Exhibit No.: OPC
Issue(s): Depreciation/ Retirements/ One CIS/ O&M Expense
Witness/Type of Exhibit: Robinett/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2018-0145 and ER-2018-0146

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REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of
the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY
and
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Case No. ER-2018-0145 and ER-2018-0146

** **

Denotes Information that has been redacted

July 27, 2018

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service	)	File No. ER-2018-0145
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service	)	File No. ER-2018-0146

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

John A. Robinett
John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 27th day of July 2018.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI
JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
KANSAS CITY POWER AND LIGHT COMPANY
KCP&L - GREATER MISSOURI OPERATIONS COMPANY
CASE Nos. ER-2018-0145 and ER-2018-0146

Q. What is your name and what is your business address?

A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Utility Engineering Specialist.

Q. Are you the same John A. Robinett that filed direct testimony on behalf of the OPC in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I rebut the positions of KCPL, GMO and Staff to include depreciation, operation and maintenance, and property tax expenses related to the known retirements of Kansas City Power & Light Company ("KCPL") Montrose units 2 and 3 to be retired in December of 2018, and KCP&L Greater Missouri Operations Company ("GMO") Sibley unit 1 retired June 2017, Sibley unit 2 to be retired in December of 2018. Additionally I rebut the positions of Staff witness Mr. Cary G. Featherstone, and KCPL and GMO witnesses Mr. Charles A. Caisley, Mr. Forrest Archibald and Mr. Ronald A. Klote regarding the allocation of ONE CIS costs between GMO, KCPL-MO and KCPL-KS.

Q. Would you briefly summarize OPC's recommendations provided in your testimony?

A. OPC offers the following recommendations in this testimony:

1) All costs associated with the retirements of KCPL's Montrose units 2, 3, and common plant, and GMO's Sibley units 1 and 2 not be included in the respective costs of service of KPCL and GMO used for setting rates in these cases as these units will be retired by the end of 2018.

2) The $7.2 million additional amortization related to depreciation expense for GMO be stopped. The amount collected for the additional amortization related to depreciation expense be booked to the reserves of the Sibley facilities.

3) A decrease in depreciation expense for KCPL related to the Montrose units 2, 3, and common plant retirements of $3,126,768 based on depreciation expense of true-up accounting schedules from Case No. ER-2018-0145.

4) A decrease in depreciation expense for GMO related to the Sibley units 1 and 2 retirements of $1,114,733 based on depreciation expense of direct accounting schedules from Case No. ER-2018-0146.

5) All operations and maintenance expenses for KCPL Montrose units 2, 3, and common plant, and GMO Sibley units 1 and 2 should not be included in the costs of service of KPCL and GMO used for setting rates in these cases.

6) As GMO and Staff have done, all operations and maintenance expenses, depreciation expenses, and property taxes for Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler be included in GMO's cost of service used for setting rates, provided that the Commission finds it imprudent for GMO to retire this unit by the end of 2018.

However, if the Commission finds it prudent for GMO to retire Sibley unit 3 by the end of 2018, then all operations and maintenance expenses, depreciation expenses, and property taxes for Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler be excluded from, and all costs associated with the retirement of GMO's Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler be included in GMO's cost of service used for setting rates.

Coal Unit Retirements

Q. Did GMO retire Sibley unit 1?

A. Yes. As discussed in KCP&L Witness Mr. Crawford's direct testimony in Case No. ER-2018-0146, GMO Retired Sibley unit 1 as of June 1, 2017.[1]

Q. Did GMO and Staff retire Sibley unit 1 for purposes of the fuel run?

A. Yes. Sibley unit 1 was excluded from the fuel runs of both Staff and GMO.

Q. Did GMO and Staff retire Sibley unit 1 from plant in service?

A. No. GMO has included in plant-in-service for Sibley unit 1 $471,432,875. Staff has included in plant-in-service for Sibley unit 1 $477,454,785. GMO witness Mr. Crawford does state in his direct testimony that the boiler from unit 1 has remained in service to provide start-up steam for Sibley unit 3. Even if the boiler is still operating, if Sibley unit 1 is no longer producing electricity, then the plant-in-service in account 344 generator equipment should have been retired.

Q. Have KCPL and GMO publically announced retirements of generation plants?

A. Yes. Attached as Schedule JAR-R-1 to this rebuttal testimony are selected excerpts from Great Plains Energy's form 10K for calendar year 2017.

Q. Are these retirements known and measurable?

A. Yes. Great Plains Energy announced them publically in its 2017 10K. GMO and KCPL know and can calculate at the time of true-up (June 30, 2018) in this case the effect of the retirements of the units on each utility.

Q. KCP&L witness Mr. Crawford testifies at page 8 of his direct testimony that it is appropriate to normalize KPCL's and GMO's generating capacities in these cases. Does OPC agree?

A. Yes. However, KCP&L does not normalize KCPL's or GMO's generating capacity to account for its announced coal unit retirements of KCPL Montrose units 2 and 3, and GMO Sibley units 1 and 2, by the end of 2018. These retirement dates are outside of the true-up period, but potentially are only 2 days after the projected effective dates of new rates in these cases. KCP&L is asking that its ratepayers to potentially pay four years' worth of depreciation

[1] Case No. ER-2018-0146 GMO witness Mr. Burton L. Crawford direct testimony Page 8 lines 16-22.

expense, return on the investment, property taxes, and operations and maintenance expense for potentially only 2 days of actual value provided until next rates would need to be set to continue KCPL's and GMO's fuel adjustment clauses.

Q. Do KCP&L's capacity and maintenance normalizations reflect the impending retirements of KCPL Montrose units 2 and 3, and GMO Sibley units 1, 2, and 3?

A. No. Attached as Schedule JAR-R-2C is the confidential schedules BLC-3 and BLC-5 attached to Mr. Crawford's direct testimony for KCPL that provide the maintenance schedule normalization of the expected generation for 2019 through 2022. Also attached as Schedule JAR-R-3C are the confidential schedules BLC-3 and BLC-5 attached to Mr. Crawford's direct testimony for GMO that provide the maintenance schedule normalization of the expected generation for 2019-2022. Confidential schedule BLC-5 for both KCPL and GMO provide the maintenance schedule normalization of the expected generation for 2019 through 2022.

Q. Why does OPC take issue with Schedules BLC-3 and BLC-5 attached to Mr. Crawford's direct testimony for KCPL and GMO?

A. One, schedule BLC-3 is the maintenance normalization schedule OPC takes issue with building in 6 year major maintenance on Montrose unit 2 and 3, and Sibley unit 2 when KCP&L has publically announced the retirement of those units by December 31, 2018. Inclusion of maintenance expense does not tie to the decision to retire the units. Additionally, maintenance of those units conflicts with confidential schedule BLC-5 which provides the projected generation from facilities during 2019 through 2022. Those schedules indicate, as KCP&L has announced, that Montrose units 2 and 3, and Sibley unit 2 will be retired at the end of 2018 and produce no electricity afterward. It is improper for KCP&L to include maintenance expense in its case when it has indicated from a production standpoint that no generation will occur at those facilities.

Q. Is it then OPC's position that KCP&L's capacity normalizations should have reflected the impending retirements of KCPL Montrose units 2 and 3, and GMO Sibley units 1, 2, and 3?

A. Yes. It is OPC position that the normalizations should have included the impending retirements of Montrose units 2, 3, and common plant, and Sibley units 1 and 2, but not the impending retirement of Sibley unit 3, because OPC believes that prematurely retiring Sibley unit 3 by the end of this year is imprudent.

KCPL and GMO Depreciation Recommendation

Q. What did KCPL, GMO, and Staff recommend for depreciation expense?

A. All three parties recommend continued use of depreciation expense, which includes depreciation expense for KCPL Montrose units 2 and 3 as well as GMO Sibley units 1, and 2, which have been announced to retire by the end of 2018.

Q. Is it appropriate to continue to collect depreciation expense for units that are projected to retire by the end of this year?

A. No. Unless the Commission applies a tracker to ensure that ratepayers receive full credit for all expenses they are being asked to pay that are built in to these two cases that relate to these imminent announced retirements to occur by end of 2018.

Q. What is the value of OPC recommendation to remove depreciation expense for the Montrose and Sibley facilities?

A. OPC recommended decrease in depreciation expense is based on Staff's accounting schedules filed with its Cost of Service Report in cases ER-2018-0145 and ER-2018-0146. In OPC's direct case OPC relied on depreciation expense from the 2016 rate cases of KCPL and GMO. OPC recommends a decrease of $3,126,768 for KCPL to recognize that Montrose units 2, 3, and common plant will be retired by end of 2018. OPC recommends a decrease of $1,114,733 for GMO to recognize that Sibley unit 1(retired June 2017, unit 1 boiler still in service), 2 will be retired by end of 2018.

KCPL Operations and Maintenance Expense

Q. What is Staff's and KCPL's position on operations and maintenance expense for the Montrose units?

A. Both Staff and KCPL are including ongoing operations and maintenance expense in their direct case filings.

Q. What is OPC's position on operations and maintenance expense for the Montrose units?

A. Consistent with OPC's position on depreciation expense, for the Montrose units and Montrose common plant that will be retired by the end of 2018, no operations or maintenance expense should be included in the costs of service used for setting rates in these cases.

Q. Why should the costs of service for KCPL not include operations and maintenance expense for Montrose?

A Based on the applications, new rates are projected to become effective December 29, 2018. When paired with the announcement of the retirements of the Montrose units and Montrose common plant by the end of 2018, the longest the units could be operating under new rates is two days. It is very likely that by the time new rates from these cases are effective the units will be retired. Ratepayers should not be asked to pay for operations and maintenance expense on units if KCPL intends to no longer use and will not provide a benefit to the rate payers.

GMO Operations and Maintenance Expense

Q. What is Staff's and GMO's position on operations and maintenance expense for the Sibley units 1 and 2?

A. Both Staff and GMO are including ongoing operations and maintenance expense in their direct case filings.

Q. What is OPC's position on operations and maintenance expense for the Sibley units 1and 2?

A. Consistent with OPC's position on depreciation expense, for the Sibley units 1and 2 that will be retired by the end of 2018, it is OPC's recommendation that no operations or maintenance expense should be included in the costs of service used for setting rates in these cases.

Q. Why should the costs of service for GMO not include operations and maintenance expense for Sibley units 1 and 2?

A Based on the applications, new rates are projected to become effective December 29, 2018. When paired with the announcement of the retirements of the Sibley units1 and 2 by the end of 2018, the longest the units could be operating under new rates is two days. It is very likely that by the time new rates from these cases are effective the units will have been retired. Ratepayers should not be asked to pay for operations and maintenance expense on units that are no longer used and are not providing a benefit.

GMO Sibley Unit 3

Q. Why does OPC believe that prematurely retiring Sibley unit 3 by the end of this year is imprudent and, therefore, Sibley 3 should be included as an available unit for purposes of normalizing GMO's generating capacity?

A. KCP&L witness Mr. Crawford provided the results of the most recent heat rate tests for GMO's generating units in Confidential Schedule BLC-6 to his direct testimony. Attached as Schedule JAR-R-4C to this testimony is that same confidential schedule. Review of this schedule shows that Iatan units 1 and 2 are the only GMO units that are more efficient than Sibley unit 3.[2] Additionally, when the heat rate test results are analyzed with the fuel runs performed by Staff, a clear image of how important Sibley unit 3 is to GMO ratepayers is produced. Attached as Schedule JAR-R-5C is the GMO fuel run summary sheet provided as a work paper by Staff supporting its fuel expense in its direct case. The fuel run summary sheet indicates how much generation, given assumptions used by Staff, each generating

[2] Confidential Schedule BLC-6 also indicates Lake Road unit 1 is more efficient than Sibley unit 3 however, Lake Road unit 1 does not produce electricity used for steam service.

unit would run with these normalized inputs. Review of the summary indicates that Staff's models more generation from Sibley unit 3 than Iatan 1 or Iatan 2 or any other generating unit that GMO has control or ownership stake in.

Additionally, GMO's fuel run provided in its direct work papers shows GMO purchasing energy from the Southwest Power Pool (SPP) markets to meet almost 38% of its native load's energy requirements. Similarly, Staff's fuel run shows 39% of GMO's total owned generation came from Sibley unit 3. With the retirements of Sibley units 1, 2, and 3, GMO will need to purchase even more energy from the SPP markets increasing its and its customers exposure to the fluctuations and risks of those markets.

However, if the Commission views that GMO retiring Sibley 3 by the end of 2018 is prudent, then Sibley 3 should not be included as GMO-owned capacity when normalizing GMO's generating capacity.

Q. Based on the fuel runs provided in work papers to Staff's and GMO's direct testimony how many hours was Sibley unit 3 price less than the market value?

A. OPC analyzed the number of hours that the price of Sibley Unit 3 produced by Staff's calculations was lower than the cleared market price for every hour of the test year. OPC using Staff's price of Sibley unit 3 also compared it to the market prices provided by KCP&L. The number of hours in a year is 8,760. The results of OPC's analysis on Staff's fuel run and market prices showed that Sibley unit 3 price to run was cheaper than the market clearing cost 6,342 hours or 72.4% of the year. Using that same information for Sibley unit 3 price, but comparing with KCP&L market prices for the hourly clearing for the year, Sibley unit 3 was cheaper than the market clearing price 7,619 hours or 86.97% of the year.

Q. What should the Commission find related to Sibley unit 3?

A. OPC requests the Commission find that the retirement of Sibley unit 3 is imprudent as it does not protect rate payers from market volatility and is a crucial unit for ratepayers and GMO. As shown above the cost of Sibley unit 3 operating using either Staff or KCP&L market prices is cheaper than the market. Sibley unit 3 produced the more energy than any other GMO generating unit last year. Sibley unit 3 generated 39% of GMO's native power generated last year. Additionally as stated earlier Sibley unit 3 is more efficient than any other units that GMO has an ownership stake in with the exception of Iatan units 1 and 2.

Q. If the Commission determines that the retirement of Sibley unit 3 is in the best interest of ratepayers, does OPC have recommendations?

A. Yes. The Commission should, as OPC recommends for other retiring units, remove all depreciation expense for Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler from this current case, and remove all operations and maintenance expense from this case. The Commission should rebase the fuel run with the retiring units excluded from the modeling. If the Commission determines that removal of those expenses is not proper in this case the Commission needs to order a tracker for the expenses approved. The tracker will begin tracking expenses built into rates related to depreciation expense ($6,643,863 for Sibley unit 3, $1,962,603 for Sibley common plant, $626,337 for Sibley unit 1 boiler), operations and maintenance expenses, and property taxes, but GMO and KCPL are no longer required to expend or book once units are retired.

Q. Will future prudence audits occur?

A. OPC is making a clear statement for future prudence reviews. OPC states that retiring Sibley unit 3 by the end of 2018 is an imprudent decision of GMO. OPC intends to raise this issue now so that it is clear in future fuel adjustment clause (FAC) prudence cases OPC will be reviewing the market prices and imputing the difference as if Sibley unit 3 remained in-service. OPC as part of this case is reserving the right and opportunity to challenge in future FAC if the fuel costs increase due to the retirement of Sibley unit 3 when compared to the fuel base established in this case.

GMO Additional Amortization

Q. What language was included in the Stipulation and Agreement in Case No. ER-2016-0156 for the additional amortization related to depreciation expense?

A. The language from the Stipulation and Agreement in Case No. ER-2016-0156 for the additional amortization related to depreciation expense is as follows:

> In addition to the attached schedule, GMO shall be allowed to collect an annual amortization amount equal to $7.2 million. This additional amortization shall be booked and accounted for on an annual basis until GMO's next general electric rate case. In GMO's next filed rate case the Commission will determine the distribution of the additional amortization. The balance will be used to cover any deficiencies in reserves across production, transmission and distribution accounts. Any undisturbed balance will be used as an offset to future rate base. This amortization is for purpose of settlement of this case only and does not constitute an agreement as to the methodology or a precedent for any future rate case.

Q. What was Staff's recommendation for the GMO additional amortization related to depreciation expense the Commission granted as part of its approval of the Stipulation and Agreement in Case No. ER-2016-0156?

A. Staff witness Mr. Stephen Moilanen at page 156 of the Staff Report Cost of Service in Case No. ER-2018-0146 recommends ceasing the collection of the additional amortization related to depreciation expense in this case.

Q. Is OPC supportive of Staff's recommendation related to the GMO additional amortization granted as part of the Stipulation and Agreement in Case No. ER-2016-0156?

A. In part. OPC does agree and provided the direct position that the additional amortization related to depreciation expense should be removed. However, Staff failed to provide a position in direct to address the distribution of the additional amortization. Mr. Moilanen discusses the stipulation and provides the following recommendation on page 156:

> Staff in this case recommends ceasing collection of the additional amortized expense of $7.2 million. The language provided in the Stipulation indicates the amount is to be collected until GMO's next rate case. In addition, Staff recommends the Commission wait until the next filed general rate case (at which time the Company has committed to submitting a new depreciation study of plant assets)[84] to consider the collected amortized amount for distribution to plant accounts.

Staff's recommendation cites GMO witness Mr. Klote's recommendation that the distribution of the additional amortization be handled at the time of the next rate proceeding where a new depreciation study is performed. Staff however is not recommending the same treatment as GMO. Staff recommended the removal of the additional amortization. Staff's recommendation is inconsistent with the stipulation's plain language related to the distribution of the funds collected under the additional amortization. OPC is the only party to properly address the stipulation for the additional amortization related to depreciation expense.

Q. What is KCPL's rationale for continuing the additional amortization and dealing with distribution of collection in the next general rate proceeding following this current case?

A Mr. Klote provides the following position and evidence for continuation of the additional amortization:

> The rates from the 2016 case including the additional amortization have only been in effect a short period of time since February 22, 2017. The Company believes the methodology provided in that case is still applicable for the test period and true-up periods in this rate case and should be continued until the filing of the Company's next general rate case which will include a new depreciation study.

However, OPC received in a response to data requests a response that may better fit GMO's request to handle the funds collected at the time a new depreciation study is performed. In response to OPC data request 8521(GMO) and 8522(KCPL) provided the following response related to depreciation reserve:

> Generating unit reserve amounts as listed in the data request are not the same as would be determined via a depreciation study. A depreciation study is required to derive a more accurate reserve balance. The depreciation study would analyze asset remaining life, cost of removal and salvage parameters, etc. to develop the appropriate reserve balance. The Company did not perform a depreciation study for this rate case.

KCPL provided an Excel spread sheet that provided depreciation reserve estimated by Federal Energy Regulatory Commission (FERC) account and sub-account, by generating unit. The following two notes are provided in the Excel file titled, "Q8522_KCPL MO Plant and Cost of Removal."

Note:
Production plant depreciation reserve is not maintained by individual generating unit, except for Iatan Unit 2 and Hawthorn Unit 5.
Depreciation reserve reported in the schedule above has been allocated to each generating unit, except for Iatan Unit 2 and Hawthorn Unit 5.

Additionally GMO provided an Excel spread sheet that provided depreciation reserve estimated by FERC account and sub-account, by generating unit. The following two notes are provided in the Excel file titled, "Q8521_GMO_OPC-8521 Generation Plant and Reserves and COR December 2017."

Note:
Production plant depreciation reserve is not maintained by individual generating unit, except for Iatan Unit 2 and Solar.
Depreciation reserve reported in the schedule above has been allocated to each generating unit, except for Iatan Unit 2 and Solar.

OPC believes that KCPL and GMO's internal personnel should have the expertise necessary for these calculations, and the issue should not be postponed to a subsequent case.

Q. What is OPC's position on this additional amortization?

A. OPC requests that the Commission discontinue its authorization of the additional amortization for depreciation expense of $7.2 million, and by removing the $7.2 million additional amortization from revenue requirement going forward. As part of the stipulation and agreement the additional amortization was to be in place until rates were set in the next rate case—this case; also as part of that next rate case parties were to recommend where the dollars collected as additional depreciation expense should be booked. OPC requests that the Commission order GMO to record all additional depreciation expense received through the additional amortization of $7.2 million since its last rate case as reserve additions to the FERC subaccounts for the Sibley generation facilities.

ONE CIS Allocation

Q. What was Staff's Position related to the ONE CIS allocation?

A. Staff Witness Mr. Featherstone in the Staff Revenue Requirement Cost of Service Report states:

> The costs of the new customer service system will be included in the true-up ending June 30, 2018 and will be assigned to KCPL, split between its Kansas and Missouri customers, and GMO. The costs will be allocated approximately one third each between KCPL Kansas, KCPL Missouri, and GMO.[3]

Q. Did KCPL and GMO discuss the allocation of the ONE CIS solution costs?

A. No. Neither of KCPL and GMO witnesses Mr. Caisley or Mr. Archibald, who both discussed the ONE CIS system, addressed the allocation of the system costs between KCPL-KS, KCPL-MO and GMO. GMO and KCPL witness Mr. Klote discussed adjustments for plant in service and reserves at page 10 of his direct testimony. Mr. Klote states that the projected costs for ONE CIS have been included in the plant-in-service estimates in this case.

Q. Which adjustment reflects ONE CIS solution?

A. RB-20, one for KCPL and one for GMO

Q. Does adjustment RB-20 reflect ONE CIS costs allocated to both KCPL and GMO?

A. No. There is insufficient plant adjustment in RB-20 on the GMO schedule to account for allocation of plant balance related to ONE CIS being placed in service. KCPL adjustment RB-20 is an addition of approximately $113 million which is slightly less than the projected values of $118 million in the original control budget.

Q. What is OPC's position related to ONE CIS solution?

A. OPC seeks to allocate the costs that are fair and just for Missouri ratepayers. OPC's position is supportive of the Staff position but with conditions. OPC recommends a tracker related to the expenses and future allocations of the ONE CIS system in order to assure that

[3] Case No. ER-2018-0145 and ER-2018-0146, Staff Revenue Requirement Cost of Service Report, Page 152 Lines 20-23.

Missouri ratepayer dollars paid to KCPL and GMO for return of the asset cost are not transferred to other affiliated entities.

Q. Would you briefly summarize OPC's recommendations provided in your testimony?

A. OPC offers the following recommendations in this testimony:

1) All costs associated with the retirements of KCPL's Montrose units 2, 3, and common plant, and GMO's Sibley units 1, 2, and common plant not be included in the costs of service of KPCL and GMO used for setting rates in these cases as these units will be retired by end of 2018.

2) The $7.2 million additional amortization related to depreciation expense for GMO be stopped. The amount collected for the additional amortization related to depreciation expense be booked to the reserves of the Sibley facilities.

3) A decrease in depreciation expense for KCPL related to the Montrose units 2, 3, and common plant retirements of $3,126,768 based on depreciation expense of true-up accounting schedules from Case No. ER-2018-0145.

4) A decrease in depreciation expense for GMO related to the Sibley units 1 and 2 retirements of $1,114,733 based on depreciation expense of direct accounting schedules from Case No. ER-2018-0146.

5) All operations and maintenance expenses for KCPL Montrose units 2, 3, and common plant and GMO Sibley unit 1, 2, and common plant should not be included in the costs of service of KPCL and GMO used for setting rates in these cases.

6) As GMO and Staff have done, all operations and maintenance expenses, depreciation expenses, and property taxes for Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler be included in GMO's cost of service used for setting rates, provided that the Commission finds it imprudent for GMO to retire this unit by the end of 2018.

However, if the Commission finds it prudent for GMO to retire Sibley unit 3 by the end of 2018, then all operations and maintenance expenses, depreciation expenses, and property taxes for Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler be excluded from, and all costs associated with the retirement of GMO's Sibley unit 3, Sibley common plant, and Sibley unit 1 boiler be included in GMO's cost of service used for setting rates.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

merger, and Merger Sub will merge with and into Westar, with Westar surviving such merger. Upon closing, pursuant to the Amended Merger Agreement, each outstanding share of Great Plains Energy's and Westar's common stock will be converted into the right to receive 0.5981 and 1.0, respectively, of validly issued, fully paid and nonassessable shares of common stock, no par value, of Holdco. Following the mergers, Holdco, with a new name that has yet to be established, will be the parent of Great Plains Energy's direct subsidiaries, including KCP&L, and Westar.

The anticipated merger has been structured as a merger of equals in a tax-free exchange of shares that involves no premium paid or received with respect to either Great Plains Energy or Westar. Following the completion of the anticipated merger, Westar shareholders will own approximately 52.5 percent and Great Plains Energy shareholders will own approximately 47.5 percent of the combined company.

Great Plains Energy's anticipated merger with Westar was unanimously approved by the Great Plains Energy Board and Westar Board of Directors, has received the approvals of each of Great Plains Energy's and Westar's shareholders and has received early termination of the waiting period under the HSR Act with respect to antitrust review. The anticipated merger remains subject to regulatory approvals from KCC, the MPSC, NRC, FERC and FCC; as well as other contractual conditions.

See Note 2 to the consolidated financial statements for more information regarding the anticipated merger and redemption of acquisition financing associated with the Original Merger Agreement.

Expected Plant Retirements
In June 2017, Great Plains Energy and KCP&L announced plans to retire KCP&L's Montrose Station and GMO's Sibley Station by December 31, 2018 and GMO's Lake Road No. 4/6 Unit by December 31, 2019. The decision to retire these generating units, which represent approximately 900 MWs of generating capacity, was primarily driven by the age of the plants, expected environmental compliance costs and expected future generation capacity needs. See Note 1 to the consolidated financial statements for more information regarding the retirement of Sibley No. 3 Unit.

Tax Reform
In December 2017, the U.S. Congress passed and President Donald Trump signed Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (Tax Act). The Tax Act represents the first major reform in U.S. income tax law since 1986. Most notably, the Tax Act reduces the current top corporate income tax rate from 35% to 21% beginning in 2018, repeals the corporate Alternative Minimum Tax (AMT), makes existing AMT tax credit carryforwards refundable, and changes the deductibility and taxability of certain items, among other things. See Note 21 to the consolidated financial statements for more information regarding the impact of tax reform on Great Plains Energy and KCP&L.

Earnings Overview
Great Plains Energy had a loss available for common shareholders of $143.5 million or $0.67 per share in 2017 compared to earnings of $273.5 million or $1.61 per share in 2016. This decrease in earnings was largely driven by a number of non-recurring impacts due to the anticipated merger with Westar and the impacts of U.S. federal income tax reform. The specific drivers of the decrease in earnings were lower gross margin; higher depreciation expense; a loss on the settlement of the 7.00% Series B Mandatory Convertible Preferred Stock (Series B Preferred Stock) dividend make-whole provisions; a loss on extinguishment of debt related to the redemption of Great Plains Energy's $4.3 billion senior notes; an increase in interest charges; higher income tax expense and increased preferred stock dividend requirements and redemption premium; partially offset by a decrease in injuries and damages expense due to settled litigation and an increase in interest income.

In addition, a higher number of average shares outstanding due to Great Plains Energy's registered public offering of 60.5 million shares of common stock in October 2016 diluted the 2017 loss per share by $0.26.

For additional information regarding the change in earnings (loss), refer to the Great Plains Energy Results of Operations and the Electric Utility Results of Operations sections within this Management's Discussion and

GREAT PLAINS ENERGY INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY

Notes to Consolidated Financial Statements

The notes to consolidated financial statements that follow are a combined presentation for Great Plains Energy Incorporated and Kansas City Power & Light Company, both registrants under this filing. The terms "Great Plains Energy," "Company," "KCP&L" and "Companies" are used throughout this report. "Great Plains Energy" and the "Company" refer to Great Plains Energy Incorporated and its consolidated subsidiaries, unless otherwise indicated. "KCP&L" refers to Kansas City Power & Light Company and its consolidated subsidiaries. "Companies" refers to Great Plains Energy Incorporated and its consolidated subsidiaries and KCP&L and its consolidated subsidiaries.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
Great Plains Energy, a Missouri corporation incorporated in 2001, is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries and cash and cash equivalents. Great Plains Energy's wholly owned direct subsidiaries with significant operations are as follows:

- KCP&L is an integrated, regulated electric utility that provides electricity to customers primarily in the states of Missouri and Kansas. KCP&L has one active wholly owned subsidiary, Kansas City Power & Light Receivables Company (KCP&L Receivables Company).
- KCP&L Greater Missouri Operations Company (GMO) is an integrated, regulated electric utility that provides electricity to customers in the state of Missouri. GMO also provides regulated steam service to certain customers in the St. Joseph, Missouri area. GMO has two active wholly owned subsidiaries, GMO Receivables Company and MPS Merchant Services, Inc. (MPS Merchant). MPS Merchant has certain long-term natural gas contracts remaining from its former non-regulated trading operations.

Great Plains Energy also wholly owns GPE Transmission Holding Company, LLC (GPETHC). GPETHC owns 13.5% of Transource Energy, LLC (Transource) with the remaining 86.5% owned by AEP Transmission Holding Company, LLC (AEPTHC), a subsidiary of American Electric Power Company, Inc. GPETHC accounts for its investment in Transource under the equity method. Transource is focused on the development of competitive electric transmission projects.

Each of Great Plains Energy's and KCP&L's consolidated financial statements includes the accounts of their subsidiaries. Intercompany transactions have been eliminated.

Great Plains Energy's sole reportable business segment is the electric utility segment (Electric Utility). See Note 22 for additional information.

Use of Estimates
The process of preparing financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents
Cash equivalents consist of highly liquid investments with original maturities of three months or less at acquisition.

Time Deposit
Consists of a non-negotiable fixed rate investment in a time deposit with an original maturity of greater than three months and is recorded on the balance sheet at cost. The Company estimates the fair value of the time deposit, which approximates its carrying value, using Level 2 inputs based on current interest rates for similar investments with comparable credit risk and time to maturity.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Nuclear decommissioning trust fund - KCP&L's nuclear decommissioning trust fund assets are recorded at fair value based on quoted market prices of the investments held by the fund and/or valuation models.

Pension plans - For financial reporting purposes, the market value of plan assets is the fair value. For regulatory reporting purposes, a five-year smoothing of assets is used to determine fair value.

Derivative Instruments

The Company records derivative instruments on the balance sheet at fair value in accordance with GAAP. Great Plains Energy and KCP&L enter into derivative contracts to manage exposure to commodity price and interest rate fluctuations. Derivative instruments are entered into solely for hedging purposes and are not issued or held for speculative reasons.

The Company considers various qualitative factors, such as contract and market place attributes, in designating derivative instruments at inception. Great Plains Energy and KCP&L may elect the normal purchases and normal sales (NPNS) exception, which requires the effects of the derivative to be recorded when the underlying contract settles. Great Plains Energy and KCP&L account for derivative instruments that are not designated as NPNS as non-hedging derivatives, which are recorded as assets or liabilities on the consolidated balance sheets at fair value.

Great Plains Energy and KCP&L offset fair value amounts recognized for derivative instruments under master netting arrangements, which include rights to reclaim cash collateral (a receivable), or the obligation to return cash collateral (a payable).

Utility Plant

Great Plains Energy's and KCP&L's utility plant is stated at historical cost. These costs include taxes, an allowance for the cost of borrowed and equity funds used to finance construction and payroll-related costs, including pensions and other fringe benefits. Replacements, improvements and additions to units of property are capitalized. Repairs of property and replacements of items not considered to be units of property are expensed as incurred (except as discussed under Deferred Refueling Outage Costs). When property units are retired or otherwise disposed, the original cost, net of salvage, is charged to accumulated depreciation. Substantially all of KCP&L's utility plant is pledged as collateral for KCP&L's mortgage bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented (Indenture). A portion of GMO's utility plant is pledged as collateral for GMO's mortgage bonds under the General Mortgage Indenture and Deed of Trust dated April 1, 1946, as supplemented.

As prescribed by The Federal Energy Regulatory Commission (FERC), Allowance for Funds Used During Construction (AFUDC) is charged to the cost of the plant during construction. AFUDC equity funds are included as a non-cash item in non-operating income and AFUDC borrowed funds are a reduction of interest charges. The rates used to compute gross AFUDC are compounded semi-annually. The rates used to compute gross AFUDC for KCP&L averaged 4.9% in 2017, 5.7% in 2016 and 3.0% in 2015. The rates used to compute gross AFUDC for GMO averaged 1.9% in 2017, 1.6% in 2016 and 4.2% in 2015.

Great Plains Energy's and KCP&L's balances of utility plant, at original cost, with a range of estimated useful lives are listed in the following tables.

Great Plains Energy

December 31	2017	2016
Utility plant, at original cost	(millions)	
Generation (20 - 60 years)	$ 7,930.8	$ 8,106.4
Transmission (15 - 70 years)	912.3	886.3
Distribution (8 - 66 years)	3,789.0	3,629.1
General (5 - 50 years)	1,042.0	975.9
Total (a)	$ 13,674.1	$ 13,597.7

(a) Includes $265.0 million and $261.2 million at December 31, 2017 and 2016, respectively, of land and other assets that are not depreciated.

KCP&L

December 31	2017	2016
Utility plant, at original cost	(millions)	
Generation (20 - 60 years)	$ 6,471.5	$ 6,350.7
Transmission (15 - 70 years)	500.4	484.1
Distribution (8 - 55 years)	2,389.4	2,298.4
General (5 - 50 years)	851.9	791.9
Total (a)	$ 10,213.2	$ 9,925.1

(a) Includes $176.0 million and $178.0 million at December 31, 2017 and 2016, respectively, of land and other assets that are not depreciated.

Plant to be Retired, Net

When Great Plains Energy and KCP&L retire utility plant, the original cost, net of salvage, is charged to accumulated depreciation. However, when it becomes probable an asset will be retired significantly in advance of its original expected useful life and in the near term, the cost of the asset and related accumulated depreciation is recognized as a separate asset as a probable abandonment. If the asset is still in service, the net amount is classified as plant to be retired, net on the consolidated balance sheets. If the asset is no longer in service, the net amount is classified in regulatory assets on the consolidated balance sheets.

Great Plains Energy and KCP&L must also assess the probability of full recovery of the remaining net book value of the abandonment. The net book value that may be retained as an asset on the balance sheet for the abandonment is dependent upon amounts that may be recovered through regulated rates, including any return. An impairment charge, if any, would equal the difference between the remaining net book value of the asset and the present value of the future revenues expected from the asset.

In June 2017, Great Plains Energy and KCP&L announced the expected retirement of certain older generating units, including GMO's Sibley No. 3 Unit, over the next several years. As of December 31, 2017, Great Plains Energy has determined that Sibley No. 3 Unit meets the criteria to be considered probable of abandonment and has classified its remaining net book value of $143.6 million within plant to be retired, net on its consolidated balance sheet. The Company is currently allowed a full recovery of and a full return on Sibley No. 3 Unit in rates and has concluded that no impairment is required as of December 31, 2017.

Depreciation and Amortization

Depreciation and amortization of utility plant other than nuclear fuel is computed using the straight-line method over the estimated lives of depreciable property based on rates approved by state regulatory authorities. Annual depreciation rates average approximately 3%. Nuclear fuel is amortized to fuel expense based on the quantity of heat produced during the generation of electricity.

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and
ER-2018-146

KANSAS CITY POWER & LIGHT COMPANY
and
KANSAS CITY POWER LIGHT
GREATER OPERATIONSCOMPANY

SCHEDULES
JAR-R-2C through JAR-R-5C

HAVE BEEN DEEMED

"CONFIDENTIAL"

IN THEIR ENTIRETY