Exhibit No.:	
Issue:	Revenue Requirement Schedules; Accounting Adjustments
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Kansas City Power & Light Company
Case No.:	ER-2016-0285
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
July 2016

"[redacted]**" Designates "Highly Confidential" Information Has Been Removed.**
Certain Schedules Attached To This Testimony Designated "Highly Confidential" Have Been Removed Pursuant To 4 CSR 240-2.135.

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RONALD A. KLOTE

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

DIRECT 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 "Company") as Director – Regulatory Affairs.

Q: On whose behalf are you testifying?

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

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with Company rate case filings and other regulatory filings.

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

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with KCP&L as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs responsible for the coordination, preparation and filing of rate cases in our electric jurisdictions.

Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?

A: Yes. I have testified before the MPSC, Kansas Corporation Commission, California Public Utilities Commission, and the Public Utilities Commission of Colorado.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to: (i) describe the revenue requirement model and schedules that are used to support the rate increase KCP&L is requesting in this proceeding (Schedules RAK-1 through RAK-3 attached to this testimony); and (ii) support various accounting adjustments listed on the Rate Base and Summary of Adjustments (Schedule RAK-2 and RAK-4 attached to this testimony).

<u>REVENUE REQUIREMENT MODEL AND SCHEDULES</u>

Q: What is the purpose of Schedules RAK-1 through RAK-3?

A: These schedules represent the key outputs of the Company's revenue requirement model used to support the rate increase that KCP&L requests in this proceeding. Schedule RAK-1 shows the revenue requirement calculation. Schedule RAK-2 lists the rate base components, along with the sponsoring witnesses. Schedule RAK-3 is the adjusted income statement.

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

A: Yes, they were.

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

A: We utilized our historical ratemaking preparation process to determine the rate increase request. We used historical test year data from the financial books and records of the Company as the basis for operating revenues, operating expenses and rate base. We then adjusted the historical test year data to reflect: (i) normal levels of revenues and expenses that would have occurred during the test year; (ii) annualizations of certain revenues and expenses; (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable changes that have been identified since the end of the historical test year. We then allocated the adjusted test year data to arrive at operating revenues, operating expenses, and rate base applicable to the Missouri jurisdiction. We subtracted operating expenses from operating revenues to arrive at operating income. We multiplied the net original cost of rate base times the requested rate of return to determine the net operating income requirement. This was compared with the net operating income available to determine the additional net operating income before income taxes that would be needed to achieve the requested rate of return. Additional current income taxes were then added to arrive at the gross revenue requirement. This requested rate increase is the amount necessary for the post-increase calculated rate of return to equal the rate of return supported by KCP&L witnesses Robert B. Hevert and Kevin Bryant in their Direct Testimonies.

TEST YEAR

Q: What historical test year did KCP&L use in determining rate base and operating income?

A: The revenue requirement schedules are based on a historical test year of the 12 months ending December 31, 2015, with known and measurable changes projected through December 31, 2016. We will update the schedules as of the cut-off date used by Staff in this rate case. In addition, we will then true up to actuals as part of the true-up process.

Q: Why was this test year selected?

A: The Company used the 12-month period ending December 31, 2015 for the test year in this rate proceeding because that period reflects the most currently available quarterly financial information to provide adequate time to prepare the revenue requirement for this case.

Q: Does test year expense reflect an appropriate allocation of KCP&L overhead to KCP&L Greater Missouri Operations Company ("GMO") and other affiliated companies?

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

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

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

Q: Why is a true-up period needed for this rate case?

A: Historically, rate cases have included true-up periods which provide for updates to test year data. This process allows for changes in cost levels included in the test year to be updated to the most current information as of a specified date which is closer to the date rates are effective. This allows for a proper matching of rate base, revenues and expenses to account for known and measureable changes that have occurred since the end of the test year. As stated above the Company is requesting a true-up date effective of December 31, 2016 in order to provide this update to rate base, revenues and expenses in this rate case.

JURISDICTIONAL ALLOCATIONS

Q: Why is it necessary to allocate revenues, expenses and rate base to the Company's various jurisdictions?

A: KCP&L does not have separate operating systems for its Missouri, Kansas, and firm wholesale jurisdictions. It operates a single production and transmission system that is used to provide service to retail customers in Missouri and Kansas, as well as the full-requirements firm wholesale customers. Therefore, jurisdictional allocations of operating expenses, certain operating revenues and rate base are necessary.

Q: Why is the method by which the allocations are made critical?

A: First, the method of allocation is critical to ensure that the rates charged to each jurisdiction of customers reflect the full cost of serving those customers but not the cost of serving customers in other jurisdictions. Second, and very important, is the method of allocation must allow the Company the opportunity to recover fully its prudently incurred costs of serving those customers. That is, if the sum of the allocation factors allowed in each jurisdiction is less than 100%, then the Company is unable to recover its prudently incurred cost of service and return on rate base.

Q: What allocators did the Company use?

A: The allocators that were utilized can be classified as input allocators and calculated allocators. The input allocators are based on weather-normalized demand and energy, described in the Direct Testimony of KCP&L witness Albert R. Bass, Jr., and customer information. Attached as Schedule RAK-6 is a listing of the allocation factors for this rate proceeding. The calculated allocators are, at their root, based on the Demand, Energy, and Customer allocators. The calculated allocators are calculated as a combination of amounts that have previously been allocated using one or more of the input allocators.

Q: Please describe the Demand allocator.

A: The Demand allocator used for this case is 4-month weather normalized average of the coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale jurisdiction which covered the period January 2015 to December 2015.

Q: Please describe the Energy allocator.

A: The Energy allocator is based on the total weather-normalized kilowatt-hour usage by the Missouri and Kansas retail customers and the firm wholesale jurisdiction which covered the period January 2015 to December 2015 with customer growth through December 2016.

Q: Please describe the Customer allocator.

A: The Customer allocator is based on the average number of customers in Missouri, Kansas, and the firm wholesale jurisdiction which covered the period January 2015 to December 2015 with customer growth through December 2016.

Q: Please explain how the various revenue, expense and rate base components are allocated among KCP&L's regulatory jurisdictions.

A: Attached as Schedule RAK-7 is a narrative describing the allocation methodology.

ACCOUNTING ADJUSTMENTS

Q: Please discuss Schedule RAK-4.

A: This schedule presents a listing of adjustments to net operating income for the 12 months ended December 31, 2015, along with the sponsoring Company witnesses. Various Company witnesses will support, in their direct testimonies, the need for each of these adjustments.

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

A: Adjustments are made to reflect "normal" levels of revenues and expenses; for example, retail revenues are adjusted to reflect if the weather had been "normal" during the test year.

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

A: Revenues are annualized to reflect anticipated customer growth during the true-up period. Annualization adjustments have been made to reflect an annual level of expense in cost of service, such as the annualization of payroll and depreciation expenses. The former reflects a full year's impact of recent and expected pay increases, while the latter reflects the impact of a full year's depreciation on plant additions included in rate base.

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

A: Various regulatory assets and liabilities have been established in past Missouri rate cases. These assets/liabilities are then amortized over the number of years authorized in the orders for the applicable rate cases. Adjustments are sometimes necessary to annualize the amortization amount included in the test year or remove amortizations that have ceased during the test year.

Q: Did the Company comply with the prospective tracking of regulatory assets and liabilities as agreed to in the Partial Non-Unanimous Stipulation and Agreement As To Certain Issues from Rate Case No. ER-2014-0370 ("2014 Case")?

A: Yes. In this rate case filing KCP&L complied with this agreement and reflected the prospective treatment of regulatory assets and liabilities in accordance with this agreement. Please see the individual regulatory asset and regulatory liability adjustments described later in my testimony that describes the prospective treatment where applicable.

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

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

Q: Do the adjustments listed on Schedule RAK-4 and discussed throughout the remainder of this testimony entail an adjustment of test year amounts?

A: Yes, the adjustments summarized on Schedule RAK-4 and discussed in this testimony reflect adjustments to the test year ended December 31, 2015.

<u>RB-20 PLANT IN SERVICE</u>

Q: Please explain adjustment RB-20.

A: KCP&L rolled the test year end December 31, 2015 plant balances forward to December 31, 2016, by using the Company's actual results through December 2015 and the 2016 capital budgets for subsequent additional capital additions post December 2015. Projected plant additions net of projected retirements were added to actual balances through December 2015 to arrive at projected plant balances at December 31, 2016.

Q: Does RB-20 include amounts associated with the Clean Charge Network?

A: In January 2015 KCP&L announced a plan to install and operate more than 1,000 electric vehicle charging stations throughout the Greater Kansas City region. Included in adjustment RB-20 are the actual and projected capital costs for the Clean Charge Network through the true-up date in this case December 31, 2016. Please see the testimony of Company witness Tim Rush for further explanation of the Clean Charge Network.

Q: Does the projected retirements include the retirement of the Montrose generating station?

A: Included in adjustment RB-20 are estimated retirements through the true-up date in this rate case December 31, 2016. Included in the retirement estimate is the retirement of the Montrose 1 generating station. As of April 16, 2016 the Montrose 1 generating station was taken out of service and is no longer generating electricity with no plans to return the unit to service. As such, RB-20 estimated retirement amount includes the Montrose 1 retirement.

Q: Please explain the adjustment column titled "Allconnect Assets" included in adjustment RB-20?

A: The Report and Order from File Number EC-2015-0309 involved KCP&L's 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. KCP&L has historically accounted for the revenue and expenses associated with this activity as non-regulated and have not included the revenue and expenses in the utilities cost of service when setting rates. In the 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. There are certain capital costs associated with software installations that were required in order to have the functionality to make the call transfers. These capital costs had historically been removed from regulated plant in service. As such, adjustment RB-20 includes an adjustment including the capital costs as part of plant in service for this rate case proceeding.

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

Q: Please explain adjustment RB-25.

A: As continued from the 2014 Case, KCP&L included in a regulatory asset depreciation expense and carrying costs for the Iatan Unit 1 Air Quality Control System and Iatan common plant. Adjustment RB-25 establishes the anticipated rate base value as of December 31, 2016 by rolling forward the regulatory asset balance, which is recorded on a Missouri jurisdictional basis, from December 31, 2015 to December 31, 2016.

Q: Was this regulatory asset included in rate base in the 2014 Case?

A: Yes.

Q: Please explain adjustment CS-111.

A: We continued the amortization of this regulatory asset based on the amortization levels established in the 2014 Case. The test year properly reflected the annual level of amortization expense.

RB-26/CS-112 IATAN 2 REGULATORY ASSET

Q: Please explain adjustment RB-26.

A: As continued from the 2014 Case, KCP&L included in a regulatory asset construction accounting impacts which included depreciation, carrying costs, operations and maintenance expenses and fuel and revenue impacts for the Iatan Unit 2 construction project. Adjustment RB-26 establishes the anticipated rate base value as of December 31, 2016 by rolling forward the regulatory asset balance, which is recorded on a Missouri jurisdictional basis, from December 31, 2015 to December 31, 2016.

Q: Was this regulatory asset included in rate base in the 2014 Case?

A: Yes.

Q: Please explain adjustment CS-112.

A: We continued the amortization of this regulatory asset based on the amortization levels established in the 2014 Case. The test year properly reflected the annual level of amortization expense.

RB-30 RESERVE FOR DEPRECIATION

Q: Please explain adjustment RB-30.

A: This adjustment rolls forward the Missouri-basis Reserve for Depreciation from December 31, 2015 to balances projected as of December 31, 2016.

Q: How was this roll-forward accomplished?

A: The depreciation/amortization provision component was calculated in two steps: (i) the December 2015 depreciation provision was multiplied by twelve months to approximate the provision that will be charged to the Reserve for Depreciation from January 2016 through December 2016 for plant existing at December 31, 2015; and (ii) by estimating the depreciation/amortization through December 31, 2016 attributable to projected net plant additions from January 2016 through December 2016. In the second step, we assumed the net plant additions occurred ratably over this period.

Q: Was the impact of retirements included in the roll-forward?

A: Yes. Projected retirements for the period January 2016 through December 2016 were based on actual test period retirements with adjustments to include projected Montrose 1 retirements and exclude retirements that occurred in the test period for LaCgyne Environmental and AMR meters.

RB-50 PREPAYMENTS

Q: Please explain adjustment RB-50.

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

Q: What accounts are included in prepayments?

A: The most significant relate to prepaid insurance, postage and software maintenance.

Q: What period was used for the 13-month averaging?

A: We used the period December 2014 through December 2015.

RB-55/CS-22 EMISSION ALLOWANCES

Q: Please explain adjustment RB-55.

A: The Regulatory Plan Stipulation and Agreement ("Regulatory Plan S&A") agreed to in Case No. EO-2005-0329, with amendments approved on August 23, 2005, included an SO_2 Emission Allowance Management Policy. This policy provided for KCP&L to sell sulfur dioxide ("SO_2") emission allowances in accordance with the initial SO_2 Plan submitted to the MPSC, the MPSC Staff and other parties in January 2005, as updated.

The Regulatory Plan S&A required KCP&L to record all SO_2 emission allowance sales proceeds as a regulatory liability in Account 254. The liability was reduced by premiums that resulted from the Company's purchase of lower sulfur coal than specified under contracts, through the December 31, 2010 true-up date in Case No. ER-2010-0355 ("2010 Case"). Subsequent to December 31, 2010, the liability has been increased by sales of allowances through the Environmental Protection Agency's ("EPA") annual auction and reduced by amortization of the December 31, 2010 regulatory liability beginning in May 2011. In October 2015 with the implementation of the Fuel Adjustment Clause ("FAC"), Missouri jurisdictional revenues received from EPA auctions will now flow through the FAC directly back to the customer. Adjustment RB-55 reflects a net reduction in the regulatory liability balance through December 31, 2016 resulting from the amortization.

Q: Please explain adjustment CS-22.

A: This adjustment reflects an annualization of the amortization of this December 31, 2016 projected SO_2 proceeds regulatory liability.

Q: Over what time period is this regulatory liability to be amortized?

A: The Non-Unanimous Stipulation and Agreement As To Miscellaneous Issues in the 2010 Case, approved by the Commission on April 12, 2011, provided that the amortization period for the SO_2 regulatory liability would be 21 years beginning with the May 2011 effective date of rates in the 2010 Case.

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

Q: Please explain adjustments CS-61 and RB-61.

A: CS-61 is the adjustment of other post-employment benefits (OPEB) expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits to an annualized level for ratemaking purposes for KCP&L's portion of the GPE Non-Union and Joint Trusteed Post Employment Retirement Plans. Previously the accounting guidance was referred to as Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106) and this description will continue to be used in the regulatory process. CS-61 also includes an adjustment for the Wolf Creek generation station's OPEB expense based on the cash amount paid to Wolf Creek (WCNOC) rather than the FAS 106 expense amount.

RB-61 is the roll forward of the FAS 106 regulatory liability and the prepaid OPEB regulatory asset to the projected December 31, 2016 balance.

Q: Do these adjustments take into consideration OPEB expense billed to joint partners, billed to affiliated companies, and charged to capital?

A: Yes, for adjustment CS-61 total company costs are adjusted to exclude the amortization of unrecognized OPEB costs related to the acquisition of Aquila by GPE in 2008 and adjustments were made for projected billings to affiliates and joint partners and charges to capital, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50). Adjustment RB-61 also takes into account billings to joint partners and affiliates but the balances are before charges to capital.

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

A: CS-61 has three components which include (1) the annualized FAS 106 expense for the Company's Non-Union and Joint Trusteed plans based on the projected 2016 total company amount provided by the Company's actuary, Willis Towers Watson; (2) the Company's portion of the Wolf Creek generation station OPEB benefits based on the amount contributed to the plan, also referred to as the "pay as you go" amount; and (3) the five-year amortization of the FAS 106 regulatory liability.

Q: Was annualized OPEB expense determined in accordance with established regulatory practice?

A: Yes, annualized OPEB expense was determined based on the methodology established in the Non-Unanimous Stipulation and Agreement in the 2014 Case.

Q: What is the amount of FAS 106 expense on a total company Missouri basis currently built into rates?

A: The Non-Unanimous Stipulation and Agreement in the 2014 Case established the annual FAS 106 amount in rates at $3,592,420 (total company), after removal of capitalized amounts and the portion of KCP&L’s annual OPEB cost allocated to KCP&L’s joint partners, but before the inclusion of FAS 106 amortization and the Company’s portion of WCNOC OPEB benefits.

Q: What is the comparable level of FAS 106 expense on a total company Missouri basis included in cost of service for this case?

A: The comparable amount included in cost of service in this case is $1,223,948.

Q: Please explain the FAS 106 regulatory liability.

A: The regulatory liability represents the cumulative unamortized difference in FAS 106 OPEB expense for ratemaking purposes and the post retirement expense built into rates.

Q: How was the FAS 106 regulatory liability rolled forward to the December 31, 2016 balance?

A: The total company FAS 106 OPEB regulatory liability balance at May 31, 2015 was adjusted by the projected total company difference between FAS 106 expense for Missouri ratemaking purposes and the FAS 106 amount built into rates for the period June 1, 2015 through December 31, 2016. The balance was also adjusted for the projected amortizations for the June 1, 2015 through December 31, 2016 time period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: Was the Company's portion of WCNOC costs included in the FAS 106 regulatory liability adjustment for the June 1, 2015 through December 31, 2016 period?

A: No, the WCNOC portion was not included per the Non-Unanimous Stipulation and Agreement in the 2014 Case.

Q: What is the projected FAS 106 regulatory liability balance at December 31, 2016 on a total company basis?

A: The FAS 106 regulatory liability on a total company basis is projected to be $4,942,389 at December 31, 2016.

Q: Is the FAS 106 regulatory liability properly includable in rate base?

A: Yes, the FAS 106 regulatory liability is included in rate base consistent with the Non-Unanimous Stipulation and Agreement in the 2014 Case.

Q: Please explain the prepaid OPEB regulatory asset.

A: The prepaid OPEB regulatory asset represents the cumulative difference between the FAS 106 OPEB expense and contributions made to the OPEB trusts.

Q: How was the prepaid OPEB regulatory asset rolled forward to December 31, 2016?

A: The total company prepaid OPEB regulatory asset balance at May 31, 2015 was adjusted by the projected FAS 106 expense and contributions for Missouri ratemaking purposes for the period June 1, 2015 through December 31, 2016.

Q: What is the projected cumulative prepaid OPEB regulatory balance at December 31, 2016 on a total company Missouri basis?

A: The balance for the prepaid regulatory asset at December 31, 2016 is projected to be zero.

Q: Is the regulatory treatment of OPEB costs in this rate filing consistent with the Non-Unanimous Stipulation and Agreement in the 2014 Case?

A: Yes it is consistent.

Q: Does the Company request to continue the regulatory treatment of OPEB costs?

A: Yes it does.

CS-65/RB-65 PENSION COSTS

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

A: CS-65 is the adjustment of pension expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits to an annualized level for ratemaking purposes. Previously the accounting guidance was referred to as Financial Accounting Standards No. 87 “Employers’ Accounting for Pensions” (FAS 87) and No. 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits” (FAS 88) and these descriptions will continue to be used in the regulatory process.

RB-65 is the roll forward of the FAS 87, FAS 88 and prepaid pension regulatory assets to the projected December 31, 2016 balance.

Q: Do these pension adjustments take into consideration pension expense billed to joint partners, billed to affiliated companies, and charged to capital?

A: Adjustment CS-65 takes into account billings to joint partners and affiliates and charges to capital based on data from the payroll adjustment CS-50. Adjustment RB-65 also takes into account billings to joint partners and affiliates but the balances are before charges to capital.

Q: Do these pension adjustments include the effects of the Company’s interest in the Wolf Creek generating station pension plan?

A: Yes, they do.

Q: Please explain the components of adjustment CS-65, pension expense.

A: The FAS 87 cost was annualized based on the projected 2016 total company cost provided by the Company's actuarial firm, Willis Towers Watson. In addition, annualized pension expense includes the five-year amortization of the FAS 87 and FAS 88 regulatory assets.

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

A: Yes, annualized pension expense was determined based on the methodology documented in the 2014 Case.

Q: What is the amount of FAS 87 expense on a total company Missouri basis currently built into rates?

A: The Non-Unanimous Stipulation and Agreement in the 2014 Case established the annual amount built into rates at $46,897,314, (total company), after removal of capitalized amounts and the portion of KCP&L's annual pension cost that is allocated to KCP&L's joint partners associated with the Iatan and La Cygne generating stations, and before inclusion of the amortization of the FAS 87 and FAS 88 regulatory assets and Supplemental Executive Retirement Plan ("SERP") expense.

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

A: The comparable amount included in cost of service in this rate case is $39,926,526 (total company).

Q: Please explain the FAS 87 regulatory asset.

A: This regulatory asset represents the cumulative unamortized difference in FAS 87 pension expense for ratemaking purposes and pension expense built into rates for the corresponding periods.

Q: How was the FAS 87 regulatory asset rolled forward to the December 31, 2016 balance?

A: The total company FAS 87 pension regulatory asset balance at May 31, 2015 was adjusted by the projected total company difference between FAS 87 expense for Missouri ratemaking purposes and the FAS 87 expense built into rates for the period June 1, 2015 through December 31, 2016. The regulatory asset balance was also reduced by the projected amortizations for the June 1, 2015 through December 31, 2016 period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: What is the projected FAS 87 regulatory asset balance at December 31, 2016 on a total company basis?

A: The FAS 87 regulatory asset on a total company basis is projected to be $13,585,937 at December 31, 2016.

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

A: Yes, it is included in rate base per the Non-Unanimous Stipulation and Agreement in the 2014 Case.

Q: Please explain the FAS 88 regulatory asset.

A: This regulatory asset represents the cumulative deferred costs for pension plan settlements accounted for under FAS 88. Because these do not occur on a regular basis, they are tracked by vintage for ease of calculation and discussion. This case includes three vintages: (1) the 2011 vintage which was approved in Case No. ER-2012-0174 and reaffirmed in the 2014 Case for amortization over five years; (2) the 2013 vintage for settlements related to the Joint Trusteed Pension Plan during 2013 which was approved in the 2014 Case for amortization over five years; and, (3) the 2014 vintage for settlements related to the Non-Union Pension Plan also approved in the 2014 Case and amortized over five years.

Q: How was the FAS 88 regulatory asset rolled forward to the December 31, 2016 balance?

A: As noted above this regulatory asset is tracked by vintage. For the 2011 vintage the total company FAS 88 pension regulatory asset balance at May 31, 2015 was reduced by the projected amortizations for the June 1, 2015 through December 31, 2016 period. For both the 2013 and 2014 vintages, the May 31, 2015 balances were reduced by the projected amortization for October 1, 2015 through December 31, 2016.

Q: What is the cumulative FAS 88 regulatory balance at December 31, 2016 on a total company basis?

A: The projected FAS 88 regulatory asset at December 31, 2016 is $15,033,138 on a total company basis which consists of $2,425,731 for the 2011 vintage, $5,068,399 for the 2013 vintage and $7,539,008 for the 2014 vintage.

Q: Is the FAS 88 regulatory asset included in rate base?

A: No, it is not included in rate base consistent with the Non-Unanimous Stipulation and Agreement in the 2014 Case.

Q: Please explain the prepaid pension regulatory asset.

A: The prepaid pension regulatory asset represents the cumulative difference between the FAS 87 regulatory pension expense and contributions made to the pension trusts.

Q: How was the prepaid regulatory asset rolled forward to the December 31, 2016 balance?

A: The total company prepaid pension regulatory asset balance at May 31, 2015 was adjusted by the projected FAS 87 regulatory expense and contributions for Missouri ratemaking purposes for the periods June 1, 2015 through December 31, 2016. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: What is the projected cumulative prepaid pension regulatory balance at December 31, 2016 on a total company Missouri basis?

A: The balance for the prepaid pension regulatory asset as of December 31, 2016 is projected to be zero.

Q: Is the regulatory treatment of pension costs in this rate filing consistent with the Non-Unanimous Stipulation and Agreement in the 2014 Case?

A: Yes it is.

Q: Does the Company request to continue the regulatory treatment of pension costs?

A: Yes it does.

RB-70 CUSTOMER DEPOSITS

Q: Please explain adjustment RB-70.

A: We examined customer deposit balances for Missouri customers from December 2014 through December 2015. The analysis observed a fluctuating balance during this period. Therefore, we chose to use the 13 month average of customer deposits in rate base.

RB-71 CUSTOMER ADVANCES

Q: Please explain adjustment RB-71.

A: We examined customer advance balances for Missouri customers from December 2014 through December 2015 and observed that the balance was unchanged during this period. Therefore, we used the December 2015 balance in rate base.

RB-72 MATERIALS AND SUPPLIES

Q: Please explain adjustment RB-72.

A: We reviewed the individual materials and supplies category balances during the period December 2014 through December 2015 to determine if there was a discernable trend, either upward or downward. If there was a trend the test year-end balance was not adjusted. Otherwise, a 13-month average was used.

RB-75 NUCLEAR FUEL INVENTORY

Q: Please explain adjustment RB-75.

A: We normalized this balance based on an 18-month average, to coincide with the 18-month Wolf Creek refueling cycle. Nuclear fuel inventory balances increase significantly at the time of a refueling outage and then decrease systematically until the next refueling outage. An averaging method minimizes these changes.

Q: What period was used for the 18-month averaging?

A: We used the period July 2015 through December 2016.

<u>RB-100/CS-100 PRE-MEEIA DSM PROGRAMS</u>

Q: Please explain adjustment RB-100.

A: KCP&L have implemented demand-side management programs since 2005. A regulatory asset account is in place to allow full recovery of all DSM program costs. These programs were terminated on July 6, 2014, when KCP&L's MEEIA programs became effective as a result of Case No. EO-2014-0095. This adjustment rolls forward the unamortized deferred DSM program costs from May 31, 2015, the true-up period in the 2014 case, to December 31, 2016 for DSM program vintages 1-6. Also included in this adjustment is vintage 7 deferrals representing actual costs incurred from June 2015 through April 2016 and projected carrying costs on unrecovered balances through December 31, 2016.

Q: Please explain adjustment CS-100.

A: This adjustment includes an annual amortization of deferred pre-MEEIA costs based on the projected deferred cost balance included in adjustment RB-100. The amortization period included for this case for vintages 1 – 4 is ten years and for vintages 5 – 7 is 6 years which is consistent with prior cases.

Q: Please discuss the Pre-MEEIA opt out component of adjustment CS-100?

A: KCP&L is making this adjustment to comply with conditions of the MPSC Order Approving Stipulation and Agreement in Case No. EO-2014-0029. The parties agreed that customers who opt-out of demand-side management programs would receive a credit on their monthly bills equivalent to the non-MEEIA energy efficiency charges built into rate base. The agreement also allowed KCP&L to defer the amounts credited to customers in a separate account.

KCP&L was granted deferral treatment of the "opt out" costs for determination of recovery in a future rate case. The deferral includes two components: 1) prospective crediting of opt-out charges, and 2) retroactive crediting of opt-out charges. The 2014 Case established the amortization level of the unamortized deferred balance which includes actual opt-out costs incurred through May 2015. The costs, tracked as vintage 1, are being amortized over six years. There is no rate base treatment of deferred pre-MEEIA opt-out amounts. The Pre-MEEIA Opt-Outs adjustment provides the annual amortization expense for vintage 1. In addition, the Company is proposing the annual amortization of deferred costs recorded from May 2015 through December 2016, which is tracked as vintage 2, to also be amortized over six years.

RB-125 ACCUMULATED DEFERRED INCOME TAXES

Q: Please explain adjustment RB-125.

A: We adjusted December 31, 2015 Accumulated Deferred Income Taxes ("ADIT") in adjustment RB-125. Deferred income taxes represent the tax on timing differences for deductions and income reported on KCP&L's income tax returns compared to what is reported for book purposes. ADIT represents the accumulated balance of these income tax timing differences at a point in time.

Q: What are the ADIT adjustments to KCP&L's rate base?

A: Adjustment RB-125 related to items included in KCP&L's rate base or net operating income. This schedule reflects the deferred tax liabilities relating to depreciation and other expenses deducted for the tax return in excess of book deductions (including bonus depreciation), resulting in a rate base decrease. This adjustment also reflects deferred tax assets that serve to increase rate base. The most significant of the deferred tax assets is the net operating losses. For tax purposes, the deductions for accelerated depreciation (including bonus depreciation) created a net operating loss for KCP&L. Under the Internal Revenue Service normalization rules, deferred tax liabilities that have not been used to reduce the tax liability of the company should not be included as a rate base reduction. The inclusion of the deferred tax assets related to net operating losses created by accelerated depreciation deductions partially offsets the deferred tax liabilities for accelerated depreciation deduction in order to reflect the proper amount of deferred taxes in rate base for the Company.

Q: Why does ADIT affect rate base?

A: ADIT liabilities such as accelerated depreciation are considered a cost-free source of financing for ratemaking purposes. Ratepayers should not be required to provide for a return on plant in service that has been funded by the government in the form of reduced (albeit temporarily) taxes. As a result, ADIT liabilities are reflected as a rate base offset (reduction in rate base). Conversely, ADIT assets such as the timing difference related to SO_2 allowance proceeds and net operating losses increase rate base. KCP&L has paid taxes to the government in advance of the time when such taxes are included in cost of service and collected from ratepayers. To the extent taxes are paid, KCP&L must borrow money and/or use shareholder funds. The increase to rate base for deferred income tax assets allows shareholders to earn a return on shareholder-provided funds until recovered from ratepayers through ratemaking.

Q: What time period was used for ADIT in this case?

A: ADIT is based in general on December 31, 2015 general ledger balances, with the plant-related ADIT balances adjusted for projected plant activity through December 31, 2016.

Q: Does the projected ADIT in this case include the impact of the extension of bonus depreciation by Congress?

A: Yes. The impact of the extension of bonus depreciation has been included in the computation of ADIT in this case.

CASH WORKING CAPITAL

Q: Please discuss Cash Working Capital ("CWC").

A: CWC is included in rate base as summarized on Schedule RAK-5.

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

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

Q: How did you determine the amount of CWC?

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

Q: Were any of the factors updated from those used in the 2014 Case?

A: We updated the retail revenue lag factor and the associated blended total revenue lag factor.

Q: Please explain why these factors were updated.

A: We revised the retail revenue lag factor primarily to reflect the proper collection lag. The retail revenue factor used by the Company in this case was 25.684 days, made up of three components: service period lag, billing lag and collection lag. The service period lag remained the same as last case at 15.21 days. The billing lag was retained in this case at 2.00 days. However, we reflected a change in the collection lag from 7.980 days in the 2014 Case to 8.475 days. This resulted in a total retail revenue lag of 25.684 days.

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

A: The collection lag is a weighted value that reflects two components: 1) a zero-day lag for the percentage of receivables sold under KCP&L's Accounts Receivable facility (the facility is discussed later in this testimony (adjustment CS-78)); and 2) an average number of days outstanding for the percentage that is not sold. The percentage of receivables sold was revised from 65.19% in the 2014 Case to 62.79% in the current rate case. The average number of days that bills are outstanding was recalculated for the period January 1, 2015 to December 31, 2015, resulting in a revision from 22.921 days in the 2014 Case to 22.776 days in the current rate case.

Q: What is the blended total revenue lag?

A: Consistent with the 2014 Case, KCP&L calculated a blended revenue factor for retail revenues and for other revenues, which includes bulk power sales and miscellaneous revenues. The blended revenue factor in this case increased to 26.71 days from the 26.68 days used in the 2014 Case.

Q: Why was it necessary to update the associated blended total revenue lag?

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

Q: Did KCP&L make any other changes to the CWC lead/lag factors determined in the 2014 Case?

A: Yes, the Company updated the revenue lag days for City Franchise Taxes, Ad Valorem and Sales/Use Taxes from 11.47 days in the 2014 Case to 11.50 days in the current case. This change resulted from the update of the blended revenue factor to 26.71 days compared to the 26.68 days from the 2014 Case. The expense leads remained unchanged from the 2014 Case.

Q: Are you aware of any changes in KCP&L's processes which would cause any of the other lead/lag factors to require modification from those used in the 2014 Case?

A: No, none that I am aware of.

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

A: Lags for both blended revenues and payments were posted to Schedule RAK-5. On this schedule, the net blended revenue/payment lag for each payment group was calculated and the result was divided by 365 days to arrive at a net lead/lag factor. These factors were subsequently applied to the applicable Missouri jurisdictional cost of service amounts on Schedule RAK-5. The total resulting CWC amount was then carried forward to Schedule RAK-2 (rate base schedule).

<u>R-1 GROSS RECEIPT TAXES</u>

Q: Please explain adjustment R-1.

A: This adjustment removes gross receipts taxes from both retail revenue, including forfeited discounts, and general taxes, consistent with the adjustment made by both KCP&L and the MPSC Staff in prior rate cases. This adjustment is made so that annualized/normalized retail revenue reflects base or "bare" revenue only, consistent with the tariffs.

<u>R-21 FORFEITED DISCOUNTS</u>

Q: Please explain adjustment R-21.

A: In R-21a, we normalized forfeited discounts by computing a Missouri-specific forfeited discount factor based on test period forfeited discounts and revenue and applying it to Missouri jurisdictional weather-normalized revenue. In R-21b, we applied the forfeited discount factor to the requested revenue adjustment in this rate case to obtain the annualized level forfeited discounts that are applicable to the revenues established in this rate case proceeding.

<u>R-75/CS-75 ALLCONNECT</u>

Q: Please explain adjustment R-75.

A: The Report and Order from File Number EC-2015-0309 involved KCP&L's 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. KCP&L has historically accounted for this contractual relationship by recording revenues and expenses associated with the activity as non-regulated and thus not including it in the utilities cost of service when setting rates. In the 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. During the test year, all revenues and expenses were recorded below-the-line in nonregulated accounts. As such, adjustment R-75 includes an annual level of revenue for the KCP&L-MO jurisdiction for 2015 and adjustment CS-75 includes the associated expenses for the KCP&L-MO jurisdiction for 2015 associated with the Allconnect activity. By making both R-75 and CS-75 adjustments, the cost of service in this rate case filing is consistent with the Commission Order in File Number EC-2015-0309.

R-78 EXCESS MARGIN REGULATORY LIABILITY

Q: Please explain the excess margin regulatory liability.

A: In previous rate cases, KCP&L began returning to ratepayers off-system sales margins realized in excess of certain percentage levels over a 10 year period. The excess margin liability was recorded on the financial books as a credit to a regulatory liability (FERC account 254) and a debit to retail revenue (FERC account 449) in the period incurred. Interest accrues on this liability. The liability is amortized beginning with the effective date of the tariffs in which the revenue reduction is included. When the liability is amortized the liability account is reduced and retail revenue is increased.

Q: What regulatory liabilities exist for purposes of this rate case?

A: Excess margins were realized in 2007 ($1,082,974) and 2008 ($2,947,332), as documented in the Non-Unanimous Stipulation and Agreement in Case No. ER-2009-0089. It stated that the amortization of these regulatory liabilities, plus accrued interest, was to begin September 1, 2009, based on a ten-year amortization period. In the 2010

Case excess margins of $3,684,939 for the period September 2009 through August 2010 were ordered to be returned to ratepayers over ten years beginning with the effective date of new rates in that case, May 4, 2011.

Q: Please explain adjustment R-78.

A: Adjustment R-78 annualizes the amortization of these regulatory liabilities, including new accrued interest through December 31, 2016.

R-80 TRANSMISSION REVENUE – ROE

Q: Please explain adjustment R-80.

A: This adjustment provides for the Company's retail customers to bear responsibility for the return on transmission rate base at the MPSC-authorized level. Essentially, the adjustment reduces the amount of transmission revenue that is credited against the gross transmission revenue requirement so that the adjusted revenue credit is consistent with the Company's MPSC-authorized ROE rather than the ROE allowed by the Federal Energy Regulatory Commission ("FERC").

Q: Please describe the calculation of this adjustment.

A: The Company has a transmission formula rate ("Formula Rate") on file with the FERC that is updated each year to determine the revenue requirement and rate level for transmission service provided through the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("OATT"). The ROE allowed by the FERC in the Formula Rate is 11.1 percent. However, the ROE requested by the Company in this case is 9.90 percent. The first step in calculating the adjustment is to determine the difference between the annual revenue requirement in the Formula Rate when the ROE is set at 11.1 percent and the annual revenue requirement when the ROE is set at 9.90 percent. This difference is divided by the annual revenue requirement at 11.1 percent to derive an adjustment percentage. This adjustment should be adjusted for the final ROE determined by the Commission in this case.

Q: Please continue with the further steps required.

A: The next step is to determine the amount of transmission revenue received by KCP&L that is derived through application of the Formula Rate in charging wholesale customers for transmission service. The preponderance of this revenue is collected as a result of service provided under the SPP OATT. A further calculation is made to exclude the portion of the revenue attributable to service that KCP&L paid for as a transmission customer. Because those service charges are included in the retail cost-of-service not only as revenue credits but also as expenses under Account 565, those amounts are removed from the revenue adjustment so that the costs borne by retail customers reflect the overall ROE level of 9.90 percent. The remaining revenue, after the above-described adjustments, essentially represents the portion based on the Formula Rate that is derived from sources other than KCP&L. This revenue is then multiplied by the ROE adjustment percentage described above to arrive at the final adjustment amount. This adjustment applies to transmission revenues related to both the Company's Base Plan projects, which were built under the direction of SPP, and to the Company's legacy zonal projects, which were built under the Company's own initiative. The result is a reduction in the revenue credits for KCP&L.

Q: Please explain why adjustment R-80 is necessary.

A: Absent this adjustment, the effective ROE included in retail rates for transmission assets would be less than that authorized by the MPSC. This effect is exacerbated as the spread widens between the FERC-authorized ROE of 11.1% and the MPSC-authorized ROE.

R-82 TRANSMISSION REVENUE – ANNUALIZED

Q: **Please explain adjustment R-82.**

A: The Company annualized transmission revenue recorded in FERC accounts 456009 and 456100 based on an average of 2017-2018 forecasted levels. By using this projected level, KCP&L is better able to match the actual transmission revenues levels with the rate period in which they are offsetting rates for customers. This forecasted approach is consistent with the companies request regarding transmission expense which is included in adjustment CS-45.

Q: What is the annualized amount of adjustment R-82 Transmission Revenue - Annualized that the Company has included in its revenue requirement calculation in this case?

A: KCP&L included an annualized amount of $13,088,852 (total company) in adjustment R-82.

CS-11 OUT-OF-PERIOD ITEMS/MISCELLANEOUS ADJUSTMENTS

Q: Please explain adjustment CS-11.

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

Remove charges from test year- The Company has identified certain costs recorded during the test year for which it is not seeking recovery in this rate proceeding or which were adjustments to transactions recorded prior to the test period, netting to approximately $4.53 million (a KCP&L total company amount). These costs for which the Company is not seeking recovery primarily include director and officer long-term incentive compensation, non-recoverable dues, and adjustments made associated with the final Order from the prior rate case.

<u>Miscellaneous coding corrections</u>- The Company has identified various transactions where coding corrections were made after the end of the test year. The original transactions have been added to the test year costs netting to approximately $351,000 (a KCP&L total company amount).

CS-18 KANSAS CITY, MISSOURI EARNINGS TAX

Q: Please explain adjustment CS-18.

A: This adjustment is necessary to reflect the estimated Kansas City, Missouri earnings tax expense for KCP&L's operations for 12 months that ended December 31, 2016. Due to the extension of bonus depreciation through tax year 2019, the Company does not expect to pay any Kansas City, Missouri earnings tax in 2016, therefore we have removed all earnings tax activity from cost of service.

CS-4/CS-20 BAD DEBTS

Q: Please explain adjustment CS-4.

A: This adjustment is necessary to reflect the test year provision for bad debt expense recorded on the books of Kansas City Power & Light Receivables Company ("KCRec").

Q: Please explain adjustment CS-20.

A: In adjustment CS-20a we adjusted bad debt expense applicable to the weather-normalized revenues calculated in adjustment R-20 by applying a Missouri-specific net bad debt write-off factor to Missouri weather-normalized revenue. In CS-20b, we established bad debt expense for the requested revenue adjustment in this rate case, again using the bad debt write-off factor.

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

A: We examined net bad debt write-offs on a Missouri-specific basis as compared to the applicable revenues that resulted in the bad debts.

Q: Over what period was this experience analyzed?

A: Net bad debt write-offs were for the test year, January 2015 through December 2015, while the related retail revenue was for the 12-month period July 2014 through June 2015.

Q: Why were different periods used for the calculation?

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

Q: The term "net" write-offs is used. What does it mean?

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

CS-35 WOLF CREEK MID-CYCLE OUTAGE

Q: Please explain adjustment CS-35.

A: In the 2014 case, KCP&L's test year included a planned mid-cycle outage at Wolf Creek. An adjustment was included in the rate case which included a 5-year amortization of the mid-cycle outage costs. Effective October 1, 2015, KCP&L began amortizing the mid-cycle outage costs over 5-years. Adjustment CS-35 includes an annualized level of the 5-year amortization of the mid-cycle outage costs in this rate case proceeding since the test year in this case did not reflect an annual amount of amortization.

CS-36 WOLF CREEK REFUELING OUTAGE

Q: Please explain adjustment CS-36.

A: This adjustment consists of two components. The first component addresses the Wolf Creek refueling outage annualization. The Wolf Creek nuclear generating station refueling cycle is normally about 18 months. The Company defers the O&M outage costs and amortizes the costs over the 18 months leading up to the next refueling. This adjustment annualizes the Wolf Creek refueling expense.

Q: Why is a refueling annualization adjustment necessary in this case?

A: The test period amortization includes the end of the amortization period for refueling outage number 19, and also the beginning of the amortization period for refueling 20. Annualized expense that is included in this case should reflect the level of amortization expense associated with the most recently completed refueling outage. As such, costs associated with refueling outage number 20 were used to determine the monthly amortization expense. This annualization adjustment results in a full year's amortization expense for refueling number 20.

Q: Please discuss the second component of adjustment CS-36.

A: In the 2012 Case, the Company established a regulatory asset as proposed by Staff similar to Case No. ER-2009-0089 for recovery of certain non-routine refueling costs associated with refueling outage number 18 over a five-year period beginning February 2013. The test year reflects in this case a full year of amortization associated with this deferral.

<u>CS-37 WOLF CREEK DECOMMISSIONING</u>

Q: Please explain adjustment CS-37.

A: This adjustment annualizes the expense associated with decommissioning the Wolf Creek nuclear generating station.

Q: What is the annualized nuclear decommissioning expense the Company seeks in this case?

A: The Company seeks an annualized amount of $1,281,264 (Missouri jurisdictional). Since the test year cost of service reflects this amortization, net operating income is properly stated and requires no adjustment.

Q: Is the requested annualized amount the same as that requested in the 2014 Rate Case?

A: Yes.

Q: Why is the amount the same?

A: The annual expense/accrual level is based on a cost study conducted every three years. The most recent study, conducted by TLG Services, Inc., was filed with the Commission on August 29, 2014 in Case No. EO-2015-0056 along with an analysis prepared by KCP&L of funding levels necessary to defray the decommissioning cost estimated in the study. In that application, KCP&L requested that the Commission approve the continuation of the annual accrual at the current level.

CS-39 IT SOFTWARE MAINTENANCE

Q: Please explain adjustment CS-39.

A: Adjustment CS-39 was made to include an annualized level of contracted software maintenance costs in this rate case. The annualized level of these costs has been historically increasing and is projected to continue to increase during 2016. KCP&L included an annualized December 2016 budgeted amount to reflect an annual level of expense. The types of maintenance contracts that were annualized as of December 31, 2016 include: Microsoft premier support and software licenses, Oracle systems and service contracts, PowerPlan system, and various hardware and software maintenance contract.

CS-40/CS-41 TRANSMISSION AND DISTRIBUTION MAINTENANCE

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

A: These adjustments are for the purpose of including an appropriate level of transmission and distribution maintenance expense in this case. Since the maintenance levels have been increasing and is projected to continue to increase through the true-up period in this case, KCP&L adjusted the test year expenses to equal 2016 budgeted amounts.

CS-42 GENERATION MAINTENANCE

Q: Please explain adjustment CS-42.

A: This adjustment is for the purpose of including an appropriate level of generation maintenance expense in this case. Since the maintenance level has been increasing and is projected to continue to increase, KCP&L adjusted the test year expenses to equal 2016 budgeted amounts.

Q: Were there any other adjustments made to the test year amounts?

A: Yes, adjustments were made to test year generation maintenance expenses related to the Iatan 2 and Common Tracker which is described in more detail below in my testimony regarding adjustment CS-48. This Tracker was established in the 2010 Case in order to defer and amortize Iatan 2 and Common operations and maintenance expenses. Thus, there are amounts recorded in the test year generation maintenance accounts related to this Tracker which must be removed from the test year for purposes of adjustment CS-42. There have been five complete vintages of this Tracker all being amortized during the test year. An adjustment was made to remove the test year amortization expense for Vintages 1 through 5 since these costs are considered in adjustment CS-48. By completing these adjustments, the test year is reduced to reflect actual generation maintenance expense recorded.

CS-44 ECONOMIC RELIEF PILOT PROGRAM

Q: Please explain adjustment CS-44.

A: KCP&L originally established the ERPP, per the Non-Unanimous S&A in Case No. ER-2009-0089, which provided up to a $50 bill credit for a total of 1,000 participants. One half of the program is funded by shareholders and the other half is collected from ratepayers. As part of the Final Report and Order in the 2014 Case the Company was authorized to expand the ERPP program by doubling the funding, increasing the number of participants, and increasing the available bill credit ($65). The eligibility requirements were also changed from 185 percent to 200 percent of the Federal Poverty Level. This adjustment reflects the same level of funding in the 2014 Case to be included in cost of service in this rate case proceeding.

<u>CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS</u>

Q: Please explain adjustment CS-45.

A: The Company annualized transmission expense including base plan funding costs recorded in FERC account 565 – Transmission of Electricity by Others based on an average of 2017-2018 projected costs. This was due to the expected continual increase in transmission expenses that KCP&L is incurring year-over-year. By using this projected level, KCP&L is better able to match the actual transmission expense cost levels with the rate period in which the expenses are being recovered from customers.

Q: Are transmission costs increasing?

A: Yes, primarily related to the costs allocated to KCP&L under the SPP OATT for SPP Base Plan Upgrades and other regionally allocated transmission project costs that have continued to increase year over year as discussed in more detail in the Direct Testimony of Company witnesses Tim M. Rush and John R. Carlson.

Q: What is the annualized amount of adjustment CS-45 Transmission of Electricity By Others that the Company has included in its cost of service in this case?

A: KCP&L included an annualized amount of $69,209,242 (total company) in adjustment CS-45.

<u>CS-48 IATAN 2 AND IATAN COMMON TRACKER</u>

Q: Please explain adjustment CS-48.

A: In the 2014 cases, annual amortization amounts were established for vintages 1 – 5. For vintages 2 – 5, amortizations began in October 2015 which was the first full month when rates became effective in the 2014 case. Adjustment 48 establishes a full year of amortization expense for vintages 2 – 5. In addition, vintage 1 amortization will end January 2016; therefore, the per book amortization expense recorded during the test year has been removed for this vintage.

<u>CS-50 PAYROLL</u>

Q: Please explain adjustment CS-50.

A: KCP&L annualized payroll expense based on the employee headcount as of December 31, 2015 adjusted for labor impacts of the KCP&L Missouri jurisdiction's energy efficiency rider implementation, multiplied by salary and wage rates expected to be in effect as of December 31, 2016.

Q: How were salary and wage rates determined?

A: Wage rates for bargaining (union) employees were based on contractual agreements. Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of December 31, 2016.

Q: Were amounts over and above base pay, such as overtime, premium pay, etc. included in the payroll annualization?

A: Yes, overtime was annualized at an amount equal to the average of the amounts incurred for the 12 month periods ending December 2013, December 2014 and December 2015, adjusted for labor escalations. In addition, overtime amounts were adjusted to exclude impacts of the Wolf Creek Mid-Cycle outage in which test year amounts were removed in adjustment CS-35. Amounts were included for other categories at test year levels.

Q: Does annualized payroll include payroll KCP&L billed to GMO and other affiliates?

A: The annualization process includes all payroll, since all employees are KCP&L employees. However, annualized payroll included in this rate proceeding was reduced by the amount that would be billed out to these affiliated companies.

Q: Was payroll expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A: Yes, it was.

Q: Does the payroll annualization adjustment take into consideration payroll billed to joint venture partners and payroll charged to capital?

A: Yes, the payroll annualization adjustment takes these factors into consideration.

Q: How was the payroll capitalization factor determined?

A: The Company used a three-year average payroll capitalization factor, as being representative of payroll capitalization going forward. The periods included in the three-year average capitalization factor included the 12 months ending December 2013, December 2014 and December 2015.

CS-51 INCENTIVE COMPENSATION

Q: Please explain adjustment CS-51.

A: KCP&L annualized incentive compensation based on target payout percentages for each employee calculated on their December 2015 base salary amount. Adjustments were made to the annual amount to remove all incentive compensation that was associated with metrics tied to earnings per share.

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

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

<u>CS-52 401(k)</u>

Q: Please explain adjustment CS-52.

A: KCP&L adjusted 401(k) expense to an annualized level by applying the average matching percentage which is based on five separate pay periods during the test year (1/31/2015, 3/31/2015, 6/30/2015, 9/30/2015, and 12/31/2015) to the O&M adjustment for annualized payroll (adjustment CS-50), excluding bargaining unit overtime, and including eligible incentive compensation (adjustment CS-51).

Q: Please explain the change to the 401(k) plan that occurred beginning January 1, 2014.

A: Beginning January 1, 2014, all new hire non-union employees are no longer eligible to be a part of the company sponsored pension plan. Instead, new hire retirement benefits will be provided exclusively through the 401(k) savings plan. A non-elective contribution will be made to the new hires 401(k) account in the calendar quarter following the end of each plan year. The non-elective contribution totals 4% of actual base pay. Adjustment CS-52 includes an additional adjustment reflecting the annualized amount that will be contributed for new hires since January 1, 2014 to 401(k) accounts prior to December 31, 2016.

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

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

<u>CS-53 PAYROLL TAXES</u>

Q: Please explain adjustment CS-53.

A: The Company annualized FICA, Medicare, and FUTA payroll tax expense by applying the average test year FICA/Medicare/FUTA percent (FICA expense/payroll expense) to the O&M portions of the annualized payroll adjustment (adjustment CS-50) and incentive compensation adjustment (adjustment CS-51).

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

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

<u>CS-60 OTHER BENEFITS</u>

Q: Please explain adjustment CS-60.

A: KCP&L annualized other benefit costs based on the projected costs included in the 2016 Budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

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

A: The most significant benefit is medical expense. In addition, dental, various insurance and other miscellaneous benefits are included with the other benefits adjustment.

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

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

Q: Was other benefit expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A: Yes, it was.

<u>CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN</u>

Q: Please explain adjustment CS-62.

A: This adjustment normalizes SERP expense by using an average of the monthly annuity and lump sum SERP payouts for the five year period from 2011 through 2015.

Q: Why does this expense have to be normalized?

A: Under the GPE SERP plan, SERP costs are funded when the benefit is paid. Given that most plan participants elect a lump-sum payment method rather than an annuity, annual funding requirements can vary significantly between years. By using an average of total funding over a typical single life annuity period of 14.3 years for lump-sum payments, the adjustment reflects actual cash payments spread over time. Monthly annuity payments were normalized using a five-year average.

Q: By basing the normalization on actual payouts rather than FAS 87 accrued expense, is there a duplication of costs between adjustment CS-65, discussed earlier in this testimony, and adjustment CS-62?

A: No, the SERP component is not included in adjustment CS-65 in either the test year book amount or the projected amount.

Q: Was the SERP cost associated with the Company's interest in the Wolf Creek generating station normalized in a similar manner?

A: Yes, it was.

CS-70 INSURANCE

Q: Please explain adjustment CS-70.

A: We annualized insurance costs based on premiums projected to be in effect on December 31, 2016. These premiums include the following types of coverage: property, directors and officers, workers' compensation, bonds, fiduciary liability, excess liability, crime, cyber liability and auto liability.

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

A: Yes, it does.

CS-71 INJURIES AND DAMAGES

Q: Please explain adjustment CS-71.

A: We normalized Injuries and Damages ("I&D") costs based on average payout history during the 12 month periods ending December 2013, December 2014, December 2015 as reflected by amounts relieved from FERC account 228.2. This account captures all accrued claims for general liability, worker's compensation, property damage, and auto liability costs. The expenses are included in FERC account 925 as the costs are accrued. The liability reserve is relieved when claims are paid under these four categories.

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

A: Yes, for smaller dollar claims that are recorded directly to expense, the Company normalized these expenses over the 12 month periods ending December 2013, December 2014 and December 2015.

Q: Why was a multi-year average chosen?

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

CS-10/CS-76 CUSTOMER DEPOSIT INTEREST

Q: Please explain adjustment CS-10.

A: This adjustment is necessary to include test year customer deposit interest from Missouri customers in cost of service.

Q: Please explain adjustment CS-76.

A: We annualized customer deposit interest in accordance with the Company's tariff, which states that the interest rate established for each year for Missouri customer deposits will be based on the December 1 prime rate published in the *Wall Street Journal*, plus 100 basis points. The rate used in this adjustment for Missouri deposits is the prime rate of 3.25% at December 1, 2015 plus 100 basis points to equal 4.25%.

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

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

CS-77 CREDIT CARD PROGRAM

Q: Please explain adjustment CS-77.

A: KCP&L annualized credit card program expenses based on actual participation levels and costs at April 30, 2016.

Q: What is the status of KCP&L's credit card payment program?

A: KCP&L began offering credit card payment options to its residential customers in 2007, initially with submission and processing through its interactive voice response system. Also, a one-time payment option was added later that year through KCP&L's website. In February, 2008, the Company offered a recurring credit card payment option with enrollment through its website. Since that time participation levels have been steadily increasing, with credit/debit card payments representing 18.7% of all payments in KCP&L's territory through April 2016.

CS-9/CS-78 ACCOUNTS RECEIVABLE SALES FEES

Q: Please explain adjustments CS-9 and CS-78.

A: Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by KCRec are reflected. The Company then annualized these fees by projecting annual fees based on December 2015 actuals, determined by (a) calculating monthly interest, based upon the actual rate in effect at December 31, 2015, applicable to the monthly advance amount of $110 million established in the accounts receivable sales agreement renegotiated in September 2015; (b) calculating the monthly Program Fee based on this monthly advance amount and a Program Fee Rate of 60.0 bps (the applicable level for the accounts receivable securitization in the renegotiated agreement in effect at December 31, 2015); and (c) calculating the monthly

Commitment Fee based upon a fee rate of 22.5 bps (again, the applicable level in the renegotiated agreement in effect at December 31, 2015). The sum of (a), (b), and (c) represents the total projected bank fees for a 30-day period. This amount was annualized and compared to test year amounts ending December 2015.

<u>CS-80 RATE CASE COSTS</u>

Q: Please explain adjustment CS-80.

A: We annualized rate case costs by including projected costs for the current rate proceeding normalized over three years which will be trued-up as part of the true-up process in this rate case. Annualized rate case costs were then compared to rate case expense amortizations included in the test year to properly reflect rate case expense in cost of service in this rate case.

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

A: KCP&L estimated costs based on the consultants and attorneys it anticipates will be used in this case and based on the scope of work anticipated.

Q: In making this estimate did KCP&L anticipate a full rate case, including hearings, briefs, etc., as opposed to a settled case?

A: Yes, a full rate case was assumed.

<u>CS-85 REGULATORY ASSESSMENTS</u>

Q: Please explain adjustment CS-85.

A: The Company annualized Missouri regulatory assessments based on quarterly assessments in effect at December 2015. KCP&L annualized FERC Schedule 12 fees based on an average of the budgeted fees for 2017 and 2018.

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

A: KCP&L included $1,118,460 (total company). This amount is one of the transmission cost components included in the FAC mechanism that is being requested by the Company and discussed in the testimony of Company witness Tim Rush.

CS-86 SCHEDULE 1-A FEES

Q: Please explain adjustment CS-86.

A: KCP&L annualized SPP Schedule 1-A fees based on the average rates projected to be in effect in 2017 and 2018. KCP&L is using projected SPP Schedule 1-A fees to be consistent with its requested treatment of transmission expenses in this case.

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

A: KCP&L included $12,621,525 (total company). This amount is one of the transmission cost components included in the FAC mechanism that is being requested by the Company and discussed in the testimony of Company witness Tim M. Rush.

CS-88 CIPS/CYBER SECURITY O&M

Q: Please explain adjustment CS-88.

A: Adjustment CS-88 is an adjustment that includes capturing increased costs associated with the Company's investment and ongoing maintenance and support and systems and infrastructure for cyber and physical security needs related to the North American Electric Reliability Corporation Critical Infrastructure Protection Standards. These standards are discussed more fully in the Direct Testimony of Company witness Joshua F. Phelps-Roper. The adjustment projects annualized costs based on an average of budgeted O&M expenses for 2017-2018. Please see the Direct Testimony of Company witness Tim M. Rush for explanation of the use of projected annualized costs.

Q: What is the amount of the CIPS/Cyber Security fees that the Company has included in its cost of service in this case?

A: KCP&L included $5,661,684 (total company) in adjustment CS-88 as an annualized level of CIPS/Cyber Security O&M.

<u>CS-89 METER REPLACEMENT CONTRACT RATE</u>

Q: Please explain adjustment CS-89.

A: Beginning in 2014, the Company began installing AMI technology that would replace all of the Company's Automated Meter Reading meters. Adjustment CS-89 computes the incremental increase in the meter reading contract that will be associated with the newly installed AMI meters. The new AMI meters are a new technology that will bring increased functionality such as providing load profile data for each meter and provide increased functionality around power outages and restoration events. This adjustment annualizes the composite meter reading cost per meter which is $0.61 cents per meter. The annualized amount is based off of the March 2016 meters read.

<u>CS-91 DSM ADVERTISING COSTS</u>

Q: Please explain this adjustment.

A: Pursuant to Case No. ER-2009-0089 and the 2010 Case KCP&L was authorized to capitalize and amortize deferred Missouri jurisdictional demand-side management advertising costs of $279,521 and $230,341 over ten years; respectively. No additional adjustment is necessary as the test year is reflective of the appropriate on-going level of expense.

CS-98 MEEIA

Q: Please explain adjustment CS-98

A: This adjustment removes all test year non-labor MEEIA expense recorded during the test year from its cost of service. In Case No. EO-2015-0240, KCP&L's MEEIA Cycle 2 filing, the company was granted a Demand Side Invesment Mechanism rider. As such, the test year non-labor MEEIA expenses have been removed from the test year in this rate case filing. In addition, Income Eligible Weatherization program (formally Low Income Weatherization program) was included in the test year non-labor MEEIA expense. Currently, the Company is not expensing funds we collected in the liability account, which was approved with annual amount of $573,888 pursuant to Case No. ER-2012-0174. KCP&L does not plan to recover Income Eligible Weatherization expense until the liability account gets to a reasonable level. We are proposing to use funds set aside in the account for the present time and set the annualized level to zero.

CS-99 FLOOD REIMBURSEMENT

Q: Please explain adjustment CS-99.

A: Adjustment CS-99 provides for the return of insurance proceeds to customers associated with the 2011 flooding event that impacted the Iatan 2 generation station. The insurance proceeds received were for insurable expenses over deductible amounts associated with the preservation of property and recovery of damaged items. The total amount of KCP&L insurance proceeds of $1,650,911 were included in the 2014 Case and are amortized and returned to customers over a 3 year period which began in October of 2015. This adjustment includes a full year of amortization in this rate case proceeding.

CS-107 TRANSOURCE ACCOUNT REVIEW

Q: Please explain why KCP&L is making this adjustment.

A: KCP&L is making this adjustment to comply with conditions of the MPSC Report and Order in File No. EA-2013-0098. The Commission Order stated in Appendix 4: Consent Order, pages 29 and 30:

> 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 provided at the higher of fair market value or fully distributed costs 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 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, Transource Missouri, and GPE prior to the novation or transfer of the cost of the projects are resolved, except as provided in this paragraph.

Q: Please explain adjustment CS-107.

A: In the 2014 Case, KCP&L established a regulatory liability in the amount of $136,880 Missouri jurisdictional to be amortized over three years. The amortization became effective October 1, 2015. Thus, an increase in the annual amortization amount to reflect a full year was included in this adjustment.

CS-108 TRANSOURCE CWIP/FERC INCENTIVES

Q: Please explain why KCP&L is making this adjustment.

A: KCP&L is making this adjustment to comply with conditions of the MPSC Report and Order in Case No. EA-2013-0098. The Commission Order stated in Appendix 4: Consent Order, pages 27 and 28:

> 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 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.

Q: Please explain adjustment CS-108.

A: Adjustment CS-108 reflects a change to Account 565 -Transmission of Electricity by Others that represents the difference between KCP&L's SPP load ratio share allocation of Transource Missouri's annual transmission revenue requirement ("ATRR") for the Iatan-Nashua and Sibley-Nebraska City Projects and KCP&L's SPP load ratio share allocation of the ATRR for the Nashua and Sibley-Nebraska City Projects if it had been calculated utilizing KCP&L's MPSC-authorized ROE and capital structure and did not include the FERC-authorized rate treatments and incentives listed above.

CS-109 LEASES

Q: Please explain adjustment CS-109.

A: In the 2010 Case, KCP&L agreed to establish a regulatory liability for lease coststhat would not be incurred during an "abatement period" recognized in the lease and which ended June 2010. These costs were to be returned to ratepayers over a five-year period beginning with the effective date of new rates in that case. The five year amortization ends in April 2016 and the regulatory liability amortization has been removed from this rate case. In addition, in the 2014 Case, KCP&L agreed to prospective tracking of regulatory assets and liabilities. As such, a regulatory asset will be established from May 1, 2016 and accumulate until rates become effective for this rate case proceeding. This regulatory asset has been proposed to be amortized over 3 years in CS-109.

CS-110 2011 FLOOD AAO AMORTIZATION

Q: Please explain adjustment CS-110.

A: On December 19, 2011, KCP&L filed a request for an Accounting Authority Order in Case No. EU-2012-0130 to defer non-fuel O&M costs, incremental fuel and purchased power costs and lost opportunity for off system sales margin incurred by the Company as a result of the 2011 Missouri River flooding. The Company as part of the Second Non-Unanimous Stipulation and Agreement as to Certain Issues, agreed to only deferring the incremental non-fuel O&M costs of $1,412,290 incurred as a result of the 2011 flood. These costs are being amortized over 5 years which began in February 2013**.** The test year in this rate case is reflective of an annual amount of amortization related to deferred expenses and thus no adjustment was necessary.

CS-114 LA CYGNE REGULATORY ASSET – INVENTORY

Q: Please explain adjustment CS-114.

A: As a result of the La Cygne environment equipment upgrades placed in service during 2015, there were spare parts associated with equipment being abandoned in place or removed from service that cannot be utilized associated with the pre-existing La Cygne generating station components. Items not used prior to the units returning to service will be considered obsolete by the station since the parts cannot serve as spares for new equipment or systems being installed. In the 2014 Case, KCP&L established a regulatory asset in the amount of $475,574 to be amortized over five years. The amortization became effective October 1, 2015. Thus, an annual amortization amount was reflected in this adjustment.

CS-115 LEGAL FEE REIMBURSEMENT

Q: Please explain adjustment CS-115.

A: Adjustment CS-115 removes test year amortizations of a regulatory liability that was removed from the 2014 Case. The regulatory liability involved certain legal fees involving a personal injury claim. Per the Partial Non-Unanimous S&A As To Certain Issues in the 2014 Case, KCP&L agreed to remove the annual amortization of the legal claim from base rates. Therefore, KCP&L has appropriately removed the test year amortizationexpense in Adjustment CS-115.

CS-116 RENEWABLE ENERGY STANDARDS COSTS

Q: Please explain adjustments CS-116.

A: As part of the Second Non-Unanimous Stipulation and Agreement As To Certain Issues in Case No. ER-2012-0174, the Company was granted recovery of all Renewable Energy

Standards ("RES") costs through the true-up date in that case which was August 2012. These costs were tracked as RES vintage 1 costs and were being amortized over a three-year period. Pursuant to the 2014 Case, RES costs for vintage 2 recorded from August 2012 to May 2015 were authorized to be amortized over five years. In addition, all RES costs recorded after May of 2015 would be allowed to be deferred. The Company has recorded these costs as vintage 3. Vintage 1 amortization ended January 2016. Per the Partial Non-Unanimous S&A As To Certain Issues in the 2014 Case, KCPL applied prospective tracking and continued to amortize vintage 1 amount to Vintage 2 as this amount continues to be collected through base rates. Adjustment CS-116 is the proposed annual amortization of RES costs for both vintage 2 and vintage 3 costs. Vintage 1 test year expense is removed from the cost of service in this rate case proceeding.

Q: How was the amortization amount for vintage 3 determined?

A: The Company limited the total amount of annual amortization of RES costs to 1% of retail revenues from KCP&L's previous rate case. Since vintage 1 ended amortization in January 2016, its annual amount is excluded from the calculation of annualization limit. After computing 1% of retail revenues, vintage 2 costs were subtracted from the total 1% of the retail revenue amount granted. The resulting amount was divided by the total projected RES deferred costs as of December 31, 2016 and resulted in an amortization life of vintage 3 of 3.24 years.

Q: Does the deferred cost balance include carrying costs?

A: Yes, consistent with the Company's Second Non-Unanimous Stipulation and Agreement As To Certain Issues in Case No. ER-2012-0174, carrying costs based on a short term debt rate will be applied to the unamortized deferred balance.

CS-117 COMMON USE BILLINGS – COMMON PLANT ADDS

Q: What are common use billings?

A: Common use billings represent the monthly billings of common use plant maintained by KCP&L. 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 that KCP&L's regulated entity does not subsidize other GPE companies or jurisdictions, KCP&L charges for the use of their respective common use assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return is applied to the net plant basis. The total cost of all common use plant is then accumulated.

Q: Why was an adjustment needed from amounts included in the test year?

A: Included in plant adjustment RB-20 are plant additions that are expected to be placed into service prior to the true-up date in this rate case proceeding. These include capital additions associated with network systems and software that will become a part of the Common Use Billing Process. Since these common use plant additions are expected to occur after the test year, the portion of the common use assets that are billable to other GPE entities and jurisdictions needs to be removed from the cost of service in this rate case proceeding.

Q: Please explain adjustment CS-117.

A: Adjustment CS-117 computes the annual amortization expense and expected return on the new common use plant additions that will be included in rate base in this rate case proceeding. The annual amortization expense for the common use software additions is based on the five or ten year life of the common use software costs. The return component is based on the expected rate of return that will be used in this rate case proceeding. These annual amounts are accumulated and multiplied by one minus the KCP&L jurisdictional share of these assets which is based on the General Allocator. The resulting amount is then removed from the cost of service in this case through adjustment CS-117.

CS-120 DEPRECIATION

Q: Please explain adjustment CS-120.

A: We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances. The jurisdictional rates used in the annualization were those included in the depreciation study sponsored and described by Company witness John J. Spanos in his direct testimony. Only depreciation rates for the Electric Generating Plant accounts were updated. In addition, a proposed rate is being requested for a new plant sub-account for Electric Vehicle Charging Stations. The depreciation rates for all other plant accounts are those authorized in the 2014 Case.

Q: What specific action does the Company request in regard to depreciation expense?

A: The Company requests that the Commission authorize the use of depreciation rates proposed by Company witness John Spanos as described above which are used to compute total depreciation expense in this rate case proceeding.

CS-121 AMORTIZATION

Q: Please explain adjustment CS-121.

A: We annualized amortization expense applicable to certain plant including computer software, land rights, leasehold improvements and plant accounts that utilize general plant amortization, by multiplying December 2015 amortization expense on a total company Missouri basis by twelve. To the intangible plant amounts, was added an annualized amortization expense amount on projected plant net additions for the period January 2016 through December 2016.

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

A: Computer software, the most significant intangible asset, is amortized over either a five or ten year amortization period, depending on the nature of the asset, consistent with the Company's past practice. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Amortization of individual Leasehold Improvements is based on the length of the lease. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

CS-125 INCOME TAX

Q: Please explain adjustment CS-125.

A: We adjusted test period income tax expense based on various adjustments to test year taxable income. The adjusted income tax calculation is shown on Schedule RAK-8. The income tax adjustment includes current income taxes, deferred income taxes, and the amortization of investment tax credits ("ITC") and certain other amortizations.

Q: Please explain the current income tax component in cost of service as calculated in Schedule RAK-8.

A: Jurisdictional operations and maintenance deductions and other adjustments are applied against jurisdictional revenues to derive net jurisdictional taxable income, which is then used to compute the jurisdictional current income tax expense component (current provision) for cost of service. For book purposes, these adjustments are the result of book versus tax differences and their implementation under normalization or flow through tax methods. Each adjustment is either added to or subtracted from net income to derive net taxable income for ratemaking. For Schedule RAK-8, however, a simplified methodology is used that eliminates the need to specifically identify all book and tax differences. Most significantly, all basis differences between the book basis and tax basis of assets are ignored in the current tax provision. Accelerated tax depreciation is used in the currently payable calculation based on the tax basis of projected Plant in Service as identified in adjustment RB-20. The difference between the accelerated depreciation deduction for tax depreciation on tax basis assets and the depreciation deduction calculated on a straight-line basis generates offsetting deferred income tax. The resulting income tax expense, considering both the current and deferred income tax components, reflects a level of total income taxes as if the depreciation deduction to arrive at taxable income was based solely on depreciation of projected tax basis assets calculated on a straight-line basis. This modified approach normalizes depreciation relating to the method differences (*e.g.*, accelerated versus straight-line) and life differences. The Company and the MPSC Staff used this modified approach in the 2014 Case.

Q: Please describe the adjustments to derive net taxable income for ratemaking.

A: The following are the primary adjustments to derive net taxable income for ratemaking purposes:

- Book depreciation and amortization expense (adjustments CS-120 through CS- 121), have been excluded from the deductions listed on Schedule RAK-8. As previously discussed, accelerated tax depreciation on both projected depreciable plant and projected amortizable plant is subtracted to derive taxable income.

- The deduction for nuclear fuel amortization is treated consistently with the treatment of depreciation and amortization on Plant in Service.
- A portion of Meals and Entertainment expense is added back in deriving net taxable income, since a portion of certain meals and entertainment expenses is not tax deductible. This adjustment increases taxable income and ultimately increases the current income tax provision. The amount by which taxable income was increased is equal to the amount for the 2014 federal income tax return.
- Interest expense is subtracted to derive net taxable income. It is calculated by multiplying the adjusted jurisdictional rate base by the weighted average cost of debt as recommended in this proceeding. This is referred to as "interest synchronization" because this calculation ensures that the interest expense deducted for deriving current taxable income equals the interest expense provided for in rates.
- The Manufacturer's Deduction amount is deducted from net income in deriving taxable income. This special deduction is allowable under Internal Revenue Code ("IRC"), Section 199. The deduction is based upon taxable income derived from the production of electricity. For 2016, the deduction is 9% of electricity production taxable income. The deduction has not been adjusted to conform to Missouri jurisdictional taxable income. This deduction is not an expense for book purposes; therefore, no deferred income taxes are created. The amount of the projected deduction on Schedule RAK-8 is based upon amount deducted under IRC Section 199 for the 2014 federal income tax return. Bonus depreciation reduced the

electricity production taxable income for 2014 to $0. In addition, due to the extension of bonus depreciation to 2019, the Company estimates that it will have no electricity production taxable income or a Sec 199 deduction for 2016.

Q: Once the deductions and adjustments have been applied to net income to derive taxable income for ratemaking, what further deductions from taxable income are applied before calculating the two components of current income tax expense: federal current income tax expense and Missouri state current income tax expense?

A: Before calculating federal income taxes, Missouri state income taxes are deducted. Before calculating Missouri state income taxes, one-half of federal income taxes are deducted.

Q: How are the current income tax components calculated?

A: The current provision calculation utilizes a 35% federal tax rate, and a 6.25% Missouri state tax rate, each of which is applied independently to the appropriate level of taxable income as discussed above. The federal and state income tax rates are used to compute the composite tax rate of 38.39% which is used to calculate deferred income taxes, discussed below. The composite tax rate reflects the federal benefit relating to deductible Missouri state income tax and the Missouri benefit of deducting 50% of federal income taxes when computing the current Missouri tax provision.

Q: Is the current federal tax expense, determined by multiplying current taxable income by the federal income tax rate, further reduced by tax credits?

A: Yes, the wind production tax credit, the R&D tax credit, the federal excise tax credit and the alternative fuel vehicle refueling property tax credit reduce the current federal income tax due.

Q: Please explain the wind production tax credit on Schedule RAK-8.

A: IRC Section 45 allows for a federal tax credit based on the amount of electricity produced by a qualifying wind generating facility. The credit is allowed for ten years after the facility is placed in service. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated production tax credits for KCP&L's wind generation facilities for the twelve months that ended December 31, 2016. This adjustment uses the presently allowable $23 per megawatt hour of generation multiplied by the annualized amount of estimated megawatt hours of wind generation to determine the amount of credit.

Q: Please explain the R&D tax credit on Schedule RAK-8.

A: IRC Section 41 allows for a federal tax credit based on the amount of qualified research expenses incurred. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated R&D tax credit for KCP&L's operations for twelve months that ended December 31, 2016.

Q: Please explain the federal excise tax credit on Schedule RAK-8.

A: IRC Section 212 allows for a federal tax credit for excise taxes paid on fuel used for off-highway business use by a taxpayer in a trade or business or in an income-producing activity. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the federal excise tax credit reported on KCP&L's 2014 federal tax return.

Q: Please explain the alternative fuel vehicle refueling property tax credit on Schedule RAK-8.

A: IRC Section 30C allows for a federal tax credit for 30% of qualified alternative fuel vechicle refueling property expense incurred. The adjustment shown on this schedule as a direct reduction of the federal currently payable income tax expense reflects the estimated alternative fuel vehicle refueling property tax credit for KCP&L's operations for twelve months that ended December 31, 2016.

Q: Please explain the deferred income tax component of cost of service as calculated in Schedule RAK-8.

A: The deferred income tax component of cost of service is primarily the result of applying the composite income tax rate (38.39%) to the difference between projected accelerated tax depreciation used to compute current income tax, as discussed earlier in this testimony, and projected book depreciation.

The other main deferred tax item is the average rate assumption method of deferred tax amortization, AFUDC Equity reversal, and other miscellaneous flow-through items.

This average rate assumption method adjustment represents the amortization of excess deferred income taxes over the remaining book lives. It reduces the income tax component of cost of service. During the 1980s, the federal tax rate was higher than today's 35% rate. Since deferred taxes were provided at the rate in effect when the originating timing differences were generated, the deferred income taxes were provided at a rate higher than the tax rate that is expected to be in existence when the timing differences reverse and the taxes are due to the government. This difference in rates is being amortized into cost of service over the remaining book lives of the assets that generated the timing differences. The AFUDC Equity reversal adjustment represents the reversal of the book amortization of AFUDC Equity placed in service in prior years not allowed for tax purposes. The other miscellaneous flow-through items represent the reversal of book amortization of other small items placed in service and flowed-through to ratepayers in prior years.

Q: Please explain the ITC amortization component in cost of service as calculated in Schedule RAK-8.

A: ITC amortization reduces the income tax component of cost of service. ITC is amortized ratably over the remaining book lives of the underlying assets.

Q: Are there any other income tax amortizations that affect jurisdictional income tax cost of service?

A: Yes, there is one additional amortization, relating to pre-1981 cost of removal which was addressed in the Stipulation and Agreement As to Certain Issues in the Case No. ER-2007-0291, approved by the Commission on December 6, 2007 ("2007 S&A").

Q: Please discuss the cost of removal amortization.

A: In accordance with the 2007 S&A, the Company adopted normalization accounting for the tax timing difference associated with the pre-1981 vintage cost of removal and began amortization of the cumulative income tax impact for the excess of KCP&L's actual cost of removal over the accrued cost included in book depreciation in prior years, over a 20 year period beginning January 1, 2008 ($7,088,760, Missouri jurisdictional). As a result, the Company's annual deferred income tax expense increased by $354,438 and this amortization is included as an increase in income tax expense on Schedule RAK-8.

CS-126 PROPERTY TAX

Q: Please explain adjustment CS-126.

A: The Company annualized the real estate and personal property tax expense and payments-in-lieu-of-taxes ("PILOT") using an average of budgeted future property tax expense for 2017 and 2018. Only property tax expense amounts included in operations and maintence expense ("Property Tax O&M") are included in this computation. See Schedule RAK-9 for more details.

Q: Why should budgeted future Property Tax O&M expense be used to compute the property tax adjustment in this case?

A: KCP&L's Property Tax O&M expense has continued to increase dramatically over the last five years; in 2011 KCP&L's Property Tax O&M expense was $72.2 million and in 2015 KCP&L's Property Tax O&M expense was $90.7 million. In each of the prior years the Company's Property Tax O&M expense has increased by several million dollars over the prior year amount. See Schedule RAK-9 which includes a summary of the past 5 years of KCP&L historical and 3 years of estimated future total property taxes paid and Property Tax O&M expense. Based on the dramatic increases in Property Tax O&M expense in each of the last five years and the expected increases in earnings for KCP&L, we expect Property Tax O&M expense to continue to increase in the next few years. In fact, we expect Property Tax O&M expense to increase to **[redacted]** million in 2018. Therefore, it is appropriate to use the average of 2017 and 2018 budgeted Property Tax O&M expense, or **[redacted]** million in setting rates in this case.

Q: Do the various components of the real estate and personal property tax adjustment discussed above take into effect tax amounts allocated to vehicles and charged to accounts other than property tax expense and amounts allocated to non-utility plant?

A: Yes, these components have been excluded from the Property Tax O&M expense components of the calculation and the adjusted Property Tax O&M amounts on Schedule RAK-9.

Q: Please explain the PILOT adjustment.

A: The Company has placed in-service two wind generating facilities located in Ford County, Kansas. The first facility was placed in-service in 2006 and the second facility was placed in-service during 2010. Pursuant to K.S.A. 79-201 *Eleventh*, such property is exempt from real and personal property taxes.

Q: Does Kansas law provide for a PILOT on property that is exempt from property taxes?

A: Yes. Pursuant to K.S.A. 12-147, taxing subdivisions of the state of Kansas are authorized and empowered to enter into contracts for a PILOT with the owners of property that are exempt from ad valorem taxes.

Q: Please explain the PILOT agreements relating to the wind generating facility located in Ford County, Kansas.

A: Separate agreements exist with Ford County and USD #381 that provide for 30 annual payments for both facilities. The first wind farm that was in-serviced in 2006 had the first PILOT payment due in 2007 and the payments escalating between 2.5% and 3% per year. The second wind farm that was in serviced in 2010 had the first PILOT payment due in 2011 and these payments also escalate between 2.5% and 3% per year. These payments were necessary to secure agreements with landowners and community leaders to site the wind facility.

Q: Does this conclude you 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 Direct Testimony on behalf of Kansas City Power & Light Company consisting of Seventy (70) 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 1st day of July, 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 & Light Company
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TY 12/31/15; Update TBD; K&M 12/31/16

Revenue Requirement

Line No.	Description	7.702% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 2,576,273,286
2	Rate of Return	**7.7015%**
3	Net Operating Income Requirement	$ 198,411,687
4	Net Income Available (Sch 9)	142,915,379
5	Additional NOIBT Needed	55,496,308
6	Additional Current Tax Required	34,580,305
7	Gross Revenue Requirement	$ 90,076,613

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Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	5,274,249,638	Klote	RB-20
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	2,072,173,694	Klote	RB-30
5	Net (Plant in Service)	3,202,075,945		
6	Add to Net Plant:			
7	Cash Working Capital - Schedule 8	(62,071,389)	Klote	Model
8	Materials and Supplies - Schedule 12	59,031,048	Klote	RB-72
9	Prepayments - Schedule 12	7,124,681	Klote	RB-50
10	Fuel Inventory - Oil - Schedule 12	5,268,197	Blunk	RB-74
11	Fuel Inventory - Coal - Schedule 12	30,128,160	Blunk	RB-74
12	Fuel Inventory - Additives - Schedule 12	529,368	Blunk	RB-74
13	Fuel Inventory - Nuclear - Schedule 12	30,394,950	Klote	RB-75
14	Regulatory Asset - EE/DR Deferral-MO	34,030,965	Klote	RB-100
15	Regulatory Asset - Iatan 1 and Com-MO	10,490,962	Klote	RB-25
16	Regulatory Asset - Iatan 2	25,646,700	Klote	RB-26
17	Regulatory Asset - Pensions	7,221,727	Klote	RB-65
18	Regulatory Asset - Prepaid Pension Exp	0	Klote	RB-65
19	Regulatory Asset (Liab) - OPEBs Tracker	(2,627,171)	Klote	RB-61
20	Subtract from Net Plant:			
21	Cust Advances for Construction-MO	1,667,781	Klote	RB-71
22	Customer Deposits-MO	4,020,118	Klote	RB-70
23	Deferred Income Taxes - Schedule 13	729,963,824	Klote	RB-125
24	Def Gain on SO2 Emissions Allowances-MO	35,319,134	Klote	RB-55
25	Def Gain (Loss) Emissions Allow-Allocated	0	Klote	RB-55
26	Total Rate Base	2,576,273,286		

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Income Statement

Line No.	Description	Total Company	Adjustment	Adjusted Total Comany	Adjusted Jurisdictional
	A	B	C	D	F
1	Operating Revenue	1,713,813,201	261,942,045	1,975,755,246	1,088,088,907
2	Operating & Maintenance Expenses:				
3	Production	591,548,134	292,330,213	883,878,347	489,105,218
4	Transmission	82,561,690	8,751,132	91,312,822	50,867,744
5	Distribution	53,422,498	(926,121)	52,496,377	28,878,142
6	Customer Accounting	20,273,742	9,530,547	29,804,289	17,406,283
7	Customer Services	32,897,880	(10,796,247)	22,101,633	20,456,237
8	Sales	470,247	2,811	473,058	248,478
9	A & G Expenses	160,805,407	(9,560,116)	151,245,290	81,361,778
10	Total O & M Expenses	941,979,598	289,332,218	1,231,311,816	688,323,880
11	Depreciation Expense	214,206,624	29,239,019	243,445,643	127,861,126
12	Amortization Expense	22,446,386	9,931,715	32,378,101	20,874,322
13	Taxes other than Income Tax	163,528,030	(41,099,419)	122,428,611	65,449,969
14	Net Operating Income before Tax	371,652,563	(25,461,489)	346,191,075	185,579,610
15	Income Taxes Current	(17,380,041)	71,832,166	54,452,125	29,136,031
16	Income Taxes Deferred	99,346,571	(75,792,931)	23,553,640	14,102,611
17	Investment Tax Credit	(941,951)	(131,364)	(1,073,315)	(574,410)
18	Total Taxes	81,024,579	(4,092,129)	76,932,450	42,664,232
19	Total Net Operating Income	290,627,984	(21,369,360)	269,258,624	142,915,379

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 12-31-16 - Anticipated True Up Date			
1	JURISDICTIONAL COST OF SERVICE			Total Adjustments Incr (Decr)	Allocated Adjs Incr (Decr)	100% MO Adjs Incr (Decr)	100% KS & Whsl Adjs (2) Incr (Decr)
2	**OPERATING REVENUE**						
3	**Retail Sales - Schedule 9, line**						
4	R-1	Remove Gross Receipts Tax revenue (MO only)	Klote	(62,145,119)		(62,145,119)	
5	R-11	Adjust test year revenue	Klote	0			
6	R-20	Normalize MO retail revenues (MO only)	Bass / Miller / Rush	32,773,355		32,773,355	
7	R-21a	Adjust MO forfeited disc for R-20a LPC (MO only)	Klote	125,925		125,925	
8	R-21b	Adjust MO forfeited disc for R-20b LPC - ASK (MO only)	Klote	209,731		209,731	
9	R-35	Normalize Bulk Power Sales	Crawford	290,744,349	290,744,349		
10	R-75	Allconnect	Klote	268,691	268,691		
11	R-78	Amortize bulk power margins in excess of 25th percentile (MO only)	Klote	9,735		9,735	
12	R-80	Transmission Revenues - ROE	Klote	(919,960)	(919,960)		
13	R-82	Transmission Revenues - Annualized	Klote	875,338	875,338		
14		**Operating Revenue - Schedule 9, line**		261,942,045	290,968,418	(29,026,373)	0
15							
16	**OPERATING EXPENSES - Schedule 9**						
17	CS-4	Reflect KCREC test year bad debt expense in KCP&L's COS	Klote	7,246,480		5,298,857	1,947,623
18	CS-9	Reflect KCREC test year bank commitment fees in KCP&L's COS	Klote	1,011,437	1,011,437		
19	CS-10	Reflect test year interest on customer deposits in COS	Klote	158,840		156,818	2,022
20	CS-11	Reverse prior period and non-recurring test year amounts.	Klote	(4,183,028)	(2,646,559)	(1,536,469)	
21	CS-18	KCMO Earnings Tax (see Line 81)	Klote				
22	CS-20a	Normalize bad debt expense related to test year revenue	Klote	(160,854)		(160,854)	
23	CS-20b	Normalize bad debt expense related to jurisdictional "Ask"	Klote	537,237		537,237	
24	CS-22	Amortize deferred gain on sale of SO2 emissions allowances	Klote	(4,081)	0	(4,081)	

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 12-31-16 - Anticipated True Up Date			
1	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
25	CS-24	Normalize fuel and purchase power energy (on system)	Crawford	281,486,175	279,766,195	1,719,980	
26	CS-25	Normalize purchased power capacity costs	Crawford	(2,965,200)	(2,965,200)		
27	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage (See Line 82)	Klote				
28	CS-36	Annualize Wolf Creek refueling outage amortization	Klote	3,212,076	3,212,076	0	
29	CS-37	Adjust Nuclear decommissioning expense	Klote	0			
30	CS-39	IT Software Maintenance	Klote	981,418	981,418		
31	CS-40	Normalize Transmission maintenance expense	Klote	705,695	705,695		
32	CS-41	Normalize Distribution maintenance expense	Klote	(1,210,589)	(1,210,589)		
33	CS-42	Normalize Generation maintenance expense	Klote	2,682,697	2,682,697		
34	CS-44	Adjust cost of Economic Relief Pilot Program (ERPP) (MO only)	Klote	260,878		260,878	
35	CS-45	Normalize transmission of electricity by others	Carlson / Klote / Rush	10,826,296	10,826,296		
36	CS-48	Annualize non-labor O&M expenses for Iatan 2	Klote	664,797	0	664,797	
37	CS-50	Annualize salary and wage expense for changes in staffing levels and base pay rates	Klote	4,755,351	4,740,501	7,120	7,730
38	CS-51	Normalize incentive compensation costs- Value Link	Klote	685,793	685,793		
39	CS-52	Normalize 401k costs	Klote	318,320	318,320		
40	CS-53	Payroll Taxes (see Line 83)	Klote				
41	CS-60	Annualize other benefit costs	Klote	149,391	149,391		
42	CS-61	Annualize OPEB expense	Klote	(3,767,133)	(3,767,133)		
43	CS-62	Normalize SERP expense	Klote	(518,367)	(518,367)		
44	CS-65	Annualize FAS 87 and FAS 88 pension expense	Klote	821,253	821,253		
45	CS-70	Annualize Insurance Premiums	Klote	(335,733)	(335,733)		
46	CS-71	Normalize injuries and damages expense	Klote	(1,914,167)	(1,914,167)		
47	CS-75	Allconnect	Klote	84,442	84,442		
48	CS-76	Annualize interest on customer deposits	Klote	14,037		14,037	
49	CS-77	Annualize Customer Accounts expense for credit card payment costs	Klote	136,816	136,816		

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 12-31-16 - Anticipated True Up Date			
1	**JURISDICTIONAL COST OF SERVICE**			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
50	CS-78	Annualize KCREC bank fees related to sale of receivables	Klote	103,511	103,511		
51	CS-80	Amortize MO, KS and FERC rate case expenses	Klote	125,492		125,492	
52	CS-85	Annualize regulatory assessments	Carlson / Klote / Rush	189,801	26,137	163,664	
53	CS-86	SPP Schedule 1 Admin Fee's	Carlson / Klote / Rush	(1,219,249)	(1,219,249)		
54	CS-88	CIPS/Cyber Security O&M	Klote / Roper / Rush	487,427	487,427		
55	CS-89	Meter Replacement O&M	Klote	349,947	349,947		
56	CS-91	Amortize advertising MO regulatory asset	Klote	0			
57	CS-98	MEEIA	Klote / Rush	(19,887,621)		(19,887,621)	
58	CS-99	Flood Reimbursement Amortization	Klote	(135,630)		(135,630)	
59	CS-100	Amortize EE/DR regulatory assets	Klote	3,020,990		3,020,990	
60	CS-107	Transource Account Review Amortization	Klote	(34,220)		(34,220)	
61	CS-108	Transource CWIP/FERC Incentives	Klote	(1,634,328)	(1,634,328)		
62	CS-109	Adjust Lease Expense - Corporate Headquarters	Klote	433,124		433,124	
63	CS-114	Amortize LaCygne Obsolete Inventory	Klote	71,336		71,336	
64	CS-115	Amortize Legal Fee Reimbursement	Klote	362,978		362,978	
65	CS-116	Adjust Costs of Renewable Energy Standards	Klote / Rush	5,785,274		5,785,274	
66	CS-117	Common-use Billings	Klote	(2,896,409)	(2,896,409)		
67	CS-120	Annualize depr exp based on jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period - unit trains & transportation equipment	Klote	246,944	246,944		
68				287,049,644	288,228,562	(3,136,293)	1,957,375
69	**Depreciation Expense - Schedule 9, line**						
70	CS-120	Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Klote / Spanos	31,151,945	31,151,945		
71				31,151,945	31,151,945	0	0

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 12-31-16 - Anticipated True Up Date			
1	**JURISDICTIONAL COST OF SERVICE**			**Total Adjustments**	**Allocated Adjs**	**100% MO Adjs**	**100% KS & Whsl Adjs (2)**
				Incr (Decr)	**Incr (Decr)**	**Incr (Decr)**	**Incr (Decr)**
72	**Amortization Expense - Schedule 9, line**						
73	CS-110	Amortize 2011 Flood	Klote	0			
74	CS-111	Amortize Iatan 1/Common Regulatory Asset	Klote	0			
75	CS-112	Amortize Iatan 2 Regulatory Asset	Klote	0			
76	CS-121	Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period	Klote	9,931,715	9,931,715		
77				9,931,715	9,931,715	0	0
78	**Taxes Other than Income - Schedule, line**						
79	R-1	Remove Gross Receipts Tax expense (MO only)	Klote	(61,157,241)		(61,157,241)	
80	CS-18	Reverse test year Kansas City, Missouri Earnings Tax (MO only)	Klote	455,185		455,185	
81	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage	Klote	369,648		369,648	
82	CS-53	Annualize Pyroll tax expense	Klote	1,562,547	1,562,547		
83	CS-126	Adjust property tax expense	Klote / Rush	18,040,090	18,040,090		
84				(40,729,771)	19,602,637	(60,332,408)	0
85	**Income Tax Expense- Schedule 9, line**						
86	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Klote	(4,092,129)	(4,446,567)	354,438	
87				(4,092,129)	(4,446,567)	354,438	0
88							
89		**Total Electric Oper. Expenses - Schedule 9, line**		283,311,405	344,468,293	(63,114,263)	1,957,375
90							
91		**Net Electric Operating Income - Schedule , line**		(21,369,360)	(53,499,875)	34,087,890	(1,957,375)
				0			

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated

(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the MIssouri rate case.

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Cash Working Capital

Line No.	Account Description	Jurisdictional Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/366)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
1	**Operations & Maintenance Expense**						
2	Gross Payroll excl Wolf Creek Prod & Accrued Vac	62,004,824	26.71	13.85	12.86	0.0351	2,178,639
3	Accrued Vacation	6,534,860	26.71	344.83	-318.12	-0.8692	(5,679,972)
4	Wolf Creek Operations & Fuel, incl Payroll	65,672,784	26.71	25.85	0.86	0.0023	154,313
5	Purchased Coal & Freight	126,172,760	26.71	20.88	5.83	0.0159	2,009,801
6	Purchased Gas	2,422,876	26.71	28.62	-1.91	-0.0052	(12,644)
7	Purchased Oil, excl Wolf Creek	2,713,344	26.71	8.50	18.21	0.0498	135,000
8	Purchased Power	222,730,875	26.71	30.72	-4.01	-0.0110	(2,440,303)
9	Injuries & Damages	4,179,137	26.71	149.56	-122.85	-0.3357	(1,402,751)
10	Pension Expense	24,838,593	26.71	51.74	-25.03	-0.0684	(1,698,661)
11	OPEBs	729,368	26.71	178.44	-151.73	-0.4146	(302,369)
12	Cash Vouchers	170,324,459	26.71	30.00	-3.29	-0.0090	(1,531,059)
13	Total Operation & Maintenance Expense	688,323,880					(8,590,005)
14	**Taxes other than Income Taxes**						
15	FICA Taxes - Employer's	7,148,738	26.71	13.77	12.94	0.0354	252,745
16	Unemployment Taxes - Federal & State	82,197	26.71	71.00	-44.29	-0.1210	(9,947)
17	City Franchise Taxes - 6% GRT - MO	37,706,313	11.5	72.28	-60.78	-0.1661	(6,261,721)
18	City Franchise Taxes - 4% GRT - MO	14,671,263	11.5	39.34	-27.84	-0.0761	(1,115,978)
19	City Franchise Taxes - Other MO Cities	8,769,824	11.5	60.94	-49.44	-0.1351	(1,184,645)
20	Ad Valorem / Property Taxes	58,165,486	11.5	208.84	-197.34	-0.5392	(31,361,686)
21	Sales & Use Taxes - MO	22,817,458	11.5	22.00	-10.5	-0.0287	(654,599)
22	**Total Taxes other than Income Taxes**	149,361,278					(40,335,830)
23	**Current Income Taxes-Federal**	24,686,994	26.71	45.63	-18.92	-0.0517	(1,276,169)
24	Current Income Taxes-State	4,449,037	26.71	45.63	-18.92	-0.0517	(229,988)
25	**Total Income Taxes**	29,136,031					(1,506,158)
26	**Interest Expense**	71,190,160	26.71	86.55	-59.84	-0.1635	(11,639,397)
27	**Total Cash Working Capital Requirement**	938,011,349					(62,071,389)

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Allocation Factors

Line No.	Jurisdiction Factors	Missouri	KS & Wholesale	Total
	A	B	C	D
1	**Jurisdiction Factors**			
2	Missouri Jurisdictional	100.0000%	0.0000%	100.0000%
3	Kansas Jurisdictional	0.0000%	100.0000%	100.0000%
4	Non Jurisdictional/Wholesale	0.0000%	100.0000%	100.0000%
5	D1 - Demand (Capacity) Factor	52.3942%	47.6058%	100.0000%
6	E1 - Energy Factor with Losses (E1)	56.1261%	43.8739%	100.0000%
7	C1 - Customer - Elec (Retail only) (C1)	52.5259%	47.4741%	100.0000%
8	**Blended Factors (See Calculation Below)**			
9	Sal & Wg - Salaries & Wages w/o A&G	53.1559%	46.8441%	100.0000%
10	PTD - Prod/Trsm/Dist Plant (excl Gen)	53.5174%	46.4826%	100.0000%
11	Dist Plt - Weighted Situs Basis	55.4895%	44.5105%	100.0000%
12	**Situs Basis Plant used for Dist Depr Reserve**			
13	360 - Dist Land	50.2113%	49.7887%	100.0000%
14	360 - Dist Land Rights	58.3324%	41.6676%	100.0000%
15	361 - Dist Structures & Improvements	56.4512%	43.5488%	100.0000%
16	362 - Distr Station Equipment	61.0734%	38.9266%	100.0000%
17	362 - Distr Station Equip-Communication	54.9206%	45.0794%	100.0000%
18	363 - Distr Energy Storage Equipment	100.0000%	0.0000%	100.0000%
19	364 - Dist Poles, Towers & Fixtures	55.6439%	44.3561%	100.0000%
20	365 - Dist Overhead Conductor	56.2871%	43.7129%	100.0000%
21	366 - Dist Underground Circuits	58.5149%	41.4851%	100.0000%
22	367 - Dist Underground Conduct & Devices	52.4328%	47.5672%	100.0000%
23	368 - Dist Line Transformers	57.3830%	42.6170%	100.0000%
24	369 - Dist Services	51.1429%	48.8571%	100.0000%
25	370 - Dist Meters	53.8186%	46.1814%	100.0000%
26	370 - Dist AMI Meters	52.9363%	47.0637%	100.0000%
27	371 - Dist Customer Premise Installations	59.6266%	40.3734%	100.0000%
28	373 - Dist Street Lights & Traffic Signals	35.5953%	64.4047%	100.0000%

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Description of Allocators

NET ELECTRIC OPERATING INCOME

Revenues
Retail revenues are the revenues received from retail customers in Missouri and Kansas. Retail revenues are not allocated; rather, they are recorded by jurisdiction.

Miscellaneous revenues include forfeited discounts, miscellaneous services, rent from electric property, transmission service for others, and other electric revenues. These miscellaneous revenues are subdivided and, where possible, assigned directly to the jurisdiction where they are recorded. The miscellaneous revenues that are not directly assignable to a jurisdiction are grouped by functional categories and allocated on a basis consistent with that functional category.

Non-firm off-system sales and firm bulk sales revenue are allocated based on the Energy allocator.

Sales for resale revenue is revenue from the full-requirements firm wholesale customers under FERC jurisdiction. This revenue is assigned totally to the FERC jurisdiction.

Fuel & Purchased Power Cost
Fuel cost is primarily allocated based on the Energy allocator. The exception is that the amortization of SO2 Allowances are assigned directly to the applicable jurisdiction

The purchased power demand (capacity) component is allocated based on the Demand allocator, while the energy component is allocated based on the Energy allocator.

Non-Fuel Operations and Maintenance ("O&M") Costs
Production O&M cost is allocated consistent with the allocation of production plant.

Transmission O&M costs associated with company owned transmission plant is allocated consistent with the allocation of transmission plant. Transmisssion Operation Load expense, Transmission of electricity by others and costs associated with participation in SPP are allocated based upon the Energy allocator.

Distribution O&M cost is allocated consistent with the allocation of distribution plant.

Customer accounts expense is primarily allocated using the Customer allocator. The exception is that the uncollectible accounts expense is assigned directly to the applicable jurisdiction.

Customer services and information expense is primarily allocated using the Customer allocator. The exception is that the amortizations of Energy Efficiency/Demand Response, and Renewable Energy Standards costs are assigned directly to the applicable jurisdiction.

Sales expense is primarily allocated using the Customer allocator.

A&G expense is allocated using a number of methods depending on the cause of the cost. Salaries, employee benefits, and injuries and damages expenses are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously. Regulatory expenses are assigned directly to the applicable jurisdiction, with the exception of the FERC regulatory expense, which is allocated based on the Energy allocator. Amortization of other jurisdictional costs deferred as a result of prior regulatory orders are assigned directly to the applicable jurisdiction. Property insurance and General plant maintenance is allocated based on the composite allocation of production, transmission and distribution plant. Fleet expense is allocated based on the allocation of distribution plant. General advertising expense is allocated using the Customer allocator. The remaining A&G expenses are allocated using the Energy allocator.

Depreciation and Amortization Expenses

Depreciation expense is allocated based on the allocation of the plant with which they are associated. Amortization expense is allocated based on the composite allocation of production, transmission and distribution plant, with the exception of Amortizations as a result of a prior regulatory order, which are assigned directly to the applicable jurisdiction.

Interest on Customer Deposits

Interest on customer deposits is assigned directly to the applicable jurisdiction.

Taxes

Property tax is allocated based on the composite allocation of production, transmission and distribution plant. Payroll tax is allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses. Gross receipts tax is assigned directly to the Missouri jurisdiction and then eliminated through an adjustment (adjustment R-1). Other miscellaneous taxes are allocated based on the composite allocation of production, transmission and distribution plant.

Currently payable income tax is not allocated. Instead, currently payable income tax is calculated in the Revenue Requirement Model using the statutory tax rates for the appropriate jurisdiction and applying those rates to jurisdictional taxable income calculated in the Revenue Requirement Model. Deferred tax expense related to depreciation is calculated using the statutory federal and state tax rates for the appropriate jurisdiction and applying a composite tax rate to the jurisdictional difference between tax return depreciation and straight-line depreciation reflected in the Revenue Requirement Model. Other deferred income tax expenses are allocated based on the composite allocation of production, transmission and distribution plant, with the exception of Amortizations as the result of prior regulatory orders are assigned directly to the applicable jurisdiction. Kansas City, Missouri Earnings Tax applies only to the Missouri jurisdiction and is therefore only calculated for the Missouri jurisdiction.

RATE BASE

Plant-in-Service and Reserve for Depreciation and Amortization

The Demand allocator is used to allocate production plant. The exception is for plant items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include the Missouri gross-up accounting treatment of allowance for funds used during construction ("Missouri Gross AFDC") and the Iatan 1 and Iatan 2 plant disallowances. These items are assigned directly to the applicable jurisdiction.

Transmission plant cost is allocated based primarily using the Demand allocator. Missouri Gross AFDC amounts in the transmission plant amounts are allocated directly to Missouri.

Distribution plant cost is assigned based on physical location.

General plant cost is allocated based on the composite allocation of production, transmission, and distribution plant. Missouri Gross AFDC amounts in the general plant amounts are allocated directly to Missouri.

Intangible plant consists primarily of capitalized software, which is allocated based on the allocation factor considered most appropriate for the function of the software. For example, the customer information system is allocated based on the Customer allocation factor, whereas transmission-related software is allocated consistent with the allocation of Transmission plant.

The reserves for accumulated depreciation and amortization are allocated based on the allocation of the plant with which they are associated. The exception is for reserve items that have been afforded different jurisdictional accounting treatment through past commission orders. For example, Additional Credit Ratio Amortizations were assigned to specific reserve plant accounts in each jurisdiction differently and therefore are assigned directly to the applicable jurisdiction.

Working Capital
Cash working capital ("CWC") is not allocated. Instead, the CWC amounts are calculated in the Revenue Requirement Model by taking the net CWC factors and applying these factors to allocated jurisdictional amounts in the Revenue Requirement Model. Fuel inventory is allocated using the Energy allocator. Materials and supplies ("M&S") and prepayments are grouped by function and allocated based on allocations appropriate for the function of the M&S and prepayments.

Regulatory assets and Regulatory Liabilities
Regulatory assets and regulatory liabilities are primarily assigned directly to the applicable jurisdiction. There are two exceptions (1) Pension and OPEB, which are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses and (2) SO2 Emission Allowances for EPA auction proceeds, which are allocated based on the Energy allocator.

Accumulated Reserve for Deferred Taxes
The reserve is primarily allocated based on the allocation of plant with which it is associated. However, deferred tax reserve amounts that are associated with regulatory assets and liabilities are assigned directly to the applicable jurisdiction.

Customer Advances for Construction and the Customer Deposits
The customer advances for construction and the customer deposits are assigned directly to the applicable jurisdiction.

Kansas City Power & Light Company
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Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.702% Return	
	A				B	C	
1	Net Income Before Taxes (Sch 9)	346,191,075				185,579,610	
2	***Add to Net Income Before Taxes:***						
3	Depreciation Exp	243,445,643				127,861,126	
4	Plant Amortization Exp	36,900,561				19,748,221	
5	Amortization of Unrecovered Reserve on General Plt-KS	1,661,925	100% KS	0.0000%		0	
6	Book Nuclear Fuel Amortization	27,940,130				15,681,705	
7	Transp & Unit Train Depr-Clearing	2,599,562				1,384,758	(a)
8	50% Meals & Entertainment	699,150	Sal&Wg	53.1559%		371,639	
9	**Total**	313,246,972				165,047,449	
10	***Subtract from Net Income Before Taxes:***						
11	Interest Expense	139,572,242				71,190,160	
12	IRS Tax Return Depreciation	306,064,147	PTD	53.5174%		163,797,574	
13	IRS Tax Return Plant Amortization	22,061,591	PTD	53.5174%		11,806,790	
14	IRS Tax Return Nuclear Amortization	33,960,324	E1	56.1261%		19,060,605	
15	Employee 401k ESOP Deduction	2,340,000	Sal&Wg	53.1559%		1,243,848	
16	IRC Section 199 Domestic Production Activities	0	D1	52.3942%		0	
17	**Total**	503,998,304				267,098,977	
18	**Net Taxable Income**	155,439,743				83,528,083	
19	**Provision for Federal Income Tax:**						
20	Net Taxable Income	155,439,743				83,528,083	
21	Deduct State Income Tax @ 100.0%	8,271,850			6.25%	4,449,037	
22	Deduct City Income Tax	0				0	
23	Federal Taxable Income	147,167,893				79,079,046	
24	Federal Tax Before Tax Credits	51,508,762			35.00%	27,677,666	
25	Less Tax Credits:						
26	Wind Tax Credit	(3,730,876)	E1	56.1261%		(2,093,995)	
27	Research and Development Tax Credit	(637,033)	E1	56.1261%		(357,542)	
28	Alternate Refueling Property Tax Credit (Charging Stations)	(885,798)	E1	56.1261%		(497,164)	
29	Fuels Tax Credit	(74,780)	E1	56.1261%		(41,971)	
30	**Total Federal Tax**	46,180,275				24,686,994	
31	**Provision for State Income Tax:**						
32	Net Taxable Income	155,439,743				83,528,083	
33	Deduct Federal Income Tax @ 50.0%	23,090,138			17.50%	12,343,497	
34	Deduct City Income Tax	0				0	
35	State Jurisdictional Taxable Income	132,349,605				71,184,586	
36	**Total State Tax**	8,271,850			6.25%	4,449,037	
37	**Provision for City Income Tax:**						
38	Net Taxable Income	155,439,743				83,528,083	
39	**Total City Tax**	0			0.00%	0	
40	**Effective Tax rate before Tax Cr and Earnings Tax**	38.39%				38.39%	
41	**Summary of Provision for Current Income Tax:**						
42	Federal Income Tax	46,180,275				24,686,994	
43	State Income Tax	8,271,850				4,449,037	
44	City Income Tax	0				0	
45	**Total Provision for Current Income Tax**	54,452,125				29,136,031	
46	**Deferred Income Taxes:**						
47	Deferred Income Taxes - Excess IRS Tax over Book D&A	23,699,455	See Computation Below			14,015,895	
48	Amortization of Deferred ITC	(1,073,315)	PTD	53.5174%		(574,410)	
49	Amort of Excess Deferred Income Taxes (ARAM)	(500,253)	PTD	53.5174%		(267,722)	
50	Amortization of Cost of Removal-ER-2007-0291	354,438	100% MO	100.0000%		354,438	
51	**Total Deferred Income Tax Expense**	22,480,325				13,528,201	

Kansas City Power & Light Company
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Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.702% Return
52	**Total Income Tax**	76,932,450				42,664,232
53	(a) Percent of vehicle depr clearing to O&M				38.2323%	
54	Effective Tax Rate excluding City Earnings Taxes - MO juris	38.3900%				38.3900%

Interest Expense Proof:

Total Rate Base (Sch. 2)	2,576,273,286
X Wtd Cost of Debt	2.763%
Interest Exp	71,190,160
Less: Interest Expense from Line 7	71,190,160
Difference	0

* As Needed

Computation of Line 43 Above:

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 7.702% Return
	Deferred Income Taxes - Excess IRS Tax over Book D&A:					
55	IRS Tax Return Depreciation	306,064,147				163,797,574
56	Less: Book Depreciation	245,107,568				127,861,126
57	Excess IRS Tax Depr over Book Depreciation	60,956,579				35,936,448
58	IRS Tax Return Plant Amortization	22,061,591				11,806,790
59	Less: Book Amortization	36,900,561	PTD	53.5174%		19,748,221
60	Excess IRS Tax Amort over Book Amortization	(14,838,970)				(7,941,431)
61	IRS Tax Return Nuclear Amortization	33,960,324				19,060,605
62	Less: Book Nuclear Amortization	27,940,130	E1	56.1261%		15,681,705
63	Excess IRS Tax Nuclear Amort over Book Nuclear Amort	6,020,194				3,378,900
64	Total Timing Differences	52,137,803				31,373,917
65	AFUDC Equity	8,729,868	PTD	53.5174%		4,671,998
66	MO ITC Coal Basis Adjustment	427,672	PTD	53.5174%		228,879
67	MO Miscellaneous Flow Through	438,065	PTD	53.5174%		234,441
68	Total Timing Differences after Flow Through	61,733,408				36,509,235
69	Effective Tax rate	38.39%				38.39%
70	**Deferred Income Taxes - Excess IRS Tax over Tax SL**	23,699,455				14,015,895

SCHEDULE RAK-9

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