

DOE/NNSA Exhibit No. 804

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Exhibit No.:
Issues: Rate Design
Revenue Allocation Method
Witness: Gary C. Price
Type of Exhibit: Direct Testimony
Sponsoring Party: DOE-NSSA
Case No.: ER-2007-0291
Direct Testimony Date: August 7, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0291

DIRECT TESTIMONY

OF

GARY C. PRICE

ON BEHALF OF

**THE DEPARTMENT OF ENERGY – NATIONAL
NUCLEAR SECURITY ADMINISTRATION**

**Kansas City, Missouri
August 2007**

*** _____ ** Designates "Highly Confidential" or "Proprietary" Information.
Such Information Should be Treated Confidentially
Pursuant to the Standard Protective Order

Exhibit No. 804
Case No(s). ER-2007-0291
Date 10/1/07 Rptr. MV

1 **DIRECT TESTIMONY**
2 **OF**
3 **GARY C. PRICE**
4 **KANSAS CITY POWER & LIGHT**
5 **CASE NO. ER-2007-0291**
6

7 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

8 A. My name is Gary C. Price. My business address is P.O. Box 23, Sun Prairie, Wisconsin
9 53590.

10
11 **Q. BY WHOM ARE YOU EMPLOYED?**

12 A. I am a principal consultant with Rhema Services Inc. and have worked in the utility industry
13 for more than 35 years.

14
15 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

16 A. Keres Consulting Inc. holds a contract with the United States Department of Energy to
17 provide a number of services, including assistance with utility procurement, contracts and
18 rates administration, as well as intervention in utility rate proceedings that significantly
19 impact large DOE facilities. Rhema Services Inc. is a subcontractor to Keres Consulting Inc.
20 Keres Consulting/Rhema Services Inc. have been retained by the United States Department
21 of Energy to review Kansas City Power and Light Company's ("KCPL" or "Company")
22 application to the Missouri Public Service Commission ("MPSC" or "Commission") to
23 increase Missouri electric retail rates. The testimony I am presenting is offered on behalf of
24 the United States Department of Energy that is representing the interest of the National
25 Nuclear Security Administration ("DOE-NNSA") and other affected Federal Executive
26 Agencies.

1 **Q. WHAT WAS YOUR ASSIGNMENT IN THIS CASE?**

2 A. My assignment was to review KCPL's proposed rate design and revenue change allocation
3 proposal.
4

5 **I. QUALIFICATIONS**

6 **Q. PLEASE STATE YOUR BACKGROUND AND QUALIFICATIONS.**

7 A. I have worked as a consulting engineer, developing power system analyses and presenting
8 expert testimony in various utility rate matters, such as cost of service, cost allocation and
9 rate design. Recently, much of my work has been in the areas of power supply analysis, cost
10 of service analysis, rate design, as well as providing litigation support to law firms in
11 processing or negotiating rate cases before various regulatory agencies. From 1999 through
12 2002, I spent a considerable amount of time supporting various functions of the ISO New
13 England, Inc., including developing and presenting to the FERC in testimony the cost of
14 service analysis supporting the self-funding tariffs in effect for Calendar Year 2000, 2001,
15 2002 and 2003.

16
17 From January 1995 through July 1999, I was Vice President-Customer Services and
18 Marketing at Wisconsin Public Power Inc. In this position, I supervised four departments in
19 the areas of Rates and Forecasting, Distribution Services, Information Services and Customer
20 Services and Marketing. In addition to these duties, I was directly involved and provided
21 technical guidance and support in rate cases before the FERC and the PSCW. I was also a
22 member of the Mid-Continent Area Power Pool ("MAPP") Rates and Tariff Task Force
23 which was responsible for developing rates and tariffs for the proposed regional ISO.

1 From 1977 through 1995, I was primarily an independent consultant. During those years, I
2 was involved in a number of gas and electric utility matters, including the preparation of
3 power supply studies, rate studies and have analyzed numerous cost of service studies
4 presented by various parties to regulatory proceedings.

5
6 I graduated from the University of Alabama in 1970 with a Bachelor of Science degree in
7 Electrical Engineering. Upon graduation, I joined the Tennessee Valley Authority ("TVA")
8 in the Division of Power Marketing as a Power Supply Engineer. From 1970 to 1975, my
9 responsibilities as a Power Supply Engineer involved the development of power supply
10 arrangements including, but not limited to, contract and rate development for electric sales to
11 large industrial customers served directly by TVA. In addition, I completed all the required
12 course work at the University of Tennessee for a Masters of Science Degree in Electrical
13 Engineering. In 1975, my position at TVA changed to Rate Engineer and my responsibilities
14 included the preparation of cost of service studies, feasibility studies, and other economic
15 analyses for both the TVA power system and for TVA's municipal and cooperative
16 customers.

17
18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY**
19 **COMMISSION?**

20 A. Yes. Since 1977, I have testified numerous times before the Federal Energy Regulatory
21 Commission ("FERC"), the Missouri Public Service Commission, the Minnesota Public
22 Service Commission, the Public Service Commission of New York, the Texas Public Utility
23 Commission and the Public Service Commission of Wisconsin ("PSCW").

1 **II. CLASS REVENUE ALLOCATION FORMULA**

2 **Q. HAS KCPL PROPOSED A REVENUE ALLOCATION FORMULA?**

3 A. No. KCPL has not prepared a test year class cost of service study, and is proposing to assign
4 equal percentage revenue increases to the individual classes of service across the board.
5

6 **Q. WHY DID KCPL NOT RELY UPON THE TEST YEAR CLASS COST OF SERVICE**
7 **TO GUIDE IT IN THE ALLOCATION REVENUE CHANGES?**

8 A. KCPL'S witness Tim M. Rush in his Direct Testimony on page5 lines 8 through 10 explains
9 that, as part of the Regulatory Plan, the parties agreed in the Stipulation and Agreement not
10 to file new or updated class of service studies.

11 **Q. DID DOE – NNSA AGREE NOT TO FILE NEW OR UPDATED CLASS COST OF**
12 **SERVICES, AS PART OF THE REGULATORY PLAN STIPULATION AND**
13 **AGREEMENT?**

14 A. No. DOE – NNSA was not a signatory to the Regulatory Plan or its Stipulation and
15 Agreement. Neither is restricted from filing a class cost of service.

16 **Q. DID THE MISSOURI PUBLIC REGULATION COMMISSION APPROVE THE**
17 **EXPERIMENTAL REGULATORY PLAN CONTAINED IN THE STIPULATION?**

18 A. In its Report and Order in Case No. EO-2005-0329 the Commission approved the
19 Experimental Regularity Plan as being in the public interest. It is my understanding,
20 however, in Case WD66893 the Western District Court of Appeals reversed the
21 Commission's Order and Report. I have been advised by counsel that at this time the
22 Stipulation and Agreement entered between Kansas City Power & Light and the Staff of the
23 Missouri Public Service Commission, the Office of Public Council, Praxair, Inc., Missouri

Industrial Energy Consumers, Empire District Electric Company, Ford Motor Company, Aquila, Inc., and Missouri Joint Municipal Electric Utility Commission is merely an agreement among them neither approved by nor binding on the Commission. A number of entities who were engaged in the discussions that led to the Stipulation & Agreement were not signatories including the United States Department of Energy, the United States National Nuclear Security Administration and the Federal Executive Agencies.

Q. SHOULD THE COMMISSION REQUIRE THAT THE COMPANY FILE A CLASS COST OF SERVICE?

A. Yes. As it can be seen in Table 1 below, the discrepancies in relative revenue contribution between the residential and street lighting classes versus all other classes of service are extremely wide and this issue needs to be addressed by the Commission.

**Table 1
DOE-NNSA
Relative Rates of Return
Versus the Residential Class
At Present and Proposed KCPL Rates**

Line No.	Description	KCPL's Present Rates (1)	Percent Over<Under> Residential
	(a)	(b)	(c)
1	Residential	0.67	
2	Small General Service	1.32	97.01%
3	Medium General Service	1.51	125.37%
4	Large General Service	1.26	88.06%
5	Large Power	1.11	65.67%
6	Street Light	(0.11)	-116.42%
7	Total	1.00	

(1) From Schedule GCP-1, Page 1, Line 41.

1
2
3 **Q. PLEASE EXPLAIN TABLE 1?**

4 **A. Column (b) shows the class relative rates of return under the present and proposed**
5 **revenue responsibility per KCPL. Column (c) shows the percentage amount that**
6 **each class relative rate of return is above or below the residential class relative rate**
7 **of return under both present and proposed revenues per KCPL.**

8 **As one can see from the above Table 1, column (c), all classes (except lighting)**
9 **relative rates of return at present rates are much higher and some almost or above**
10 **twice those earned by the residential class. KCPL proposes to continue the above**
11 **large discrepancy in revenue responsibility.**

12 **Q. WHAT COST OF SERVICE DID YOU USE TO CALCULATE THE RELATIVE**
13 **RATES OF RETURN SHOWN IN TABLE NO. 1?**

14 **A. In ER-2006-0314, I relied on the class COS as filed by KCPL in that case. In this case,**
15 **since KCPL has not filed class COSS, I replicated KCPL's class COSS from the ER-2006-**
16 **0314 case. Using that model, I changed all the Missouri jurisdictional cost inputs and class**
17 **allocators. The Missouri jurisdictional cost inputs were those calculated by KCPL in this**
18 **filing and the allocators used for the test period were provided by KCPL in response to DOE-**
19 **NSSA's data request No.USDOE-NNSA50. The Non Firm Margin On Sales and Profits On**
20 **Energy Sales were allocated on the basis of class energy similarly to the allocation of these**
21 **two items between Kansas and Missouri jurisdictions as prescribed by the Commission in its**
22 **last Report and Order in KCPL case No. ER-2006-0314.**

1 **Q. DO YOU AGREE WITH THE ARGUMENT THAT SINCE THE REGULATORY**
2 **PLAN SETTLEMENT AND STIPULATION DOES NOT CALL FOR A CLASS**
3 **COST OF SERVICE TO BE FILED IN THIS CASE THAT ONE SHOULD NOT BE**
4 **FILED?**

5 A. I would agree that if the indices of return amongst classes were unity or close to unity, one
6 could argue that a class cost of service is not required. However, given the very large
7 discrepancies amongst classes as shown above in Table No. 1, I believe that this is a very
8 important issue and it should be presented to the Commission for a determination and
9 appropriate correction.

10 **Q. IN THE PRIOR CASE NO ER – 2006 – 0314, THERE WAS AN AGREEMENT AND**
11 **STIPULATION THAT RESULTED IN SHIFTING SOME REVENUE**
12 **RESPONSIBILITY TOWARD SOME CLASSES, WAS THIS NOT SUFFICIENT TO**
13 **PROPERLY ALIGN REVENUE RESPONSIBILITY AMONGST CLASSES?**

14 A. No. Although the revenue shift in the last case stipulation may have helped somewhat, the
15 difference among classes in their indices of revenue responsibility is still very wide.

16 **Q. WHAT RATE OF RETURN IS KCPL REQUESTING IN THIS CASE?**

17 A. KCPL is requesting from its Missouri jurisdiction an increase in rate revenue of \$45.4
18 million, or 8.3% above present rates. Of the \$45.4 million requested increase, \$36.15
19 million, or 6.61%, is based on a traditional revenue requirement and \$9.28 million is based
20 on the requested additional amortization. The \$36.15 million increase reflects an overall rate
21 of return of 8.83% as proposed by KCPL's witness Samuel C. Hadaway. KCPL's witness
22 John P. Weisensee shows in Columns 604 and 606, Lines 1-060 of Schedule 1, Page 4 of
23 Exhibit JPW-1 that KCPL is proposing to increase the rate of return earned under present

1 rates from 7.159% to Mr. Hadaway's proposed 8.83%, thereby adjusting the Missouri
2 jurisdiction index of return from about 81.1% ($7.159\% / 8.83\% = 0.8108$) to 100% ($8.83\% /$
3 $8.83\% = 1.0$).

4 **Q. ALTHOUGH KCPL'S MISSOURI JURISDICTIONAL INDEX OF RETURN AT**
5 **PRESENT RATES IS BELOW 100%, WOULD IT BE APPROPRIATE FOR KCPL TO**
6 **MAKE THAT SHORTFALL FROM ANOTHER JURISDICTION.**

7 A. No. The Missouri jurisdiction should pay KCPL's cost to serve the Missouri jurisdiction. It
8 would be inappropriate for other jurisdictions rate payers to pay Missouri's rate payers costs.
9 Similarly, each rate class within the Missouri jurisdiction should pay KCPL's cost to serve
10 that class. When it comes to setting rates for its Missouri's classes, KCPL has not requested
11 that each class pay its share of the total Missouri jurisdictional costs. It seems that KCPL is
12 only concerned with recovering the full index of return from each of its jurisdictions but not
13 from each of its customer classes..

14 **Q. IS KCPL REQUESTING THIS COMMISSION TO TREAT ITS OWN CLASSES OF**
15 **CUSTOMERS DIFFERENTLY THAN KCPL TREATS ITS OTHER AFFILIATES**
16 **OR JURISDICTION?**

17 A. It seems that the Company is only addressing its own needs on a jurisdictional basis and is
18 not concerned about which customer class within the jurisdiction pays. KCPL is asking the
19 Commission to grant them a 100% index of return for the jurisdiction while not addressing
20 the cost to its customers which have indices of return that vary between 0% and 151%.
21 KCPL fails to recognize that some of its classes of customers are currently being largely
22 burdened by paying a lot more than the system average rate of return and are, consequently,
23 subsidizing the other classes.

1 As exposed in Table No. 1 above, the Company's class cost of service shows that the
2 residential and street light classes have been paying rates that contribute now less than 67 %
3 to the system average rate of return, KCPL still wants to wait almost two years before
4 addressing and correcting the problem where other rate classes have been contributing from
5 1.11 to 1.51 times the system average rate of return (Table 1, column b). I can confidently
6 say that if KCPL were earning below its expected rate of return they would not propose to
7 wait two years before filing for a correction in its system rate of return or make up the
8 difference from another jurisdiction .
9

10 **III. PROPOSED RATE DESIGN**

11 **Q. HOW DO YOU RECOMMEND CORRECTING THE LARGE UNDERRECOVERY** 12 **NOW PRESENT IN THE RESIDENTIAL AND STREET LIGHTS CLASSES OF** 13 **SERVICE VERSUS THE SYSTEM AVERAGE?**

14 A. In my opinion, addressing this issue must begin now by using gradual approach to rectify the
15 large disparity amongst the classes earned rate of return. DOE-NNSA recommends
16 equalizing the classes' rate of return over a period of three (3) rate cases period starting with
17 this rate case. In each rate case period, DOE-NNSA proposes to make rate adjustments that
18 would move by 33.3% each rate class' contribution to the system average rate of return.
19 Table 2 illustrates the DOE-NNSA proposal.

Table 2
DOE-NNSA Proposal To
To Adjust Relative Rates of Returns
Over KCPL's Over Four Rate Filings

Line No.	Description	KCPL's Relative Rates of Return Floor			
		Current Rates (1)	This Rate Filing	2nd Rate Filing	3rd Rate Filing
	(a)	(b)	(c)	(d)	(e)
1	Residential	0.67	0.78	0.89	1.00
2	Small General Service	1.32	1.21	1.11	1.00
3	Medium General Service	1.51	1.34	1.17	1.00
4	Large General Service	1.26	1.17	1.09	1.00
5	Large Power	1.11	1.07	1.04	1.00
6	Street Light	(0.11)	0.26	0.63	1.00
7	Total	1.00	1.00	1.00	1.00

(1) From Schedule GCP-1, Page 2, Line 41.

Table 2 shows in Column (c) the floor or minimum relative return that DOE-NNSA recommends in this proceeding. The change in relative rates of return from Column (b) to Column (c) represents a 33.3% move toward the system average return. The change between the remaining columns also represents a 33.3% move toward the system average return until the system average is achieved in Column (e). It should be noted that in KCPL's first rate case under the Regulatory Plan (MPSC Case No. ER-2006-0314) DOE/NNSA recommended that in order that the move toward unity cost of service not be too great in any one case that there should be a 25% move in "revenue neutral" rates which amounted to an increase in the base revenues of the Residential Class \$3,978.1 million. In the Class Cost of Service Stipulation reached by the parties in the first rate case entered on November 9, 2006 the parties agreed to a gradualism move toward unity cost of service for the Residential Class of \$3,427,807. Thus the 33.3% move toward unity cost of service recommended in this

testimony is in actuality a continuation of the 25% move toward unity cost of service in each rate case recommended by DOE/NNSA in Case No. ER-2006-0314.

Q. HAVE YOU QUANTIFIED THE AMOUNT OF INCREASE THAT WOULD BE REQUIRED IN THIS PROCEEDING TO MOVE ALL RATE CLASSES TO LEVEL SHOWN IN COLUMN (C) OF TABLE 1?

A. Yes. In Table 3 column (c) I have quantified the Total Revenue Adjustment that would be required to move all classes to the system average rate of return under present rates. In the first year of my three years proposal, I propose to adjust the present rates for each rate class in a manner that would either increase or decrease the present class revenues, before the requested increase, as shown in Table 3 column (e).

**** HIGHLY CONFIDENTIAL ****

Table 3
Kansas City Power & Light Company
DOE-NNSA's Proposed Gradual Revenue Adjustment Toward Unity Rate of Return

Description	Revenue Adjustment To			Per DOE-NNSA		
	Equalize ROR - Per DOE NNSA (1)			Gradual Change This Rate Filing		Adjusted Present Rate Revenue
	Present	Rate Change To				
	Rate Revenue	Achieve Unity ROR				
	(\$000) (1)	(\$000) (2)	%	(\$000)	%	(\$000)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
			(c) / (b)	(c) / 3	(e) / (b)	(b) + (e)
Residential	\$ 196,423.9	\$ 22,171.9	11.29%	7,390.6	3.76%	\$ 203,814.5
Small General Service	41,142.4	(3,644.1)	-8.86%	(1,214.7)	-2.95%	39,927.7
Medium General Service	70,121.8	(8,920.0)	-12.72%	(2,973.3)	-4.24%	67,148.5
Large General Service	126,533.1	(8,156.0)	-6.45%	(2,718.7)	-2.15%	123,814.5
Large Power	106,003.5	(2,769.5)	-2.61%	(923.2)	-0.87%	105,080.3
Street Light	6,818.2	1,317.7	19.33%	439.2	6.44%	7,257.4
Total	\$ 547,043.0	\$ 0.0	0.00%	0.0	0.00%	\$ 547,043.0

(1) From Schedule GCP-1, Page 1, Line 4.

(2) From Schedule GCP-1, Page 2, Line 15.

**** HIGHLY CONFIDENTIAL ****

Q. IF THE COMPANY WAS GRANTED A ZERO REVENUE INCREASE OR A DECREASE, WOULD YOU STILL RECOMMEND A GRADUAL MOVEMENT OF

1 **ALL CLASSES TO THE SYSTEM AVERAGE RATE OF RETURN AS SHOWN IN**
2 **TABLE 2?**

3 A. Yes. Table 4 below shows the classes proposed revenue requirement given a zero percent or
4 a full revenue increase under my proposal.

5 **** HIGHLY CONFIDENTIAL ****

Table 4
Kansas City Power & Light Company
DOE-NNSSA's Proposed Gradual Revenue Adjustment Toward Unity Rate of Return

Description	Revenue Adjustment @ ZERO PERCENT INCREASE (1)			Revenue Adjustment @ Requested FULL (6.61%) PERCENT INCREASE (1)			
	Present Rate Revenue	Revenue Change At Zero Percent Increase		Adjusted Present Rate Revenue	Revenue Change At Requested Percent Increase		Total % Increase
	(\$000) (1)	(\$000) (2)	%	(\$000) (2)	(\$000) (3)	(\$000)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
			((c) / (b) -1)			(e) + (f)	((g) / (b) -1)
Residential	\$ 196,423.9	\$ 203,814.5	3.76%	\$ 203,814.5	\$ 13,468.6	\$ 217,283.1	10.62%
Small General Srvc	41,142.4	39,927.7	-2.95%	\$ 39,927.7	2,638.5	42,566.2	3.46%
Medium General Srv	70,121.8	67,148.5	-4.24%	\$ 67,148.5	4,437.3	71,585.8	2.09%
Large General Srvc	126,533.1	123,814.5	-2.15%	\$ 123,814.5	8,182.0	131,996.4	4.32%
Large Power	106,003.5	105,080.3	-0.87%	\$ 105,080.3	6,944.0	112,024.3	5.68%
Street Light	6,818.2	7,257.4	6.44%	\$ 7,257.4	479.6	7,737.0	13.48%
Total	\$ 547,043.0	\$ 547,043.0	100.00%	547,043.0	36,150.0	\$ 583,193.0	6.61%

(1) From Schedule GCP-1, Page 1, Line 4.

(2) From Table 3, Column (g).

(3) Requested increase (\$36,150,000) distributed to classes in proportion to Column (e).

6 **** HIGHLY CONFIDENTIAL ****

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes, it does. My testimony will be updated to reflect new and updated revenue and revenue
9 requirement when filed by the Company or Staff.
10

My Commission Expires: _____

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0291

MISSOURI CLASS COST OF SERVICE STUDY

2006 TEST YEAR INCLUDING KNOWN AND MEASURABLE CHANGES TO 9-30-07

EXHIBITS

OF

GARY C. PRICE

ON BEHALF OF

**THE DEPARTMENT OF ENERGY - NATIONAL
NUCLEAR SECURITY ADMINISTRATION**

**Kansas City, Missouri
August 2007**

**** ** Designates "Highly Confidential" or "Propriety" Information.
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**Schedule GCP-1
HIGHLY CONFIDENTIAL**

KANSAS POWER & LIGHT COMPANY
CASE NO. ER-07-0291
CLASS COST OF SERVICE FOR MISSOURI CUSTOMERS
PRESENT RATE REVENUE
2006 TEST YEAR INCL KNOWN & MEASURABLE CHANGES TO 9-30-07

Line No.	Description	Allocations:		Per Company Jurisdictional (d)	Missouri Retail Col. 601 (e)	Residential Col. 602 (f)	Small Gen. Service Col. 603 (g)	Medium Gen. Service Col. 604 (h)	Large Gen. Service Col. 605 (i)	Large Pwr. Service Col. 606 (j)	Total Lighting Col. 607 (k)
		In (b)	Out (c)								
SCHEDULE 1											
1	Schedule 1 - Summary of Operating Income & Rate Base										
2											
3	Operating Revenue										
4	Sales Revenue	TSFR SCH 2, LN 2			\$ 547,042,956	\$ 196,423,929	\$ 41,142,409	\$ 70,121,834	\$ 126,533,131	\$ 106,003,461	\$ 6,818,191
5	Revenue Adj to Unitize ROR				547,042,956	196,423,929	41,142,409	70,121,834	126,533,131	106,003,461	6,818,191
6	Adjusted Sales Revenue				76,955,069	24,235,294	4,336,126	8,849,402	19,870,716	18,223,006	640,524
7	Other Operating Revenue	TSFR SCH 2, LN 27									
8	Total Operating Revenue			623,998,025	\$ 623,998,025	\$ 220,659,224	\$ 45,478,534	\$ 78,971,237	\$ 146,203,847	\$ 125,226,468	\$ 7,458,716
9											
10	Operating Expenses										
11	Operation & Maintenance Expenses	TSFR SCH 4, LN 207			\$ 383,443,494	\$ 133,440,767	\$ 22,591,482	\$ 40,652,602	\$ 83,711,280	\$ 77,406,746	\$ 5,640,618
12	Depreciation Expenses (After Clearing)	TSFR SCH 5, LN 135			73,437,320	30,385,631	5,449,467	8,315,311	15,258,329	12,813,013	1,215,568
13	Amortization Expenses	TSFR SCH 5, LN 160			26,233,426	8,948,031	1,567,640	2,890,697	6,388,588	6,231,957	206,513
14	Interest on Customer Deposits	CUST21		448,333	448,333	251,214	163,954	27,519	4,713	933	
15	Taxes Other Than Income Taxes	TSFR SCH 6, LN 44			40,075,169	16,637,271	2,879,021	4,554,813	8,485,041	7,106,962	412,060
16	Federal & State Income Taxes	TSFR SCH 7, LN 97		25,899,594	25,899,594	3,744,586	3,641,415	6,351,092	7,789,026	4,307,416	66,079
17	Gains on Disposition of Plant	NETPLT		0							
18	Total Electric Operating Expenses				\$ 529,537,335	\$ 193,407,480	\$ 36,292,978	\$ 62,792,034	\$ 121,636,977	\$ 107,867,028	\$ 7,540,838
19	Net Electric Operating Income				\$ 94,460,690	\$ 27,251,744	\$ 9,185,556	\$ 16,179,203	\$ 24,566,870	\$ 17,359,440	\$ (82,123)
20											
21	Rate Base										
22	Total Electric Plant	TSFR SCH 10, LN 20			\$ 2,941,162,734	\$ 1,237,133,867	\$ 212,606,997	\$ 331,439,659	\$ 618,026,041	\$ 516,109,694	\$ 25,846,476
23	Less: Accum. Prov. For Depreciation	TSFR SCH 10, LN 29			1,360,246,602	553,677,159	94,545,769	152,566,477	291,668,256	254,118,267	13,670,673
24	Net Plant		NETPLT		\$ 1,580,916,132	\$ 683,456,708	\$ 118,061,228	\$ 178,873,182	\$ 326,357,785	\$ 261,991,427	\$ 12,175,803
25	Plus:										
26	Working Capital	TSFR SCH 15, LN 34		52,864,077	52,864,077	16,251,451	2,579,464	5,903,416	13,833,800	13,955,168	340,778
27	Prior Net Prepaid Pension Asset	SALWAGES		9,372,541	9,372,541	3,810,565	605,388	1,027,042	1,995,102	1,748,811	187,638
28	Pension Regulatory Asset	SALWAGES		17,428,816	17,428,816	7,085,979	1,125,752	1,909,848	3,710,015	3,248,302	348,920
29	Regulatory Asset - Homeland Security	TOTPLT		0							
30	Regulatory Asset - DSM Programs	DEM1		5,799,159	5,799,159	2,102,334	300,391	650,840	1,395,997	1,322,730	26,868
31	Regulatory Asset - Regulatory Expense	CLAIMEDREV		1,729,153	1,729,153	669,767	126,341	199,425	367,164	342,354	24,103
32	Reg Asset - STB Litigation - MO	DEM1		2,329,198	2,329,198	844,390	120,650	261,406	560,694	531,267	10,791
32	January 2002 Ice Storm	DISTPLT		0							
33	Less:										
34	Accumulated Deferred Taxes	TSFR SCH 8, LN 56			308,828,888	128,897,091	21,935,860	34,976,667	65,513,303	54,896,295	2,609,673
35	Deferred Gain on Emission Cr.	ENERGY1		36,934,918	36,934,918	10,930,372	2,027,025	4,267,239	9,725,740	9,666,090	318,453
36	Deferred Gain on SO2 Allow-100% MO	ENERGY1		(375,005)	(375,005)	(110,977)	(20,581)	(43,326)	(98,747)	(98,141)	(3,233)
37	Cust. Advances for Construction	DISTPLT		209,109	209,109	113,352	24,638	24,222	30,412	12,617	3,869
38	Customer Deposits	CUST21		5,452,182	5,452,182	3,055,010	1,993,847	334,655	57,319	11,351	
39	Total Rate Base		RATEBASE		\$ 1,319,388,984	\$ 571,336,347	\$ 96,958,422	\$ 149,265,701	\$ 272,992,531	\$ 218,649,846	\$ 10,186,137
40	Rate of Return Earned				7.159%	4.770%	9.474%	10.839%	8.999%	7.939%	-0.806%
41	Relative Rate of Return				1.00	0.67	1.32	1.51	1.26	1.11	(0.11)

KANSAS POWER & LIGHT COMPANY
CASE NO. ER-07-0291
CLASS COST OF SERVICE FOR MISSOURI CUSTOMERS
PRESENT RATE REVENUE
2006 TEST YEAR INCL KNOWN & MEASURABLE CHANGES TO 9-30-07

Line No.	Description	Allocations:		Per Company	Missouri Retail	Residential	Small Gen. Service	Medium Gen. Service	Large Gen. Service	Large Pwr. Service	Total Lighting
		In	Out	Jurisdictional	Col. 601	Col. 602	Col. 603	Col. 604	Col. 605	Col. 606	Col. 607
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
SCHEDULE 1A											
1	Schedule 1A - Adjustment To Achieve Unity Rates of Return										
2	Rate Base	Sch 1, Pg 1, Ln 34			\$ 1,319,388,984	\$ 571,336,347	\$ 96,958,422	\$ 149,265,701	\$ 272,992,531	\$ 218,649,846	\$ 10,186,137
3	Over All Rate of Return Earned	Sch 1, Pg 1, Ln 35			7.159%	7.159%	7.159%	7.159%	7.159%	7.159%	7.159%
4	Operating Income @ 7.159%	Ln 2 x Ln 3			\$ 94,460,690	\$ 40,904,408	\$ 6,941,667	\$ 10,886,569	\$ 19,544,701	\$ 15,654,076	\$ 729,269
5											
6	Net Operating Income Earned	Sch 1, Pg 1, Ln 14			\$ 94,460,690	\$ 27,251,744	\$ 9,185,556	\$ 16,179,203	\$ 24,566,870	\$ 17,359,440	\$ (82,123)
7											
8	Required Change In Net Operating Income For Equalized R/Ln 4 - Ln 6				\$ -	\$ 13,652,664	\$ (2,243,889)	\$ (5,492,634)	\$ (5,022,169)	\$ (1,705,364)	\$ 811,392
9											
10	Effective Tax Rate [From Schedule JPW-1, Sch 1, Pg 3, Col 605, Lines 1-025 and 1-029: \$13,716,251 / (\$13,716,251 + \$21,981,351)]	1 - Ln 10			38.4234456%	38.4234456%	38.4234456%	38.4234456%	38.4234456%	38.4234456%	38.4234456%
11	1 - Effective Tax Rate				61.5765544%	61.5765544%	61.5765544%	61.5765544%	61.5765544%	61.5765544%	61.5765544%
12											
13	Required Change In Income Taxes	Ln 15 x L10			\$ -	\$ 8,519,191	\$ (1,400,175)	\$ (3,427,375)	\$ (3,133,807)	\$ (1,064,138)	\$ 506,304
14											
15	Required Change In Revenue To Achieve Unity Rates of Ln 8 / Ln 11				\$ -	\$ 22,171,855	\$ (3,844,064)	\$ (8,920,008)	\$ (8,165,978)	\$ (2,769,602)	\$ 1,317,698

KANSAS POWER & LIGHT COMPANY
CASE NO. ER-07-0291
CLASS COST OF SERVICE FOR MISSOURI CUSTOMERS
PRESENT RATE REVENUE
2006 TEST YEAR INCL KNOWN & MEASURABLE CHANGES TO 9-30-07

Line No.	Description	Allocations:		Per Company Jurisdictional (d)	Missouri Retail Col. 601 (e)	Residential Col. 602 (f)	Small Gen. Service Col. 603 (g)	Medium Gen. Service Col. 604 (h)	Large Gen. Service Col. 605 (i)	Large Pwr. Service Col. 606 (j)	Total Lighting Col. 607 (k)	
		In (b)	Out (c)									
1	Schedule 1B - Summary of Operating Income & Rate Base											SCHEDULE 1B
2												
3	Operating Revenue											
4	Sales Revenue	TSFR SCH 2, LN 2			\$ 547,042,956	\$ 196,423,929	\$ 41,142,409	\$ 70,121,834	\$ 126,533,131	\$ 106,003,461	\$ 6,818,191	
5	Revenue Adj to Utilize ROR	SCH 1A, LN 15			-	22,171,855	(3,644,064)	(8,920,008)	(8,155,976)	(2,789,502)	1,317,696	
6	Adjusted Sales Revenue				547,042,956	218,595,784	37,498,345	61,201,826	118,377,155	103,233,959	8,135,887	
7	Other Operating Revenue	TSFR SCH 2, LN 27			76,955,069	24,235,294	4,336,126	8,849,402	19,670,716	19,223,006	640,524	
8	Total Operating Revenue			623,998,025	\$ 623,998,025	\$ 242,831,078	\$ 41,834,470	\$ 70,051,228	\$ 138,047,871	\$ 122,456,965	\$ 8,776,412	
9												
10	Operating Expenses											
11	Operation & Maintenance Expenses	TSFR SCH 4, LN 207			\$ 363,443,494	\$ 133,440,767	\$ 22,591,482	\$ 40,652,802	\$ 83,711,280	\$ 77,406,746	\$ 5,640,618	
12	Depreciation Expenses (After Clearing)	TSFR SCH 5, LN 135			73,437,320	30,385,631	5,449,467	8,315,311	15,258,329	12,813,013	1,215,568	
13	Amortization Expenses	TSFR SCH 5, LN 160			26,233,426	8,948,031	1,567,640	2,890,697	6,388,588	6,231,957	206,513	
14	Interest on Customer Deposits	CUST21	448,333		448,333	251,214	163,954	27,519	4,713	933	-	
15	Taxes Other Than Income Taxes	TSFR SCH 6, LN 44			40,075,169	16,637,271	2,879,021	4,554,813	8,485,041	7,106,962	412,060	
16	Federal & State Income Taxes	SCH 1, LN 16 + SCH 1A, LN 13		25,899,594	25,899,594	12,263,757	2,241,240	2,923,717	4,655,219	3,243,278	572,384	
17	Gains on Disposition of Plant	NETPLT		0	-	-	-	-	-	-	-	
18	Total Electric Operating Expenses				\$ 529,537,335	\$ 201,926,670	\$ 34,892,803	\$ 59,364,659	\$ 118,503,170	\$ 106,802,890	\$ 8,047,143	
19	Net Electric Operating Income				\$ 94,460,690	\$ 40,904,408	\$ 6,941,667	\$ 10,686,569	\$ 19,544,701	\$ 15,654,076	\$ 729,269	
20												
21	Rate Base											
22	Total Electric Plant	TSFR SCH 10, LN 20			\$ 2,941,162,734	\$ 1,237,133,867	\$ 212,606,997	\$ 331,439,659	\$ 618,026,041	\$ 516,109,694	\$ 25,846,476	
23	Less: Accum. Prov. For Depreciation	TSFR SCH 10, LN 29			1,360,246,602	553,677,159	94,545,769	152,566,477	291,668,256	254,118,267	13,670,673	
24	Net Plant		NETPLT		\$ 1,580,916,132	\$ 683,456,708	\$ 118,061,228	\$ 178,873,182	\$ 326,357,785	\$ 261,991,427	\$ 12,175,803	
25	Plus:											
26	Working Capital	TSFR SCH 15, LN 34		52,864,077	\$ 52,864,077	\$ 16,251,451	\$ 2,579,464	\$ 5,903,416	\$ 13,833,800	\$ 13,955,168	\$ 340,778	
27	Prior Net Prepaid Pension Asset	SALWAGES		9,372,541	9,372,541	3,810,565	605,386	1,027,042	1,995,102	1,746,811	187,636	
28	Pension Regulatory Asset	SALWAGES		17,428,816	17,428,816	7,085,979	1,125,752	1,909,848	3,710,015	3,248,302	348,920	
29	Regulatory Asset - Homeland Security	TOTPLT	0		-	-	-	-	-	-	-	
30	Regulatory Asset - DSM Programs	DEM1	5,799,159		5,799,159	2,102,334	300,391	650,840	1,395,997	1,322,730	26,868	
31	Regulatory Asset - Regulatory Expense	CLAIMEDREV	1,729,153		1,729,153	669,767	126,341	199,425	367,164	342,354	24,103	
32	Reg Asset - STB Litigation - MO	DEM1	2,329,198		2,329,198	844,390	120,650	261,406	560,694	531,267	10,791	
32	January 2002 Ice Storm	DISTPLT	0		-	-	-	-	-	-	-	
33	Less:											
34	Accumulated Deferred Taxes	TSFR SCH 8, LN 56			308,828,888	128,897,091	21,935,860	34,976,667	65,513,303	54,896,295	2,609,673	
35	Deferred Gain on Emission Cr.	ENERGY1		36,934,918	36,934,918	10,930,372	2,027,025	4,267,239	9,725,740	9,666,090	318,453	
36	Deferred Gain on SO2 Allow-100% MO	DEM1	(375,005)		(375,005)	(110,977)	(20,581)	(43,326)	(98,747)	(98,141)	(3,233)	
37	Cust. Advances for Construction	DISTPLT	209,109		209,109	113,352	24,638	24,222	30,412	12,617	3,869	
38	Customer Deposits	CUST21	5,452,182		5,452,182	3,055,010	1,993,847	334,655	57,319	11,351	-	
39	Total Rate Base		RATEBASE		\$ 1,319,388,984	\$ 571,336,347	\$ 96,958,422	\$ 149,265,701	\$ 272,992,531	\$ 218,649,846	\$ 10,186,137	
40	Rate of Return Earned				7.159%	7.159%	7.159%	7.159%	7.159%	7.159%	7.159%	
41	Relative Rate of Return				1.00	1.00	1.00	1.00	1.00	1.00	1.00	