly-owned subsidiary of GMO which has certain long-term natural gas contracts, and several unregulated subsidiaries some of which no longer have active operations.

Service Agreement – a written agreement detailing the scope of any information, assets, goods or services that KCP&L is obligated to provide to any affiliated entity or KCP&L is obliged to receive and compensate any affiliated entity.

Transource Energy, LLC ("Transource") – formed in 2012 by GPE and American Electric Power Company ("AEP") to pursue competitive transmission projects. GPE owns 13.5% of Transource through its wholly-owned direct subsidiary GPE Transmission Holding Company, LLC ("GPTHC") with AEP owning the remaining 86.5%.

Transource Missouri, LLC – a wholly-owned subsidiary of Transource Energy LLC formed for regional transmission projects in Missouri.

Variance – A variance from the standards of the MoPSC's Affiliate Transactions Rule may be obtained by compliance with paragraphs (10)(A)1 or (10)(A)2 of the MoPSC Affiliate Transactions Rule (4 CSR 240-20.015).

Wolf Creek Generating Station ("Wolf Creek") – a nuclear generating station located near Burlington Kansas in which KCP&L has a 47% ownership interest.

Wolf Creek Nuclear Operating Corporation ("WCNOC") – the Company that operates the Wolf Creek Generating Station. The ownership is divided among KCP&L (47%), Westar Energy (47%) and Kansas Electric Power Cooperative, Inc. (6%).

Kansas City Power & Light Company

TESTS

KCP&L will complete the following tests and report the results of the tests in its annual CAM filing as a function of quality control for each future reporting period:

- Employees who complete or assist in the completion of IRS Form 7004 are to notify the KCP&L CAM Team within five business days of any material changes from KCP&L's prior year tax return filing. The KCP&L CAM will be checked to see whether entities identified in the Form 7004 are addressed in the CAM or an explanation is included in the CAM justifying why no costs were assigned to entities that are included on the Form 7004.

- Annual charges to GPE and each of its subsidiaries will be identified in a Summary Schedule and included in Tab K Reporting Period Results. An explanation must be given as to the appropriateness of the absence of any charges to GPE or any of its affiliates.

- The controller will affirm that he/she has examined the Affiliate Transactions Report and to the best of his/her knowledge, information and belief, all statements, information and material contained in the Affiliate Transactions Report are complete and correct in compliance with the MoPSC's Affiliate Transactions Rule 4 CSR 240-20.015.

- The KCP&L CAM Team, under the direction of the controller, will be responsible to ensure that:

  1) all contracts that exist are reported in the CAM;
  2) all contracts reported in the CAM are currently in effect;
  3) all contracts no longer in effect have been removed from the CAM;
  4) all affiliates that engage in transactions with KCP&L have a current contract or the CAM includes an explanation of why no contract exists and a certification that this treatment (engaging in transactions with no written contract) is consistent with the treatment KCP&L provides to non-affiliated entities;
  5) to the extent KCP&L finds that contracts exist that were not reported and contracts reported in the CAM are no longer effective, KCP&L will take action to correct the discrepancies and institute appropriate controls to minimize the likelihood of future discrepancies;
  6) internal controls are created and employed to ensure that employees who provide or assist in the provision of affiliate services are charging time to the affiliates; and
  7) all documents used to support affiliate transaction fair market price determinations are reasonable and current.

- In all cases where GPE affiliates have no charges during the reporting year, KCP&L will provide an explanation of how it did not provide any goods or services for that entity to exist and/or that none of its employees or officers are employees or officers of the affiliate.

Kansas City Power & Light Company

AUDITS

Audits Completed or Currently Pending:

KCP&L shall list all audits completed or currently pending regarding affiliate transactions or non-regulated utility activity. The list for KCP&L shall contain the title of the audits as well as a reference to the location where each audit report is or will be retained. KCP&L and GMO should consider that the MoPSC Staff and OPC will want to receive a copy of each audit report in a mutually agreeable medium with work papers upon completion of the audit.

Audits Planned:

KCP&L shall list all audits planned regarding affiliate transaction or non-regulated utility activity that will occur in the upcoming year (or a longer period of time if consistent with the audit planning horizon) following the reporting period. KCP&L shall provide a description of the audit areas of each planned audit.

Independent Attestation:

Staff or OPC may request the MoPSC establish an independent attestation engagement of the CAM and propose a cost allocation for the engagement. This settlement agreement in File No. EO-2014-0189 does not prohibit any party from opposing this request and cost allocation proposal on any grounds.

MAY 6, 2016

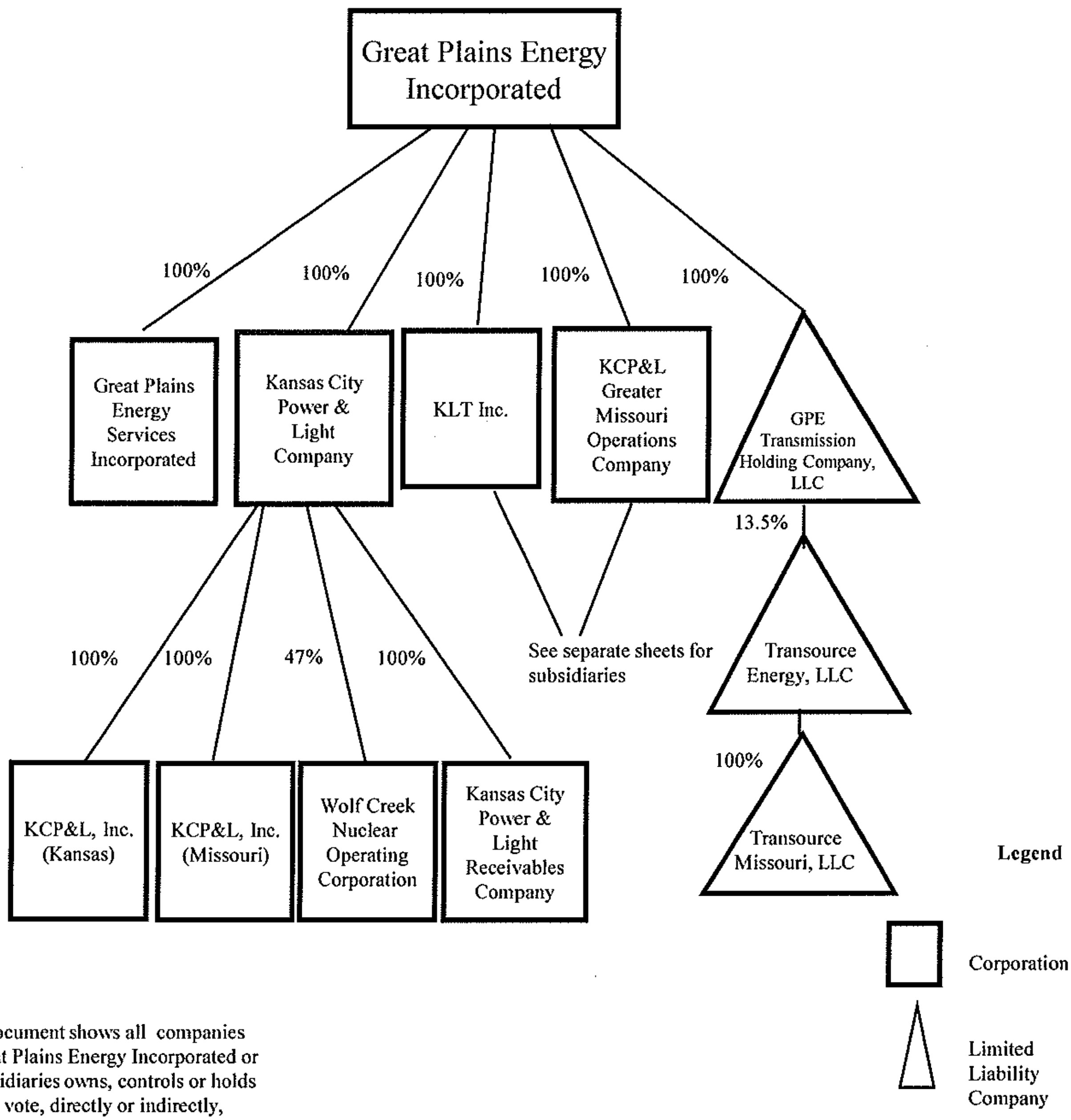
TAB O

Kansas City Power & Light Company

CUSTOMER INFORMATION

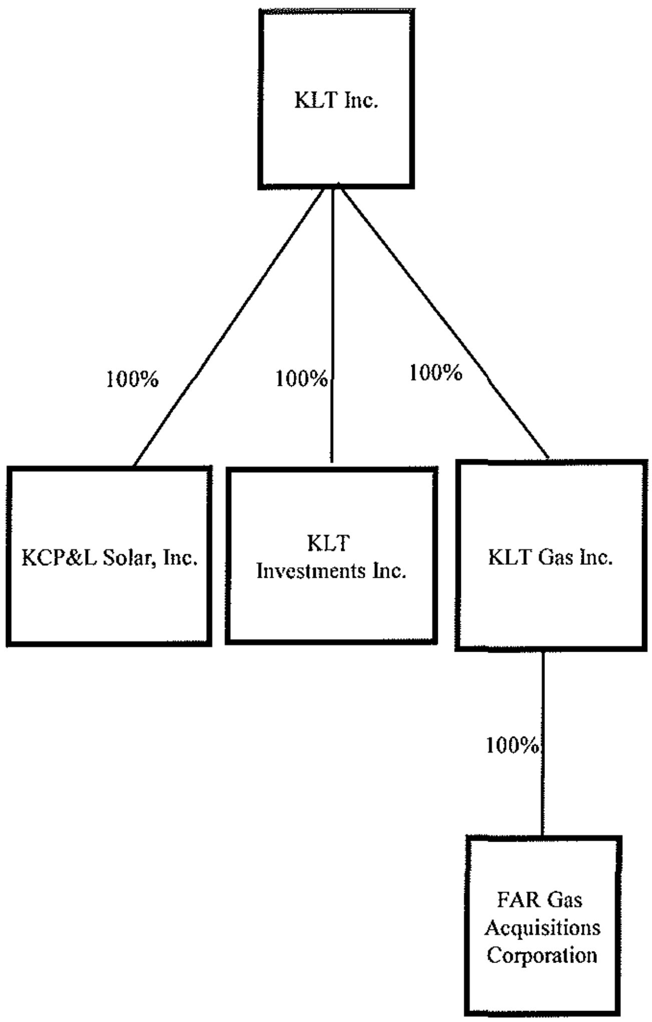
2 CSR 240-20.015(2)(C) requires that customer information be made available to "affiliated or unaffiliated" entities only with the consent of the customer or as otherwise allowed by Commission rules or orders. KCP&L will comply with the rule as explained by the Commission's May 27, 2016 Order in EC-2015-0309.

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure



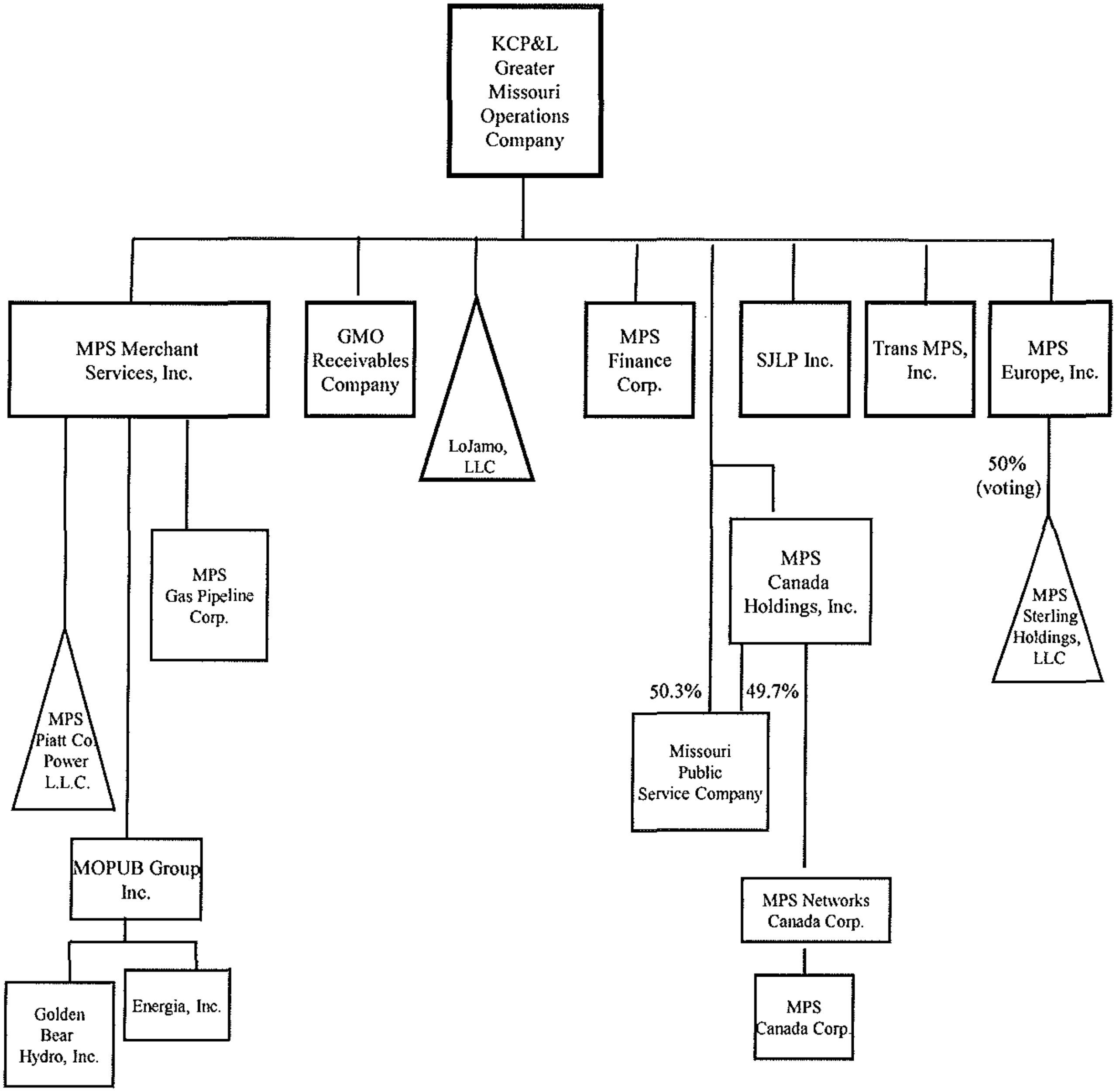
Note: This document shows all companies in which Great Plains Energy Incorporated or one if its subsidiaries owns, controls or holds with power to vote, directly or indirectly, 10% or more of the voting securities. Interests with no or limited voting rights in general or limited partnerships are either omitted or described in notes.

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure



Last Revised August 23, 2013

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure



Notes: (a) All wholly-owned companies except where indicated
(b) Golden Bear Hydro, Inc. and Energia, Inc. hold a 0.5% general partnership and 99.0% limited partnership interest, respectively, in G.B. Hydro Partners L.P. which in turn holds a 50% partnership interest in Mega Renewables.

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure

Revisions to Organizational Structure Chart:

1. Original Issuance on September 22, 2004.
2. Revised on February 11, 2005 to reformat and to reflect sale of Worry Free Service, Inc. and dissolution of Forest City Gathering, LLC.
3. Revised on March 14, 2005, to reflect that KLT Gas Inc. is not an Energy Affiliate.
4. Revised on October 12, 2005, to reflect dissolution of Advanced Measurement Solutions, Inc.
5. Revised on October 19, 2005, to reflect dissolution of Municipal Solutions, L.L.C. and Telemetry Solutions, L.L.C.
6. Revised on October 25, 2005, to reflect dissolution of Copier Solutions, LLC.
7. Revised on December 28, 2005 to reflect dissolution of Great Plains Power Incorporated and to correct the name of KLT Energy Services on slide 5.
8. Revised on May 24, 2006, to reflect dissolution of KLT Gas Operating Company.
9. Revised on June 6, 2006, to reflect merger of KLT Investments II Inc. into KLT Inc.
10. Revised on June 12, 2006, to reflect dissolution of Apache Canyon Gas, L.L.C.
11. Revised on June 26, 2006, to reflect merger of Forest City, LLC into KLT Gas Inc.
12. Revised on April 23, 2007, to reflect dissolution of Patrick KLT Gas, LLC.
13. Revised on June 11, 2007, to reflect issuance of stock by Gregory Acquisition Corp. to Great Plains Energy. Deleted slide depicting only KLT Inc. – KLT Telecom Inc.
14. Revised on October 1, 2007, to reflect creation of Strategic Receivables, LLC.
15. Revised on January 2, 2008, to reflect transfer of Home Service Solutions Inc. from Kansas City Power & Light to KLT Inc.
16. Revised on June 5, 2008, to reflect the sale of Strategic Energy and the dissolution of Custom Energy Holdings, L.L.C.
17. Revised on July 7, 2008, to reflect the merger of Innovative Energy Consultants, Inc. and KLT Energy Services Inc. into KLT Inc.
18. Revised on July 22, 2008, to reflect the acquisition of Aquila, Inc., effective July 14, 2008.
19. Revised on October 23, 2008, to reflect name changes of Aquila, Inc. and certain subsidiaries effective October 17, 2008.
20. Revised on December 31, 2008 to reflect dissolution of KLT Telecom Inc. effective December 31, 2008.
21. Revised on April 6, 2009, to reflect dissolution of Aquila Energy (Bermuda) Ltd. effective December 19, 2008, and to correct ownership interests in Missouri Public Service Company.
22. Revised on July 2, 2009, to reflect merger of MPS NZ, Limited into Trans MPS, Inc. on June 18, 2009, and the issuance of stock by KCP&L, Inc. (a Missouri corporation) and KCP&L, Inc. (a Kansas corporation) to Kansas City Power & Light Company.
23. Revised on November 20, 2009, to reflect merger of MPS Colorado, LLC into Trans MPS, Inc. effective August 21, 2009, termination of Levasy Jagdverein, LLC effective August 26, 2009, the pending liquidation of Aquila Energy Re Ltd., and clarification of interests in G.B. Hydro Partners, L.P. and Mega Renewables.
24. Revised on December 1, 2009, to reflect creation of GMO Receivables Company as a subsidiary of KCP&L Greater Missouri Operations Company.
25. Revised on December 7, 2009, to reflect the dissolution of Aquila Energy Re Ltd.
26. Revised on May 11, 2010, to reflect the merger of Everest Global Technologies Group LLC and Everest Holdings II, LLC into Trans MPS, Inc. effective March 31, 2010.
27. Revised on April 4, 2012, to reflect formation of Transource Energy, LLC with AEP Transmission Holding Company, LLC effective March 22, 2012, and the formation of GPE Transmission Holding Company, LLC effective April 2, 2012.
28. Revised on June 19, 2012, to reflect formation of Transource Missouri, LLC effective June 19, 2012.
29. Revised on August 23, 2013, to reflect name change of Home Service Solutions Inc. to KCP&L Solar, Inc., effective August 23, 2013, as well as to reflect the dissolution of MZ Nebraska Partners in 2012.

TAB P
APPENDIX 2

Kansas City Power & Light Company

DESCRIPTION OF SERVICES PROVIDED BY KCP&L[1]

Corporate Services

Corporate Services is responsible for providing information technology, purchasing and facilities and resource protection services.

Information Technology: Supports existing applications, technology and infrastructure to ensure business continuity and leverage capabilities. Systems include Customer Information System, PeopleSoft, desktop, real-time systems, radio and telecommunications.

Purchasing: Provides procurement services in acquiring goods and services for operations, maintenance and construction projects.

Facilities: Responsible for planning and management of existing company buildings and grounds as well as new building construction and remodeling. Also provides print, courier, mailroom and records management services.

Delivery

Delivery is responsible for providing customer, transmission and distribution services. This includes business performance services, claims services, customer services, major outage event management services, energy efficiency and demand response services, metering, resource management, safety training and incident response services. Delivery also includes transmission and distribution operations, maintenance and construction, engineering, planning and compliance.

Business Performance Services: Develops and gathers data to create financial and reliability delivery reports.

Claims Services: Administers claims received for property damage and/or service issues.

Community Liaison and Communications Services: Acts as a liaison with government agencies, civic organizations and other community stakeholders.

Customer Services: Receives and processes customer requests though all customer contact channels; answers customer questions, creates and enters service orders, educates customers and manages energy assistance programs. Also records meter

[1] KCP&L may not be providing all of these services.

data and manages field collection process at the customer premise, invoices customers, manages payment process and investigates complaints.

Economic Development Services: Manages and administers business development initiatives, and programs for retention, expansion and recruitment of customers.

Energy Efficiency and Demand Response Service (EE/DSM): Identifies and develops EE/DSM projects including market analysis, technology reviews, load research and tariff development. Also provides marketing and education of EE/DSM programs to customers.

Major Outage/Catastrophic Event Management Services: Provides "command and control" management including allocation of resources, communication with stakeholders, coordination with the Mutual Assistance Group, and analysis of operation and performance data.

Metering and Infrastructure Technology Services: Plans, designs and implements integrated technologies to supply, manage, and enable more efficient use of energy for utility and customers.

Resource Management: Provides supervision of resource procurement, including strategic sourcing, vendor development, order and supplier management, consignment systems and contract governance. Also manages vegetation, infrastructure and fleet services.

Safety Training and Incident Response Services: Creates and presents public safety education and training demonstrations and responds to incidents of personal injury and property damage.

Transmission and Distribution Construction Maintenance Management: Analyzes, coordinates and supports work for system expansion, system improvements, construction and corrective and preventive maintenance. Also provides patrolling services of infrastructure and acts as company liaison.

Transmission and Distribution Operations and Maintenance: Provides first response to outage and irregular system operations and coordinates and supports work to restore service.

Transmission, Distribution and Substation Engineering and Asset Management: Analyzes, coordinates and supports work for delivery and substation system expansions and improvements, and provides corrective and preventive maintenance. Also provides engineering, planning, design, mapping services, right-of-way and zoning services.

Transmission Policy, Planning and Compliance Services: Develops policies, monitors key developments, policies and procedures and participates in industry groups related to transmission reliability, operations and policy issues including FERC, North American Electric Reliability Corporation, Southwest Power Pool, Midcontinent Independent

System Operator, Inc., Edison Electric Institute, Kansas Electric Transmission Authority. Services also include monitoring system reliability and security.

Supply

Supply is responsible for all aspects of providing the electric energy necessary to reliably fulfill the electric demands of customers. Supply may provide the following services: resource planning, plant operations and maintenance, fuel procurement, generation dispatch, power purchases and sales, new construction and Black Start.

Resource Planning: Develops integrated resource plans, provides capacity testing, reliability reporting and interconnection applications and maintains fleet generation statistics.

Plant Operations and Maintenance: Conducts safety training and incident investigations, manages plant operation and maintenance, maintains facilities and equipment, manages inventory, environmental compliance and reporting.

Fuel Procurement and Logistics: Develops fuel procurement plans, arranges fuel delivery handling and storage, and the sale or off-site disposal of coal combustion products.

Generation Dispatch: Provides unit scheduling, maintenance of reserve requirements, coordination with the Regional Transmission Organization (RTO) and coordination of generation stations and load balancing.

Power Purchases and Sales: Manages day ahead and real time sales and/or purchases to meet customer demand, secure transmission paths, manage wholesale customers and tracks and manages RTO transactions.

New Unit Construction: Organizes and manages the construction efforts to place new generating assets into service or to retro-fit existing facilities and also manages the removal of abandoned equipment.

Black Start: Maintains and periodically tests the system black-start capability.

Human Resources

Human Resources (HR) is responsible for the planning, development and implementation of all aspects of human capital.

Employee Relations: Provides generalists to work with operating groups as business partners to support operating needs.

Labor Relations: Works with the International Brotherhood of Electrical Workers locals in labor strategy, negotiations, grievances, arbitration, job bidding and other union activities.

Staffing and Recruitment: Oversees the recruiting, interviewing, testing, placement and on-boarding processing. Also manages internship and diversity programs.

Compensation and Benefits: Develops and maintains the overall reward programs including base salary, incentives and benefits. Also oversees the Affirmative Action programs.

Safety and Medical: Manages workers' compensation, return-to-work, Department of Transportation and other health and safety programs.

Training and Development: Ensures an effective professional workforce through the development and delivery of training programs, leadership development, work force planning, surveys and performance management systems.

Human Resource Information System: Ensures secure and effective systems to report employee-related information, provide employee self-service and other HR systems.

HR Strategy and Planning: Establishes goals, metrics and plans to enhance HR services and implement workforce strategies.

Finance and Accounting Services

Finance and Accounting Services is responsible for all aspects of financial services to KCP&L.

Accounting Systems: Provides system support operations and maintenance of all financial systems including PeopleSoft financial and HR systems, CIS customer billings systems, and PowerPlant.

Accounts Payable: Provides accounts payable transaction processing and reporting.

Audit Services: Examines and evaluates the adequacy and effectiveness of KCP&L's governance and risk management processes and internal control structure. This includes the review of reliability and integrity of financial and operation information, compliance with Sarbanes-Oxley Act of 2002 and other laws and regulations and safeguarding of assets.

Corporate Accounting: Maintains the accounting books and records of all GPE companies and provides internal and external reporting and other financial support as required.

Corporate Finance: Directs KCP&L's corporate finance function including development, analysis and implementation of financial plans and capital structure. Corporate finance is also responsible for the management of relationships with rating agencies and the financial community.

Corporate Planning and Budgeting: Develops budgets and financial forecasts including total company and department operating and capital budgets.

Corporate Treasury: Responsible for all cash management activities including short-term financing facilities, cash monitoring and controls and customer remittance activities.

Income and Transaction Taxes: Responsible for all aspects of maintaining the tax books and records including the preparation and filing of consolidated and separate federal, state and local income, franchise, sales, use, gross receipts, fuel excise, property and other miscellaneous tax returns and payments

Insurance: Provides insurance services including management of insurance policies and filing of claims.

Property Accounting: Maintains all fixed assets and intangible property records.

Risk Management: Provides credit risk management services related to wholesale counterparties, reviews contracts, monitors credit markets and develops policies to mitigate market risk.

Strategic Planning and Development: Provides long-term strategic development and coordination for major asset decisions, renewable energy, climate change, nuclear power, energy efficiency and other energy related issues.

Legal and Environmental Services

Legal and Environmental Services is responsible for providing legal advice and representation and environmental services.

Legal Advice and Representation: Services include advising and representing KCP&L on litigation matters, contract negotiations, regulatory compliance, security filings and general corporate matters.

Environmental Services: Responsible for compliance with applicable environmental laws and regulations and obtainment of environmental permits.

Regulatory Affairs

Regulatory Affairs is responsible for supporting and representing KCP&L in all regulatory processes and procedures including developing regulatory strategies and policies, filing for changes in rate levels, responding to MoPSC investigations and the administration of tariff filings and rate designs.

Corporate Secretary and Governance

The Corporate Secretary and Governance area is responsible for compliance with applicable corporate laws and regulations, development and maintenance of corporate documents, compliance with corporate policies and procedures, and acts as a liaison between KCP&L management and the Board of Directors.

Management Services

Management Services provides overall management advice, guidance and/or direction concerning corporate functions and operations.

Board Services

Board Services provides oversight to the management of affiliates.

TAB P
APPENDIX 3

Kansas City Power & Light Company
Allocation Factors

Allocation Factor	Description
Customers/Transmission Miles	Company/business unit average of jurisdictional retail customers and transmission pole miles as a percent of total.
Number of Customers	Jurisdictional retail customers as a percent of total retail customers.
Plant Capacity Factor	Jurisdictional plant capacity as a percent of total plant capacity.
Transmission Miles	Jurisdictional transmission pole miles as a percent of total pole miles.
Utility Massachusetts Formula	Utility companies KCP&L, GMO (MPS & L&P) average of 1) Operating revenues, 2) Labor charged to O&M, and 3) Net plant. This is the Massachusetts Formula.
General Allocator	A "last resort" allocation method only used when neither direct nor indirect measures of cost causation can be found to charge a cost to a specific entity. KCP&L may use a three factor formula made up of operating revenues, labor charged to O&M and Net Plant as an allocator for costs allocated between KCP&L and GMO. For all other costs, KCP&L uses a General Allocator which allocates based on an entity's relative ratio of direct and assigned expenses to total direct and assigned expenses incurred. See following page for an illustrative example.

(1) Factors are updated annually or as necessary if allocation basis changes significantly.

General Allocator Example for Illustrative Purposes Only

Total General Allocator Cost Pool $20,000,000
(residual not assigned or allocated costs)

		Expenses Directly Charged	Expenses Assigned using causal factors	Total Direct and Causal Allocated	GEN Allocator Ratio	General Allocated Costs ($20M)	Total Costs
HLDCO	Great Plains Energy Inc.	$4,000,000	$2,000,000	$6,000,000	3.000%	$600,000	$6,600,000
GPES	Great Plains Energy Services	$300,000	$200,000	$500,000	0.250%	$50,000	$550,000
GPTHC	Great Plains Transmission HLDG	$500	$75,000	$75,500	0.038%	$7,550	$83,050
SJINV	SJLP Investments	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
TRNSU	Trans MPS Inc	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
MPSFC	MPS Finance Corp	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
MPSCH	MPS Canada Holdings	$100,000	$75,000	$175,000	0.088%	$17,500	$192,500
MPSNC	MPS Networks Canada	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
MPSCC	MPS Canada Corp	$100,000	$20,000	$120,000	0.060%	$12,000	$132,000
MPSMS	MPS Merchant Services	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
MPSGP	MPS Gas Pipeline	$100,000	$20,000	$120,000	0.060%	$12,000	$132,000
MPSPC	MPS Piatt County Power LLC	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
MGI	MOPUB Group Inc.	$100,000	$20,000	$120,000	0.060%	$12,000	$132,000
GBH	Golden Bear Hydro Inc.	$50,000	$75,000	$125,000	0.063%	$12,500	$137,500
ENI	Energia Inc.	$100,000	$20,000	$120,000	0.060%	$12,000	$132,000
KLT	KLT Inc.	$10,000,000	$500,000	$10,500,000	5.250%	$1,050,000	$11,550,000
KLTG	KLT Gas Inc.	$50,000	$100,000	$150,000	0.075%	$15,000	$165,000
KLTIV	KLT Investments Inc.	$2,000	$75,000	$77,000	0.039%	$7,700	$84,700
FGAS	FAR Gas Acquisitions Corp	$50,000	$20,000	$70,000	0.035%	$7,000	$77,000
SOLAR	KCPL Solar Inc.	$50,000	$175,000	$225,000	0.113%	$22,500	$247,500
KCREC	KCPL Receivables Company	$5,000,000	$80,000	$5,080,000	2.540%	$508,000	$5,588,000
GREC	GMO Receivables Company	$2,000,000	$70,000	$2,070,000	1.035%	$207,000	$2,277,000
PARNT	GMO Parent Division	$4,000	$75,000	$79,000	0.040%	$7,900	$86,900
KCPL	KCPL NonReg	$102,000	$75,000	$177,000	0.089%	$17,700	$194,700
GMO	GMO NonReg	$101,000	$75,000	$176,000	0.088%	$17,600	$193,600
MOPUB	Missouri Public Service Utility	$20,000,000	$7,000,000	$27,000,000	13.500%	$2,700,000	$29,700,000
SJLP	Saint Joseph Power & Light Utility	$40,000,000	$13,800,000	$53,800,000	26.900%	$5,380,000	$59,180,000
KCPL	Kansas City Power & Light Utility	$67,490,500	$25,000,000	$92,490,500	46.245%	$9,249,050	$101,739,550
		$150,000,000	$50,000,000	$200,000,000	100.000%	$20,000,000	$220,000,000

The above amounts are not reflective of actual expenses and are used only to provide an illustration of the general allocator calculation.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Transource Missouri	)	
Missouri, LLC for a Certificate of Convenience	)	
and Necessity Authorizing It to Construct,	)	File No. EA-2013-0098
Finance, Own, Operate, and Maintain the	)	
Iatan-Nashua and Sibley-Nebraska City	)	
Electric Transmission Projects	)	

REPORT AND ORDER

Issue Date: August 7, 2013

Effective Date: September 6, 2013

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 7th day of August, 2013.

In the Matter of the Application of Transource Missouri Missouri, LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects	))))))	File No. EA-2013-0098

REPORT AND ORDER

Issue Date: August 7, 2013 Effective Date: September 6, 2013

The Missouri Public Service Commission is approving disposition by settlement, granting the applications,[1] and incorporating the proposed conditions and terms. The applications relate to two transmission projects: the Iatan-Nashua line and the Sibley-Nebraska City line ("the projects"):

For authorization to	Applicant	Title
Transfer plant and operating rights for the projects	Kansas City Power & Light Company ("KCPL"), and KCP&L Greater Missouri Operations Company ("GMO")	*Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company*[2] ("transfer application")
Construct and operate the projects	Transource Missouri, LLC ("Transource Missouri")	*Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity and Request for Waiver*[3] ("CCN application")

[1] Consolidated under this file number is the action in File No. EO-2012-0367, *In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company Regarding Arrangements for Approval to Transfer Certain Transmission Property to Transource Missouri, L.L.C. and for Other Related Determinations*.

[2] File No. EO-2012-0367, Electronic Filing and Information System ("EFIS)" No. 4. All other EFIS citations refer to File No. EA-2013-0098. EFIS is accessible at http://psc.mo.gov/default.aspx.

[3] EFIS No. 1.

Contents

I. Jurisdiction

The Commission has jurisdiction over the subject matter because the Commission's jurisdiction generally includes electrical corporations.[4] That includes KCPL and GMO, because KCPL and GMO own electric plant, and will include Transource Missouri when it owns and operates transmission facilities.[5] The Commission also has jurisdiction over the disposition of certain utility property,[6] including operating rights,[7] and the construction and operation of the utility projects[8] proposed by Transource Missouri. The signatories cite other statutes supporting the Commission's jurisdiction over the applications as set forth in Appendix 2 of this report and order. Therefore, the Commission concludes that it has jurisdiction to rule on the applications.

II. Docket

KCPL, GMO, and Transource Missouri ("applicants") filed the transfer application and the CCN application ("applications").[9] The Commission gave notice,[10] and additional notice,[11] of the applications and set a deadline for filing applications to intervene. The

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[4] Sections 386.250(1) and 393.140(1), RSMo 2000; and 386.020(43), RSMo Supp. 2012.

[5] Sections 393.110 and 386.020(15) and (14), RSMo Supp. 2012.

[6] Sections 393.190.1 and 386.250(1), RSMo 2000.

[7] Section 386.250(1), RSMo 2000, and 4 CSR 240-3.110(1)(A).

[8] Section 393.170.1, RSMo 2000.

[9] On August 31, 2012.

[10] EFIS No. 7, *Order Directing Notice, Setting Intervention Deadline, Directing Filing and Scheduling a Conference.*

[11] EFIS No. 9, *Order Directing Additional Notice*; EFIS No. 60, *Order Directing Notice to County Clerks.*

Commission granted an application to intervene from Missouri Industrial Energy Consumers ("MIEC").[12] The Commission issued notice of a contested case.[13]

Applicants, Staff, and the Office of the Public Counsel ("signatories") filed a stipulation and agreement.[14] The signatories also filed an amendment to the stipulation and agreement.[15] No party filed any objection to the stipulation and agreement or amendment ("together, "settlement") within the time provided by regulation.[16] The Commission convened an evidentiary hearing.[17] The signatories filed a proposed report and order,[18] and a supporting memorandum.[19]

The Commission convened a settlement conference.[20] The signatories filed a proposed report and order and consent order[21] with supporting suggestions.[22] The

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[12] EFIS No. 12, *Order Granting Requests to Intervene.*

[13] EFIS No. 40, *Notice of Contested Case.*

[14] EFIS No. 54, *Non-Unanimous Stipulation and Agreement.*

[15] EFIS No. 92, *First Amendment to Non-Unanimous Stipulation and Agreement.*

[16] 4 CSR 240-2.115(2)(C).

[17] EFIS No. 61, Transcript volume 2.

[18] EFIS No. 100, *Joint Proposed Order Approving Unanimous Stipulation and Agreement.*

[19] EFIS No. 99, *Joint Memorandum in Support of the Stipulation.*

[20] EFIS No. 106, *Order Setting Conference.*

[21] EFIS No. 110, *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement.*

[22] EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement.*

Commission ordered the record supplemented[23] with materials that Transource Missouri filed setting forth the final route for the Sibley-Nebraska City line. [24]

III. Findings, Conclusions, and Orders

The Commission's decision must stand on the law.[25] The Commission must always state its conclusions of law.[26] The Commission makes each ruling on consideration of each party's allegations and arguments.

A. Procedure

In any Commission proceeding, formalities do not invalidate any order.[27] Specifically in a contested case, parties may waive any procedural formality up to the final decision.[28] Parties to a contested case may submit a proposed resolution of this action under the Commission's regulations: The parties may at any time file a stipulation and agreement as a proposed resolution of all or any part of a contested case. A stipulation and agreement shall be filed as a pleading. [29] A pleading includes the following.

> Each pleading shall include a clear and concise statement of the **relief** requested, a specific reference to the statutory provision or other **authority** under which relief is requested, and a concise statement of the **facts** entitling the party to relief. [[30]]

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[23] EFIS No. 109, *First Order Supplementing Record.*

[24] EFIS No. 104, *Applicants' Supplemental Filing.*

[25] Mo. Const., Art. V, Section 18.

[26] Section 386.420.2, RSMo 2000.

[27] Section 386.410, RSMo 2000.

[28] Sections 536.060(3), RSMo 2000.

[29] 4 CSR 240-2.110(1)(A).

[30] 4 CSR 240-2.080(4) (emphasis added).

That regulation also allows the Commission to treat the settlement as unanimous when no party files an objection. [31] The Commission is doing so, and for that reason the signatories refer to the settlement's components as "Unanimous."[32] A stipulation of fact eliminates the need for evidence on the matter stipulated. [33] But that does not end the Commission's duty for the following reasons.

First, while a stipulation of fact conclusively establishes the matter stipulated,[34] no stipulation can control procedure, bind the Commission to a conclusion of law,[35] or contravene a statute.[36] A remedy statutorily committed to the commission's discretion is therefore not subject to stipulation. [37] The Commission must therefore independently make its conclusions of law and determine the relief that is due.

Second, the Commission is charged by statute with protecting the public interest. Also, unlike a private party or State agency, Staff has no authority of its own to settle an action. Therefore, Commission approval is necessary for Staff's participation in the settlement.

Third, the signatories premise their proposed resolution on a Commission determination that the settlement includes no term that is contrary to the public interest. The General Assembly has further specified what the public interest means for certain

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[31] 4 CSR 240-2.115(2) (emphasis added).

[32] Which is why they carry that designation in Appendix 3 and Appendix 4.

[33] _Howard v. Missouri State Bd. of Educ._, 847 S.W.2d 187, 191 (Mo. App., S.D. 1993).

[34] _Howard v. Missouri State Bd. of Educ._, 847 S.W.2d 187, 191 (Mo. App., S.D. 1993).

[35] _Bull v. Excel Corp._, 985 S.W.2d 411, 417 (Mo. App., W.D. 1999).

[36] _Tidwell v. Walker Const._, 151 S.W.3d 127, 133 (Mo. App. S.D. 2004).

[37] _Tidwell v. Walker Const._, 151 S.W.3d 127, 133 (Mo. App. S.D. 2004).

actions[38] in the statutes cited in the signatories' *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement,*[39] as set forth in Appendix 2. The signatories call the determination, that the settlement does not offend those standards, "approval."[40]

Neither the Commission's procedural regulations in 4 CSR 240-2, nor any statute cited in the applications, define "approval" of a stipulation and agreement.[41] As the signatories use that term, they explain, it means reviewing a document to determine whether it is contrary to the public interest. The signatories are correct that the public interest is a consideration in every action before the Commission. Therefore, the Commission rules on the applications accordingly.

B. Merits

The settlement seeks an order granting the applications subject to the provisions of the settlement.

i. Law

The applications are subject to statutory standards that describe the Commission's authority to grant the permissions sought.

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38 The courts have held that such a standard for Commission decisions is an expression of the public interest. Public Serv. Comm'n of State v. Missouri Gas Energy, 388 S.W.3d 221, 228 (Mo. App., W.D. 2012).

39 EFIS No. 111.

40 This does not tell the Commission what any other set of parties in any other action want when they ask the Commission to "approve" a stipulation and agreement.

41 The Commission expressly may approve a stipulation related to the Missouri Energy Efficiency Initiative Act under Section 393.1075(11), RSMo Supp. 2012. That statute provides a specific standard for approval. But those provisions do not apply to the applications in this case.

For the CCN application, the standard is public convenience and necessity, [[42]]" which means that an additional service would be an improvement that justifies the cost,[43] and includes such conditions as the Commission "may deem reasonable and necessary."[44]

For the transfer application, the standard implicit in the applicable statute[45] is the absence of public detriment.[46] Like the standard, the authority to condition the transfer is not express. But guarding against public detriment implicitly includes conditions to that end, which is more efficient than denial of an imperfect application.

Among the proposed terms conditions are waivers of specified Commission regulations. For those regulations, the standard for waiver is good cause.[47] Good cause means a good faith request for reasonable relief. [48]

The signatories also ask that no term or condition that is contrary to the public interest, on its face or as explained in the record, and as gauged by the standards in Appendix 2, find its way into the Commission's order.

ii. Fact

Meeting those standards requires evidence, or a substitute for evidence like stipulated facts, on the record. [49] Applicants have the burden of proof.[50] The quantum of

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[42] Section 393.170.3, RSMo 2000.

[43] *State ex rel. Intercon Gas, Inc., v. Public Serv.Comm'n*, 848 S.W.2d 593, 597 (Mo. App., W.D. 1993).

[44] Section 393.170.3, RSMo 2000

[45] Section 393.190.1, RSMo 2000.

[46] *State ex rel. City of St. Louis v. Public Service Comm'n of Missouri*, 73 S.W.2d 393, 395 (Mo. 1934).

[47] 4 CSR 240-2.060(4)(B).

[48] *American Family Ins. Co. v. Hilden*, 936 S.W.2d 207, 210 (Mo. App., W.D. 1996).

[49] Mo. Const., Art. V, Section 18.

proof necessary to carry that burden is the preponderance of the evidence[51] or reasonable inferences from the evidence. [52] Generally in any proceeding, technical rules of evidence do not bind the Commission. [53]

This record includes evidence relevant to the standards. All findings needed to support this decision stand on the facts stipulated in the settlement and in the *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*, the testimony provided at the evidentiary hearing,[54] and the prepared testimony of the parties received into the record. That testimony is in the record pursuant to the signatories' waiver of procedural formalities.[55]

The Commission has considered the substantial and competent evidence on the whole record. Where the evidence conflicts, the Commission determines which evidence is the most credible, and this report and order reflects the Commission's determinations of credibility implicitly.[56] No law requires the Commission to make any statement as to what portions of the record the Commission accepted or rejected.[57] The Commission need not separately state any finding of fact when a stipulation, agreed settlement, or a consent

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[50] Central Cnty. Emergency 911 v. International Ass'n of Firefighters Local 2665, 967 S.W.2d 696, 699 (Mo. App., W.D. 1998).

[51] State Board of Nursing v. Berry, 32 S.W.3d 638, 641 (Mo. App., W.D. 2000).

[52] Farnham v. Boone, 431 S.W.2d 154 (Mo. 1968).

[53] Section 386.410, RSMo 2000.

[54] EFIS No. 61, Transcript volume 2.

[55] EFIS No. 54, *Non-Unanimous Stipulation and Agreement* page 16.

[56] *Stone v. Missouri Dept. of Health & Senior Servs.*, 350 S.W.3d 14, 26 (Mo. banc 2011).

[57] Stith v. Lakin, 129 S.W.3d 912, 919 (Mo. App., S.D. 2004).

order disposes of the case.[58] Nevertheless, a brief description of the projects illustrates the factual basis for this report and order.

Transource Missouri is a Delaware limited liability corporation qualified to conduct business in Missouri, with its principal place of business in Columbus, Ohio. Transource Missouri is a wholly-owned subsidiary of Transource Energy, LLC ("Transource"). Transource was established by Great Plains Energy Incorporated ("GPE"), the Companies' parent corporation, and American Electric Power Company, Inc. ("AEP") to build wholesale regional transmission projects within SPP, as well as other regional transmission organizations.

The two projects are regional, high-voltage, wholesale transmission projects approved by Southwest Power Pool, Inc. ("SPP") known as the Iatan-Nashua 345kV transmission project ("Iatan-Nashua Project") and the Sibley-Nebraska City 345kV transmission project ("Sibley-Nebraska City Project") (collectively, the "Projects").

The plant that the Companies requested be transferred to Transource Missouri is property of GMO. KCP&L and GMO previously requested and received authorization from the Commission to transfer at cost from KCP&L to GMO certain transmission property owned and operated by KCP&L between GMO's Alabama Substation and KCP&L's Nashua Substation ("Alabama-Nashua Line"). The southern portion of the Alabama-Nashua Line will be retired and removed, and the corridor will be used to construct the East Segment of the Iatan-Nashua Project. The remaining portion of this existing 161kV line, which runs to GMO's Alabama Substation near St. Joseph, Missouri, will remain the

[58] Section 536.090, RSMo 2000.

property of GMO and is not to be transferred. This line will continue intact and energized at 161kV as a radial line and will not be a part of the new 345kV facilities.

There is a need for the service to be rendered by the Projects based upon studies performed by SPP in 2009 and 2010. These studies demonstrated that the Projects will improve electric grid reliability, minimize transmission congestion effects, bring economic benefits to SPP members, and help support public policy goals regarding renewable energy. The studies also demonstrated that the Projects will provide estimated benefits and savings that exceed the Projects' estimated costs.

Transource Missouri is qualified to construct, finance, own, operate, and maintain the Projects given the support by the transmission and related expertise of KCP&L and of American Electric Power Company, Inc. ("AEP"). Transource Missouri will have the financial ability to construct, own, operate and maintain the Projects given the equity funding that the subsidiaries of Great Plains Energy Incorporated ("GPE"), the parent corporation of KCP&L and GMO, and AEP will provide to Transource Missouri, and Transource Missouri's plan to issue debt. Furthermore, Transource Missouri will fully recover the cost of the Projects once completed, as the Projects' costs are regionally allocated under the FERC-approved SPP Tariff Schedule 11. Transource Missouri's construction of the Projects is economically feasible by virtue of the cost/benefit analysis conducted by SPP, as well as its FERC-approved cost allocation methodology under its Tariff Schedule 11.

The Projects as proposed to be built by Transource Missouri are in the public interest, given all the above, as well as the agreement of KCP&L, GMO, and Transource

Missouri to follow the provisions of Paragraphs 27, 28, and 29 of the stipulation and agreement regarding the final route of the Sibley-Nebraska City Project.

iii. Ruling

The record weighs in favor of granting the applications with the provisions proposed, including the proposed waivers. The Commission finds no term or condition of the settlement contrary to the public interest. Therefore, the Commission will grant the applications subject to the settlement's provisions as set forth in Appendix 3 and Appendix 4.

C. Consent Order

Appendix 4 sets forth the settlement's provisions that are outside the Commission's authority to mandate. The signatories have clarified that they seek no resolution on the merits for those terms,[59] and the law encourages freedom of contract and settlements in lieu of litigation.[60] In that spirit, the statutes provide that any contested case is subject to disposition by consent order as follows.

i. Authority

The signatories argue that a consent order is not authorized for any matter except as described in one statute that does not apply to the Commission. In support, the signatories rely on a reading of Section 536.060, RSMo 2000. That statute's history refutes the signatories' reading.

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[59] EFIS No. 110, *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*, page 2 third paragraph. EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement* page 3 paragraph 6.

[60] Walley v. La Plata Volunteer Fire Dep't, 368 S.W.3d 224, 231 (Mo. App., W.D. 2012).

Section 536.060's current language is the result of a 1995 amendment. The amendment deleted language (in brackets and italics below) and added language (underscored below) as follows.

> *[Nothing contained in sections 536.060 to 536.095 shall preclude the informal disposition of]* Contested cases <u>and other matters involving licensees and licensing agencies described in section 621.045, RSMo, may be informally resolved by consent agreement or agreed settlement or may be resolved</u> by stipulation, consent order, or default, or by agreed settlement where such settlement is permitted by law. Nothing contained in sections 536.060 to 536.095 shall be construed (1) to impair the power of any agency to take lawful summary action in those matters where a contested case is not required by law, or (2) to prevent any agency authorized to do so from assisting claimants or other parties in any proper manner, or (3) to prevent the waiver by the parties (including, in a proper case, the agency) of procedural requirements which would otherwise be necessary before final decision, or (4) to prevent stipulations or agreements among the parties (including, in a proper case, the agency). [[61]]

Informal disposition of all agencies' contested cases was the original subject of that statute as the bracketed and italicized language shows.[62] The amendment simply added the specified "noncontested cases and other matters [.]"[63]

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[61] 1995 Mo. Laws 1032, 1246 (88th Gen. Assem., 1st Reg. Sess., S.B. 3, Section 536.060).

[62] The original language provided that the opportunity for hearing:

> . . . shall not preclude the informal disposition of such case by stipulation, consent order or default, or by agreed settlement where such settlement is permitted by law.

1945 Mo. Laws 1504, 1505 (63rd Gen. Assem., S.B.196, Section 6). Similar language appears in the 1961 Model State Administrative Procedure Act adopted by many states:

> Unless precluded by law, informal disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default.

15 U.L.A. 1961 *Model State Administrative Procedure Act*, Section 9(d).

[63] In response to the amended judgment in <u>Bodenhausen v. State Bd. of Regis'n for the Healing Arts</u>, Case No. CV192-1105CC (Jan. 6, 1994, Cir. Ct. Cole Cnty), McHenry, J.; and the affirming opinion in <u>Bodenhausen v. State Bd. of Regis'n for the Healing Arts</u>, WD 48914, 1994 WL 532696 (Mo. App., W.D. Oct. 4, 1994). As to the latter action, the Missouri Supreme Court ordered transfer on January 30, 1995. In each action, the court

Section 536.060, original and current, is expansive. It offers remedies in conformance with the public policy favoring settlement by contractual arrangement. If there were any ambiguity on this issue, the law would require the Commission to read the statute generously in the direction of the intended remedy. The signatories' reading bars resolution by "consent order, or default, or by agreed settlement" in all contested cases, except the specified matters, which furthers no conceivable beneficial end. Therefore, the Commission concludes that a contested case before the Commission is subject to disposition by consent order—just as it is subject to disposition by stipulation, default, or agreed settlement—under Section 536.060.

ii. Characteristics

The signatories describe the properties of a consent order by comparison to a consent judgment. The analogy is correct. The analogous properties, as described by the signatories, include the following.

> Missouri courts have held that a judgment by consent "is based on an agreement between the parties as to the terms, amount or conditions of the judgment to be rendered." In this context it is important to recognize: "Consent decrees do not arise from a judicial determination of the rights of the parties or the merits of the case [.]" It is also important to note: "A consent judgment needs no cause or consideration other than an adjustment of differences and a desire to set at rest all possibility of litigation. In exchange for the saving of cost and elimination of risk, the parties each give up something that they might have won had they proceeded with litigation." [[64]]

barred informal resolution of contested cases and other matters involving licensees and licensing agencies under section 621.045, RSMo. The Missouri Supreme Court issued its decision on May 30, 1995, also affirming the judgment. Bodenhausen v. Missouri Bd. of Regis'n for the Healing Arts, 900 S.W.2d 621 (Mo. banc 1995).

[64] EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement* page 6 paragraph 13.

Also, a judgment issued pursuant to the parties' agreement does not aggrieve any such party so, if aggreivement is necessary for standing to appeal, no appeal is available to any such party.[65] In Missouri, a consent judgment has the same force and effect as any other judgment.[66]

In Missouri, whenever the issue has arisen, the courts have applied the analogy between a consent judgment and a consent order. For example, the courts hold that a consent order does not constitute the agency's decision on the merits but, at most, a review as to whether a parties' agreement comports with the public policy entrusted to the respective agencies.[67] Further, where the General Assembly has comprehensively delegated the regulation of a subject matter to an agency, that agency is the first resort for enforcing settlement of an action before that agency.[68]

iii. Ruling

As the signatories note, chapter 536, RSMo, applies when chapters 386 and 393 provide nothing to the contrary.[69] The signatories also note that "approval of the [settlement] here would not be inconsistent with the concept of a consent order [.]" [70] Therefore, the Commission will order memorialize the proposed provisions that are beyond the Commission's authority as a consent order, as set forth in Appendix 3. As explained in

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[65] Strawhun v. Strawhun, 164 S.W.3d 536 (Mo. App., S.D. 2005).

[66] Household Fin. Corp. v. Jenkins, 213 S.W.3d 194, 196 (Mo. App., E.D. 2007).

[67] Seifner v. Treasurer of State-Custodian of Second Injury Fund, 362 S.W.3d 59, 65 (Mo. App., W.D. 2012).

[68] State ex rel. St. Joseph School Dist. v. Missouri Dept. of Elem. And Sec. Educ., 307 S.W.3d 209, 213-17 (Mo. App., W.D. 2010). filing

[69] State ex rel. Praxair, Inc. v. Missouri Pub. Serv. Comm'n, 344 S.W.3d 178, 184 (Mo. 2011).

[70] EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement* page 6 paragraph 13.

part III.A of this report and order, the approval procedure that the Commission applies in this action is based on the approval that the parties asked for, the authorities that they cited, and the documents that they filed. That procedure does not necessarily apply under any other relief, law, or facts.

THE COMMISSION ORDERS THAT:

1. Disposition of the applications by settlement is approved.

2. Transfer Application. The *Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company* ("transfer application") is granted. The transfer of the items as described in the transfer application is authorized. This paragraph includes the notices to construct as described in the transfer application.

3. The *Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity and Request for Waiver* ("CCN application") is granted. A certificate of convenience and necessity for the projects, as described in the CCN application, shall issue to Transource Missouri, LLC.

4. The following are incorporated into this report and order as if fully set:

   a. *Non-Unanimous Stipulation and Agreement*;

   b. *First Amendment to Non-Unanimous Stipulation and Agreement*; and

   c. *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*.

5. Ordered paragraphs 1, 2, 3, and 4, are subject to the provisions of Appendix 3 and Appendix 4.

6. This order shall become effective on September 6, 2013.

BY THE COMMISSION

Morris L Woodruff

Morris L. Woodruff
Secretary

R. Kenney, Chm., Jarrett, Stoll, and
W. Kenney, CC., concur;
and certify compliance with the
provisions of Section 536.080, RSMo.

Dated at Jefferson City, Missouri,
on this 7th day of August, 2013.

Appendix 1: Appearances

Party	*Counsel*	*Counsel's Address*
A. Applicants		
Kansas City Power & Light Company KCP&L Greater Missouri Operations Company	Roger W. Steiner	1200 Main, PO Box 418679, Kansas City, MO 64141-9679
Transource Missouri, LLC	Karl Zobrist Lisa A. Gilbreath	4520 Main, Suite 1100, Kansas City, MO 64111
	Larry W. Brewer	400 West 15th Street, Suite 1500, Austin, TX 78701
B. Parties under 4 CSR 240-2.010(10)		
Staff of the Commission	Steven Dottheim Nathan Williams	200 Madison Street, Suite 800, Jefferson City, MO 65102
Office of the Public Counsel	Lewis Mills	P.O. Box 2230, 200 Madison Street, Suite 650, Jefferson City, MO 65102
C. Intervenors		
AG Processing, Inc. a Cooperative and Midwest Energy Users' Group	Stuart Conrad	3100 Broadway, Suite 1209, Kansas City, MO 64111
Midwest Energy Consumers Group	David Woodsmall	807 Winston Court, Jefferson City, MO 65101
Missouri Department of Natural Resources	Jessica L. Blome	221 W. High Street P.O. Box 899 Jefferson City, MO 65102
Missouri Industrial Energy Consumers	Diana M. Vuylsteke	211 N. Broadway, Suite 3600 St. Louis, MO 63102

Appendix 2: Statutes cited by the Signatories

386.250. The jurisdiction, supervision, powers and duties of the public service commission herein created and established shall extend under this chapter:

(1) [To] electric plants, and to [entities] owning, leasing, operating or controlling the same;

* * *

(7) To such other and further extent, and to all such other and additional matters and things, and in such further respects as may herein appear, either expressly or impliedly.

386.310. 1. The commission shall have power, after a hearing . . . to require every . . . public utility to maintain and operate its . . . plant . . . in such manner as to promote and safeguard the health and safety of its employees, customers, and the public, and to this end to prescribe . . . appropriate safety and other devices or appliances, to establish uniform or other standards of equipment, and to require the performance of any other act which the health or safety of its employees, customers or the public may demand [.]

386.610. . . . The provisions of this chapter shall be liberally construed with a view to the public welfare, efficient facilities and substantial justice between patrons and public utilities.

393.130. 1. [E]very electrical corporation . . . shall furnish and provide such service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable. All charges made or demanded by any such . . . electrical corporation . . . for . . . electricity . . . rendered or to be rendered shall be just and reasonable and not more than allowed by law or by order or decision of the commission. Every unjust or unreasonable charge made or demanded for . . . electricity . . . or in connection therewith, or in excess of that allowed by law or by order or decision of the commission is prohibited.

2. No . . . electrical corporation . . . shall directly or indirectly by any special rate, rebate, drawback or other device or method, charge, demand, collect or receive from any person or corporation a greater or less compensation for . . . electricity . . . or for any service rendered or to be rendered or in connection therewith, except as authorized in this chapter, than it charges, demands, collects or receives from any other person or corporation for doing a like and contemporaneous service with respect thereto under the same or substantially similar circumstances or conditions.

3. No . . . electrical corporation . . . shall make or grant any undue or unreasonable preference or advantage to any person, corporation or locality, or to any particular description of service in any respect whatsoever, or subject any particular person, corporation or locality or any particular description of service to any undue or unreasonable prejudice or disadvantage in any respect whatsoever [.]

393.140. The commission shall:

(1) Have general supervision of all . . . electrical corporations . . . having authority under any special or general law or under any charter or franchise to lay down, erect or maintain wires, pipes, conduits, ducts or other fixtures in, over or under the streets, highways and public places of any municipality, for the purpose of . . . transmitting electricity for light, heat or power, or maintaining underground conduits or ducts for

electrical conductors, . . . , and all . . . electric plants . . . owned, leased or operated by any . . . electrical corporation [.]

(2) [E]xamine or investigate the methods employed by such persons and corporations in manufacturing, distributing and supplying . . . electricity for light, heat or power and in transmitting the same, . . , and have power to order such reasonable improvements as will best promote the public interest, preserve the public health and protect those using such . . . electricity, . . . and those employed in the manufacture and distribution thereof, and have power to order reasonable improvements and extensions of the works, wires, poles, pipes, lines, conduits, ducts and other reasonable devices, apparatus and property of . . . electrical corporations [.]

(3) Have power . . . to prescribe from time to time the efficiency of the electric supply system, of the current supplied and of the lamps furnished by the persons or corporations generating and selling electric current [.]

(4) Have power, in its discretion, to prescribe uniform methods of keeping accounts, records and books, to be observed by . . . electrical corporations . . . engaged in the manufacture, sale or distribution of . . . electricity for light, heat or power [.]

(5) [To determine whether] rates or charges or the acts or regulations of any such persons or corporations are unjust, unreasonable, unjustly discriminatory or unduly preferential or in any wise in violation of any provision of law, [and] determine and prescribe the just and reasonable rates and charges thereafter to be in force for the service to be furnished, notwithstanding that a higher rate or charge has heretofore been authorized by statute, and the just and reasonable acts and regulations to be done and observed; and whenever the commission shall be of the opinion, after a hearing had upon its own motion

or upon complaints, that the property, equipment or appliances of any such person or corporation are unsafe, insufficient or inadequate, the commission shall determine and prescribe the safe, efficient and adequate property, equipment and appliances thereafter to be used, maintained and operated for the security and accommodation of the public and in compliance with the provisions of law and of their franchises and charters.

* * *

(8) Have power . . . after hearing, to prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited.

* * *

(11) Have power to require every . . . electrical corporation . . . to file with the commission and to print and keep open to public inspection schedules showing all rates and charges made, established or enforced or to be charged or enforced, all forms of contract or agreement and all rules and regulations relating to rates, charges or service used or to be used, and all general privileges and facilities granted or allowed by such . . . electrical corporation [.] The commission shall have power to prescribe the form of every such schedule, and from time to time prescribe by order such changes in the form thereof as may be deemed wise [.]

Appendix 3: Conditions Determined on the Merits

The Commission grants the CCN application and the transfer application subject to the following provisions, as drawn verbatim from the *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement,*[71] which are subject to the report and order. The parties refer to the settlement, defined in the body of this report and order, as the "Unanimous Stipulation and Agreement" the "Unanimous First Amendment [.]"

1. The Unanimous Stipulation and Agreement, attached hereto as Attachment 1, and the Unanimous First Amendment to that Stipulation, attached hereto as Attachment 2, are approved and adopted, and the signatory parties are ordered to comply with their terms. The Commission is not a party to the Stipulation and only approves the agreements that have been entered into by the Signatories.

2. KCP&L and GMO's Transfer Application is granted conditioned upon the terms of the Unanimous Stipulation and Agreement and the Unanimous First Amendment, including the Commission making specific findings after the final selection of the Sibley-Nebraska City route.

3. KCP&L and/or GMO shall file a copy of the final purchase agreement, detail of the costs included in CWIP, and detail of the property to be transferred at the time of transfer of the Projects' facilities.

4. To the extent that the SPP NTCs regarding the Projects are assets, the Commission approves KCP&L and GMO's plans to novate those NTCs.

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[71] EFIS No. 110, page 14 through 16, part I.D., paragraphs 1 through 11.

5. The Commission's Affiliate Transactions Rule sections 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 are waived with respect to:

a. The transfer, license, or assignment of transmission assets, easements, or right of ways (or use thereof) owned by GMO or KCP&L associated with the Projects;

b. Materials and services provided by KCP&L or GMO to Transource, Transource Missouri, or a subsidiary for the Projects prior to novation or transfer of the cost of the Projects to Transource Missouri; and

c. Information, assets, goods, and services provided by KCP&L or GMO to Transource, Transource Missouri, or a subsidiary until the Projects are in service.

6. The Commission's Affiliate Transactions Rule sections 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 are waived to the extent necessary to allow KCP&L and GMO to use a 20% markup to their fully distributed cost methodology in lieu of using the fair market value under the Rule with respect to:

a. Non-Project goods and services (if the Signatories cannot agree regarding the reasonableness of these charges, this matter shall be taken to the Commission for resolution);[72] and

[72] Although the Signatories have not expressly requested a waiver of the Rule in Paragraph 6 of the Stipulation, the Commission finds that the provisions of Paragraph 6 propose treating non-Project goods and services in a manner different from the requirements of the Rule and, therefore, the Commission will treat Paragraph 6 as requesting a waiver of the Rule to the extent of its provisions.

b. Information, assets, goods, and services provided by KCP&L or GMO to Transource, Transource Missouri, or a subsidiary for the Projects after they are in service.

7. KCP&L and GMO shall file for Commission approval of their cost allocation manuals ("CAMs") before providing any information, assets, goods, and services to Transource or Transource Missouri after either the novation or transfer of the cost of the Projects, whichever occurs first, but KCP&L and GMO may provide to Transource or Transource Missouri information, assets, goods, and services in a manner consistent with the provisions of the Stipulation prior to Commission approval of their CAMs. [73].

8. Transource Missouri's CCN Application is granted conditioned upon the terms of the Unanimous Stipulation and Agreement and the Unanimous First Amendment, including the Commission making specific findings after the final selection of the Sibley-Nebraska City route.

9. Transource Missouri shall provide the Commission with the 4 CSR 240-3.105 information for the Sibley-Nebraska City route as soon as that information is available.

10. The reporting requirements of 4 CSR 240-3.175, Submission Requirements For Electric Utility Depreciation Studies, are waived subject to the Stipulation's provision regarding Staff's and OPC's access to documents.

11. Subsections 4 CSR 240-3.190 (1), (2), and (3)(A)-(D), Reporting Requirements For Electric Utilities And Rural Electric Cooperatives, are waived for Transource Missouri.

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[73] Transcript, Vol. 2 at 108-10; 4 CSR 240-20.015(3)(D), 4 CSR 240-20.015(10)(A)2.B.

Appendix 4: Consent Order

The Signatories agree to a grant of the CCN application and the transfer application subject to the following provisions, drawn verbatim from the *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*, [74] and the settlement, which are subject to the provisions of the report and order.

1. The Stipulation contains a series of agreements among the Signatories that, among other things, require them (particularly the Applicants) to fulfill certain obligations. The Stipulation also specifies the establishment of certain regulatory liabilities and the manner of their future treatments. The Stipulation provides a process for administering affiliate transactions between the Signatories and related parties.

2. In particular, Section II(A) of the Stipulation provides for certain rate treatment respecting costs allocated to KCP&L or GMO by SPP involving FERC items such as authorized return on equity ("ROE"), capital structure, construction work in progress ("CWIP"), or other FERC transmission rate incentives for the Iatan-Nashua Project and the Sibley-Nebraska City Project facilities located in KCP&L's and GMO's respective service territories that are constructed by Transource Missouri. KCP&L and GMO have agreed to make these adjustments in all rate cases so long as the transmission facilities are in service.

<u>A. Rate Treatment – Affiliate Owned Transmission</u>

> 1. With respect to transmission facilities located in KCP&L certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, KCP&L agrees that for ratemaking purposes in Missouri the costs allocated to KCP&L by SPP will be adjusted by an amount equal to the difference between: (a) the SPP

[74] EFIS No. 110, page 16 through 18, section II, paragraphs 1 through 8.

load ratio share of the annual revenue requirement for such facilities that would have resulted if KCP&L's authorized ROE and capital structure had been applied and there had been no Construction Work in Progress ("CWIP") (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. KCP&L will make this adjustment in all rate cases so long as these transmission facilities are in service.

2. With respect to transmission facilities located in GMO certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, GMO agrees that for ratemaking purposes in Missouri the costs allocated to GMO by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities that would have resulted if GMO's authorized ROE and capital structure had been applied and there had been no CWIP (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. GMO will make this adjustment in all rate cases so long as these transmission facilities are in service.

3. Sections II(B) and II(D) address issues under the Commission's Affiliate Transactions Rule, 4 CSR 240-20.015 ("Rule"). The Signatories agreed that provisions of the Affiliate Transactions Rule, 4 CSR 240-20.015, should apply to transactions between KCP&L and GMO on the one hand, and GPE, Transource, and Transource's utility subsidiaries on the other hand, except for the waivers as provided for in Paragraphs 4 through 6, and 11 through 13 of the Stipulation. All Signatories reserved the right to seek or oppose additional waivers for other projects (i.e., projects other than the Iatan-Nashua

Project and the Sibley-Nebraska City Project) from the Affiliate Transactions Rule in the future.[75]

B. Affiliate Transactions Rule

> 3. The provisions of the Affiliate Transactions Rule, 4 CSR 240-20.015, shall apply to transactions between KCP&L and GMO on the one hand, and GPE, Transource Missouri, and Transource Missouri's utility subsidiaries on the other hand, except for the waivers as provided for in paragraphs 4 through 6, and 11 through 13. All Signatories reserve the right to seek or oppose additional waivers for other projects (i.e., projects other than the Projects) from the Affiliate Transactions Rule in the future.
>
> 4. The Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to transfer, license, or assignment of easements or right of ways (or use thereof, including joint usage where KCP&L/GMO are using the easement or right of way and permit Transource Missouri to use the same easement or right of way) owned by GMO or KCP&L associated with the Projects. The affiliate transactions referenced in this paragraph are subject to the provisions of paragraph 7.
>
> 5. The Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to materials and services (including, but not limited to, usage of KCP&L/GMO employees, contracted labor/services, vehicles, equipment, and facilities) provided by KCP&L or GMO to Transource Missouri, Transource Missouri, or a subsidiary for the Projects prior to novation or transfer of the cost of the Projects to Transource Missouri. The providing entity shall be compensated for these materials and services including Allowance for Funds Used During Construction ("AFUDC") and capitalized property taxes at its fully distributed cost at the time of transfer of the cost of the Projects.
>
> 6. The Signatories agree that non-Project goods and services (defined as goods and services that are not directly related to the Projects) were to be provided and are to be

[75] Transcript, Vol. 2 (Apr. 16, 2013) at 103-09; 4 CSR 240-20.015(10); 4 CSR 240-2.060(4).

provided at the higher of fair market value or fully distributed cost by KCP&L to Transource Missouri, Transource Missouri, and GPE prior to the novation or transfer of the cost of the Projects. KCP&L and GMO will, by June 1, 2013, ensure that charges to Transource Missouri, Transource Missouri, and GPE regarding the development and formation of Transource Missouri and Transource Missouri reflect the higher of fair market value or the fully distributed cost. The Signatories agree that KCP&L and GMO can use a 20% markup to their fully distributed cost methodology for such goods and services in lieu of using the fair market value. If the Signatories cannot agree regarding the reasonableness of these charges, this matter will be taken to the Commission for resolution. In support of the resolution of the treatment for non-Project goods and services provided prior to the novation or transfer of the cost of the Projects, KCP&L and GMO will contribute a total of $50,000 to the State School Fund or a mutually agreeable organization. This contribution will not be recovered from KCP&L and GMO customers. The Signatories agree that all outstanding issues related to the provision of non-Project goods and services to Transource Missouri, Transource Missouri, and GPE prior to the novation or transfer of the cost of the Projects are resolved, except as provided in this paragraph.

7. Transource Missouri will pay GMO the higher of $5.9 million or net book value for transferred transmission assets, easements, and right-of-ways that have been previously included in the rate base and reflected in the retail rates of KCP&L and GMO customers. KCP&L and GMO agree to book a regulatory liability reflecting the value of this payment to the extent it exceeds net book value. This regulatory liability shall be amortized over three years beginning with the effective date of new rates in KCP&L's and GMO's next retail rate cases.

D. KCP&L Operations Specific to the Projects

11. If KCP&L assists Transource Missouri for the Projects in communicating with local landowners in the KCP&L and GMO certificated service territories, with local governmental authorities, and with other members of the public, or if KCP&L continues to provide ongoing construction management, cost control management, engineering services, construction services, procurement of materials, and related services for the Projects, the Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-

20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to information, assets, goods, and services (including, but not limited to, usage of KCP&L or GMO employees, contracted labor/services, vehicles, equipment, and facilities) provided by KCP&L or GMO to Transource Missouri, Transource Missouri, or a subsidiary until the Projects are in service. These materials and services will be provided at fully distributed cost until the Projects are in service. For the purposes of this paragraph and paragraph 12, "in service" is defined as the commercial operation date for each of the Projects.

12. If KCP&L provides operations and maintenance services and related capital for the Projects after they are in service, it will do so in a manner consistent with the application of the Commission's Affiliate Transactions Rule, except that the Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to information, assets, goods, and services (including, but not limited to, usage of KCP&L or GMO employees, contracted labor/services, vehicles, equipment, and facilities) provided by KCP&L or GMO to Transource Missouri, Transource Missouri, or a subsidiary to the extent necessary to allow KCP&L and GMO to use a 20% markup to their fully distributed cost methodology in lieu of using the fair market value.

13. KCP&L and GMO shall file for Commission approval of their Cost Allocation Manuals ("CAM") before providing any information, assets, goods, and services to Transource Missouri or Transource Missouri after either the novation or transfer of the cost of the Projects, whichever occurs first. The Signatories agree that KCP&L and GMO can provide information, assets, goods, and services to Transource Missouri or Transource Missouri in a manner consistent with the provisions of this Stipulation prior to Commission approval of the CAM.

4. The Signatories have agreed to certain payments to be made by Transource Missouri, KCP&L and GMO, including their regulatory treatment.[76] The Signatories have

[76] Stipulation, Paragraph II(B)(7) at p. 7: "Transource Missouri will pay GMO the higher of $5.9 million or net book value for transferred transmission assets, easements, and right-of-ways that have been previously included in the rate base and reflected in the retail rates of KCP&L and GMO customers. KCP&L and GMO agree to book a regulatory liability reflecting the value of this payment to the extent it exceeds net book value. This regulatory liability shall be amortized over three years beginning with the effective date of new rates in

also agreed to other procedures that KCP&L, GMO, Transource Missouri, and their affiliates will follow with regard to the Projects.

5. The Stipulation contains provisions regarding the future operations of the Applicants in Section II(C), reporting requirements in Section II(E), and access by Staff and OPC to the books and records of Transource Missouri and Transource Energy in Section II(F). There are additional conditions in Section II(G) regarding the final selection of the route of the Sibley-Nebraska City Project, as well as public outreach efforts related to the siting, routing, easement acquisition and right-of-way acquisition for the Projects.

> C. Transource Missouri Operations/Future Transfer
>
> 8. Transource Missouri will not pursue future transmission projects that are subject to a right of first refusal ("ROFR") in the KCP&L and GMO respective certificated service territories.
>
> 9. KCP&L and GMO will pursue future transmission projects subject to ROFR in their respective certificated service territories. KCP&L or GMO may seek a waiver from the provisions of this paragraph from the Commission for good cause.
>
> 10. Transource Missouri agrees to seek approval from the Commission for any subsequent transfer of the Projects' facilities.
>
> E. Additional Reporting and Provision of Information Regarding the Projects
>
> 14. KCP&L will file a copy of the final purchase agreement, detail of the costs included in CWIP, and detail of the property to be transferred at the time of transfer of the Projects' facilities.
>
> 15. KCP&L, GMO, and/or Transource Missouri will continue coordinated efforts with Omaha Public Power District

KCP&L's and GMO's next retail rate cases." Stipulation, Paragraph II(B)(6) at p. 6: "... KCP&L and GMO will contribute a total of $50,000 to the State School Fund or a mutually agreeable organization. This contribution will not be recovered from KCP&L and GMO customers."

until the details of the routing and interception point for the Sibley-Nebraska City line are finalized.

16. KCP&L, GMO, and/or Transource Missouri will provide to Staff and OPC the Sibley-Nebraska City Project cost control budget estimate in the fourth Quarter of 2013.

17. KCP&L, GMO, and/or Transource Missouri will continue to file quarterly status reports on the latan-Nashua Project to the Commission, as KCP&L and GMO are doing in File No. EO-2012-0271.

18. KCP&L, GMO, and/or Transource Missouri will file in File No. EA-2013-0098, or other case as designated by the Commission, quarterly status reports on the Sibley-Nebraska City Project to the Commission consistent with those provided by KCP&L and GMO in File No. EO-2012-0271.

19. Updates to SPP regarding the Projects are now being entered on a quarterly basis directly into SPP's Transmission and Generation Interconnection Tracking ("TAGIT") project tracking database through a secure interface. SPP reviews the updates and includes them in its quarterly Project Tracking Reports, which are publicly available on SPP's website. Transource Missouri will provide to Staff and OPC any other periodic updates required by SPP regarding the Projects that are not included in the publicly available quarterly Project Tracking Reports.

<u>F. Access to Books and Records Necessary for the Commission to Perform Its Statutory Duties</u>

20. Transource Missouri will produce in Missouri, upon reasonable notice, duplicate copies of Transource Missouri's and Transource Missouri's books and records.

21. Transource Missouri will provide Staff and OPC access to the following documents, including but not limited to: (a) Meeting Minutes of, and Materials distributed at, the Transource Missouri Board of Managers and Members (including Committee Minutes and Materials); (b) Meeting Minutes of, and Materials distributed at, the Transource Missouri Board of Managers and Members (including Committee Minutes and Materials); (c) Workpapers of the external auditors of Transource Missouri; (d) Workpapers of the external auditors of Transource Missouri; (e) General

Ledger (provided electronically) of Transource Missouri; (f) General Ledger (provided electronically) of Transource Missouri; (g) Chart of Accounts and Written Accounting Policies of Transource Missouri; (h) Chart of Accounts and Written Accounting Policies of Transource Missouri; (i) Organizational Charts of Transource Missouri; (j) Organizational Charts of Transource Missouri; (k) Total Company and Missouri Jurisdictional Financial Statements (Income Statement, Balance Sheet, Statement of Cash Flows) on a Quarterly Basis of Transource Missouri; (l) Total Company and Missouri Jurisdictional Financial Statements (Income Statement, Balance Sheet, Statement of Cash Flows) on a Quarterly Basis of Transource Missouri; (m) Monthly Operating/Financial Reports of Transource Missouri (used for internal reporting of the utility ongoing operations and earnings results); (n) Monthly Operating/Financial Reports of Transource Missouri (used for internal reporting of the utility ongoing operations and earnings results); (o) Construction and Operating Budgets for the Current and Succeeding Three Years of Transource Missouri; (p) Construction and Operating Budgets for the Current and Succeeding Three Years of Transource Missouri; (q) Federal and Missouri Income Tax Returns of Transource Missouri; and (r) Federal and Missouri Income Tax Returns of Transource Missouri.

22. Transource Missouri will work with Staff to provide office space in Columbus, Ohio if it is more efficient for the Staff to perform its duties in Columbus, rather than by reviewing copies of books and records provided in Missouri.

23. New or updated agreements between the Applicants that are executed after the approval of the settlement agreement in this case will be provided to the Signatories as they become available.

G. Additional Conditions Agreed to for Approval of Applications

24. GMO agrees to establish a regulatory liability reflecting the amount collected in retail customer rates for the transferred property from the date of the novation or transfer of the costs of the Projects until new GMO rates are established. The treatment of the regulatory liability will be determined in GMO's next retail rate case.

25. Transource Missouri requested that the Commission grant approval of the CCN Application conditioned upon: (a) PSC approval of the transfer requests in File No. EO-2012-0367; (b) SPP's approval of Transource Missouri as a transmission owning member; (c) novation of the NTCs to Transource Missouri; and (d) FERC's acceptance of the novation agreements.

26. KCP&L and GMO requested that the Commission grant approval of the Transfer Application conditioned upon: (a) Transource Missouri obtaining the necessary approvals to construct the Projects; (b) Transource Missouri executing the SPP Membership Agreement as a Transmission Owner; (c) SPP's approval of the novation of the NTCs to Transource Missouri; and (d) FERC's acceptance of the novation agreements.

27. The Signatories agree that it would be reasonable for the Commission to grant conditional approval of KCP&L and GMO's Transfer Application and Transource Missouri's CCN Application prior to the final selection of route for the Sibley-Nebraska City Project. The Signatories request that the Commission grant approval conditioned upon the Commission making specific findings, through means determined at the Commission's discretion, after the final selection of the Sibley-Nebraska City route has been made, that the Transfer Application is not detrimental to the public interest and that the CCN Application is necessary and convenient for the public service. Transource Missouri shall provide the Commission with the 4 CSR 240-3.105 information for the Sibley-Nebraska City route as soon as that information is available.

28. Nothing in this Stipulation restricts any Signatory's right to request reasonable additional notice, local public hearings, or additional processes in these cases. No Signatory is restricted from opposing such request to the Commission.

29. KCP&L and GMO will provide the Commission with a report and information in File No. EA-2013-0098 within 90 days of the effective date of a Commission order approving this Stipulation outlining its public outreach efforts for siting, routing, easement acquisition and right-of-way acquisition for the Projects. KCP&L and GMO will update the report at least quarterly thereafter.

6. The Commission has thoroughly reviewed the terms of the Stipulation, as well as the Signatories' Joint Memorandum in Support of the Stipulation and other submissions which they have submitted jointly and individually. The Commission has also reviewed the hearing exhibits that have been entered into the record in this case. Based upon its review of the record and the Stipulation, the Commission independently finds and concludes that the Stipulation's proposed terms are in the public interest, and that they are necessary and convenient for the public service.

7. Although the Commission's review and approval of the Stipulation does not mean that it is issuing a decision on the merits of each of the individual elements of the Stipulation, the Commission finds that the agreement entered into by the Signatories is fair and reasonable, is not detrimental to the public interest, and serves the necessity and convenience of the public.

8. The Commission finds that the actions that the Stipulation requires the Applicants to take, and the process and procedures that the Signatories have agreed to follow as the Projects are constructed and operated all relate to the promotion of efficient facilities to serve the public, and they achieve substantial justice between patrons and public utilities. PSC v. Missouri Gas Energy, 388 S.W.3d 221, 228 (Mo. App. W.D. 2012), citing Section 386.610. Consequently, it is in the public interest for the Commission to approve the Stipulation as submitted by the Signatories.

JOINT OPERATING AGREEMENT

This Joint Operating Agreement (the "Agreement") is made and entered into this 10th day of October, 2008 by and between Kansas City Power & Light Company ("KCP&L") and Aquila, Inc., doing business as KCP&L Greater Missouri Operations Company ("KCP&L GMO").

WITNESSETH

WHEREAS, KCP&L is a wholly-owned subsidiary of Great Plains Energy Incorporated ("Great Plains Energy"); and

WHEREAS, Great Plains Energy acquired KCP&L GMO as of July 14, 2008, and

WHEREAS, to facilitate utility operations integration and to realize synergies, employees of KCP&L GMO were transferred to KCP&L, and employees of KCP&L will operate and manage the business and properties of both KCP&L and KCP&L GMO, and

WHEREAS, in Case No. EM-2007-0374 before the Missouri Public Service Commission (the "MPSC"), KCP&L and KCP&L GMO requested a waiver from the MPSC affiliate transaction rules to permit KCP&L to provide services and non-power goods to KCP&L GMO at fully distributed cost, and offered to execute and file a joint operating agreement to document the provision of such services and non-power goods, and

WHEREAS, the MPSC granted such waiver, authorized Great Plains Energy to acquire KCP&L GMO, and directed that such a joint operating agreement be filed with the MPSC, and

WHEREAS, KCP&L and KCP&L GMO have entered into this Agreement whereby each party agrees to provide and to accept and pay for various services and non-power goods.

NOW THEREFORE, in consideration of the promises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

ARTICLE I – JOINT OPERATING SERVICES

<u>Section 1.1</u> <u>Purpose</u>. This Agreement provides the contractual basis for the coordinated planning, construction, acquisition, disposition, operation and maintenance of KCP&L's and KCP&L GMO's business and properties to achieve synergies, consistent with reliable electric service and all legal and other requirements.

Section 1.2 KCP&L Designated Agent and Operator. KCP&L GMO hereby designates KCP&L as its agent and operator of its business and properties. KCP&L shall be responsible for and shall perform, through its employees, agents, and contractors, all such actions and functions (including, without limitation, the entry into contracts for the benefit of or as agent for KCP&L GMO) as may be required or appropriate for the proper design, planning, construction, acquisition, disposition, operation, engineering, maintenance and management of KCP&L GMO's business and properties in accordance with the terms of this Agreement (the "Services"). KCP&L GMO hereby delegates to KCP&L, and KCP&L hereby accepts responsibility and authority for the duties set forth in this Agreement.

Section 1.3 Description of the Services. The Services shall include all services required or appropriate for the design, planning, construction, acquisition, disposition, operation, engineering, maintenance and management of KCP&L GMO's business and properties. The Services exclude wholesale electricity and transmission service transactions between KCP&L and KCP&L GMO, which will be governed by applicable Federal Energy Regulatory Commission ("FERC") tariffs and rules. Such Services are more fully described in Appendix A hereto.

Section 1.4 Standards for Services. KCP&L shall provide the Services in accordance with its practices, methods, standards, guides, policies and procedures in effect from time to time which, as applicable, will be consistent with those that are generally accepted in the electric utility industry. KCP&L will comply with all applicable Federal, State and local laws, regulations, ordinances and other requirements in the provision of Services to KCP&L GMO.

Section 1.5 Facilities Services. KCP&L will use its properties, systems, agreements and other assets in providing Services (the "KCP&L Facilities Services"). KCP&L GMO consents to the use of its properties, systems and agreements by KCP&L in providing Services and in operating and managing KCP&L's own business (the "KCP&L GMO Facilities Services"). The KCP&L Facilities Services and the KCP&L GMO Facilities Services are collectively referred to as the "Facilities Services". The provision of, and payment for, the Facilities Services will be done pursuant to the terms of this Agreement.

Section 1.6 Compliance with Policies and Agreements. In connection with its receipt of the Services, each party shall comply with (i) all applicable policies and procedures of the other party, and (ii) all applicable terms and conditions of any third party agreements pursuant to which KCP&L GMO receives Services and KCP&L receives Facilities Services, including without limitation terms and conditions preserving the confidentiality and security of proprietary information of vendors.

Section 1.7 Adequacy of Personnel. KCP&L shall use commercially reasonable efforts to maintain a staff trained and experienced in provision of the Services. Notwithstanding the foregoing, KCP&L may (i) arrange for the services of nonaffiliated experts, consultants, attorneys and other third parties in connection with the performance of any of the Services or (ii) subcontract performance of the Services to one or more third parties.

Section 1.8 Parity of Services and Internal KCP&L Operations. KCP&L will at all times use its commercially reasonable efforts to provide the Services in scope, quality and schedule equivalent to those it provides to its own internal operations. In providing the Services, KCP&L will seek to maximize the aggregate synergies to both companies, and shall not take any action that would unduly prefer either party over the other party.

ARTICLE II - COMPENSATION

Section 2.1 Payment for Services. As compensation for the Services, KCP&L GMO shall reimburse KCP&L for all costs that reasonably can be identified and related to the Services performed by or on behalf of KCP&L for KCP&L GMO including, but not limited to, KCP&L's cost of salaries and wages, office supplies and expenses, third party vendor costs, property insurance, injuries and damages, employee pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital. Notwithstanding anything herein to the contrary, the price of the Services shall comply with all applicable rules and regulations of the FERC, the MPSC, all other applicable regulatory commissions, and the provisions of Great Plains Energy's Cost Allocation Manual, which includes KCP&L and KCP&L GMO cost allocation information, filed from time to time with the MPSC.

Section 2.2 Payment for Facilities Services. It is understood that KCP&L GMO Facilities Services may be used by KCP&L in providing Services to KCP&L GMO, as well as used by KCP&L for its own business. In order to avoid duplicate billing, the parties agree that KCP&L will be billed, and will reimburse KCP&L GMO, only for that portion of KCP&L GMO Facilities Services used by KCP&L for its own business. As compensation for Facilities Services, the receiving party shall reimburse the providing party for all costs that can reasonably be identified and related to the Facilities Services including, but not limited to, cost of salaries and wages, office supplies and expenses, third party vendor costs, property insurance, injuries and damages, employee pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, compensation for use of capital, and a return on capital associated with the assets used to provide Facilities Services. Costs recovered through Services billings shall be excluded from the costs of Facilities Services. Notwithstanding anything herein to the contrary, the price of Facilities Services shall comply with all applicable rules and regulations of the FERC, the MPSC, all other applicable regulatory commissions, and the provisions of Great Plains Energy's Cost Allocation Manual, which includes KCP&L and KCP&L GMO cost allocation information, filed from time to time with the MPSC.

Section 2.3 Billing. KCP&L shall render a monthly statement to KCP&L GMO setting forth a description of the Services and KCP&L Facilities Services rendered to KCP&L GMO in the previous month and KCP&L's costs in connection therewith. The monthly statement to KCP&L GMO will also set forth a description of KCP&L GMO Facilities Services used by KCP&L for its own business and KCP&L GMO's associated costs. KCP&L shall maintain reasonable supporting documentation in connection with costs. Payment shall be made by remittance of the amounts billed within thirty (30) days of the date of the statement or by making appropriate accounting entries on KCP&L's and KCP&L GMO's books.

Section 2.4 Dispute Resolution. In the event that a dispute arises between KCP&L and KCP&L GMO regarding the costs charged by the providing party to the receiving party for Services or Facilities Services hereunder, representatives of KCP&L and KCP&L GMO will attempt to resolve the issues. Unresolved disputes regarding costs or any other claim or dispute related to this Agreement shall be resolved by binding arbitration by the American Arbitration Association under the rules then in effect. Any award of the arbitrator(s) may be entered as a judgment in any court of competent jurisdiction.

Section 2.5 Records Inspection. KCP&L GMO at its own expense may examine KCP&L's pertinent books, records, data and other documents once each year for the purpose of evaluating the accuracy of KCP&L's statements to KCP&L GMO. Such examination shall begin no fewer than thirty (30) days after KCP&L receives a written notice requesting an examination and shall be completed no later than thirty (30) days after the start of such examination. Such examination shall be conducted by an independent auditor reasonably acceptable to both KCP&L GMO and KCP&L. If an independent auditor is used, KCP&L GMO shall cause the independent auditor to execute a nondisclosure agreement reasonably acceptable to KCP&L. Each audit shall be conducted on the premises of KCP&L during normal business hours. KCP&L shall cooperate fully in any such audit, providing the auditor reasonable access to any and all appropriate KCP&L employees and books, records and other documents reasonably necessary to assess the accuracy of KCP&L's invoices. The results of the examination shall be provided to KCP&L.

If KCP&L and KCP&L GMO agree that the amount of any statement should be adjusted as a result of the examination, the amount of the adjustment shall be paid or reimbursed, as applicable, promptly with interest at a rate equal to the applicable compensation for use of capital if the adjustment is related to Services provided, or at a rate equal to the applicable return on capital used for Facilities Services billings (as such rates are described in the Great Plains Energy Cost Allocation Manual) from the due date of the applicable invoice. Any unresolved dispute shall be submitted to arbitration pursuant to Section 2.3, and any resulting award shall include interest calculated on Services or Facilities Services as previously described from the due date of the applicable invoice.

ARTICLE III – TERM AND TERMINATION

This Agreement shall become effective as of the date first written above and shall continue in force until terminated pursuant to this Article III (the "Term"). This Agreement may be terminated by either party upon at least one year's prior written notice to the other party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any applicable law, rule, regulation or order of any regulatory body adopted before or after the date of this Agreement. Further, this Agreement shall automatically terminate in the event of a direct or indirect change of control of either KCP&L or KCP&L GMO. Sections 2.4, 2.5, 4.1, 4.2, 5.3 and 5.4 shall survive expiration or termination of this Agreement for any reason.

ARTICLE IV –

DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY

Section 4.1 EXCEPT AS SET FORTH IN SECTION 1.4, KCP&L MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE SERVICES AND HEREBY DISCLAIMS ALL SUCH REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES AS TO MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

Section 4.2 Limitation of Liability. Except with respect to its indemnification obligations set out in this Section 4.2, KCP&L's aggregate liability to KCP&L GMO pursuant to this Agreement for any acts or omissions in any 12-month period during the Term shall not exceed the aggregate charges payable to KCP&L by KCP&L GMO pursuant to Section 2.1 and 2.2 in such 12-month period. Except with respect to its indemnification obligations set out in this Section 4.2, KCP&L GMO's aggregate liability to KCP&L pursuant to this Agreement for any acts or omissions in any 12-month period during the Term shall not exceed the aggregate charges payable to KCP&L GMO by KCP&L pursuant to Section 2.2 in such 12-month period. Notwithstanding the foregoing sentences, each party hereto will defend, indemnify and save harmless the other party hereto from and against any and all liability, loss, costs, damages and expenses, including reasonable attorney's fees, caused by or arising out of the gross negligence, willful misconduct or breach of this Agreement by such indemnifying party. In no event shall any party be liable to the other party for any punitive, exemplary, indirect, special or consequential damages in connection with this Agreement.

ARTICLE V - MISCELLANEOUS

Section 5.1 Amendments. No amendment, change, or modification of this Agreement shall be valid, unless made in writing and signed by the parties hereto.

Section 5.2 No Assignment. Neither party may assign this agreement, in whole or in part, without the prior written consent of the other party.

Section 5.3 Choice of Laws. This Agreement will be deemed to be made in and in all respects shall be interpreted, construed and governed by and in accordance with the laws of Missouri, without giving effect to rules concerning conflicts of laws.

Section 5.4 No Third Party Beneficiaries. This Agreement is not intended to, and does not, confer upon any party other than KCP&L and KCP&L GMO any rights or remedies hereunder.

Section 5.5 Regulatory Filings. KCP&L and KCP&L GMO shall make all necessary regulatory filings and seek all necessary regulatory approvals for this Agreement.

Section 5.6 No Effect on Other Agreements. This Agreement shall not modify the obligations of any party under any agreement with a third party, and shall not modify any agreement between the parties under any tariff or other agreement filed with the FERC, the

MPSC or other regulatory commission.

Section 5.7 Waivers. Any waiver at any time by a party of any of its rights with respect to a default by the other party under this Agreement shall not be deemed a waiver with respect to any subsequent default of similar or different nature, nor shall it prejudice its right to deny waiver of any other default by the other party.

Section 5.8 Independent Contractor. KCP&L and KCP&L GMO agree that for the purposes of this Agreement, each party is an independent contractor to the other party. KCP&L will be solely responsible for directing the work of its personnel. KCP&L is solely responsible for the compensation of its employees assigned to provide the Services hereunder, and payment of workers' compensation, disability and other similar benefits, unemployment and other similar insurance, and for withholding, income, social security and other taxes.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

Kansas City Power & Light Company

William H Downey

William H. Downey
President and Chief Operating Officer

Aquila, Inc., doing business as KCP&L
Greater Missouri Operations Company

William H Downey

William H. Downey
President and Chief Operating Officer

Approved by Counsel:

William G. Riggins
General Counsel and Chief Legal Officer
Kansas City Power & Light Company
Aquila, Inc.

APPENDIX A

Description of Services

General descriptions of the Services to be provided by KCP&L to KCP&L GMO are detailed below. The descriptions are deemed to include services associated with, or related or similar to, the services contained in such descriptions. The descriptions are not intended to be exhaustive, and KCP&L will provide such additional services, whether or not referenced below, that are necessary or appropriate to meet the service needs of KCP&L GMO.

Corporate Services

Corporate Services is responsible for providing Information Technology, Purchasing, Facilities and Resource Protection services for KCP&L GMO operations. These services also apply to any new facilities that may be added from time to time.

Information Technology ("IT"): Support existing applications, technologies and infrastructure to ensure business continuity and leverage capabilities. Examples include CIS, PeopleSoft, desktop, real-time systems, radio and telecommunications. In addition, IT will work with KCP&L GMO to develop and deploy new applications and technologies as appropriate.

Purchasing: Acquire goods and services on behalf of KCP&L GMO operations, as well as for all construction projects; exercise governance and oversight over all procurement functions and ensure compliance with established policies and procedures.

Facilities: Responsible for the planning and management of existing company buildings and grounds, whether owned or leased, as well as for any new building construction or remodeling; and provide print, courier and mailroom services and records management.

Resource Protection: Responsible for the protection of the physical, human and information assets of KCP&L GMO, and for business continuity planning and adherence to applicable standards such as required by Homeland Security, etc.

Delivery

Delivery is responsible for providing customer, transmission and distribution services. This includes business performance services, claims services, customer services, major outage/catastrophic event management services, energy efficiency and demand response services, metering and infrastructure technology services, resource management, safety training and incident response services, transmission and distribution construction and maintenance management, transmission and distribution operations and maintenance, transmission, distribution and substation engineering and asset management, transmission policy, planning and compliance services to KCP&L GMO. These services also apply to any new facilities that may be added from time to time.

Business Performance Services: Develop, gather data, manage, create and maintain financial and reliability reports; provide financial analysis, training on financial systems and business support; oversee financial and accounting processes; direct the preparation of budgets and forecasts; draft certain regulatory reports and testimony; develop policies, monitor key developments in the electrical delivery arena and KCP&L GMO territories; prepare and file compliance related reporting; manage process and performance improvement; create and conduct process and performance training; and collect and analyze benchmarking and scorecard data.

Claims Services: Administer claims received relating to property damage and/or service issues in KCP&L GMO service territories; prosecute claims to recover damages for property damage against KCP&L GMO assets.

Community Liaison and Communication Services: Act as liaison with government agencies; federal, state and locally elected officials, civic organizations, and other community stakeholders affecting the KCP&L GMO service area; respond to media and governmental stakeholder requests for information; and create and present information to the public through press releases, advertising, public speaking and other available communication channels.

Community Relations Services: Identify and administer investment and membership support in KCP&L GMO's community organizations; administer contributions to nonprofit agencies identified in KCP&L GMO's service and operating territories that support at-risk youth, the environment and economic/workforce development; administer memberships with chambers, economic development corporations and other organizations in KCP&L GMO's service and operating territories; coordinate presentations and public speaking requests; identify and administer community sponsorships in coordination with partners; manage and provide support for KCP&L GMO's events, including town hall meetings and executive visits; identify and manage employees in KCP&L GMO community support roles, such as serving on boards and providing direct service to underserved people and communities.

Customer Services: Receive and process customer requests through all customer contact channels; answer customer questions, create and enter service orders, and educate customers about KCP&L GMO services; obtain and record meter data; process customer service orders; manage the field collection process at the customer premise, investigate potential revenue loss, and report irregular customer activities pertaining to their electric service; prepare and deliver accurate and timely statements and invoices to customers; manage the payment application process, reconcile payments received from customers, remit payments received, and conduct research on non-routine payments; collect amounts owed on delinquent accounts, bad debt recoveries, and bankruptcy; process and remit amounts recovered; manage and apply energy assistance payments; conduct fraud investigations, diversion investigations, and analyze customer usage and pricing for accuracy and timeliness of sending customer bills; investigate and manage commission complaints to resolution; design programs to increase funding to assist low income customers; manage programs targeted for the elderly and vulnerable (i.e., medical emergency) customers; create partnerships with energy assistance agencies; administer cold and hot weather rules; develop and present outreach programs designed to educate customers about energy usage and efficiency; design and use measurement and assessment tools to gauge effectiveness and efficiency of customer contact work processes; and collect, verify and report statistics and data as requested by internal customers.

Economic Development Services: Manage and administer business development initiatives, strategies and programs associated with retention, expansion and recruitment of major customers in KCP&L GMO's service territory; manage and develop relationships with strategic state, regional and local development groups while being familiar with state and local incentives, and financing options; assist KCP&L GMO's communities in strategic planning, setting goals and priorities, and facilitate implementation of community and economic development programs; and represent KCP&L GMO on relevant community and state boards.

Energy Efficiency and Demand Response Services ("EE/DSM"): Identify and develop products for EE/DSM including market analysis, technology review, feasibility analysis, load research and tariff development/approval; provide marketing of EE/DSM to customers; act as liaison and support EE/DSM programs with large industrial and commercial users; create and present public education and training demonstrations on EE/DSM programs; provide eServices management; and develop and provide marketing, sales and product support for unregulated, revenue generating services.

Major Outage/Catastrophic Event Management Services: Provide "command and control" management including allocation of resources, communication with MPSC, internal and external stakeholders, coordination with the Mutual Assistance Group, and analysis of operational and performance data from KCP&L GMO systems; act as liaison with government agencies, municipalities and emergency response organizations; and create and conduct training with stakeholders .

Metering and Infrastructure Technology Services: Plan, design and implement integrated technologies to better supply, manage, and enable more efficient use of energy both by the utility and the customer; identify and evaluate existing and emerging technologies in the areas of advanced metering, distribution automation, grid communication networks, advanced control centers, demand response, energy efficiency, as well as the integration of renewable and distributed supply resources; and plan, design and implement metering and meter reading infrastructure.

Resource Management: Provide supervision of resource procurement, including strategic sourcing, vendor alliance development, order management, supplier management, consignment systems and contract governance; manage vegetation management services and infrastructure monitoring and improvements consistent with approved KCP&L GMO vegetation and infrastructure plans; provide supply chain management to drive optimum service, quality and innovation for material, services and fleet management in order to achieve operational excellence and lower operational and maintenance costs; develop policies and implement contract compliance practices to ensure value is captured; provide work management asset tracking services; provide meter procurement and maintenance services; and provide shop services that include equipment testing and reconditioning, welding, mechanical services, pipefitting, plumbing and carpentry.

Safety Training and Incident Response Services: Create and present public safety education and training demonstrations; respond to incidents of personal injury and/or property damage involving employees and/or KCP&L GMO assets; and develop operating and compliance guidelines.

Transmission and Distribution Construction and Maintenance Management: Analyze, coordinate and support work for system expansion, construction, system improvements, and corrective and preventive maintenance; provide patrolling services of infrastructure and equipment; and act as company liaison to customers, municipalities, community organizations and local stakeholders.

Transmission and Distribution Operations and Maintenance: Provide "first response" to outage and irregular system operation reports and analyze, coordinate and support work to restore service and return system to regular operating status.

Transmission, Distribution and Substation Engineering and Asset Management: Analyze, coordinate and support work for delivery and substation system expansion, improvements, and corrective and preventive maintenance; provide engineering, planning, design, trouble-shooting and mapping services; support field personnel in handling right–of-way purchases, right-of-way inquiries, zoning permits and crossing permits; and establish and monitor system-wide electrical standards.

Transmission Policy, Planning and Compliance Services: Develop policies, monitor key developments in the transmission arena, and participate in industry groups and forums relevant to transmission system reliability, operations and policy issues; act as liaison with FERC, NERC, Southwest Power Pool ("SPP"), Midwest Independent Transmission System Operator ("MISO"), Edison Electric Institute ("EEI"), Kansas Electric Transmission Authority ("KETA"), the Transmission Owners and Operators Forum and other organizations and stakeholders; perform analysis and planning of transmission system; negotiate agreements with transmission stakeholders; provide support for real-time transmission system analysis, monitor system reliability and security; respond to threats against system reliability and security; provide compliance review of relevant NERC and FERC standards and policies; administer transmission tariffs; and provide accounting of energy flowing across transmission system and monitor transmission revenues received.

Supply

Supply is responsible for all aspects of providing the electric energy necessary to reliably, and in compliance with applicable laws, fulfill the electric demands of KCP&L GMO customers. In order to effectively meet this obligation, Supply shall provide the following general services to KCP&L GMO: resource planning; plant operations and maintenance; fuel procurement and logistics; generation dispatch; power purchases and sales; new unit construction; and system black-start. These services shall apply to all present and future KCP&L GMO generating facilities. These services also include the optimization of all KCP&L GMO jointly owned units and all capacity and energy contracts that exist or may be entered into from time to time.

KCP&L and KCP&L GMO will be operated and planned for as separate control areas with wholesale transactions governed by applicable FERC tariffs and rules, until and unless otherwise determined by the parties and approved by all applicable regulatory bodies.

Resource Planning: Develop periodic integrated resource plans, capacity testing, reliability reporting, and interconnection applications; coordinate new source review as needed; and maintain fleet generation statistics.

Plant Operations and Maintenance: Conduct safety training, safety incident investigation, training of the operating and maintenance staff; develop/maintain operating procedures; manage operating staff; maintain planning (near term and long term); maintain facilities and equipment; outage planning; maintenance management; contractor management; inventory management; and environmental compliance and reporting.

Fuel Procurement and Logistics: Develop fuel procurement plan, fuel procurement for power production (coal, oil and natural gas); arrange for fuel delivery, nomination of required natural gas deliveries, procurement, delivery of all plant combustion reagents (lime, limestone, ammonia, urea, etc.); fuel handling and storage at the plants; and fuel inventory management, sale or off-site disposal of coal combustion products (including fly ash, bottom ash, and scrubber by-products).

Generation Dispatch: Unit scheduling; maintenance of reserve requirements; coordination with the RTO; and coordination with generating stations and load balancing.

Power Purchases and Sales: Manage day ahead and real time sales and/or purchases to effectively meet customer demand; secure transmission paths; cultivate wholesale customers on both the buy and sell side; track and manage RTO transactions and costs; and manage participation in RTO markets as they become available (energy imbalance market, ancillary services, etc.).

New Unit Construction: Organize and manage the construction efforts necessary to place new generating assets into service or to retro-fit existing facilities with new process equipment necessary to allow the unit to continue to operate, including the removal of abandoned equipment, as may be necessary.

Black Start: Maintain and periodically test the system black-start capability.

Human Resources

Services are provided to KCP&L GMO by employees of KCP&L. Human Resources ("HR") is responsible for the planning, development, and implementation of all aspects of human capital strategy which complements and reinforces the strategies of KCP&L GMO and its affiliates. HR will meet KCP&L GMO's needs through the general services categories described below.

Employee Relations – HR uses a Generalist model in working with operating groups as business partners to ensure close alignment with, and proactive support of, operating needs.

Labor Relations – Provide centralized leadership in working collaboratively with the IBEW locals, including labor strategy, negotiations, grievances, arbitrations, job bidding, and other activities.

Staffing and Recruitment – Ensure a robust pipeline of talent into the organization by creatively sourcing candidates and overseeing/coordinating the recruiting, interviewing, testing, placement, and on-boarding processes; and manage a variety to specialized sourcing programs ranging from college recruiting, internship programs, high programs, diversity programs, and other practices.

Compensation and Benefits – Recommend and develop the overall reward program to ensure the acquisition and retention of talent and effective cost management, including base salary, incentive, and all other benefit and recognition programs; and oversee Affirmative Action Programs.

Safety and Medical – Oversee worker's compensation and return-to-work programs, DOT, and other health and safety programs.

Winning Culture – Work to ensure a workforce that is engaged, innovative, accountable, and high-performing.

Training and Development – Ensure an effective professional workforce through the development/delivery of programs through the GPE University; identify suitable external programs and leadership development opportunities; and identify, coaching, and development of high potential employees; and oversee an assessment center, workforce planning, periodic employee surveys, and effective performance management processes.

Human Resource Information System – Ensure secure and effective systems that allow accurate reporting of employee-related information; develop and implement systems and processes that enable increased employee and manager self-service; and promote and implement process improvements for HR.

HR Service Center - The HR Service Center provides a "one-stop shop" for efficient response to employees' and retirees' HR questions.

HR Strategy and Planning – Ensure awareness of best practices and adopts as appropriate; ensures goals, metrics, and plans are established to enhance service and efficiency; and craft and implement company-wide strategies to address chronic workforce challenges.

Finance and Accounting Services

Finance and Accounting Services ("F&A") is responsible for all aspects of providing services across the organization necessary to support the operations of KCP&L GMO and all other corporate entities. These services are provided by KCP&L to the other entities. F&A will meet KCP&L GMO's need for F&A services through the general services categories described below.

Accounting Systems: Provide system support of financial systems for all entities, including KCP&L GMO. Major financial systems include the PeopleSoft financial and HR systems, CIS+ customer billing system, and the property management system, PowerPlant. System support is categorized into operations and project management functions. The operations function includes; run the month-end financial close process; maintain PeopleSoft and PowerPlant security for the organization; update PeopleSoft chart fields; maintain the PeopleSoft allocation processes; maintain PeopleSoft trees for reporting, and nVision and query development for the organization; including support provided in gathering financial information to respond to regulatory, customer, or audit requests. The project management function includes upgrades and system enhancements and consists of gathering requirements, developing timelines, developing and maintaining test scripts for testing phases, and signoff during implementations.

Accounts Payable: Provide accounts payable transaction processing and reporting for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: Create/maintain vendor profiles; receive/process paper/electronic invoices and payments; prepare vendor 1099s; review/update invoice approval workflow; review/update voucher account coding; reconcile payment records and vendor balances; research/resolve purchase order payment exceptions; provide monthly reporting metrics; and receive/research/provide vendor and/or payment inquiries.

Audit Services: Examine and evaluate the adequacy and effectiveness of the organization's governance, risk management process, internal control system structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Primary services provided include: review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information; review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, including relevant provisions of the Sarbanes-Oxley Act of 2002, which could have a significant impact on operations and reports, and assessing whether the organization is in compliance; review the means of safeguarding assets and, as appropriate, verifying the existence of such assets; review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned; review specific matters at the request of the audit committee or management, as appropriate; monitor and evaluate the effectiveness of the organization's risk management system; and review, where contractually authorized, accounting and other relevant records of joint ventures, contractors, suppliers, and other third party business associates.

Corporate Accounting: Maintain the accounting books and records of all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: establish and maintain accounting policies and procedures; establish and monitor internal controls; record revenues, operation and maintenance expenses, other income/expense and assets and liabilities, and analyze activity in accounts; and perform account monitoring and reconciliations, management reports, certain regulatory reports and provide financial support to operations, regulatory affairs and other internal customers, as requested.

Corporate Finance: Direct the Company's corporate finance function, which includes the development, analysis, and implementation of financial plans and capital structure so as to maintain continuous access to capital at the lowest overall cost. Primary services provided include: prepare documentation and satisfy the filing requirements associated with the Company's financing and lead negotiations of specific costs and terms of security issues and/or leases by working directly with the underwriters; minimize the cost of debt by managing the variable rate debt portfolio utilizing interest rate management products; support the Company's regulatory efforts, including cost of capital analysis / testimony preparation assistance; primary day-to-day management of relationships with rating agencies, members of the Company's bank group and any other investment banks; and preparation of financial materials for internal and external stakeholders as requested and required.

Corporate Planning & Budgeting: Develop budgets and financial forecasts for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: collection of departmental operating and capital budgets; allocation of budgeted pension and benefit costs, jointly owned facilities, and other allocable costs between business units; and development of forecasted financial statements as needed.

Corporate Treasury: Responsible for all cash management activities, including short-term financing facilities, for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: maintain an appropriate level of liquidity through supervision of cash management activities, maintenance of banking relationships and accessing of capital markets for longer-term funding; issue commercial paper or draw on credit facilities as needed, keeping an appropriate maturity ladder; conduct intra-company lending/borrowing to share liquidity within the corporation and minimize idle balances; oversee issuance of letters of credit and guarantees; assist Enterprise Risk in monitoring and maintaining credit support; maintain banking and brokerage relationships, negotiate lines of credit and determine banking/treasury management services to use; monitor and manage investment portfolios in compliance with the corporate investment policy; supervise remittance processing activities in coordination with the Customer Service division; establish and monitor external remittance processing agents (lockbox, direct debit, pay-stations, credit/debit cards, etc.) so to offer customers, reliable, lost cost service; assist in the issuance of capital market securities; provide input in the determination of desired capital structure through detailed cash forecasting; assure compliance with Sarbanes-Oxley requirements and maintenance of proper documentation and controls; provide information for rate cases, regulatory filings, financings and other applications; develop and maintain department policies; create and maintain a corporate wide investment policy; and oversee required accounting and record keeping to maintain the general ledger and reconcile cash accounts.

Income and Transaction Taxes: Responsible for all aspects of maintaining the tax books and records of all Great Plains Energy entities, including KCP&L GMO. Tax services can be categorized in five major functions providing the primary services as follows: prepare, review and file all consolidated and separate federal, state and local income, franchise, sales, use, gross receipts, fuel excise, property and other miscellaneous tax returns and payments; research tax issues and questions, including interpretation of rules and proceedings, develop short and long range planning for all types of taxes and monitor and review new or proposed tax laws, regulations, court decisions and industry positions; provide tax data for budget estimates and rate cases, provide reports of tax activity and projected cash requirements and prepare, review and record tax data for financial reports; supervise and review tax audit activities; respond to vendor-related tax matters associated with tax compliance or tax saving opportunities and process customer tax refunds and adjustments to customer accounts.

Insurance: Provide the following insurance services: place and administer Property and Casualty insurance policies, including Property, Liability, Workers Compensation and Management Liability; file and manage Property insurance claims; review contracts and agreements as needed for adequacy of insurance provisions; issue Certificates of Insurance and other evidence of coverage; and place and administer bonds.

Property Accounting: Maintain all fixed asset and intangible property records for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: set up, maintain and close capital projects; provide analysis of capital projects; calculate, record and report AFUDC; maintain fixed assets and accumulated depreciation; perform month end close processes; support billing of joint owner projects; support construction projects, including those associated with the Comprehensive Energy Plan; and perform processes to support day-to-day property accounting activity and prepare necessary internal and external reports, and support regulatory filings and depreciation studies.

Regulatory Accounting: Serve as the primary liaison between the Regulatory Affairs and Accounting Services teams and provide Accounting Services support for all jurisdictional filings and regulatory reporting for the Company, including KCP&L GMO. Primary services provided include: primary accounting support of rate case process including accounting adjustment planning and preparation; primary accounting support and data request response preparation and review; support of rate case process for accounting focused issue areas; regulatory reporting preparation and filing for all jurisdictional areas including the preparation of the annual FERC Form 1 and quarterly FERC Form 3-Q and certain other monthly, quarterly and annual statistical reports and jurisdictional surveillance reporting; development, tracking and reporting of all merger synergies and transition costs created/incurred across the organization, as relates to the acquisition of KCP&L GMO; and maintenance, review and analysis of critical revenue requirement input components, including regulatory asset and liability tracking and maintenance, debt assignment process maintenance and tracking and FERC account activity analysis for rate case adjustment impacts.

Risk Management: Provide the following risk management services on behalf of KCP&L GMO: credit risk management to include complete credit reviews for wholesale counterparties; develop, gather data, manage, create and maintain financial, reliability and accounting reports; develop credit limits for wholesale counterparties and monitor credit exposure on an ongoing basis; manage collateral requirements with wholesale counterparties and manage daily margining requirements; review contracts and agreements for adequacy of credit risk provisions; monitor the external credit markets and develop policies and procedures to help mitigate potential credit risks; prepare and file compliance related reporting; market risk management which includes monitor wholesale commodity transactions and verify that transaction types are covered by risk control policies, monitor wholesale commodity transactions and monitor compliance with risk control limits; develop market volatility curves for new transaction locations and commodities within the deal capture system; monitor the wholesale power and gas markets and develop policies and procedures to help mitigate market risks; and prepare and file compliance related reporting.

Strategic Planning and Development: Provide strategy development and coordination in the following areas: manage the development and approval process for the Company's long term strategic plans; coordinate strategic planning for major asset decisions; coordinate internal and public policy positions on renewable energy, climate change, nuclear power, energy efficiency and other energy related issues; and develop and manage renewable energy resource strategy and development of the renewable resource portfolio.

Legal and Environmental Services

Legal and Environmental Services is responsible for providing legal advice and representation and environmental services to KCP&L GMO. The following is a representative list of the types of services provided.

Legal Advice and Representation: Advise and represent KCP&L GMO concerning anticipated and pending litigation matters, contract negotiation and administration, general corporate matters and regulatory compliance, including the representation of KCP&L GMO before the MPSC, the FERC, and other regulatory bodies; provide legal advice and support for securities filings, financings and their administration; and provide legal advice and support for other transactions and matters as requested.

Environmental Services: Advise KCP&L GMO concerning compliance with all applicable environmental laws and regulations, including the obtainment of any requisite environmental permits related to KCP&L GMO's operations.

Regulatory Affairs

Regulatory Affairs is responsible for all aspects of providing services across the organization necessary to support the regulatory strategies that achieve corporate goals and which satisfy the requirements of regulatory policies, rules and procedures for KCP&L GMO The following is a representative list of the types of services provided.

Maintain a working knowledge state and federal regulatory practices, rules and regulations, KCP&L GMO tariffs, regulatory affairs activities of other utilities, and regulatory trends; contribute to the achievement of corporate goals by developing regulatory strategies to enhance earnings, mitigate risk, and guide regulatory and legislative industry restructuring; provide justification for KCP&L GMO's need for changes in rate levels by directing the preparation of filing requirements and responses to Commission complaint investigations, and by submitting testimony; build relationships with state and federal regulators, and consumer counsels; represent KCP&L GMO by serving as a regulatory expert before regulatory commissions, legislatures, and other public forums; work with the Commission and staff of the Missouri Public Service Commission, FERC and legislative committees to establish regulatory policy; oversee economic, engineering, and financial analysis in relation to revenues and costs, day-to day administration of rates, rules, regulations, and tariff filings, review and strategy of revenue requirements, determination of rate designs, and revenue verification; contribute to the development of revenue and resource planning by providing review of cost studies and by participating in the development and review of KCP&L GMO objectives and strategies; and provide information and training to other divisions (departments) on regulatory requirements, rates, rules, and regulations and provide assistance to operational departments in fulfilling regulatory requirements.

Corporate Secretary and Governance

These functions are primarily responsible for ensuring compliance with applicable corporation laws and regulations, the requirements of organizational documents, and appropriate corporate governance principles. These functions are also responsible for the design, maintenance and administration of director and officer compensation programs. The following is a representative list of the types of services provided: prepare and maintain Board and Committee communications, minutes, materials and other corporate documents; provide advice and analysis to directors and officers on current and emerging corporate governance matters, and recommend appropriate actions in light of those matters; prepare and file all documents necessary to maintain the corporate existence of KCP&L GMO and its subsidiaries; ensure that KCP&L GMO conducts its business in compliance with applicable corporate legal and organizational requirements; act as a liaison between management and the Board of Directors; design, maintain and administer director and officer compensation programs; and provide corporate compliance program management, support and training.