

Exhibit No.:  
Issue: Regulatory Plan Amortization  
Witness: Robert W. Hriszko  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2006-0314  
Date Testimony Prepared: October 6, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2006-0314**

**SURREBUTTAL TESTIMONY**

**OF**

**ROBERT W. HRISZKO**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
October 6, 2006**

**SURREBUTTAL TESTIMONY**

**OF**

**ROBERT W. HRISZKO**

**Case No. ER-2006-0314**

1   **Q:    Would you please state your name?**

2   A:    My name is Robert W. Hriszko.

3   **Q:    Are you the same Robert W. Hriszko who offered rebuttal testimony in this case?**

4   A:    Yes, I am.

5   **Q:    What is the purpose of your surrebuttal testimony?**

6   A:    The purpose of my surrebuttal testimony is to address, and perhaps clarify, several points  
7       made in the rebuttal testimony of Mr. Russell W. Trippensee on behalf of the Office of the  
8       Public Counsel concerning the gross-up of regulatory plan amortization for income taxes.

9   **Q:    What is your first concern?**

10  A:    On page 7, lines 11-13, Mr. Trippensee is asked whether he agrees with staff's position  
11       regarding the gross-up of the regulatory plan amortization for income taxes. Mr. Trippensee  
12       says "yes". By that answer, I assume Mr. Trippensee is agreeing that a gross-up for income  
13       taxes is required. He makes that conclusion clear in the next Question and Answer on page  
14       7, lines 16 and following. After answering "yes" to agreement with the staff position,  
15       Mr Trippensee explains it is because the regulatory plan amortization will result in  
16       additional straight line tax depreciation. My own view is that the gross-up is required  
17       because Kansas City Power & Light Company ("KCPL") will have additional cash outflows  
18       required to pay current income taxes on the collection of the increased taxable revenues

1 related to regulatory plan amortization. Thus, I am not sure that Mr. Trippensee's answer is  
2 responsive to the question asked. I believe that Mr. Trippensee is correct, but not complete,  
3 in his response to the question. Regulatory plan amortization will result in increased taxable  
4 revenues, causing an increase in currently payable income tax expense. As Mr. Trippensee  
5 correctly states, it will also result in the recognition of additional straight-line tax  
6 depreciation (but no corresponding deduction on the tax return). This will result in an equal  
7 and offsetting reduction in the amount of deferred income tax expense.

8 **Q: Do you have any other concerns?**

9 A: Yes. In his answer on page 7, lines 20-23 and page 8, lines 1-5, Mr. Trippensee recognizes  
10 that there should be a gross-up of regulatory plan amortization for income taxes; however,  
11 he states that a gross-up is necessary "to recognize the reduction of deferred taxes available  
12 for cash flows under the RPA." As I stated above, I think the gross-up is necessary in order  
13 to provide enough cash flow to KCPL to pay its current income taxes on the additional  
14 taxable revenues that will result from regulatory plan amortization. The reduction of  
15 deferred taxes is an accounting concept that is a result of providing and having to pay the  
16 current taxes on the taxable revenues while not being able to take a corresponding tax  
17 deduction on the tax return for the amortization expense.

18 **Q: Would you please summarize your surrebuttal testimony?**

19 A: I think Mr. Trippensee and I both agree that the regulatory plan amortization should be  
20 grossed-up for income taxes. The sole purpose of my testimony is to add clarification to  
21 several of the points that he made.

22 **Q: Does this conclude your surrebuttal testimony?**

23 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas City                     )  
Power & Light Company to Modify Its Tariff to                     ) Case No. ER-2006-0314  
Begin the Implementation of Its Regulatory Plan                     )

**AFFIDAVIT OF ROBERT W. HRISZKO**

STATE OF ILLINOIS        )  
                                  ) ss  
COUNTY OF COOK        )

Robert W. Hriszko, being first duly sworn on his oath, states:

1. My name is Robert W. Hriszko. I work in Chicago, Illinois, and I am employed by PricewaterhouseCoopers LLP as a managing director.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company consisting of two (2) 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.

  
Robert W. Hriszko

Subscribed and sworn before me this 6th day of October 2006.

  
Notary Public

My commission expires: 7-10-07

