Exhibit No.:
Issue: Accounting
Witness: Lori A. Wright
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: EO-2005-0329
Date Testimony Prepared: April 7, 2005

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2005-0329

FILED[4]

JUL 1 8 2005

Missouri Public
Service Commission

DIRECT TESTIMONY

OF

LORI A. WRIGHT

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
April 2005

Exhibit No. 2
Case No(s). EO-2005-0329
Date 6-23-05 Rptr KF

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Proposed Experimental Regulatory Plan of Kansas City Power & Light Company	)))	Case No. EO-2005-0329

AFFIDAVIT OF LORI A. WRIGHT

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Lori A. Wright, being first duly sworn on her oath, states:

1. My name is Lori A. Wright. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Controller. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of seven (7) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

2. 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.

Lori A. Wright
Lori A. Wright

Subscribed and sworn before me this 8th day of April 2005.

Carol Sivils
Notary Public

My commission expires: ________

CAROL SIVILS
NOTARY SEAL
STATE OF

CAROL SIVILS
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires: June 15, 2007

DIRECT TESTIMONY

OF

LORI A. WRIGHT

Case No. EO-2005-0329

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

A: My name is Lori A. Wright. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCPL") as Controller.

Q. **What are your responsibilities?**

A. As Controller, I have primary responsibility for management of KCPL's accounting function, including all accounting records, the design of internal controls and the preparation of financial reports for management and shareholders.

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

A. I graduated from The University of Iowa in 1985 with a Bachelor of Business Administration in Accounting. I received my Master of Business Administration from The University of Iowa in 1989. I am a Certified Public Accountant. I was first employed at KCPL in 2001 as Assistant Controller and became Controller in 2002. From 1990 to 2001, I held various accounting positions at Central and South West and American Electric Power (Central and South West was acquired by American Electric Power in 2000). From 1986 to 1990, I held various accounting positions at Iowa Electric Light and Power Company.

Q. Have you previously testified in a proceeding at the Missouri Public Service Commission or before any other utility regulatory agency?

A. No, I have not.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain (i) KCPL's accounting treatment of pension costs, (ii) the modification of the useful life of the Wolf Creek Nuclear Generating Station ("Wolf Creek") from 40 to 60 years for depreciation purposes; and (iii) the useful life of wind generation assets for depreciation purposes, all as set forth in the Stipulation and Agreement ("Stipulation and Agreement") filed with the Missouri Public Service Commission ("MPSC") on March 28, 2005.

Q. What is the intent of the Stipulation and Agreement regarding pension costs?

A. The intent of the pension expense agreement is to:

1. Ensure KCPL recovers the amount of the net prepaid pension asset ($34,694,918 of which is attributable to the State of Missouri) representing the recognition of a negative Statement of Financial Accounting Standards No. 87 ("FAS 87") result used in setting rates in prior years;
2. Ensure the amount collected in rates is based on FAS 87 cost calculated using the following methodology:
   a. Market Related Value for asset determination smoothing all asset gains and losses that occur on and after January 1, 2005 over five (5) years;
   b. No 10% corridor; and
   c. Amortization period of ten (10) years for unrecognized gains and losses

3. Ensure that once the net prepaid pension asset has been collected in rates, all pension cost collected in rates is contributed to the pension trust;

4. Ensure that all amounts contributed by KCPL to the pension trust are recoverable in rates; and

5. Ensure that KCPL will receive no more or less than the net prepaid pension asset before KCPL is required to fund the plan.

Q. Is the intent of the Stipulation and Agreement regarding pension costs consistent with the settlement agreement on pension expense in The Empire District Electric Company rate case, Case No. ER-2004-0570?

A. The intent of the Stipulation and Agreement regarding pension costs is consistent with the settlement agreement on pension expense in the rate case involving The Empire District Electric Company, Case No. ER-2004-0570 ("Empire Case"). However, there is one provision unique to the Stipulation and Agreement.

Q. What is that unique provision?

A. In January 2000, KCPL made a voluntary decision to amortize gains and losses under FAS 87 over a five-year period. Under Generally Accepted Accounting Principles, KCPL is precluded from changing the method of pension accounting to another method unless the change is to a more preferable method. In the case of FAS 87, a more preferable method is one that amortizes unrecognized gains and losses more rapidly. The FAS 87 method used to determine the cost recovered through rates does not amortize unrecognized gains and losses more rapidly than KCPL's current method and is not considered a more preferable method. Therefore, KCPL cannot switch to that method for financial reporting. As a result, the agreement provides for the establishment of a regulatory asset or liability for the annual difference in the FAS 87 result from the two methods. This regulatory asset or liability is a timing difference only and will reverse as the FAS 87 cost is calculated over time. This regulatory asset or liability will not be included in rate base.

Q. Does this unique provision regarding pension costs in the Stipulation and Agreement make the method used to calculate recoverable pension costs in the Stipulation and Agreement inconsistent with the method used to calculate recoverable pension costs in the Empire Case?

A. No. The treatment of pension costs in the Stipulation and Agreement is consistent with the method used to calculate recoverable pension costs in the Empire Case.

Q. Is there any other item of note regarding pensions in the Stipulation and Agreement that you would like to discuss?

A. Yes. The Stipulation and Agreement provides for the transfer of existing and future pension-related "Other Comprehensive Income" amounts to a regulatory asset.

Q. What does the Stipulation and Agreement indicate concerning Wolf Creek depreciation?

A. Upon the effective date of the Stipulation and Agreement, KCPL will begin recording depreciation expense for Wolf Creek based on a 60-year useful life. The parties to the Stipulation and Agreement agreed that the MPSC should authorize KCPL to use depreciation rates for the various nuclear plant accounts, as contained in Appendix G to the Stipulation and Agreement, "Depreciation & Amortization Rates Missouri Jurisdictional" ("Appendix G"), which reflect a 60-year useful life. KCPL will also record an additional $10.3 million (Missouri jurisdictional) of amortization expense. This amount is equal to the change in depreciation expense reflecting a change in the useful life of Wolf Creek from 40 to 60 years.

Q. What is the basis for this change in the useful life of Wolf Creek for depreciation purposes?

A. The Wolf Creek Nuclear Operating Corporation ("WCNOC"), the operating agent for Wolf Creek, anticipates seeking and obtaining a 20-year extension of its license for Wolf Creek. WCNOC is involved in a joint license renewal effort with four other nuclear plants—Palo Verde, Diablo Canyon, Comanche Peak and South Texas Project. All of the renewal applicants are working with Parsons Energy and Chemical Inc., a consulting firm highly experienced in preparing nuclear license renewal applications. Each plant will spend approximately two years reviewing the plant design to determine all the systems and components that are in the licensing and renewal scope, determining the appropriate programs that will assure that the components will remain in good condition for the additional 20 years covered by the requested license renewal, and preparing a 20-year license renewal application for submission to the Nuclear Regulatory Commission ("NRC"). Each plant will go through this process with Wolf Creek being the first plant.

Q. Is there other support for this change in lifespan?

A. Yes. WCNOC informed the NRC that WCNOC intends to submit its license renewal application in September 2006. Additionally, KCPL began using Kansas jurisdictional depreciation rates for Wolf Creek based on a 60-year useful life effective January 2003 based on an Order received from the Kansas Corporation Commission ("KCC") in Case No. 02-KCPE-840-RTS.

Q. How were the depreciation rates for nuclear plant accounts contained in Appendix G determined?

A. The rates shown on Appendix G for the various nuclear plant accounts are the same as the Kansas jurisdictional nuclear depreciation rates authorized in KCC Case No. 02-KCPE-840-RTS, which, as explained, also adopted a 60-year useful life for depreciation.

Q. The $10.3 million increase in amortization was established as the amount equal to the change in depreciation expense reflecting a change in the useful life of Wolf Creek for depreciation purposes from 40 to 60 years. How was this amount determined?

A. The proposed Missouri jurisdictional rates reflected in Appendix G were multiplied times the various total KCPL plant in service balances for Wolf Creek nuclear plant accounts as of December 31, 2004, after applying the Missouri jurisdictional allocation factors used in the 2003 Surveillance Report. The previously authorized Missouri jurisdictional depreciation rates were applied in the same manner to the same plant in service balances. The two results were compared, indicating a $10.3 million decrease in depreciation expense when using the proposed rates rather than the currently authorized rates.

Q. How does KCPL intend to ensure that Missouri ratepayers receive credit for providing additional depreciation expense?

A. KCPL maintains separate jurisdictional books reflecting the jurisdictional Accumulated Reserve for Depreciation for the Federal Energy Regulatory Commission, the MPSC and the KCC. The Missouri jurisdictional books apply the Missouri jurisdictional depreciation rates to total KCPL plant in service, after including certain jurisdictional adjustments such as for the Wolf Creek disallowance, to determine the Missouri depreciation expense on a 100% basis. These amounts are reflected in the annual Surveillance Report where Missouri jurisdictional allocation factors are applied.

Q. Paragraph III.B.k of the Stipulation and Agreement indicates the wind assets, when included in rate base, will be depreciated over a 20-year period, as contained in Appendix G. What is the basis for this depreciation rate?

A. KCPL determined the useful life for wind assets for depreciation purposes based upon a survey KCPL conducted of regulated utilities that have wind assets in service. The survey indicated 20 years was a reasonable approximation of the useful life of a wind asset.

Q. Does that conclude your testimony?

A. Yes, it does.