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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0156

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
February 2016

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DIRECT TESTIMONY

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RONALD A. KLOTE

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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") as Director, Regulatory Affairs.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L Greater Missouri Operations Company ("GMO" or the "Company").

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. I am currently working on my Executive Masters of Business Administration from the University of Missouri – Kansas City with an expected completion date of May 2016. I hold a Certified Public Accountant 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 proceedings 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 GMO 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).

REVENUE REQUIREMENT MODEL AND SCHEDULES

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 GMO 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 GMO 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 based on the return on equity ("ROE") sponsored by GMO witness Kevin E. Bryant in his Direct Testimony that is within the ROE range supported by GMO witness Robert B. Hevert in his Direct Testimony.

Q: What was unique about the preparation of the revenue requirement calculation compared to previous GMO filings?

A: In previous cases, GMO filings consisted of a separate revenue requirement calculation for the two GMO electric jurisdictions which consisted of GMO-MPS ("MPS") and GMO-L&P ("L&P"). In this rate case filing, we are requesting consolidation of these two electric rate jurisdictions. As such, the revenue requirement calculation in this case represents the consolidation of these two electric jurisdictions. Additionally, separate MPS and L&P revenue requirement calculations have also been performed and are also attached as schedules to my Direct Testimony. MPS revenue requirement schedules and other supporting schedules are located at RAK-8 through RAK-14 and L&P revenue requirement schedules and other supporting schedules are located at RAK-15 through RAK-21.

Q: Does the Company currently keep separate books and records for the MPS and L&P territories?

A: Yes.

Q: If the rate schedules for the MPS and L&P service territories are consolidated into a single rate schedule, would the Company intend to continue to keep separate books and records for MPS and L&P jurisdictions?

A: No, the Company requests the Commission's approval to discontinue separate accounting for the MPS and L&P territories if consolidated rate schedules for GMO are approved. This would include providing Surveillance Reports on a consolidated GMO basis as apposed to an individual MPS and L&P jurisdictional basis.

TEST YEAR

Q: What historical test year did GMO 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 June 30, 2015, with known and measurable changes projected through July 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 June 30, 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. In addition, due to the consolidation of electric jurisdictions requested in this case, additional time was necessary for revenue requirement and rate design processes to be completed.

Q: Does GMO's test year expense reflect an appropriate allocation of KCP&L overhead to 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. These are not as significant as the costs allocated from KCP&L, but GMO does incur some 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 to become 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 July 31, 2016 in order to provide this update to rate base, revenues and expenses in this rate case.

JURISDICTIONAL ALLOCATIONS

Q: Have jurisdictional/utility allocation factors been developed for the combined MPS and L&P jurisdictions?

A: Yes. Jurisdictional factors are needed to ensure cost recovery from each of the jurisdictions served by GMO. The factors must be set so that all costs are appropriately recovered. Currently, MPS has two rate jurisdictions, electric retail and wholesale. L&P also has two jurisdictions that it serves, electric retail and industrial steam. As this current case proposes to combine the electric retail jurisdictions for MPS and L&P into one rate jurisdiction, the corresponding allocations must be developed to accommodate that combination.

Q: How was this accomplished?

A: First let me explain how the allocation factors have been established in the past then I will explain how they were developed to accommodate the combining of the MPS and L&P electric rate jurisdictions.

Q: Please explain the categories of jurisdictional allocations previously used to separate retail and wholesale operations for the MPS operations.

A: Separate allocation factors were developed to separate costs using the following cost drivers: (1) Demand (Capacity), (2) Energy, (3) Transmission, (4) Distribution, (5) Payroll, and (6) Plant. These factors were applied to their associated rate base and cost of service components to create a split between the retail and wholesale operations for MPS operations.

Q: Please describe the L&P operations at its Lake Road generation facility.

A: Two separate products are produced at the L&P Lake Road Station: electricity for L&P's electric power grid and process steam delivered to industrial customers located near the

Lake Road Station. The two business operations are referred to as the electric and steam utilities.

Q: **What allocation factors have been used to separate L&P cost of service between electric and steam products?**

A: The allocation factors are listed in Schedule RAK-20.

Q: **Were these factors calculated as they have been since the methodology was stipulated in Case No. HR-2005-0450?**

A: Yes, other than the changes made based upon operational modifications occurring at the Lake Road Plant as explained in GMO witness Tim M. Rush's Direct Testimony in this case, the allocation factors listed on Schedule RAK-20 were calculated using the same methodology as was agreed to in rate Case No. HR-2005-0450.

Q: **How were the MPS and L&P allocations as represented on Schedules RAK-13 and RAK-20 respectively changed for the combined GMO revenue requirement calculation?**

A: In order to accommodate the combining of the rate base and cost of service components of the MPS and L&P jurisdictions together, the denominators of the MPS electric/wholesale allocation factors needed to include the associated costs from the L&P books and records. As for the electric/steam allocations from the L&P jurisdiction, many of the allocators exclusively allocate costs associated with the Lake Road plant. Those allocators, numbered 1, 2, and 4-12 on Schedule RAK-20 required no change since the allocators would continue to be applied to Lake Road only costs. Allocators 3, 13 and 14 required that the associated denominators include the related MPS costs in order to accommodate the combining of the overall costs.

This leads to the second step of the process. Once, the individual electric/municipal and electric/steam allocation factors were set, a combination of the two allocators had to be made based upon each line item of rate base and cost of service. These combinations can be obtained on Schedule RAK-6.

Q: Overall, is this a significant change to the historically approved methods of allocating costs for MPS and L&P?

A: No, besides the operational changes at the Lake Road plant as described in Company GMO witness Tim M. Rush's Direct Testimony that required a change in methodology regarding the demand and coal burn factors, the only changes needed were to develop the factors to take into consideration the combining of the costs of the two territories.

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 June 30, 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 revenue levels that would have occurred 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 GMO 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: 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 June 30, 2015.

RB-20 PLANT IN SERVICE

Q: Please explain adjustment RB-20.

A: GMO rolled the test year end June 30, 2015 plant balances forward to July 31, 2016, by using the Company's actual results through June 2015 and the 2015 and 2016 capital budgets for subsequent additional capital additions post June 2015. Projected plant additions net of projected retirements were added to actual balances through June 2015 to arrive at projected plant balances at July 31, 2016.

Q: Was the Transmission and Distribution Plant disallowance adjustment contemplated in the Stipulation and Agreement in Case No. ER-2012-0175 ("2012 Case") included in RB-20.

A: Yes. Per the Stipulation and Agreement in the 2012 Case, GMO agreed to reduce its Transmission and Distribution Plant in rate base by $8 million. This disallowance was included in adjustment RB-20.

Q: Was there an adjustment to plant in service accounts associated with the electric vehicle charging stations?

A: Yes. Electric vehicle charging station plant was also removed from actual plant balances at June 2015 and projected plant additions through July 2016. This was done so that Case No. EW-2016-0123 could proceed without raising *ex parte* consideration.

Q: Was the Crossroads Generating Station included in rate base in this rate case reflective of previous case disallowances?

A: Yes. Adjustment RB-20 includes the disallowance adjustment associated with the Crossoads Generating Station. The Crossroads Generating Station is included in rate base for the following amounts for plant of $52,550,618 and accumulated depreciation of $15,976,533 (RB-30). These amounts are the roll forward amounts at July 31, 2016 consistent with the amount of plant and accumulated depreciation after the disallowance adjustment that was included in Case Nos. ER-2010-0356 and ER-2012-0175.

Q: Was there an adjustment to include the solar electrical production facility contemplated in Case No. EA-2015-0256 in rate base?

A: Yes. As part of Case No. EA-2015-0256, GMO made a request for permission and approval of a Certificate of Public Convenience to construct a solar electrical production facility. The solar electrical production facility is anticipated to be in-service prior to the true-up date in this case. As such, a projected amount has been included in this direct filed case with actual amounts incurred expected to be included at the true-up in this rate case.

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

Q: Please explain adjustment RB-25.

A: As continued from the 2012 Case, GMO 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 July 31, 2016 by rolling forward the regulatory asset balance from June 30, 2015 to July 31, 2016.

Q: Was this regulatory asset included in rate base in the 2012 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 2012 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 2012 Case, GMO 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 July 31, 2016 by rolling forward the regulatory asset balance from June 30, 2015 to July 31, 2016.

Q: Was this regulatory asset included in rate base in the 2012 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 2012 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 Reserve for Depreciation from June 30, 2015 to balances projected as of July 31, 2016.

Q: How was this roll-forward accomplished?

A: The depreciation/amortization provision component was calculated in three steps: (i) actual reserve activity through June 30, 2015 was included; (ii) the June 2015 depreciation provision was multiplied by 13 months to approximate the provision that will be charged to the Reserve for Depreciation from July 2015 through July 2016 for plant existing at June 30, 2015; and (iii) by estimating the depreciation/amortization through July 31, 2016 attributable to projected net plant additions from July 2015 through July 2016. In the third 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 were based on actual retirements that occurred during the test period July 2014 through June 2015.

Q: Were the accumulated depreciation impacts for the Crossroads disallowance and the Transmission and Distribution Plant disallowances reflected in Adjustment RB-30?

A: Yes. Both the Crossroads disallowance and the Transmission and Distribution Plant disallowance were included in adjustment RB-30.

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 is the most significant prepayment included?

A: The most significant prepayment relates to prepaid insurance.

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

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

RB-55/CS-22 EMISSION ALLOWANCES

Q: Please explain adjustment RB-55.

A: The Company is required to obtain rights from the federal government for the production of SO_2 emissions resulting from fossil fuel consumption in its power plants. These rights are secured through the acquisition of emission allowances, which are consumed as the various plants operate. This adjustment normalizes the SO_2 allowance inventory.

Q: What method was used to calculate the SO_2 emission allowance inventory?

A: Adjustment RB-55 is based on a thirteen-month average of the SO_2 emission allowance inventory (FERC account 158.1) maintained by GMO for the period June 2014 through June 2015.

Q: Please explain NO_X emission allowances included in RB-55?

A: Similar to SO_2 emissions, the Environmental Protection Agency ("EPA") maintains compliance standards associated with the production of NO_X emissions resulting from fossil fuel consumption in its power plants. The adjustment for NO_X emission allowances represents the NO_X inventory balance as of June 30, 2015.

Q: Please explain adjustment CS-22.

A: This adjustment reflects the removal of test year amortizations associated with the sale of EPA SO_2 emission allowances. As amortizations end shortly after rates are effective in this case, test year amortizations are removed from test year activity. Future sales proceeds of SO_2 emission allowances are proposed to be flowed through the fuel adjustment clause.

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

Q: Please explain adjustment RB-61.

A: Beginning June 25, 2011, GMO initiated a new tracker for Other Post-Employment Benefits ("OPEB") costs with the difference between current period costs and costs underlying rates being amortized over five years in the next case. This tracker mechanism was continued in GMO's most recent case, the 2012 Case. Because OPEB costs decreased from the amount included in the 2012 Case, a regulatory liability exists with the Missouri electric retail jurisdictional portion reflected as a reduction of rate base.

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

A: The Company annualized OPEB expense for GMO using MPS and L&P's jurisdiction's applicable share of the projected 2016 total company OPEB amount provided by the Company's actuary, Willis Towers Watson, prepared in accordance with Accounting Standards Codification 715, Compensation – Retirement Benefits, previously referred to as Financial Accounting Standards No. 106. This amount will establish the base amount to include in rates and will be used to track against future actual OPEB costs.

Q: Is the amortization expense of the regulatory liability included in adjustment RB-61 included in adjustment CS-61?

A: Yes, it is. The operations and maintenance ("O&M") portion of the regulatory liability adjustment RB-61 is amortized over five years and is reflected in adjustment CS-61.

Q: Does adjustment CS-61 take into consideration OPEB expense billed by KCP&L to GMO as a joint partner in the Iatan 1 and 2 generating units and amounts charged to capital?

A: Yes it does, based on data from the payroll adjustment.

RB-65/CS-65 PENSION COSTS

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

A: CS-65 is the adjustment for pension expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits. This adjustment computes an annualized level of pension expense 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 their projected July 31, 2016 balances.

Q: **Do these pension adjustments take into consideration pension expense billed to GMO as a joint partner in the Iatan 1 and Iatan 2 generating units as well as amounts charged to capital?**

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

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

A: CS-65 consists of the GMO jurisdiction share of the annualized FAS 87 expense which is 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 (vintage 2011, 2013 and 2014) regulatory assets.

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

A: Yes, annualized pension expense continues to follow the methodology agreed to in the prior two GMO rate proceedings; Case No. ER-2012-0175 and Case No. ER-2010-0356.

Q: What is the amount of FAS 87 expense on a total company basis currently built into rates for MPS and L&P?

A: The 2012 Pension and OPEB Stipulation and Agreement established the annual total company amount built into rates at $7,349,684 for MPS and $1,934,673 for L&P. These amounts are 1) after removal of capitalized amounts and 2) after inclusion of the portion of KCP&L's annual pension cost which is allocated to MPS and L&P for its joint owner share of KCP&L's Iatan 1 and Iatan 2 generating unit/stations, but 3) before inclusion of allowable Supplemental Executive Retirement Plan ("SERP") pension costs and 4) before amortization of pension-related regulatory assets/liabilities.

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

A: The comparable amounts included in cost of service in this rate case are $7,607,498 for MPS and $4,120,967 for L&P.

Q: Please explain the FAS 87 regulatory asset?

A: This regulatory asset represents the projected cumulative unamortized difference in FAS 87 pension expense for ratemaking purposes and pension expense built into rates. The balance is rolled forward to July 31, 2016 to determine the proper amount to be included in rate base and upon which to base an annualized amortization in this case.

Q: What is GMO's projected amount at July 31, 2016 for the MPS and L&P FAS 87 regulatory assets on a total company basis?

A: GMO's FAS 87 regulatory asset is projected to be $35,649,514 at July 30, 2016 which includes $28,481,938 for MPS and $7,167,576 for L&P.

Q: Why was a five-year amortization period used for the FAS 87 regulatory asset?

A: A five-year amortization period was used consistent with the 2012 Case Pension and OPEB Stipulated Amounts.

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

A: Yes, this is consistent with the 2012 Case Pension and OPEB Stipulated Amounts.

Q: Please explain the FAS 88 regulatory asset?

A: This regulatory asset represents the projected cumulative deferred costs for pension plan settlements accounted for under FAS 88 with the balance rolled forward to July 31, 2016. 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 the 2012 Case for amortization over five years; (2) the 2013 vintage for settlements related to the Joint Trusteed Pension Plan during 2013; and, (3) the 2014 vintage for settlements related to the Non-Union Pension Plan during 2014.

Q: What is GMO's projected cumulative FAS 88 regulatory balance at July 31, 2016?

A: GMO's projected FAS 88 regulatory asset at July 31, 2016 is $10,432,649 which consists of $1,798,206 for the 2011 vintage, $3,658,130 for the 2013 vintage and $4,976,313 for the 2014 vintage. The total projected balance includes $7,149,446 for MPS and $3,283,203 for L&P.

Q: Why was a five-year amortization period used for the FAS 88 regulatory asset?

A: A five-year amortization period was used consistent with the 2012 Case Pension and OPEB Stipulated Amounts.

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

A: No, it is not included in rate base in accordance with the 2012 Case Pension and OPEB Stipulated Amounts.

Q: Please explain prepaid pension asset adjustment.

A: This asset represents the cumulative projected difference between pension expense computed under FAS 87 and contributions to the pension trusts. This adjustment was made to roll forward the prepaid pension regulatory asset to July 31, 2016 in order to determine the proper amount of the prepaid pension asset to be included in rate base.

Q: What is GMO's projected amount at July 31, 2016 for the MPS and L&P's jurisdictional prepaid pension assets on a total company basis?

A: The prepaid pension asset is projected to be $0 for GMO in both the MPS and L&P jurisdictions at July 31, 2016.

Q: Does annualized pension expense include SERP expense?

A: No, SERP expense is considered separately in adjustment CS-62 which is discussed later in this testimony.

Q: Is the regulatory treatment of pension costs in this rate case filing consistent with the 2012 Case Pension and OPEB Stipulated Amounts?

A: Yes, it is.

RB-66/CS-66 ERISA PENSION TRACKER

Q: Please explain adjustments RB-66 and CS-66.

A: RB-66 reflects the remaining regulatory asset established for the Employee Retirement Income Security Act ("ERISA") pension tracker under the prior tracking mechanism which compared the amount collected in rates to actual contributions. CS-66 reflects the continued amortization of this regulatory asset. These adjustments segregate the ERISA tracker and related amortization from the current method pension-related regulatory assets and expense in adjustments CS-65 and RB-65 which were discussed earlier in this testimony.

Q: Are the amortization amounts that are included in adjustment CS-66 consistent with the authorized treatment in the 2012 Case Pension and OPEB Stipulated Amounts?

A: Yes, the amortization amounts remained consistent with those authorized in the 2012 Case.

RB-70 CUSTOMER DEPOSITS

Q: Please explain adjustment RB-70.

A: We examined GMO customer deposit balances for customers from June 2014 through June 2015. The analysis observed an increasing balance, reflecting an upward movement during the test period. Therefore, we chose to use the June 30, 2015 balance in rate base.

RB-71 CUSTOMER ADVANCES

Q: Please explain adjustment RB-71.

A: We examined customer advance balances for customers from June 2014 through June 2015. The analysis observed an increasing trend to the balance. Therefore, we used the June 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 June 2014 through June 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-100/CS-100 ENERGY EFFICIENCY/DEMAND RESPONSE COSTS

Q: Please explain adjustment RB-100.

A: Company witness Tim M. Rush discusses GMO's energy efficiency/demand response ("EE/DR") programs in his Direct Testimony. This adjustment rolls forward the unamortized deferred EE/DR costs from August 31, 2012, the true-up period in the 2012 Case, to July 31, 2016 for previously established vintages 1-3. Also included in this adjustment is vintage 4 deferrals representing actual EE/DR costs incurred from September 2012 through June 2015 and projected deferred expenditures through July 31, 2016 including carrying costs on the unamortized balance. This treatment is consistent with the Report and Order in Case No. ER-2010-0356.

Q: Please explain adjustment CS-100.

A: This adjustment includes an annual amortization of deferred pre-Missouri Energy Efficiency Investment Act ("MEEIA") costs based on the projected deferred cost balance included in adjustment RB-100. The amortization period included for this case for vintages 1 and 2 is ten years and vintage 3 is six years consistent with prior treatment approved in the 2012 Case. Vintage 4's amortization period requested in this case is six years consistent with the Commission's 2010 Report and Order in Case No. ER-2010-0356.

Q: Were any other adjustments made in CS-100?

A: Yes, GMO included an amount to be recovered in base rates for the Income-Eligible Weatherization program. This program, formerly known as the Low-Income Weatherization program, is currently included as a MEEIA program and collected through the demand-side investment mechanism charge applied to customers' bills as part of the Non-Unanimous Stipulation and Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing in Case No. EO-2012-0009. Implementation of the tariffs sheets became effective with the effective date of rates, or January 26, 2013, resulting from the Commission Order in the 2012 Case.

Q: Why is it reasonable to include an amount in base rates for future recovery?

A: In KCP&L's most recent rate case (Case No. ER-2014-0370), the Commission found this program to be an important service that benefits low-income residents, and wanted to ensure continuity of the program going forward. To avoid any continuity problems in the future, the Commission determined that collecting program funds through base rates was preferable over recovery of this program through the KCP&L MEEIA rider. As such, an amount was included in KCP&L's cost of service to be recovered annually. Similarly, GMO has included an annual amount to be included in base rates for this program that is representative of 2016 projected program costs.

RB-125 ACCUMULATED DEFERRED INCOME TAXES

Q: Please explain adjustment RB-125.

A: We adjusted June 30, 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 GMO'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 GMO's rate base?

A: Adjustment RB-125 relates to items included in GMO'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 GMO. Under the Internal Revenue Service ("IRS") 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 include such timing differences as accrued maintenance and as net operating losses increase rate base. GMO 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, GMO 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 June 30, 2015 general ledger balances, with the plant-related ADIT balances adjusted for projected plant activity through July 31, 2016 as reflected in rate case adjustment RB-20. In addition, Pension related ADIT balances were adjusted for projected activity through July 31, 2016 as reflected in rate case adjustments RB-65 and RB-66.

Q: Does the projected ADIT in this case include the impact of the extension of bonus depreciation to 2014, 2015 and 2016 by Congress?

A: Yes.

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 2012 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 25.988 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 9.06 days in the 2012 Case to 8.78 days. This resulted in a total retail revenue lag of 25.988 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 GMO'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 68.67% in the 2012 Case to 67.36% in the current rate case. The average number of days that bills are outstanding was recalculated for the period July 1, 2014 to June 30, 2015, resulting in a revision from 28.921 days in the 2012 Case to 26.899 days in the current rate case.

Q: What is the blended total revenue lag?

A: Consistent with the 2012 Case, GMO 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 decreased to 26.42 days from the 26.69 days used in the 2012 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 GMO make any other changes to the CWC lead/lag factors determined in the 2012 Case?

A: Yes, the Company updated the revenue lag days for Corporate and City Franchise Taxes and Sales/Use Taxes from 11.49 days in the 2012 Case to 11.21 days in the current case. This change resulted from the update of the blended revenue factor to 26.42 days compared to the 26.69 days from the 2012 Case. The expense leads remained unchanged from those settled on in the 2012 Case. Where inconsistencies existed in the expense leads between the MPS and L&P jurisdictions from the 2012 Case, the MPS expense leads were utilized for purposes of this case. Some examples include the expense leads for Injuries and Damages, Federal Insurance Contributions Act ("FICA") taxes and Ad Valorem/Property Taxes.

Q: Are you aware of any changes in GMO's processes which would cause any of the other lead/lag factors to require modification from those used in the 2012 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).

R-21 FORFEITED DISCOUNTS

Q: Please explain adjustment R-21.

A: In adjustment R-21a, we normalized forfeited discounts by computing a GMO specific forfeited discount factor based on test period forfeited discounts and revenue and applying it to GMO's weather-normalized revenue. In adjustment R-21b, we applied the GMO specific forfeited discount factor to the revenue requirement increase requested in this rate case which if granted will be the amount of revenues added to GMO's weather-normalized revenue.

R-30/CS-30 INTER-COMPANY OFF-SYSTEM SALES

Q: Please explain adjustments R-30 and CS-30.

A: These adjustments eliminate the inter-company transactions between MPS and L&P that were recorded during the test year (R-30 for revenues and CS-30 for costs).

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 allowed 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") and the GMO 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 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 GMO 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 GMO 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 GMO. This revenue is then multiplied by the ROE adjustment percentage described above to arrive at the final adjustment amount. This adjustment applies 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 GMO.

Q: Please explain why this 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 ADJUSTMENT

Q: Please explain adjustment R-82.

The Company annualized transmission revenue recorded in FERC accounts 456009, 456100 and 456109 based on an average of 2017-2018 forecasted levels. This was due to the overall increase in transmission revenues that GMO is incurring over test year levels. By using this projected level, GMO is better able to match the actual transmission revenues levels with the rate period in which they are offsetting rates for customers.

R-106 L&P REVENUE PHASE-IN AMORTIZATION

Q: Please explain adjustment R-106.

A: Based on the Non-Unanimous Stipulation and Agreement As To Certain Issues in the 2012 Case, the previous agreement regarding L&P's phase-in revenues was terminated early, with an annual amount totaling $1,870,245 included in L&P's revenue requirement. The Non-Unanimous Stipulation and Agreement at page 11, Issue III.8 states:

> The phase-in of the rate increase in the L&P rate district that was the subject of Case Nos. ER-2012-0024 and ER-2010-0356 shall be terminated early and the unrecovered portion of the remaining increase plus carrying costs the Commission ordered be recovered shall be included

> in the revenue requirement for the L&P rate district in this case at an annual amount of $1,870,245. The annual amount of $1,870,245 is based on a three-year amortization of the unrecovered portion of the remaining increase plus carrying costs. To the extent that GMO's general rates that include this annual amount for more than three years, GMO shall pro rate the annual amount by the time period beyond three years and shall reduce the revenue requirement upon which it bases its subsequent general electric rate increase to return that amount to its retail customers in its L&P rate district.

Q: What impact does adjustment R-106 have on this case?

A: Rates in the 2012 Case became effective January 26, 2013; therefore, the three-year inclusion of the annual amount in rates will conclude at the end of January 2016. However, this amount will continue to be collected for approximately 12 months, or until new rates are effective in this rate proceeding, anticipated for January 2017. Beginning February 2016, GMO will record a regulatory liability with an offset to revenue on a monthly basis. Adjustment R-106 amortizes the over-collection of $1,870,245 over three years, resulting in a reduction in GMO's revenue requirement thereby refunding this amount to retail customers.

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 $1.65 million (a GMO total company amount). These costs for which the Company is not seeking recovery primarily include director and officer equity compensation, prior period transactions, and certain non-recoverable officer expense report items. We believe the costs were ordinary and reasonable business expenses, however, we are not requesting recovery of these costs from ratepayers in this case.

Miscellaneous coding corrections- The Company has identified various transactions where coding corrections were made after the end of the test year. The original transactions have been removed from test year costs netting to approximately $850,000 (a GMO total company amount).

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 GMO Receivables Company ("GREC").

Q: Please explain adjustment CS-20.

A: In adjustment CS-20a we adjusted bad debt expense applicable to the weather-normalized revenues sponsored by Company witness Bradley D. Lutz (adjustment R-20) by applying a specific net bad debt write-off factor to weather-normalized revenue. In CS-20b, the adjustment was necessary to determine the bad debt expense for the requested revenue adjustment in this rate case, again using the net bad debt write-off factor. Absent adjustment CS-20b, the requested revenue adjustment in this rate case would not properly reflect normalized expenses directly related to bad debts.

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

A: We examined net bad debt write-offs 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, July 2014 through June 2015, while the related retail revenue was for the 12-month period January 2014 through December 2014.

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-39 IT SOFTWARE MAINTENANCE

Q: Please explain adjustment CS-39.

A: This adjustment 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. GMO included an annualized July 2016 budgeted amount to reflect an annual level of expense. The types of maintenance contracts that were annualized as of July 31, 2016 include: Microsoft premier support and software licenses, Oracle systems and service contracts, PowerPlan system, and various hardware and software maintenance contracts.

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 trending higher over historical levels and is projected to continue to increase, GMO included test year maintenance expenses in its direct case, as being the most representative level for ongoing expense. Therefore, net operating income is properly stated and requires no adjustment.

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 levels have been trending higher over historical levels and is projected to continue to increase, GMO included test year maintenance expenses in its direct case, as being the most representative level for ongoing expense. Therefore, net operating income is properly stated and requires no adjustment.

CS-43 MAJOR MAINTENANCE

Q: Please explain adjustment CS-43.

A: This adjustment normalizes turbine overhaul maintenance.

Q: Please describe the turbine overhaul maintenance adjustment.

A: Scheduled steam turbine overhauls are typically on a seven-year cycle, whereas combustion turbine overhauls typically are based on number of starts and hours ran. As a result, actual expense can increase considerably in years corresponding to major maintenance service. To mitigate the large variability, major maintenance expense is spread out over the service life of the related equipment through an accrual process. This method provides a more consistent measurement of annual maintenance expense.

Q: How was the turbine overhaul maintenance expense component computed?

A: An annualized accrual level was computed for each plant covered by the turbine overhaul maintenance account. Accrual amounts were computed using projected turbine outage overhaul costs that are projected over the next seven years in consideration with the accumulated turbine overhaul maintenance account projected balance through December 2016. The annualized accrual level was compared to test year annualized accrual levels. In most cases, the annualized turbine overhaul maintenance was reduced to reflect projections that are either below current levels or reflect an over accrued balance. By using the next seven-year turbine overhaul cycle, accruals will be better matched with the periods in which the costs will be incurred.

Q: Were there any significant changes in the accrual levels?

A: Yes. Specifically, the South Harper maintenance accrual was reduced to $0. This reduction reflects the over accrued balance as of December 2016.

CS-44 ECONOMIC RELIEF PILOT PROGRAM

Q: Please explain adjustment CS-44.

A: As part of the Non-Unanimous Stipulation and Agreement As To Certain Issues in the 2012 Case, the Company was authorized to continue to fund its Economic Relief Pilot Program ("ERPP") by including 50% in cost of service and 50% funded by shareholders. In this rate case, the Company is requesting an increase in the monthly bill credit that is applicable to customers' bills. Company witness Bradley D. Lutz discusses the ERPP program in his Direct Testimony and this increased level of funding to be included in this case. This adjustment reflects the increased level of funding to be included in cost of service in this rate case proceeding.

Q: Were any other adjustments made to CS-44?

A: Yes, the previously authorized regulatory asset amortization of vintage 2 will be fully amortized by January 2016 prior to the rate case true-up of July 31, 2016. As such, the per book amortization expense has been removed from the test year for vintage 2.

CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS

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 GMO is incurring year-over-year. By using this projected level, GMO 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 significantly?

A: Yes, primarily related to the costs allocated to GMO 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: Did the Company include an amount for transmission costs associated with the Crossroads Generating Station?

A: Yes. The Company included the projected average annual amount of Crossroads transmission expense for calendar years 2017 and 2018 less the amount of disallowed transmission cost associated with Crossroads Generating Station that was established in Case Nos. ER-2010-0356 and ER-2012-0175. Please see the Direct Testimony of Company witnesses John R. Carlson, Burton L. Crawford and Scott H. Heidtbrink for further discussion of the Crossroad generation facilities transmission costs.

Q: What was the projected annual amount of transmission expense included in this case and what was the previously disallowed transmission expense associated with the Crossroads generating facility that was removed from this case?

A: The average amount of Crossroads transmission expense that was projected for 2017 and 2018 was $13,157,558. The amount of the Crossroads generating facility's transmission expense that was previously disallowed in the 2012 Case that was removed from this case was $4,915,609. This nets to a projected annual amount associated with Crossroads transmission expense of $8,241,949 that is included in this rate case.

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

Q: Please explain adjustment CS-48.

A: In Case No. ER-2010-0356, the Non-Unanimous Stipulation and Agreement As To Miscellaneous Issues established a tracker for Iatan 2 and Iatan common O&M expenses. Since that time there have been four completed vintages of operations and maintenance expenses that have been tracked. Currently, the vintage 5 period of O&M expense is being tracked from February 2015 to January 2016 and vintage 6 will encompass the stub period from February 2016 to July 2016 and will be included in the true-up in this case. This adjustment computes the annual amortization expense over a three-year period of the vintages 2 and 4 regulatory assets and vintage 3 regulatory liability. At the true-up of this case, vintage 5 and vintage 6 will be included in the annual amortization expense. 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.

Q: Will this tracker continue to be utilized in the future?

A: No. The Company is requesting that this tracker be discontinued since a level of historical operation and maintenance expenses has occurred for the Iatan 2 and Iatan common operations. As such, at the true-up date in this case the Company is requesting that the tracker mechanism be discontinued and a base level of operation and maintenance expenses be included in cost of service.

CS-49 CLEAN CHARGING NETWORK O&M

Q: Please explain adjustment CS-49.

A: During 2015, there was a pilot project initiative associated with the installation of electric vehicle charging stations in GMO's service territory. As discussed above in adjustment RB-20, these electric vehicle charging stations have been removed from plant in service in this rate case proceeding so that Case No. EW-2016-0123 can proceed without raising *ex parte* consideration. Adjustment CS-49 removes the test year level of expense related to the clean charging network program to be consistent with the removal of the associated plant assets removed in RB-20.

CS-50 PAYROLL

Q: Please explain adjustment CS-50.

A: GMO annualized payroll expense based on the employee headcount as of June 30, 2015 adjusted for minor 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 July 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 July 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 2012, December 2013 and June 2015, adjusted for labor escalations. 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 includes only GMO's allocated share of this cost.

Q: **Was payroll expense associated with the Company's interest in the Jeffrey Energy Center generating station included in the payroll annualization?**

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 2012, December 2013 and June 2015.

CS-51 INCENTIVE COMPENSATION

Q: **Please explain adjustment CS-51.**

A: GMO annualized incentive compensation based on target payout percentages multiplied by June 2015 base salary for all non-bargaining employees. Adjustments were made to the annual amount to remove all short-term incentive compensation for officers 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).

CS-52 401(k)

Q: Please explain adjustment CS-52.

A: GMO adjusted 401(k) expense to an annualized level by applying an average matching percentage which is based on five separate pay periods during the test year 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 amount that will be contributed for new hires since January 1, 2014 to 401(k) accounts prior to July 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).

CS-53 PAYROLL TAXES

Q: Please explain adjustment CS-53.

A: The Company annualized FICA, Medicare, and Federal Unemployment Tax Act ("FUTA") payroll tax expense by applying the average test year FICA/Medicare/FUTA percent (payroll tax 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).

CS-60 OTHER BENEFITS

Q: Please explain adjustment CS-60.

A: GMO 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 Jeffrey Energy Center generating station annualized in a similar manner?

A: Yes, it was.

CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Q: Please explain SERP Expense.

A: SERP is an additional component to the standard pension plan and is customary in many companies due to limitations imposed by the IRS on standard retirement plans for executives.

Q: **Was SERP expense included in Adjustment CS-65 with pension costs?**

A: No.

Q: **Please explain the CS-62 SERP Adjustment.**

A: CS-62 consists of GMO's portion of SERP costs for the previous entity Aquila's SERP plan and for GPE's SERP plan. Test year amounts which are based on expense as calculated by the Company's actuaries are adjusted to reflect GMO's portion of SERP cash payments.

Q: Is the regulatory treatment recommended in this case similar to the 2012 Case?

A: Yes.

CS-70 INSURANCE

Q: Please explain adjustment CS-70.

A: We annualized insurance costs based on premiums projected to be in effect on July 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 2012, December 2013, and June 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 2012, December 2013 and June 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-76 CUSTOMER DEPOSIT INTEREST

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 customer deposits will be based on the December 1 prime rate published in the *Wall Street Journal*, plus 100 basis points.

The 4.25% rate used in this adjustment for customer deposits remained constant for 2014 and 2015.

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

A: The interest rate was applied to the 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: GMO annualized credit card program expenses based on actual participation levels and costs at June 30, 2015.

Q: What is the status of GMO's credit card payment program?

A: GMO began offering credit card payment options to its residential customers in 2009. Customers have the option to make one-time card payments (non recurring payments) through either the interactive voice response telephone system or the KCP&L website. Since that time participation levels have been steadily increasing, with credit/debit card payments representing 13.38% of all payments in KCP&L and GMO's territory through June 2015.

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 GREC are reflected. The Company then annualized these fees by using June 2015 actuals, determined by (a) calculating monthly interest, based upon the actual rate in effect at June, 2015, applicable to the monthly Seasonal Advance amount for June 2015; (b) calculating the monthly Program Fee based on this monthly advance amount and a Program Fee Rate of 62.5 basis points ("bps"); and (c) calculating the monthly Commitment Fee based upon a fee rate of 22.5 bps. 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 June 2015.

CS-80 RATE CASE COSTS

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: GMO 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 GMO anticipate a full rate case, including hearings, briefs, etc., as opposed to a settled case?

A: Yes, a full rate case was assumed.

CS-85 REGULATORY ASSESSMENTS

Q: Please explain adjustment CS-85.

A: GMO annualized Missouri regulatory assessments based on quarterly assessments in effect at July 1, 2015. GMO annualized FERC Schedule 12 fees based on fees projected to be in effect at July 31, 2016. Company witness John R. Carlson discusses Schedule 12 fees in his Direct Testimony.

CS-86 SCHEDULE 1-A FEES

Q: Please explain adjustment CS-86.

A: GMO annualized SPP Schedule 1-A fees based on an average of 2017-2018 projected rates. Company witness John R. Carlson discusses Schedule 1-A fees in his Direct Testimony.

CS-88 CIP/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 on going maintenance and support in 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.

CS-89 METER REPLACEMENT O&M

Q: Please explain adjustment CS-89.

A: Beginning in 2016, GMO began installing AMI technology that replaces all manually read meters in GMO's service territory. Adjustment CS-89 computes the costs associated with the meter reading contract for 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 calculates the composite meter reading cost per meter which is $0.61 per meter associated with the new contract entered into to support the new meters. The annualized amount is based on the projected meter purchases at the true up date using an annualized composite meter reading cost per meter per month.

CS-91 DSM ADVERTISING COSTS

Q: Please explain this adjustment.

A: As part of the Non-Unanimous Stipulation and Agreement to Miscellaneous Issues approved by the Commission in Case No. ER-2010-0356, Staff proposed to capitalize and amortize demand-side management advertising costs over a ten year period effective June 25, 2011. No additional adjustment is necessary as the test year is reflective of the appropriate on-going level of expense.

CS-95 MO AMORTIZATION OF MERGER TRANSITION COSTS

Q: Please explain this adjustment.

A: Consistent with the guidance provided in the merger Order in Case No. EM-2007-0374 and subsequently ordered by the Commission in Case No. ER-2010-0356, GMO began amortizing merger transition costs related to GPE's acquisition of GMO over a five-year period beginning with the effective date of rates in Case No. ER-2010-0356, or June 25, 2011. Amortization of these costs will end June 2016 prior to the true-up period; therefore, this adjustment removes the per book amortization expense recorded during the test period.

CS-98 MEEIA

Q: Please explain why GMO is making this adjustment.

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-2015-0241, GMO's MEEIA Cycle 2 filing, GMO requested to convert its current MEEIA tracker to the rider mechanism, consistent with KCP&L. On November 23, 2015, a Non-Unanimous Stipulation and Agreement Resolving MEEIA Filings was filed in this case. Although the Non-Unanimous Stipulation and Agreement is subject to approval at the time of this filing, GMO anticipates approval of the Stipulation and Agreement and that these costs will be recovered through the GMO MEEIA rider beginning with the effective date of rates in this case. As such, the test year non-labor MEEIA expenses are not included in this rate case filing.

CS-99 ST. JOE MERGER TRANSITION COSTS

Q: Please explain adjustment CS-99.

A: Transition costs were incurred by Aquila when it acquired St. Joseph Light & Power Company in 2000. As part of the Non-Unanimous Stipulation and Agreement in Case No. ER-2005-0436 approved by the Commission on February 23, 2006, the total amount of transition costs allowed for recovery equalled $4,959,664 to be amortized over a 10-year period. The 10-year amortization of transition costs is complete as of February 2016; therefore adjustment CS-99 removes the test year amortization expense from this case.

CS-105 TRANSOURCE - TRANSFERRED ASSET VALUE

Q: Please explain why GMO is making this adjustment.

A: GMO 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, page 30:

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

Q: Please explain adjustment CS-105.

A. Adjustment CS-105 provides the annual amortization expense associated with the regulatory liability established for the payment of the transmission assets. This regulatory liability amount is amortized over a three-year period as provided in the Order.

CS-107 L&P ICE STORM AAO ADJUSTMENT

Q: Please explain adjustment CS-107.

A: In December 2007, GMO incurred significant costs associated with an ice storm that struck its L&P service territory. The Company filed an Accounting Authority Order ("AAO") application to defer these costs and amortize them over a five-year period beginning January 2008. On March 20, 2008, the Commission approved the AAO filing in Case No. EU-2008-0233. As a result of the Non-Unanimous Stipulation and Agreement as to Certain Issues in the 2012 Case, the L&P Ice Storm AAO was amortized through September 2013. As part of the Stipulation, GMO agreed to track the over-recovery of the ice storm beginning October 1, 2013 by recording the monthly amount collected through rates to a regulatory liability account for future refund to retail customers in a subsequent rate proceeding.

Q: What is the impact of this adjustment on GMO's rate case?

A: This adjustment computes the total amount over-collected for the L&P Ice Storm amortization from October 2013 through January 2017, the anticipated effective date of rates in this case. Adjustment CS-107 proposes to amortize the regulatory liability over a three-year period.

CS-108 TRANSOURCE CWIP/FERC INCENTIVES

Q: Please explain why GMO is making this adjustment.

A: GMO 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, page 28:

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

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 GMO'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 GMO's SPP load ratio share allocation of the ATRR for the Nashua and Sibley-Nebraska City Projects if it had been calculated utilizing GMO'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: There are two components of this adjustment. First, we annualized corporate headquarters lease costs, including rent and parking. The annualized expense included in this case represents the annual cost expected to be in effect on July 31, 2016, the true-up date in this rate case.

Q: What was the second component?

A: In Case No. ER-2010-0356, GMO agreed to establish a regulatory liability for lease costs that 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. Amortization of the lease abatement will be fully amortized in June 2016 prior to the true-up in this case; therefore, the annual amortization expense has been removed from the test year.

CS-110 TRANSOURCE ACCOUNT REVIEW

Q: Please explain why GMO is making this adjustment.

A: GMO 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 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-110.

A: Adjustment CS-110 proposes establishment of a regulatory liability to be amortized over three years. This regulatory liability is the result of a review of all Transource related charges from project creation in August of 2010 to August of 2013. The review consisted of the following four areas:

Labor – Labor charges of all the project participants were reviewed.

Non-Labor – All invoices were reviewed for the vendors who supported the Transource project.

Expense Reports – Expense reports of the Transource project participants were reviewed.

Facilities Allocation – A portion of common facilities was allocated to the Transource project.

At conclusion of the review any changes in coding of the four areas identified above were reviewed for impact on the test year and update periods of GMO's previous rate case, the 2012 Case. The results of the review has resulted in the Company proposing a regulatory liability for GMO in the amount of $122,840. Adjustment CS-107 amortizes this amount over a three-year period to be included in the cost of service in this case.

Q: Did the Company make the contribution to the State School Fund?

A: Yes. On December 10, 2013 the contribution was made.

Q: Was the contribution of $50,000 to the State School Fund proposed to be charged to customers in this rate case proceeding?

A: No it was not.

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 the 2012 Case, 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 amortized over a three-year period. The amortization of vintage 1 ends January 2016, therefore adjustment CS-116 removes the test year expenses from this case. Secondly, GMO filed tariff sheets in EO-2014-0151 to establish a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM") which was approved by the Commission and became effective December 1, 2014. Adjustment CS-116 removes the RESRAM expenses that were recorded during the test year ending June 2015.

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 and GMO. Assets belonging to KCP&L and GMO 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 and GMO's regulated entities do not subsidize other GPE companies or jurisdictions, KCP&L or GMO charge 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 before being billed to the appropriate jurisdictions

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

A: During the test year, there were a significant amount of capital additions associated with network systems and software that became a part of the Common Use Billing Process. In KCP&L's most recent rate case, ER-2014-0370, network systems and software were recorded as a part of KCP&L's asset base and billed to GMO as part of the Common Use Billing Process. As such, this adjustment is the result of annualizing these costs for the test year to ensure an appropriate amount of Common Use Billings is included in GMO's cost of service.

Q: Please explain adjustment CS-117.

A: Adjustment CS-117 annualizes the Common Use Billings Process by using the June 2015 Common Use Billing journal entry which includes the accumulation of common use assets and multiplies it by 12 months to obtain an annual cost of Common Use Billings.

This process was completed for the Common Use Billing components which included service facilities, telecommunications equipment, network systems and software. This annualized amount was compared to test year Common Use Billings. The resulting amount was then added to the cost of service in this case through adjustment CS-117 to ensure GMO receives its share of common use asset costs. The amount will be trued up to the actual level established at 7/31/16, the tue-up date for this case.

CS-119 CORPORATE ALLOCATIONS – TEST YEAR

Q: Please explain adjustment CS-119.

A: This adjustment removes test year expenses charged to GMO's regulated accounts using the Corporate Massachusetts Factor and replaces these costs with the proper amounts using the "general allocator" that was implemented in January 2015. Therefore, only July – December 2014 costs charged to a corporate common operating unit were affected.

Q: Please explain why this adjustment was needed.

A: The Company implemented a change in allocation methodology beginning in January 2015 which was a direct result of discussions with Staff in KCP&L's Cost Allocation Manual docket in File No. EO-2014-0189. This change in allocation methodology involves costs that were charged to a corporate common operating unit that had previously been allocated using the Corporate Massachusetts Formula. This operating unit houses residual common charges that are not directly assignable and that are a common benefit to business units under the GPE corporate umbrella. The new "general allocator" is based on direct and indirect costs that are charged to all GPE affiliates compared to total costs included under the GPE umbrella.

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.

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 J. Spanos 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 and other intangibles, by multiplying June 2015 amortization expense by twelve. To these intangible plant amounts, was added an annualized amortization expense amount on projected intangible plant net additions for the period July 2015 through July 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. 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-7. The income tax adjustment includes current income taxes, deferred income taxes, and the amortization of ITCs.

Q: Please explain the current income tax component in cost of service as calculated in Schedule RAK-7.

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-7, 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 book depreciation deduction generates an 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 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 KCP&L's most recent rate case, ER-2014-0370.

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-7. As previously discussed, accelerated tax depreciation on both projected depreciable plant and projected amortizable plant is subtracted to derive taxable income.
- 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 recorded to the general ledger for the test period.
- 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 2015, 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-7 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 tax years 2012, 2013 and 2014 to $0. In addition, Congress extended bonus depreciation to 2015 and 2016. Therefore, the Company estimates that it will have no electricity production taxable income or a Sec 199 deduction through 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 research and development ("R&D") tax credit reduces the current federal income tax due.

Q: Please explain the R&D tax credit on Schedule RAK-7.

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 GMO's operations for the 2015 tax year.

Q: Please explain the deferred income tax component of cost of service as calculated in Schedule RAK-7.

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

The 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 ITCamortization component in cost of service as calculated in Schedule RAK-7.

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.

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") that will be paid based on plant in service balances.

Q: How was annualized property tax expense determined?

A: GMO used a property tax ratio of estimated property tax expense for 2015 divided by plant in-service as of January 1, 2015. This ratio was then applied to the estimated January 1, 2016 plant original cost to project the 2016 property tax expense. The annual PILOT payments for Crossroads and South Harper were then added to the projected 2016 property tax expense to determine the Company's annualized property tax amount.

Q: Why was the estimated January 1, 2016 original plant cost used?

A: The property taxes paid for 2015 will be based on the plant balances at January 1, 2015. However, the property taxes paid for 2016, the first year that the new rates in this case will be in effect, will be based on plant balances as of January 1, 2016.

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 both the plant in service and property taxes paid components of the calculation.

Q: Please explain the PILOT adjustment.

A: The Company has placed in-service two generation facilities (South Harper and Crossroads) that were built under Chapter 100 financing. Facilities constructed using

Chapter 100 financing are exempt from real and personal property taxes. To ensure proper permitting and easements were obtained, the Company agreed to provide PILOT to the taxing authorities where these two facilities are located. South Harper has an annual payment of $241,832 and Crossroads has an annual payment of $258,000.

CS-127 CORPORATE FRANCHISE TAXES

Q: Please explain adjustment CS-127.

A: The Missouri franchise tax is fully phased out effective January 1, 2016, therefore, test year per book amounts have been removed from cost of service.

Q: Does this conclude your testimony?

A: Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2016-0156

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 KCP&L Greater Missouri Operations Company consisting of Sixty - five (65) 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 23rd day of February, 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

KCP&L Greater Missouri Operations
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Revenue Requirement

Line No.	Description	7.727% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 1,906,001,706
2	Rate of Return	7.727%
3	Net Operating Income Requirement	$ 147,269,128
4	Net Income Available (Sch 9)	$ 110,727,747
5	Additional NOIBT Needed	36,541,381
6	Additional Current Tax Required	$ 22,769,300
7	Gross Revenue Requirement	$ 59,310,681

KCP&L Greater Missouri Operations
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
	Total Plant :			
1	Total Plant in Service - Schedule 3	$ 3,517,642,590	Klote	RB-20
	Subtract from Total Plant:			
2	Depreciation Reserve Schedule 5	1,284,521,496	Klote	RB-30
3	**Net (Plant in Service)**	$ 2,233,121,094		
	Add to Net Plant:			
4	Cash Working Capital	(43,055,825)	Klote	Model
5	Materials and Supplies	42,429,677	Klote	RB-72
6	Emission Allowances	672,931	Klote	RB-55
7	Prepayments	2,706,062	Klote	RB-50
8	Fuel Inventory - Oil	12,709,658	Blunk	RB-74
9	Fuel Inventory - Coal	17,873,047	Blunk	RB-74
10	Fuel Inventory - Other	452,174	Blunk	RB-74
11	DSM/EE Deferral	13,130,136	Rush / Klote	RB-100
12	Iatan 1 & Common Regulatory Asset	5,069,313	Klote	RB-25
13	Iatan 2 Regulatory Asset	14,082,277	Klote	RB-26
14	Regulatory Asset - ERISA Minimum Tracker-Elec	2,779,089	Klote	RB-66
15	Regulatory Asset - ERISA Minimum Tracker-Stea	0	Klote	RB-66
16	Reg Asset - FAS 87 Pension Tracker	35,356,356	Klote	RB-65
17	Reg Asset (Liab) - OPEB Tracker	(5,008,421)	Klote	RB-61
	Subtract from Net Plant:			
18	Customer Advances for Construction	$ 4,619,070	Klote	RB-71
19	Customer Deposits	7,312,004	Klote	RB-70
20	Deferred Income Taxes	414,384,788	Klote	RB-125
21	**Total Rate Base**	$ 1,906,001,706		

KCP&L Greater Missouri Operations
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Income Statement

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	$ 807,652,951	102,082,150	909,735,101	892,806,032
2	Operating & Maintenance Expenses:				
3	Production	$ 296,848,744	$ 104,702,483	$ 401,551,227	$ 398,033,235
4	Transmission	41,254,451	2,156,843	43,411,294	43,238,951
5	Distribution	30,943,218	746,373	31,689,591	31,327,236
6	Customer Accounting	12,065,649	6,310,502	18,376,151	18,376,151
7	Customer Services	28,456,954	(22,573,411)	5,883,543	5,883,543
8	Sales	254,447	10,797	265,244	265,244
9	A & G Expenses	74,354,951	$ 11,068,732	85,423,683	85,135,990
10	Total O & M Expenses	$ 484,178,414	$ 102,422,319	$ 586,600,733	$ 582,260,350
11	Depreciation Expense	$ 90,328,276	$ 15,476,014	$ 105,804,290	$ 104,807,876
12	Amortization Expense	4,649,544	(3,477,198)	1,172,346	2,030,496
13	Taxes other than Income Tax	47,246,856	3,962,191	51,209,047	50,692,560
14	Net Operating Income before Tax	$ 181,249,861	$ (16,301,176)	$ 164,948,685	$ 153,014,751
15	Income Taxes	$ 21,958,574	$ (851,948)	$ 21,106,626	$ 21,106,626
16	Income Taxes Deferred	27,083,885	(5,533,886)	21,549,999	21,549,999
17	Investment Tax Credit	(358,229)	(11,391)	(369,620)	(369,620)
18	Total Taxes	$ 48,684,230	$ (6,397,226)	$ 42,287,004	$ 42,287,004
19	Total Net Operating Income	$ 132,565,631	$ (9,903,950)	$ 122,661,681	$ 110,727,747

KCP&L Greater Missouri Operations
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Summary of Adjustments

Line No.	Adj No.	Description	Witness	Total Company Increase (Decrease)
	A	B	C	D
1	R-20	Revenue Normalization	Lutz	$ (36,031,742)
2	R-21a	Forfeited Discounts	Klote	$ (54,588)
3	R-21b	Forfeited Discounts - Revenue Requirement "Ask"	Klote	$ 62,110
4	R-30	Eliminate Inter-company Off-System Revenue	Klote	$ (1,224,841)
5	R-35	Off-System Sales Revenue	Crawford	$ 139,664,001
6	R-80	Transmission Revenue Credit	Klote	$ (1,182,134)
7	R-82	Transmission Revenue Annualization	Klote	$ 225,929
8	R-106	L&P Revenue Phase In Amort	Klote	$ 623,415
9	CS-4	GREC Bad Debt Expense	Klote	$ 3,885,362
10	CS-9	GREC Bank Fees	Klote	$ 592,385
11	CS-11	Out-of-Period Items - Cost of Service	Klote	$ (2,500,429)
12	CS-20a	Bad Debt	Klote	$ (723,011)
13	CS-20b	Bad Debt - Revenue Requirement "Ask"	Klote	$ 257,337
14	CS-22	Amortization of SO2 Proceeds	Klote	$ 11,116
15	CS-24	Fuel & PP Energy (On-system)	Crawford / Blunk	$ 108,738,199
16	CS-25	Purchased Power (Capacity)	Crawford	$ (1,185,002)
17	CS-30	Eliminate Inter-company Off-System Sales Costs	Klote	$ (2,472,025)
18	CS-34	Pipeline Reservation Charges	Crawford / Blunk	$ (817,121)
19	CS-39	IT Software Maintenance	Klote	$ 563,199
20	CS-40	Transmission Maintenance	Klote	$ -
21	CS-41	Distribution Maintenance	Klote	$ -
22	CS-42	Generation Maintenance	Klote	$ -
23	CS-43	Major Maintenance	Klote	$ (2,963,034)
24	CS-44	ERPP	Lutz / Klote	$ 57,089
25	CS-45	Transmission of Electricity by Others	Carlson / Klote	$ 4,156,738

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
26	CS-48	Iatan II O&M	Klote	$ 190,382
27	CS-49	CCN O&M	Klote	$ (32,672)
28	CS-50	Payroll	Klote	$ 3,648,663
29	CS-51	Incentive	Klote	$ 2,285,930
30	CS-52	401(k)	Klote	$ 313,378
31	CS-53	Payroll Taxes	Klote	$ 269,683
32	CS-60	Other Benefits	Klote	$ 1,063,371
33	CS-61	OPEB	Klote	$ (2,415,995)
34	CS-62	SERP	Klote	$ (183,439)
35	CS-65	Pension Expense	Klote	$ 7,915,116
36	CS-66	ERISA & Prepaid Tracker Expense	Klote	$ -
37	CS-70	Insurance	Klote	$ 267,411
38	CS-71	Injuries and Damages	Klote	$ 681,585
39	CS-76	Customer Deposit - Interest	Klote	$ 310,760
40	CS-77	Credit Card & Electronic Check Fee Expense	Klote	$ 207,701
41	CS-78	GREC Bank Fees	Klote	$ (44,453)
42	CS-80	Rate Case Expense Regulatory Assets	Klote	$ 419,912
43	CS-85	Regulatory Assessment	Carlson / Klote	$ 277,706
44	CS-86	SPP Schedule 1A Admin Fees	Carlson / Klote	$ 203,541
45	CS-88	CIPS/Cyber Security	Roper / Klote	$ 691,264
46	CS-89	Meter Replacement	Klote	$ 1,368,840
47	CS-91	DSM Advertising Costs	Klote	$ -
48	CS-95	Amortization of Merger Transition Costs	Klote	$ (4,435,968)
49	CS-98	MEEIA	Klote	$ (17,175,347)

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Total Company Increase (Decrease)
	A	B	C	D
50	CS-99	St. Joe Merger Transition Costs	Klote	$ (495,967)
51	CS-100	DSM/EE	Rush / Klote	$ 581,975
52	CS-105	Amortization of Transource Transferred Asset Value - Reg Liab	Klote	$ (1,896,031)
53	CS-107	L&P Ice Storm AAO	Klote	$ (1,766,041)
54	CS-108	Remove CWIP/FERC Incentives-Transource	Klote	$ (950,475)
55	CS-109	Lease Expense	Klote	$ 779,046
56	CS-110	Amortization of Transource Account Review-Reg Liab	Klote	$ (40,947)
57	CS-111	Amort Iatan I and Common Reg Asset	Klote	$ -
58	CS-112	Amort Iatan II Reg Asset	Klote	$ -
59	CS-116	RES	Klote	$ (6,101,495)
60	CS-117	Common Use Billings - Common Plant Adds	Klote	$ 4,805,893
61	CS-119	Corporate Allocations - Test Year	Klote	$ 483,619
62	CS-120	Depreciation	Klote	$ 14,840,776
63	CS-121	Plant Amortization Expense	Klote	$ 184,874
64	CS-125	Income Taxes	Klote	$ (6,397,226)
65	CS-126	Property Taxes	Klote	$ 4,664,119
66	CS-127	Corporate Franchise Taxes	Klote	$ (134,192)
67		**Total Impact on Net Operating Income**		$ (9,903,950)

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Cash Working Capital

Line No.	Account Description	(Elec-Juris) Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/365)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
	Operations & Maintenance Expense						
1	Gross Payroll excl. Accrued Vacation	61,651,002	26.42	13.85	12.57	0.03	2,123,159
2	Accrued Vacation	4,158,134	26.42	344.83	(318.41)	(0.87)	(3,627,374)
3	Sibley - Coal & Freight	42,013,722	26.42	17.39	9.03	0.02	1,039,304
4	Jeffrey - Coal & Freight	21,661,495	26.42	16.64	9.78	0.03	580,225
5	Iatan - Coal & Freight	26,532,955	26.42	43.68	(17.26)	(0.05)	(1,254,682)
6	Lake Road - Coal & Freight	788,033	26.42	20.37	6.05	0.02	13,062
7	Purchased Gas & Oil	7,677,595	26.42	39.83	(13.41)	(0.04)	(282,163)
8	Purchased Power	225,824,850	26.42	34.50	(8.08)	(0.02)	(4,999,082)
9	Injuries & Damages	1,017,111	26.42	44.27	(17.85)	(0.05)	(49,741)
10	Pension Expense	20,536,479	26.42	51.74	(25.32)	(0.07)	(1,424,613)
11	OPEBs	2,325,386	26.42	178.44	(152.02)	(0.42)	(968,507)
12	Cash Vouchers	168,073,588	26.42	30.00	(3.58)	(0.01)	(1,648,503)
13	**Total Operation & Maintenance Expense**	**582,260,350**					**(10,498,913)**
	Taxes						
14	FICA Taxes - Employer's	5,173,011	26.42	16.50	9.92	0.03	140,593
15	Federal/State Unemployment	-	26.42	75.88	(49.46)	(0.14)	-
16	City Franchise Taxes - 6%	4,449,661	11.21	68.29	(57.08)	(0.16)	(695,854)
17	City Franchise Taxes - 4%	1,585,484	11.21	36.60	(25.39)	(0.07)	(110,289)
18	City Franchise Taxes - Other Cities	25,557,318	11.21	45.92	(34.71)	(0.10)	(2,430,396)
19	City Franchise Taxes - SJLP	4,976,814	11.21	38.63	(27.42)	(0.08)	(373,875)
20	Corporate Franchise Taxes	105,000	11.21	(77.50)	88.71	0.24	25,519
21	Ad Valorem/Property Taxes	45,407,177	26.42	188.36	(161.94)	(0.44)	(20,145,858)
22	**Total Taxes**	**87,254,465**					**(23,590,160)**
	Other Expenses						
23	Sales Taxes	21,596,811	11.21	22.00	(10.79)	(0.03)	(638,437)
24	**Total Other Expenses**	**21,596,811**					**(638,437)**
	Tax Offset From Rate Base						
25	Current Income Taxes-Federal	18,220,898	26.42	45.63	(19.21)	(0.05)	(958,968)
26	Current Income Taxes-State	2,885,728	26.42	45.63	(19.21)	(0.05)	(151,876)
27	Interest Expense	43,811,355	26.42	86.55	(60.13)	(0.16)	(7,217,471)
28	**Total Offset from Rate Base**	**64,917,981**					**(8,328,315)**
29	**Total Cash Working Capital Requirement**	**756,029,606**					**(43,055,825)**

KCP&L Greater Missouri Operations
2016 RATE CASE - Direct Filing
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Allocation Factors

Retail/Wholesale - Electric/Steam Combined

Alloc	Jurisdiction Factors	Retail	2014 Non-Retail	Total
	A	B	C	D
1,1	100% Jurisdictional/100% Electric	100.000%	0.000%	100.000%
1,3	100% Jurisdictional/Allocated Plant Base	99.308%	0.692%	100.000%
1,13	100% Jurisdictional/O&M	95.693%	4.307%	100.000%
2,2	Non-Juris/Steam	0.000%	100.000%	100.000%
3,1	Demand/Electric	99.603%	0.397%	100.000%
3,4	Demand/Land	85.562%	14.438%	100.000%
3,5	Demand/Structures	85.562%	14.438%	100.000%
3,6	Demand/Boiler Plant	79.519%	20.481%	100.000%
3,7	Demand/Turbogenerators	99.440%	0.560%	100.000%
3,8	Demand/Access Elec Eqpt	85.562%	14.438%	100.000%
3,9	Demand/Misc Steam Gen Eqpt	69.781%	30.219%	100.000%
3,10	Demand/Electric/Steam Plant	85.562%	14.438%	100.000%
3,13	Demand/O&M	95.313%	4.687%	100.000%
4,1	Energy/Electric	99.613%	0.387%	100.000%
5,1	Distribution/Electric	99.740%	0.260%	100.000%
6,1	Payroll/Electric	99.646%	0.354%	100.000%
6,14	Payroll/A&G	99.178%	0.822%	100.000%
7,1	Plant/Electric	99.658%	0.342%	100.000%
7,3	Plant/Alloc Plant	98.969%	1.031%	100.000%
7,14	Plant/A&G	99.190%	0.810%	100.000%
8,1	Transmission/Electric	99.603%	0.397%	100.000%

Retail/Wholesale Allocation Factors - Combined

Alloc	Jurisdiction Factors	Retail	2014 Wholesale	Total
	A	B	C	D
1	Jurisdictional-100%	100.000%	0.000%	100.000%
2	Non-jurisdictional-100%	0.000%	100.000%	100.000%
3	Demand (Capacity) Factor	99.603%	0.397%	100.000%
4	Energy Factor	99.613%	0.387%	100.000%
5	Distribution Factor	99.740%	0.260%	100.000%
6	Payroll Factor	99.646%	0.354%	100.000%
7	Plant Factor	99.658%	0.342%	100.000%
8	Transmission Factor	99.603%	0.397%	100.000%

Electric/Steam Allocation Factors - Combined

Alloc	Jurisdiction Factors	Electric	2014 Steam	Total
	A	B	C	D
Rate Base Allocation Factors (Elec/Steam)				
1	Electric - 100%	100.000%	0.000%	100.000%
2	Steam - 100%	0.000%	100.000%	100.000%
4	Land Factor	85.903%	14.097%	100.000%
5	Structures Factor	85.903%	14.097%	100.000%
6	Boiler Plant Factor	79.836%	20.164%	100.000%
7	Turbogenerators Factor	99.837%	0.163%	100.000%
8	Access Elec Eqpt Factor	85.903%	14.097%	100.000%
9	Misc Steam Gen Eqpt Factor	70.059%	29.941%	100.000%
10	Electric/Steam Plant Factor	85.903%	14.097%	100.000%
Income Statement Allocation Factors (Elec/Steam)				
13	Electric After Steam Alloc (O&M)	95.693%	4.307%	100.000%
14	Electric After Steam Alloc (A&G)	99.530%	0.470%	100.000%
Factors Used to Calculate Other Factors				
3	Allocated Plant Base Factor	99.308%	0.692%	100.000%
11	900 lb Steam Demand Factor	70.059%	29.941%	100.000%
12	Total Coal Burned Factor	85.190%	14.810%	100.000%

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Income Tax

Line No.	Line Description	Tax Rate	(ELEC-JURIS) Adjusted with 7.727% Return	
	A	B	C	
1	Net Income Before Taxes (Sch 9)		153,014,751	
2	*Add to Net Income Before Taxes:*			
3	Depreciation Expense		104,807,876	
4	Plant Amortization Exp		3,485,974	
5	Transportation Expenses-Clearing		470,539	(a)
6	50% Meals & Entertainment		212,522	
7	**Total**		108,976,910	
8	*Subtract from Net Income Before Taxes:*			
9	Interest Expense		43,811,355	
10	IRS Tax Return Depreciation		162,898,216	
11	IRS Tax Return Plant Amortization (incl w/DEPR)		0	
12	IRC Section 199 Domestic Production Activities		0	
13	**Total**		206,709,571	
14	**Net Taxable Income**		55,282,090	
15	**Provision for Federal Income Tax:**			
16	Net Taxable Income		55,282,090	
17	Deduct Missouri Income Tax @ 100.0%	6.25%	2,885,728	
18	Deduct City Income Tax		0	
19	Federal Taxable Income		52,396,362	
20	Federal Tax Before Tax Credits	35.00%	18,338,727	
21	Less Tax Credits:			
22	Research and Development Tax Credit		(117,829)	
23	Alternate Refueling Property Tax Credit (Charging Stations)		0	
24	**Total Federal Tax**		18,220,898	
25	**Provision for Missouri Income Tax:**			
26	Net Taxable Income		55,282,090	
27	Deduct Federal Income Tax @ 50.0%	17.50%	9,110,449	
28	Deduct City Income Tax		0	
29	Missouri Taxable Income		46,171,641	
30	**Total Missouri Tax**	6.25%	2,885,728	
31	**Provision for City Income Tax:**			
32	Net Taxable Income		55,282,090	
33	Deduct Federal Income Tax		18,220,898	
34	Deduct Missouri Income Tax		2,885,728	
35	City Taxable Income		34,175,464	
36	**Total City Tax**		0	
37	**Summary of Provision for Current Income Tax:**			
38	Federal Income Tax		18,220,898	
39	Missouri Income Tax		2,885,728	
40	City Income Tax		0	
41	**Total Provision for Current Income Tax**		21,106,626	
			38.179862%	38.3900%
42	**Deferred Income Taxes:**			
43	Deferred Income Taxes - Excess IRS Tax over Book D&A		21,663,637	See Comp Below

KCP&L Greater Missouri Operations
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Income Tax

Line No.	Line Description	Tax Rate	(ELEC-JURIS) Adjusted with 7.727% Return
44	Amortization of Deferred ITC		(369,620)
45	Amort of Excess Deferred Income Taxes (ARAM)		(113,638)
46	**Total Deferred Income Tax Expense**		21,180,379
47	**Total Income Tax**		42,287,004
	(a) Percent of vehicle depr clearing to O&M	37.44%	

Interest Expense Proof:	Total Rate Base (Sch. 2)	1,906,001,706
	X Wtd Cost of Debt	2.299%
	Interest Exp	43,811,355
	Less: Interest Expense from Line 7	43,811,355
	Difference	0

Computation of Line 38 Above:

48	**Deferred Income Taxes - Excess IRS Tax over Book D&A:**	
49	IRS Tax Return Depreciation	162,898,216
50	Less: Book Depreciation	108,293,850
51	Excess IRS Tax Depr over Book Depr	54,604,366
52	IRS Tax Return Plant Amortization	0
53	Less: Book Amortization	0
54	Excess IRS Tax Amort over Book Amortization	0
55	Total Timing Differences	54,604,366
56	AFUDC Equity	1,106,911
57	MO Miscellaneous Flow Through	719,140
58	Total Timing Differences after Flow Through	56,430,417
59	Effective Tax rate	38.39%
60	**Deferred Income Taxes - Excess IRS Tax over Book D&A**	21,663,637

KCP&L Greater Missouri Operations - MPS
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Revenue Requirement

Line No.	Description	7.727% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 1,411,936,687
2	Rate of Return	7.727%
3	Net Operating Income Requirement	$ 109,094,700
4	Net Income Available (Sch 9)	$ 88,301,475
5	Additional NOIBT Needed	20,793,225
6	Additional Current Tax Required	$ 12,956,466
7	Gross Revenue Requirement	$ 33,749,692

KCP&L Greater Missouri Operations - MPS
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Rate Base

Line No.	Description	Amount	Adj No.
	A	B	D
	Total Plant :		
1	Total Plant in Service-MPS Only (Sch 3)	$ 2,641,536,048	RB-20
	Subtract from Total Plant:		
2	Depr Reserve-MPS & Corp Share (Sch 6)	981,372,033	RB-30
3	**Net (Plant in Service)**	$ 1,660,164,015	
	Add to Net Plant:		
4	Cash Working Capital	$ (32,858,653)	Model
5	Materials and Supplies	28,699,249	RB-72
6	SO2 Emission Allowances	672,032	RB-55
7	Prepayments	2,077,584	RB-50
8	Fuel Inventory - Oil	10,991,675	RB-74
9	Fuel Inventory - Coal	14,324,674	RB-74
10	Fuel Inventory - Other	323,072	RB-74
11	DSM/EE Deferral	11,030,492	RB-100
12	Iatan 1 Regulatory Asset	2,624,471	RB-25
13	Iatan 2 Regulatory Asset	9,188,343	RB-26
14	Regulatory Asset - ERISA Minimum Tracker	2,231,894	RB-66
15	Reg Asset - FAS 87 Pension Tracker	28,350,067	RB-65
16	Reg Asset (Liab) - OPEB Tracker	(3,530,377)	RB-61
	Subtract from Net Plant:		
17	Customer Advances for Construction	$ 4,450,570	RB-71
18	Customer Deposits	5,967,226	RB-70
19	Deferred Income Taxes	311,934,054	RB-125
20	**Total Rate Base**	$ 1,411,936,687	

KCP&L Greater Missouri Operations - MPS
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Income Statement

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	$ 599,432,454	71,645,033	671,077,487	668,892,269
2	Operating & Maintenance Expenses:				
3	Production	$ 213,615,726	$ 77,647,807	$ 291,263,533	$ 289,746,181
4	Transmission	30,571,716	3,474,193	34,045,909	33,865,125
5	Distribution	23,391,378	452,065	23,843,443	23,764,044
6	Customer Accounting	9,517,147	4,521,258	14,038,405	14,038,405
7	Customer Services	21,080,952	(16,451,722)	4,629,230	4,629,230
8	Sales	194,240	6,108	200,348	200,348
9	A & G Expenses	53,947,494	$ 5,756,160	59,703,654	59,429,816
10	Total O & M Expenses	$ 352,318,653	$ 75,405,869	$ 427,724,522	$ 425,673,149
11	Depreciation Expense	$ 69,078,741	$ 10,890,056	$ 79,968,797	$ 79,505,475
12	Amortization Expense	2,422,369	(880,539)	1,541,830	1,992,933
13	Taxes other than Income Tax	35,621,638	2,740,121	38,361,759	38,187,973
14	Net Operating Income before Tax	$ 139,991,052	$ (16,510,475)	$ 123,480,578	$ 123,532,739
15	Income Taxes	$ 17,768,555	$ 146,468	$ 17,915,023	$ 17,915,023
16	Income Taxes Deferred	20,133,904	(2,464,628)	17,669,276	17,669,276
17	Investment Tax Credit	(339,581)	(13,454)	(353,035)	(353,035)
18	Total Taxes	$ 37,562,878	$ (2,331,614)	$ 35,231,264	$ 35,231,264
19	Total Net Operating Income	$ 102,428,174	$ (14,178,861)	$ 88,249,314	$ 88,301,475

KCP&L Greater Missouri Operations - MPS
2016 RATE CASE - Direct Filing
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Summary of Adjustments

Line No.	Adj No. A	Description B		Total Company Increase (Decrease) D
1	R-20	Revenue Normalization	$	(28,309,480)
2	R-21a	Forfeited Discounts	$	(44,563)
3	R-21b	Forfeited Discounts - Revenue Requirement "Ask"	$	35,412
4	R-30	Eliminate Inter-company Off-System Revenue	$	(615,700)
5	R-35	Off-System Sales Revenue	$	102,453,247
6	R-80	Transmission Revenue Credit	$	(965,660)
7	R-82	Transmission Revenue Annualization	$	(908,223)
8	CS-4	GREC Bad Debt Expense	$	2,787,495
9	CS-9	GREC Bank Fees	$	445,573
10	CS-11	Out-of-Period Items - Cost of Service	$	(3,209,789)
11	CS-20a	Bad Debt	$	(586,155)
12	CS-20b	Bad Debt - Revenue Requirement "Ask"	$	134,771
13	CS-22	Amortization of SO2 Proceeds	$	10,227
14	CS-24	Fuel & PP Energy (On-system)	$	82,527,533
15	CS-25	Purchased Power (Capacity)	$	(830,200)
16	CS-30	Eliminate Inter-company Off-System Sales Costs	$	(1,420,371)
17	CS-34	Pipeline Reservation Charges	$	(758,739)
18	CS-39	IT Software Maintenance	$	407,804

KCP&L Greater Missouri Operations - MPS
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Summary of Adjustments

Line No.	Adj No.	Description		Total Company Increase (Decrease)
	A	B		D
19	CS-40	Transmission Maintenance	$	-
20	CS-41	Distribution Maintenance	$	-
21	CS-42	Generation Maintenance	$	-
22	CS-43	Major Maintenance	$	(2,835,792)
23	CS-44	ERPP	$	49,513
24	CS-45	Transmission of Electricity by Others	$	5,330,685
25	CS-48	Iatan II O&M	$	151,687
26	CS-49	CCN O&M	$	(22,224)
27	CS-50	Payroll	$	1,800,553
28	CS-51	Incentive	$	1,506,738
29	CS-52	401(k)	$	180,218
30	CS-53	Payroll Taxes	$	130,347
31	CS-60	Other Benefits	$	443,047
32	CS-61	OPEB	$	(1,642,957)
33	CS-62	SERP	$	26,939
34	CS-65	Pension Expense	$	4,419,616
35	CS-66	ERISA & Prepaid Tracker Expense	$	-
36	CS-70	Insurance	$	254,666

KCP&L Greater Missouri Operations - MPS
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Summary of Adjustments

Line No.	Adj No.	Description	Total Company Increase (Decrease)
	A	B	D
37	CS-71	Injuries and Damages	$ 91,632
38	CS-76	Customer Deposit - Interest	$ 253,607
39	CS-77	Credit Card & Electronic Check Fee Expense	$ 164,499
40	CS-78	GREC Bank Fees	$ (33,436)
41	CS-80	Rate Case Expense Regulatory Assets	$ 166,589
42	CS-85	Regulatory Assessment	$ 207,288
43	CS-86	SPP Schedule 1A Admin Fees	$ 219,723
44	CS-88	CIPS/Cyber Security	$ 499,997
45	CS-89	Meter Replacement	$ 1,085,216
46	CS-91	DSM Advertising Costs	$ -
47	CS-95	Amortization of Merger Transition Costs	$ (3,545,473)
48	CS-98	MEEIA	$ (13,344,397)
49	CS-99	St. Joe Merger Transition Costs	$ (376,934)
50	CS-100	DSM/EE	$ 478,775
51	CS-105	Amortization of Transource Transferred Asset Value - Reg Liab	$ (1,071,509)
52	CS-107	L&P Ice Storm AAO	$ (762,091)
53	CS-108	Remove CWIP/FERC Incentives-Transource	$ 597,754
54	CS-109	Lease Expense	$ (29,059)

KCP&L Greater Missouri Operations - MPS
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Summary of Adjustments

Line No.	Adj No. A	Description B		Total Company Increase (Decrease) D
55	CS-110	Amortization of Transource Account Review-Reg Liab	$	-
56	CS-111	Amort Iatan I and Common Reg Asset	$	-
57	CS-112	Amort Iatan II Reg Asset	$	(3,675,889)
58	CS-116	RES	$	3,553,432
59	CS-117	Common Use Billings - Common Plant Adds	$	429,707
60	CS-119	Corporate Allocations - Test Year	$	10,528,451
61	CS-120	Depreciation	$	190,970
62	CS-121	Plant Amortization Expense	$	(2,331,614)
63	CS-125	Income Taxes	$	3,324,438
64	CS-126	Property Taxes	$	(98,967)
65	CS-127	Corporate Franchise Taxes	$	-
66		**Total Impact on Net Operating Income**	$	(14,178,861)

KCP&L Greater Missouri Operations - MPS
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Cash Working Capital

Line No.	Account Description	(Elec-Juris) Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/365)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
	Operations & Maintenance Expense						
1	Gross Payroll excl. Accrued Vacation	41,282,021	26.42	13.85	12.57	0.03	1,421,685
2	Accrued Vacation	2,756,878	26.42	344.83	(318.41)	(0.87)	(2,404,980)
3	Sibley - Coal & Freight	31,677,807	26.42	17.39	9.03	0.02	783,622
4	Jeffrey - Coal & Freight	16,477,470	26.42	16.64	9.78	0.03	441,366
5	Iatan - Coal & Freight	19,596,975	26.42	43.69	(17.27)	(0.05)	(927,232)
6	Lake Road - Coal & Freight	-	26.42	20.37	6.05	0.02	-
7	Purchased Gas & Oil	5,724,766	26.42	39.83	(13.41)	(0.04)	(210,394)
8	Purchased Power	168,021,237	26.42	34.50	(8.08)	(0.02)	(3,719,484)
9	Injuries & Damages	310,959	26.42	44.27	(17.85)	(0.05)	(15,207)
10	Pension Expense	14,578,858	26.42	51.74	(25.32)	(0.07)	(1,011,333)
11	OPEBs	1,867,108	26.42	178.44	(152.02)	(0.42)	(777,638)
12	Cash Vouchers	123,379,069	26.42	30.00	(3.58)	(0.01)	(1,210,129)
13	**Total Operation & Maintenance Expense**	**425,673,149**					**(7,629,724)**
	Taxes						
14	FICA Taxes - Employer's	3,469,971	26.42	16.50	9.92	0.03	94,307
15	City Franchise Taxes - 6%	4,449,661	11.21	68.29	(57.08)	(0.16)	(695,854)
16	City Franchise Taxes - 4%	1,585,484	11.21	36.60	(25.39)	(0.07)	(110,289)
17	City Franchise Taxes - Other Cities	25,557,318	11.21	45.92	(34.71)	(0.10)	(2,430,396)
18	Corporate Franchise Taxes	105,000	11.21	(77.50)	88.71	0.24	25,519
19	Ad Valorem/Property Taxes	34,552,440	26.42	188.36	(161.94)	(0.44)	(15,329,924)
20	**Total Taxes**	**69,719,874**					**(18,446,636)**
	Other Expenses						
21	Sales Taxes	16,671,339	11.21	22.00	(10.79)	(0.03)	(492,832)
22	**Total Other Expenses**	**16,671,339**					**(492,832)**
	Tax Offset From Rate Base						
23	Current Income Taxes-Federal	15,471,525	26.42	45.63	(19.21)	(0.05)	(814,268)
24	Current Income Taxes-State	2,443,498	26.42	45.63	(19.21)	(0.05)	(128,602)
25	Interest Expense	32,454,777	26.42	86.55	(60.13)	(0.16)	(5,346,591)
26	**Total Offset from Rate Base**	**50,369,799**					**(6,289,461)**
27	**Total Cash Working Capital Requirement**	**562,434,162**					**(32,858,653)**

KCP&L Greater Missouri Operations - MPS
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Allocation Factors

Line No.	Jurisdiction Factors	Retail	2014 Wholesale	Total
	A	B	C	D
1	Jurisdictional-100%	100.000%	0.000%	100.000%
2	Non-jurisdictional-100%	0.000%	100.000%	100.000%
3	Demand (Capacity) Factor	99.469%	0.531%	100.000%
4	Energy Factor	99.480%	0.520%	100.000%
5	Distribution Factor	99.667%	0.333%	100.000%
6	Payroll Factor	99.537%	0.463%	100.000%
7	Plant Factor	99.548%	0.452%	100.000%
8	Transmission Factor	99.469%	0.531%	100.000%

KCP&L Greater Missouri Operations - MPS
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Income Tax

Line No.	Line Description	Tax Rate	(ELEC-JURIS) Adjusted with 7.727% Return	
	A	B	C	
1	Net Income Before Taxes (Sch 9)		123,532,739	
2	***Add to Net Income Before Taxes:***			
3	Depreciation Expense		79,505,475	
4	Plant Amortization Exp		2,691,192	
5	Transportation Expenses-Clearing		447,533	(a)
6	50% Meals & Entertainment		154,531	
7	**Total**		82,798,731	
8	***Subtract from Net Income Before Taxes:***			
9	Interest Expense		32,454,777	
10	IRS Tax Return Depreciation		127,044,956	
11	IRS Tax Return Plant Amortization (incl w/DEPR)		0	
12	IRC Section 199 Domestic Production Activities		0	
13	**Total**		159,499,733	
14	**Net Taxable Income**		46,831,737	
15	**Provision for Federal Income Tax:**			
16	Net Taxable Income		46,831,737	
17	Deduct Missouri Income Tax @ 100.0%	6.25%	2,443,498	
18	Deduct City Income Tax		0	
19	Federal Taxable Income		44,388,239	
20	Federal Tax Before Tax Credits	35.00%	15,535,884	
21	Less Tax Credits:			
22	Research and Development Tax Credit		(64,359)	
23	Alternate Refueling Property Tax Credit (Charging Stations)		0	
24	**Total Federal Tax**		15,471,525	
25	**Provision for Missouri Income Tax:**			
26	Net Taxable Income		46,831,737	
27	Deduct Federal Income Tax @ 50.0%	17.50%	7,735,762	
28	Deduct City Income Tax		0	
29	Missouri Taxable Income		39,095,975	
30	**Total Missouri Tax**	6.25%	2,443,498	
31	**Provision for City Income Tax:**			
32	Net Taxable Income		46,831,737	
33	Deduct Federal Income Tax		15,471,525	
34	Deduct Missouri Income Tax		2,443,498	
35	City Taxable Income		28,916,715	
36	**Total City Tax**		0	
37	**Summary of Provision for Current Income Tax:**			
38	Federal Income Tax		15,471,525	
39	Missouri Income Tax		2,443,498	
40	City Income Tax		0	
41	**Total Provision for Current Income Tax**		17,915,023	
			38.254021%	38.3900%
42	**Deferred Income Taxes:**			
43	Deferred Income Taxes - Excess IRS Tax over Book D&A		17,769,531	See Comp Below

KCP&L Greater Missouri Operations - MPS
2016 RATE CASE - Direct Filing
TY 6/30/15; Update TBD; K&M 7/31/16

Income Tax

Line No.	Line Description	Tax Rate	(ELEC-JURIS) Adjusted with 7.727% Return
44	Amortization of Deferred ITC		(353,035)
45	Amort of Excess Deferred Income Taxes (ARAM)		(100,255)
46	**Total Deferred Income Tax Expense**		17,316,241
47	**Total Income Tax**		35,231,264

(a) Percent of vehicle depr clearing to O&M 37.44%

Interest Expense Proof:		
	Total Rate Base (Sch. 2)	1,411,936,687
	X Wtd Cost of Debt	2.299%
	Interest Exp	32,454,777
	Less: Interest Expense from Line 7	32,454,777
	Difference	0

Computation of Line 38 Above:

48	**Deferred Income Taxes - Excess IRS Tax over Book D&A:**	
49	IRS Tax Return Depreciation	127,044,956
50	Less: Book Depreciation	82,196,667
51	Excess IRS Tax Depr over Book Depr	44,848,289
52	IRS Tax Return Plant Amortization	0
53	Less: Book Amortization	0
54	Excess IRS Tax Amort over Book Amortization	0
55	Total Timing Differences	44,848,289
56	AFUDC Equity	844,573
57	MO Miscellaneous Flow Through	594,013
58	Total Timing Differences after Flow Through	46,286,875
59	Effective Tax rate	38.39%
60	**Deferred Income Taxes - Excess IRS Tax over Book D&A**	17,769,531

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
TY 6/30/15; Update TBD; K&M 7/31/16

Revenue Requirement

Line No.	Description	7.727% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 495,175,396
2	Rate of Return	7.727%
3	Net Operating Income Requirement	$ 38,260,222
4	Net Income Available (Sch 9)	$ 21,960,882
5	Additional NOIBT Needed	16,299,340
6	Additional Current Tax Required	10,156,119
7	Gross Revenue Requirement	$ 26,455,459

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
TY 6/30/15; Update TBD; K&M 7/31/16

Rate Base

Line No.	Description	Amount	Adj No.
	A	B	D
	Total Plant :		
1	Total Plant in Service-L&P Only (Sch 3)	$ 876,271,486	RB-20
	Subtract from Total Plant:		
2	Depr Reserve-L&P (Sch 6)	303,056,220	RB-30
3	**Net (Plant in Service)**	$ 573,215,265	
	Add to Net Plant:		
4	Cash Working Capital	$ (9,908,104)	Model
5	Materials and Supplies	13,886,072	RB-72
6	SO2 Emission Allowances	-	RB-55
7	Prepayments	628,331	RB-50
8	Fuel Inventory - Oil	1,709,905	RB-74
9	Fuel Inventory - Coal	3,542,932	RB-74
10	Fuel Inventory - Other	129,170	RB-74
11	Deferral of DSM/EE Costs	2,099,644	RB-100
12	Iatan 1 & Cmn Regulatory Asset	2,450,322	RB-25
13	Iatan 2 Regulatory Asset	4,900,540	RB-26
14	Regulatory Asset - ERISA Minimum Tracker-Elec	536,813	RB-66
15	Regulatory Asset - ERISA Minimum Tracker-Steam	-	RB-66
16	Reg Asset - FAS 87 Pension Tracker	6,840,089	RB-65
17	Reg Asset (Liab) - OPEB Tracker	(1,434,471)	RB-61
	Subtract from Net Plant:		
18	Customer Advances for Construction	$ 168,500	RB-71
19	Customer Deposits	1,344,778	RB-70
20	Deferred Income Taxes	101,907,834	RB-125
21	**Total Rate Base**	$ 495,175,396	

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
TY 6/30/15; Update TBD; K&M 7/31/16

Income Statement

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	$ 208,220,497	$ 30,579,284	$ 238,799,781	$ 224,054,083
2	Operating & Maintenance Expenses:				
3	Production	$ 83,233,018	$ 27,144,686	$ 110,377,704	$ 108,336,225
4	Transmission	10,682,735	(1,324,378)	9,358,357	9,358,357
5	Distribution	7,551,840	230,842	7,782,682	7,501,990
6	Customer Accounting	2,548,502	1,763,904	4,312,406	4,312,406
7	Customer Services	7,376,002	(6,125,833)	1,250,169	1,250,169
8	Sales	60,207	3,805	64,012	64,012
9	A & G Expenses	20,407,457	5,405,702	25,813,159	25,035,411
10	Total O & M Expenses	$ 131,859,761	$ 27,098,728	$ 158,958,489	$ 155,858,570
11	Depreciation Expense	$ 21,249,535	$ 6,272,136	$ 27,521,671	$ 26,988,579
12	Amortization Expense	2,227,175	(2,596,659)	(369,484)	36,776
13	Taxes other than Income Tax	11,625,218	1,217,622	12,842,840	12,398,597
14	Net Operating Income before Tax	$ 41,258,808	$ (1,412,543)	$ 39,846,265	$ 28,771,561
15	Income Taxes	$ 4,190,019	$ (567,704)	$ 3,622,315	$ 3,622,315
16	Income Taxes Deferred	6,949,981	(3,745,031)	3,204,950	3,204,950
17	Investment Tax Credit	(18,648)	2,063	(16,585)	(16,585)
18	Total Taxes	$ 11,121,352	$ (4,310,672)	$ 6,810,680	$ 6,810,680
19	Total Net Operating Income	$ 30,137,456	$ 2,898,129	$ 33,035,585	$ 21,960,882

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
TY 6/30/15; Update TBD; K&M 7/31/16

Summary of Adjustments

Adj No.	Description		Adjustment Increase (Decrease)
A	B		D
R-20	Revenue Normalization	$	(7,722,262)
R-21a	Forfeited Discounts	$	(10,051)
R-21b	Forfeited Discounts - Revenue Requirement "Ask"	$	27,541
R-30	Eliminate Inter-company Off-System Revenue	$	(609,141)
R-35	Off-System Sales Revenue	$	37,352,104
R-80	Transmission Revenue Credit	$	(216,474)
R-82	Transmission Revenue Annualization	$	1,134,152
R-106	L&P Revenue Phase In Amort	$	623,415
CS-4	GREC Bad Debt Expense	$	709,360
CS-9	GREC Bank Fees	$	1,097,867
CS-11	Out-of-Period Items - Cost of Service	$	146,812
CS-20a	Bad Debt	$	(139,830)
CS-20b	Bad Debt - Revenue Requirement "Ask"	$	142,264
CS-22	Amortization of SO2 Proceeds	$	889
CS-24	Fuel & PP Energy (On-system)	$	26,175,734
CS-25	Purchased Power (Capacity)	$	(354,802)
CS-30	Eliminate Inter-company Off-System Sales Costs	$	(1,051,654)
CS-34	Pipeline Reservation Charges	$	(58,382)
CS-39	IT Software Maintenance	$	155,393
CS-40	Transmission Maintenance	$	-
CS-41	Distribution Maintenance	$	-
CS-42	Generation Maintenance	$	-
CS-43	Major Maintenance	$	(127,242)
CS-44	ERPP	$	7,576
CS-45	Transmission of Electricity by Others	$	(1,173,947)

KCP&L Greater Missouri Operations - L&P Electric
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Summary of Adjustments

Adj No.	Description		Adjustment Increase (Decrease)
A	B		D
CS-48	Iatan II O&M	$	38,694
CS-49	CCN O&M	$	(10,448)
CS-50	Payroll	$	1,848,199
CS-51	Incentive	$	780,280
CS-52	401(k)	$	134,840
CS-53	Payroll Taxes	$	143,994
CS-60	Other Benefits	$	620,324
CS-61	OPEB	$	(773,038)
CS-62	SERP	$	(210,378)
CS-65	Pension Expense	$	3,495,501
CS-66	ERISA & Prepaid Tracker Expense	$	-
CS-70	Insurance	$	12,744
CS-71	Injuries and Damages	$	589,953
CS-76	Customer Deposit - Interest	$	57,153
CS-77	Credit Card & Electronic Check Fee Expense	$	43,202
CS-78	GREC Bank Fees	$	(11,017)
CS-80	Rate Case Expense Regulatory Assets	$	253,323
CS-85	Regulatory Assessment	$	70,418
CS-86	SPP Schedule 1A Admin Fees	$	(16,182)
CS-88	CIPS/Cyber Security	$	191,266
CS-89	Meter Replacement	$	283,624
CS-91	DSM Advertising Costs	$	-
CS-95	Amortization of Merger Transition Costs	$	(890,495)
CS-98	MEEIA	$	(3,830,950)
CS-99	St. Joe Merger Transition Costs	$	(119,032)

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
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Summary of Adjustments

Adj No.	Description		Adjustment Increase (Decrease)
A	B		D
CS-100	DSM/EE	$	103,199
CS-105	Amortization of Transource Transferred Asset Value - Reg Liab	$	(824,522)
CS-107	L&P Ice Storm AAO	$	(1,766,041)
CS-108	Remove CWIP/FERC Incentives-Transource	$	(188,384)
CS-109	Lease Expense	$	181,293
CS-110	Amortization of Transource Account Review-Reg Liab	$	(11,887)
CS-111	Amort latan I and Common Reg Asset	$	-
CS-112	Amort latan II Reg Asset	$	-
CS-116	RES	$	(2,425,606)
CS-117	Common Use Billings - Common Plant Adds	$	1,252,461
CS-119	Corporate Allocations - Test Year	$	53,911
CS-120	Depreciation	$	6,096,135
CS-121	Plant Amortization Expense	$	(6,096)
CS-125	Income Taxes	$	(4,310,672)
CS-126	Property Taxes	$	1,330,576
CS-127	Corporate Franchise Taxes	$	(35,225)
	Total Impact on Net Operating Income	$	2,898,129

KCP&L Greater Missouri Operations - L&P Electric
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TY 6/30/15; Update TBD; K&M 7/31/16

Cash Working Capital

Line No.	Account Description	(Elec-Juris) 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)
	Operations & Maintenance Expense						
1	Net Payroll	19,742,897	26.42	13.85	12.57	0.03	677,839
2	Accrued Vacation	1,357,896	26.42	344.83	(318.41)	(0.87)	(1,181,333)
3	Sibley Coal	10,333,554	26.42	17.39	9.03	0.02	254,951
4	Jeffrey Coal	5,182,050	26.42	16.64	9.78	0.03	138,471
5	Iatan - Coal	6,936,624	26.42	43.69	(17.27)	(0.05)	(327,246)
6	Lake Road - Coal & Freight	791,095	26.42	20.37	6.05	0.02	13,077
7	Purchased Gas and Oil	1,952,733	26.42	39.83	(13.41)	(0.04)	(71,570)
8	Purchased Power	57,802,697	26.42	34.50	(8.08)	(0.02)	(1,276,081)
9	Injuries & Damages	680,556	26.42	31.45	(5.03)	(0.01)	(9,353)
10	Pension Expense	5,794,745	26.42	51.74	(25.32)	(0.07)	(400,882)
11	OPEB Expense	447,451	26.42	178.44	(152.02)	(0.42)	(185,851)
12	Cash Vouchers	44,836,271	26.42	30.00	(3.58)	(0.01)	(438,562)
13	**Total Operation & Maintenance Expense**	**155,858,570**					**(2,806,540)**
	Taxes						
14	FICA, FUTA, SUTA	1,655,201	26.42	13.63	12.79	0.03	57,842
15	City Franchise Taxes	5,130,463	11.21	38.63	(27.42)	(0.07)	(384,364)
16	Corporate Franchise Taxes	-	11.21	(76.00)	87.21	0.24	-
17	Ad Valorem/Property Taxes	10,796,958	26.42	182.07	(155.65)	(0.43)	(4,591,657)
18	**Total Taxes**	**17,582,622**					**(4,918,180)**
	Other Expenses						
19	Sales Taxes	4,925,472	11.21	22.00	(10.79)	(0.03)	(145,207)
20	**Total Other Expenses**	**4,925,472**					**(145,207)**
	Tax Offset From Rate Base						
21	Current Income Taxes-Federal	3,204,950	26.42	45.63	(19.21)	(0.05)	(168,216)
22	Current Income Taxes-State	-	26.42	45.63	(19.21)	(0.05)	-
23	**Interest Expense**	11,382,102	26.42	86.55	(60.13)	(0.16)	(1,869,961)
		14,587,051					**(2,038,177)**
24	**Total Cash Working Capital Requirement**	**192,953,715**					**(9,908,104)**

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
TY 6/30/15; Update TBD; K&M 7/31/16

Allocation Factors

		12/31/14		
		Electric	Steam	Total
Electric/Steam Allocation Factors				
1	Electric - 100%	100.000 %	0.000 %	100.000 %
2	Steam - 100%	0.000 %	100.000 %	100.000 %
3	Allocated Plant Base Factor	96.730 %	3.270 %	100.000 %
4	Land Factor	85.903 %	14.097 %	100.000 %
5	Structures Factor	85.903 %	14.097 %	100.000 %
6	Boiler Plant Factor	79.836 %	20.164 %	100.000 %
7	Turbogenerators Factor	99.837 %	0.163 %	100.000 %
8	Access Elec Eqpt Factor	85.903 %	14.097 %	100.000 %
9	Misc Steam Gen Eqpt Factor	70.059 %	29.941 %	100.000 %
10	Electric/Steam Plant Factor	85.903 %	14.097 %	100.000 %
11	900 lb Steam Demand Factor	70.059 %	29.941 %	100.000 %
12	Total Coal Burned Factor	85.190 %	14.810 %	100.000 %
Income Statement Allocation Factors (Elec/Steam)				
13	Electric After Steam Alloc (O&M)	89.764 %	10.236 %	100.000%
14	Electric After Steam Alloc (A&G)	95.431 %	4.569 %	100.000%

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
TY 6/30/15; Update TBD; K&M 7/31/16

Income Taxes

Line No.	Line Description	Total Company L&P	Juris Factor #	Juris Allocation	Tax Rate	L&P Electric (Juris) Adjusted with 7.727% Return	
	A				B	C	
1	Net Income Before Taxes (Sch 9)					28,771,561	
2	*Add to Net Income Before Taxes:*						
3	Depreciation Expense					26,988,579	
4	Plant Amortization Exp	793,995	1	100.00%		793,995	
5	Transportation Expenses-Clearing					118,127	(a)
6	50% Meals & Entertainment	67,556	13	89.76%		60,641	
7	**Total**					27,961,341	
8	*Subtract from Net Income Before Taxes:*						
9	Interest Expense					11,382,102	
10	IRS Tax Return Depreciation	36,987,975	3	96.73%		35,778,468	
11	IRS Tax Return Plant Amortization (incl w/DEPR)	0	1	100.00%		-	
12	IRC Section 199 Domestic Production Activities					-	
13	**Total**					47,160,570	
14	**Net Taxable Income**					9,572,333	
15	**Provision for Federal Income Tax:**						
16	Net Taxable Income					9,572,333	
17	Deduct Missouri Income Tax @ 100.0%				6.25%	500,721	
18	Deduct City Income Tax					-	
19	Federal Taxable Income					9,071,612	
20	Federal Tax Before Tax Credits					3,175,064	
21	Less Tax Credits:					-	
22	Research and Development Tax Credit					(53,470)	
23	Alternate Refueling Property Tax Credit (Charging Stations)					-	
24	**Total Federal Tax**				0.00%	3,121,594	0.0000
25	**Provision for Missouri Income Tax:**						
26	Net Taxable Income					9,572,333	
27	Deduct Federal Income Tax @ 50.0%				17.50%	1,560,797	
28	Deduct City Income Tax					-	
29	Missouri Taxable Income					8,011,536	
30	**Total Missouri Tax**				6.25%	500,721	
31	**Provision for City Income Tax:**						
32	Net Taxable Income					9,572,333	
33	Deduct Federal Income Tax					3,121,594	
34	Deduct Missouri Income Tax					500,721	
35	City Taxable Income					5,950,018	
36	**Total City Tax**					-	
37	**Summary of Provision for Current Income Tax:**						
38	Federal Income Tax					3,121,594	
39	Missouri Income Tax					500,721	
40	City Income Tax					-	
41	**Total Provision for Current Income Tax**					3,622,315	
						37.8415%	38.3900%
42	**Deferred Income Taxes:**						
43	Deferred Income Taxes - Excess IRS Tax over Book D&A					3,218,661	See Comp Below
44	Amortization of Deferred ITC - ELEC	(16,585)	1	100.00%		(16,585)	
45	Amortization of Deferred ITC - STEAM	(2,932)	2	0.00%		-	
46	Amort of Excess Deferred Income Taxes (ARAM)	(14,175)	3	96.73%		(13,711)	
47	**Total Deferred Income Tax Expense**					3,188,365	

KCP&L Greater Missouri Operations - L&P Electric
2016 RATE CASE - Direct Filing (6/30/15)
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Income Taxes

Line No.	Line Description	Total Company L&P	Juris Factor #	Juris Allocation	Tax Rate	L&P Electric (Juris) Adjusted with 7.727% Return
	A				B	C
48	**Total Income Tax**					6,810,680
	(a) Percent of vehicle depr clearing to O&M				37.44%	

Interest Expense Proof:

Total Rate Base (Sch. 2)	495,175,396
X Wtd Cost of Debt	2.299%
Interest Exp @ 12/31/07	11,382,102
Less: Interest Expense from Line 7	11,382,102
Difference	0

Computation of Line 39 Above:

Line No.	Line Description	Total Company L&P	Juris Factor #	Juris Allocation	Tax Rate	C
49	Deferred Income Taxes - Excess IRS Tax over Book D&A:					
50	IRS Tax Return Depreciation					35,778,468
51	Less: Book Depreciation					27,782,574
52	Excess IRS Tax Depr over Book Depr					7,995,894
53	IRS Tax Return Plant Amortization					0
54	Less: Book Amortization					0
55	Excess IRS Tax Amort over Book Amortization					0
56	Total Timing Differences					7,995,894
57	AFUDC Equity	262,338	1	100.00%		262,338
58	MO Miscellaneous Flow Through	130,136	3	96.73%		125,881
59	Total Timing Differences after Flow Through					8,384,113
60	Effective Tax rate					38.39%
61	Deferred Income Taxes - Excess IRS Tax over Book D&A					3,218,661