BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION	]	
OF KANSAS CITY POWER & LIGHT	]	
COMPANY TO MAKE CERTAIN	]	KCC Docket No. 18-KCPE-480-RTS
CHANGES IN ITS CHARGES FOR	]	
ELECTRIC SERVICE	]	

DIRECT TESTIMONY OF

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

September 12, 2018

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is 2805 East Oakland Park Boulevard, #401, Ft. Lauderdale, Florida 33306.

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

A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and undertake various studies relating to utility rates and regulatory policy. I have held several positions of increasing responsibility since I joined The Columbia Group, Inc. in January 1989. I became President of the firm in 2008.

Q. Please summarize your professional experience in the utility industry.

A. Prior to my association with The Columbia Group, Inc., I held the position of Economic Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product Management, Treasury, and Regulatory Departments.

Q. Have you previously testified in regulatory proceedings?

A. Yes, since joining The Columbia Group, Inc., I have testified in approximately 400 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I have filed testimony since January 2008 is included in Appendix A.

Q. What is your educational background?

A. I received a Master of Business Administration degree, with a concentration in Finance, from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in Chemistry from Temple University.

II. <u>PURPOSE OF TESTIMONY</u>

Q. What is the purpose of your testimony?

A. On May 1, 2018, Kansas City Power and Light Company ("KCP&L or "Company") filed an Application with the Kansas Corporation Commission ("KCC" or "Commission") seeking a base rate increase of a $32.9 million. This request included approximately $6.7 million that is currently being collected through the Ad Valorem Property Tax Surcharge ("PTS") rider. Therefore, the net impact to ratepayers was a proposed net revenue increase of $26.2 million. Subsequent to the Company filing its Application, the KCC approved the merger of Great

Plains Energy Incorporated ("GPE"), the parent company of KCP&L, and Westar Energy, Inc. ("Westar"). On June 26, 2018, KCP&L witness Darrin R. Ives filed Supplemental Direct Testimony, which addressed the impact of the Non-Unanimous Settlement Agreement ("Settlement Agreement") in Docket No. 18-KCPE-095-MER ("Merger Docket") on the Company's revenue requirement. In his Supplemental Direct Testimony, Mr. Ives reduced the Company's base rate request from $32.9 million to $22.6 million to reflect certain provisions agreed to by the signatories of the Settlement Agreement.

Finally, in its Application KCP&L proposed to provide a credit to ratepayers to reflect the tax savings from January 1, 2018 through the effective date of new rates resulting from the Tax Cut and Jobs Act of 2017 ("TCJA"), which lowered the corporate federal income tax from 35% to 21%. The Company proposed to offset a portion of these tax savings with cost of service increases and to refund the net savings to ratepayers either through an amortization or through a one-time bill credit to ratepayers. As a result of the Settlement Agreement, the Company agreed to refund the entire amount of the tax savings to ratepayers and to forego its attempt to demonstrate that such savings should be partially offset with cost increases.

The Columbia Group, Inc. was engaged by the State of Kansas, Citizens' Utility Ratepayer Board ("CURB") to review the Company's Application and to provide recommendations to the KCC regarding the Company's revenue requirement claims. CURB is also sponsoring the testimony of Stacey Harden addressing several proposed voluntary energy efficiency programs, and the testimony of Brian Kalcic, of Excel Consulting, addressing rate design and cost allocation issues.

III. INTRODUCTION

Q. Please summarize the changes to the Application that were reflected in the Company's Supplemental Direct Testimony.

A. In his Supplemental Direct Testimony[1], Mr. Ives described three adjustments that he made to the revenue requirement contained in the Company's original Application. First, pursuant to the Settlement Agreement, Mr. Ives reduced the return on equity from the 9.85% contained in the original Application to 9.3%. This is the return on equity agreed to in the Settlement Agreement for the duration of a five-year rate plan. Second, Mr. Ives reduced the merger transition costs from the $1,344,313 annual amortization expense included in the original Application to $796,202, as agreed upon by the signatories to the Settlement Agreement. Third, Mr. Ives increased the merger savings contained in the revenue requirement, from $6,444,822 to $7,468,874. As shown on page 6 of Mr. Ives' Supplemental Direct Testimony, as a result of these adjustments, the Company's requested base revenue increase of $32,948,941 was reduced to $22,673,415. Given the roll-in of the PTS, the net impact to ratepayers proposed by the Company in Mr. Ives' Supplemental Direct Testimony was a revenue increase of approximately $16 million.

1 Mr. Ives filed an errata to his Supplemental Direct Testimony on August 10, 2018 to correct a few typographical errors.

Q. Is there any unusual aspect to the Company's filing in this case?

A. Yes. Although the Company's filing is based on a Test Year ending September 30, 2017, in this case the Company included estimated data through June 30, 2018 for a significant number of revenue requirement components. The use of data through June 30, 2018 was contemplated in the Settlement Agreement, since the Settlement Agreement provides for a five-year general rate case moratorium and for an associated Earnings Review and Sharing Plan ("ERSP"). Thus, its Application reflected estimated data for many of its adjustments. While I have reviewed each of the Company's adjustments, I did not attempt to update KCP&L's entire Application. Instead, I generally accepted the estimated data reflected in the Application, except in a few isolated instances as discussed later in my testimony.

Q. What did you use as the basis for your adjustments?

A. I used the Company's updated revenue requirement model, which supports the base revenue increase of $22,673,415 outlined in Mr. Ives' Supplemental Direct Testimony. The Company provided this updated model in response to Data Request CURB-3.

Q. What are the most significant issues in this rate proceeding?

A. The most significant issues impacting KCP&L's rate increase request are: 1) the impact of the TCJA, which reduced corporate income tax rates from 35% to 21% and which will result in excess deferred income taxes being refunded to Kansas customers, 2) the Company's request for new depreciation rates, 3) the inclusion of significant Construction Work in Progress ("CWIP") in rate base, 4) the Company's failure to annualize pro forma retail revenues, 5) KCP&L's claim for incentive compensation costs, and 6) the actual costs incurred for the most recent Wolf Creek refueling outage.

IV. SUMMARY OF CONCLUSIONS

Q. What are your conclusions concerning the Company's revenue requirement and its need for rate relief?

A. Based on my analysis of the Company's filing and other documentation in this case, my conclusions are as follows:

1. The twelve months ending September 30, 2017, is an acceptable Test Year to use in this case to evaluate the reasonableness of the Company's claims. In addition, given the unique nature of this case, whereby the Company has agreed to a five-year rate moratorium, I have generally accepted the use of estimated data through June 30, 2018, pursuant to the Settlement Agreement.

2. The Company has a pro forma cost of equity of 9.30% and an overall cost of capital of 7.07%, as shown in Schedule ACC-2.

4. KCP&L has Test Year pro forma rate base of $2,276,926,277 as shown in Schedule ACC-3.

5. KCP&L has pro forma operating income at present rates of $164,040,935 as shown in Schedule ACC-6.

6. The Company has a Test Year, pro forma, revenue surplus of $5,445,180 as shown on Schedule ACC-1. This is in contrast to KCP&L's claimed deficiency of $22,673,414. When one takes into account the revenues in the Ad Valorem Property Tax Surcharge that are already being recovered from customers and which will be rolled into base rates, the Company has a net revenue surplus of approximately $12.1 million.

7. In addition to reducing base rates, the Commission should also order KCP&L to refund to customers $32,041,123 (including interest) related to tax savings from January 1, 2018 through the effective date of new rates.

V. <u>COST OF CAPITAL AND CAPITAL STRUCTURE</u>

Q. What is the cost of capital and capital structure that the Company is requesting in this case?

A. The overall cost of capital reflected in the original Application was based on KCP&L's <u>projected</u> capital structure and debt costs at June 30, 2018. In addition, the Company utilized a cost of equity of 9.85%. Therefore, the original Application reflected an overall cost of capital of 7.38%, based on the following capital structure and cost rates:

	Percent	Cost	Weighted Cost
Common Equity	49.75%	9.85%	4.90%
Long Term Debt	50.25%	4.94%	2.48%
Total			7.38%

In Mr. Ives' Supplemental Direct Testimony, he reflected the same capital structure and cost of debt, but he utilized a cost of equity of 9.30% as agreed to in the Settlement Agreement. The revenue requirement developed in Mr. Ives' Supplemental Direct Testimony was based on an overall cost of capital of 7.11%.

Q. Are you recommending any adjustments to this capital structure or cost of capital?

A. Yes, I am recommending that the Company's revenue requirement be updated to reflect the actual capital structure and cost of debt at June 30, 2018, as reported in the response to KCC-161. I am not recommending any adjustment to the cost of equity of 9.30%, since this is the rate agreed to among the signatories in the Settlement Agreement. Therefore, my proposed revenue requirement is based on an overall cost of capital of 7.07%, as reflected below and as shown below:

	Percent	Cost	Weighted Cost
Common Equity	49.09%	9.30%	4.57%
Long Term Debt	50.91%	4.93%	2.51%
Total			7.07%[2]

Q. Why is it appropriate to utilize the actual June 30, 2018 capital structure and cost of debt?

2 Does not add due to rounding.

A. The overall return authorized in this case is the linchpin on which the resulting revenue requirement is based. In addition, updating the capital structure and cost of debt is a relatively straightforward exercise. The actual capital structure and cost of debt are readily identifiable and do not impact the calculation of many other adjustments. For all these reasons, I believe it is reasonable to update the overall cost of capital to the actual capital structure and cost of debt at June 30, 2018, as shown in Schedule ACC-2.

VI. RATE BASE ISSUES

Q. What Test Year did the Company utilize to develop its rate base claim in this proceeding?

A. The Company selected the Test Year ending September 30, 2017. However, as noted earlier, many of the components of the Company's rate base contained projected data through June 30, 2018, which KCP&L referred to as the "Update" date in this case.

Q. Do you generally support the use of post-test year data in jurisdictions that utilize an historic test year?

A. No, I do not. Permitting utilities to include widespread post-test year adjustments violates the historic test year concept. This is especially true when many of the post-test year adjustments are based on budgeted data or on other data that is not directly linked to the historic test year results. Nevertheless, in this case, I have generally accepted the estimated data through June 30, 2018 included by the Company in its Application. Given the fact that

KCP&L has agreed to a five-year base rate moratorium, I believe that it is acceptable in this case to allow the Company some latitude with regard to the inclusion of post-test year adjustments. However, as a general policy, I continue to oppose wholesale post-test year adjustments unless such adjustments are based on known and measurable changes to historic test year results.

Q. Are you recommending any adjustment to the Company's estimated rate base claim?

A. Yes, I am recommending two adjustments, relating to the Clean Charge Network ("CCN") Program and to Construction Work in Progress ("CWIP").

A. Clean Charge Network ("CCN") Program

Q. What is the CCN Program?

A. On February 16, 2016, KCP&L filed an Application with the Commission in KCC Docket No. 16-KCPE-160-MIS ("CCN Docket") requesting approval of a CCN Program and electric vehicle ("EV") charging station tariff. The Company sought authorization to install and operate approximately 1,000 EV charging stations in its service territory, including approximately 315 station in Kansas. KCP&L sought to include the costs of the CCN Program in base rates and to recover these costs from all ratepayers in Kansas.

Q. Did you participate in that proceeding?

A. Yes, I filed testimony on behalf of CURB in that case. In my testimony, I recommended that the KCC deny the Company's request. Specifically, I testified that the Company had not demonstrated a need for the CCN Program in Kansas. I also outlined concerns that the Company's proposed program was potentially anti-competitive and would result in cross-subsidization of EV owners by all Kansas customers. I also noted that under the Company's program, Kansas customers would be subsidizing not only KCP&L customers that have electric vehicles, but also other EV owners that are not customers of KCP&L and, in some cases, not residents of the State. I noted that the technology for electric vehicle charging was evolving and I recommended that the KCC not lock ratepayers into a technology that may be obsolete before a substantial need arises.

Q. What was the finding of the KCC in the CCN Docket?

A. In its Order issued in September 2016, the KCC rejected the Company's proposal. The KCC concluded that KCP&L had not justified the need for the utility to undertake the CCN Program and that Kansas ratepayers should not be subsidizing this network. As summarized in paragraph 35 of the KCC's Order:

> The Commission denies KCP&L's request to have ratepayers finance the CCN. The evidence demonstrates the CCN is not necessary. To the contrary, private businesses are already installing stations to incentivize customers, employees, and guests. Rather than burden the ratepayers, the Commission believes either KCP&L shareholders or private businesses should bear the costs of building and operating EV charging stations, as they are the beneficiaries of increased EV ownership. Relying on the private sector to finance an EV network also eliminated concerns of cross-subsidization.

Q. What action did KCP&L take as a result of the KCC Order?

A. It appears that the Company largely ignored the Commission's Order, since it continued its buildout of the CCN Program. As noted on page 4 of Mr. Caisley's testimony in this case, by January 2018 the Company had installed a total of 929 charging stations at 323 locations.

Q. What is KCP&L seeking in this case?

A. KCP&L has included the CCN Program in its revenue requirement claim. As stated by Mr. Caisley on page 3 of his testimony, "KCP&L is asking the Commission to reconsider its position on the recovery of these costs."

Q. Has the Company provided any additional arguments as to why the KCC should reconsider its earlier decision?

A. No, it has not. While Mr. Caisley states that EV ownership in Kansas has increased since the CCN Docket, ownership is still far below the level needed to support the revenue requirement associated with the CCN network. As shown in the response to CURB-5, the CCN Program has a net cost of over $1.1 million to Kansas ratepayers, i.e., the revenue requirement associated with the CCN Program will result in a subsidy of more than $1.1 million. It is interesting to note that this is virtually identical to the subsidy projected in the CCN Docket. Therefore, in spite of some increase in ownership of electric vehicles in Kansas over the past two years, this increase has had a minimal impact on the financial analysis examined, and rejected, by the KCC in the CCN Docket.

Q. Does Mr. Caisley also cite other benefits of the CCN Program, such as environmental benefits, local economic benefits, increased off-peak usage and informational benefits to support his request?

A. Yes, he does. However, these arguments are not new. Mr. Caisley made similar arguments in the CCN Docket, all of which were rejected by the KCC. In its Order, the KCC noted that "Even if KCP&L could demonstrate environmental benefits from the CCN, the Commission has previously rejected societal tests, recognizing that it is too difficult to quantify indirect societal environmental and health benefits."[3] The Commission also questioned whether the CCN Program would increase peak usage, finding that "[i]f the CCN deterred nighttime home charging, it might actually impair off-peak sales and cause more electricity sales during peak hours. Again, the supposed benefit of additional load does not overcome concerns related to cross-subsidization."[4]

Q. What do you recommend?

A. The issue of the CCN Program was fully litigated before the KCC approximately two years ago. There is no new information in this case that would support a reexamination of this issue by the KCC. The Company blatantly disregarded the decision reached by the KCC in that case and continued to develop the CCN Program, even after the KCC rejected cost

3 KCC Order, September 13, 2016, paragraph 30.

recovery. Now KCP&L is attempting to relitigate the CCN Docket, without any new information and without any meaningful change in the cross-subsidization that the KCC rejected in that case. Accordingly, I recommend that the KCC eliminate the revenue requirement associated with the CCN Program from the Company's revenue requirement.

Q. Please describe the rate base adjustments related to the CCN Program that you have reflected in your testimony?

A. As shown in Schedule ACC-4, the Company's rate base includes $3,087,661 associated with the CCN Program. This includes $5,621,136 of utility plant in service, partially offset by $722,577 in accumulated depreciation and by $1,810,898 in accumulated deferred income taxes. At Schedule 4, I have eliminated each of these rate base components from my recommended revenue requirement.

B. <u>Construction Work in Progress</u>

Q. Please describe your adjustment to the Company's CWIP claim.

A. CWIP is plant that is under construction but has not yet been completed and placed into service. Once the plant is completed and serving customers, then the plant is booked to utility plant-in-service and the utility begins to take depreciation expense on the plant. The Company's rate base claim includes projected CWIP at June 30, 2018, excluding projects with in-service dates more than one year from the "Update" date in this case. In addition, the

4 Id., paragraph 31.

Company excluded transmission projects from its CWIP claim.

Q. Do you believe that CWIP is an appropriate rate base element?

A. No, I do not believe that CWIP is an appropriate rate base element. CWIP does not represent facilities that are used or useful in the provision of utility service. In addition, including this plant in rate base violates the regulatory principle of intergenerational equity by requiring current ratepayers to pay a return on plant that is not providing them with utility service and which may never provide current ratepayers with utility service. However, I understand that the inclusion of CWIP in rate base is governed by statute in Kansas.[5]

K.S.A. 66-128 provides for the KCC to determine the value of the property included in rate base. The statute generally requires that "property of any public utility which has not been completed and dedicated to commercial service shall not be deemed to be used and required to be used in the public utility's service to the public."

However, the statute also provides that certain property "shall be deemed to be completed and dedicated to commercial service" under certain circumstances. Specifically, K.S.A. 66-128(b)(2) provides:

> Any public utility property described in subsection (b)(1) shall be deemed to be completed and dedicated to commercial service if: (A) construction of the property will be commenced and completed in one year or less; (B) the property is an electric generation facility that converts wind, solar, biomass, landfill gas or any other renewable source of energy: (C) the property is an electric generation facility or addition to an electric generation facility; or (D) the property is an electric transmission line, including all towers, poles and

[5] I am not an attorney and my discussion of the CWIP statute is not intended as a legal interpretation of that statute, but rather provides my understanding of the statute from a ratemaking perspective.

other necessary appurtenances to such lines, which will be connected to an electric generation facility.

Q. Does the CWIP included in the Company's rate base claim meet the ratemaking criteria outlined in the statute?

A. No, it does not. The Test Year in this case ended September 30, 2017. The Company has effectively extended the Test Year almost two years by including <u>projected</u> CWIP at June 30, 2018 and then including projects that are expected to be in-service within one-year of the "Update" date. Therefore, the Company's rate base claim includes plant-in-service through June 30, 2019. KCP&L is already being compensated for plant additions that extend nine months beyond the end of the Test Year in this case by being permitted to include plant-in-service balances through June 30, 2018 in rate base. This concession was made in recognition of the five-year rate moratorium that the Company agreed to in the Merger Docket. However, KCP&L should not be permitted to further extend the Test Year by including an additional 12 months of plant additions through June 30, 2019, based on projected CWIP balances.

Q. What do you recommend?

A. I recommend that the Commission exclude from rate base the distribution, general, and intangible plant projects that were included in the Company's projected June 30, 2018 CWIP balance. Since the Statute makes a special provision with regard to generation plant, I have not eliminated the estimated CWIP classified as generation plant from my revenue requirement. My adjustment is shown in Schedule ACC-5.

C. **Summary of Rate Base Adjustments**

Q What is the net impact of the rate base adjustments recommended by CURB?

A. My rate base adjustments will result in a pro forma rate base of $2,276,926,277 as summarized on Schedule ACC-3. This pro forma rate base includes adjustments of $52,118,481 to the rate base proposed by KCP&L.

VII. OPERATING INCOME ISSUES

A. Customer Annualization Revenue

Q. How did the Company develop its pro forma revenue claim in this case?

A. As described by Ms. Miller on page 4 of her testimony, the Company's pro forma revenue claim generally reflects Test Year retail revenues billed by the Company, adjusted to reflect normal weather. To determine normal weather, the Company normalized its Test Year using a thirty-year period to determine normal weather conditions.

Q. Are you recommending any adjustment to the Company's revenue claim?

A. Yes, I am recommending a customer annualization adjustment to reflect growth in residential and commercial customers. As discussed elsewhere, KCP&L's revenue requirement claim in this case reflects adjustments through June 30, 2018, nine months after the end of the Test

Year. In that regard, the Company utilized projected utility plant-in-service additions and, in many instances, other projected rate base balances. KCP&L also included adjustments through June 30, 2018 relating to many of its operating expense claims, including salaries and wages, medical benefits expenses, pension and other post-employment benefit ("OPEB") costs, insurance premiums, depreciation expenses, and others. The one notable area where the Company did not reflect activity at June 30, 2018 was in its calculation of pro forma revenues. While the Company normalized consumption per customer to reflect "normal" weather conditions, it did not update its pro forma revenues to reflect customer growth through June 30, 2018.

Q. Does the Company's methodology result in a mismatch of its revenue requirement components?

A. Yes, it does. If the KCC is going to permit the Company to essentially extend the Test Year nine months by the inclusion of projected utility plant-in-service balances and, in many cases, projected operating expenses, then it should also recognize that the number of customers has increased relative to the customer counts embedded in the Test Year. According to Section 8 of the Company's Application, customer counts have increased annually since at least 2013, as shown below:

Year	Residential	Increase	Commercial	Increase
2017	228,226	1.16%	30,122	1.96%
2016	225,618	1.12%	29,542	1.01%
2015	223,116	1.35%	29,246	1.27%
2014	220,141	1.10%	28,880	1.82%
2013	217,755		28,364	

Therefore, during the Test Year, residential and commercial customers increased. However, the pro forma revenue reflected in the Company's claim reflects average customers during the twelve months ending September 30, 2017. Since the Company did not include an adjustment to annualize revenues to reflect customer growth during the Test Year, on average only one-half of any Test Year growth is reflected in the Company's pro forma revenue claim. Assuming that customers increased proportionately throughout the Test Year, the Company's claim reflects customers at March 31, 2017, six months prior to the end of the Test Year. Moreover, not only did the Company fail to reflect all of the customer growth during the Test Year, but it also failed to reflect any growth subsequent to the end of the Test Year even though other components of its revenue requirement were updated with projected data through June 30, 2018.

Q. What do you recommend?

A. Given the fact that the Company's investment and expense claims are based on projections through June 30, 2018, I recommend that pro forma revenue also be updated to reflect additional customer growth. As filed, there is approximately fifteen months between the customer counts reflected in the Company's revenue requirement (based on the midpoint of the Test Year) and the other components of the revenue requirement that have been updated to June 30, 2018. To be conservative, I have included 1% growth in residential and commercial revenues in my recommendation. My adjustment is shown in Schedule ACC-7. Given the fact that annual growth has exceeded 1% for the past several years and given the fifteen-month disparity in the Company's filing, the KCC could decide that an even larger annualization adjustment is appropriate. In quantifying my revenue adjustment, I also included associated adjustments relating to forfeited discount revenues and uncollectible costs on Schedule ACC-7.

B. <u>Forfeited Discount Revenue</u>

Q. How did the Company determine its claims for forfeited discounts?

A. KCP&L applied its actual Test Year percentage of forfeited discount revenue to its pro forma weather-normalized retail revenues in order to determine pro forma forfeited discounts at present rates (see Company Adjustment R-21a). It then made an additional adjustment to apply this same ratio to its requested revenue increase (see Company Adjustment R-21b) to determine the additional forfeited discounts associated with its requested rate increase.

Q. In addition to the forfeited discount adjustment associated with your revenue annualization adjustment, are you recommending any other adjustment to the

Company's claim for forfeited discounts?

A. Yes, I am recommending that the Company's Adjustment R-21b be eliminated. This adjustment is based on the Company's overall requested revenue increase. However, I am recommending a revenue reduction, not a revenue increase, for KCP&L. Moreover, even if the KCC does not adopt all of my recommendations, it is still unlikely that the Commission would approve the entire revenue increase being requested in this case. Therefore, at Schedule ACC-8, I have eliminated the Company's forfeited discount adjustment associated with its requested revenue increase.

Q. How did you account for forfeited discounts associated with your proposed overall revenue decrease?

A. As stated earlier, my revenue annualization adjustment incorporates the impact on forfeited discounts of my recommendation regarding customer growth. Therefore, forfeited discounts are synchronized with my retail revenue adjustment at present rates. However, in order to further adjust forfeited discounts for my proposed revenue reduction, I have included a forfeited discount factor in my revenue multiplier, using the forfeited discount factor proposed by KCP&L. Thus, the forfeited discount revenue included in my recommendation is matched to the overall level of the revenue decrease that I am recommending in this case.

C. CCN Revenues and Expenses

Q. Please explain your recommended revenue and expense adjustments relating to the CCN Program.

A. Early in my testimony, I discussed my recommendation that the KCC eliminate the revenue requirement associated with the CCN Program from the Company's cost of service. The Rate Base adjustments related to the CCN Program were discussed in the prior section of my testimony. However, in addition to the CCN Program rate base adjustments, there are also several revenue and expense adjustments that should be adopted by the KCC.

First, at Schedule ACC-9, I have eliminated the pro forma CCN Program revenue of $56,874 that KCP&L included in its filing. At Schedule ACC-10, I have eliminated the operating and maintenance expenses associated with the CCN Program that KCP&L included in its cost of service. Finally, at Schedule ACC-11, I have eliminated depreciation expense associated with the CCN Program investment.

The net impact of these adjustments, together with the Rate Base adjustments discussed earlier, is to eliminate the entire revenue requirement associated with the CCN Program from the Company's revenue requirement.

D. Incentive Compensation Expense

Q. Please describe the Company's incentive compensation programs.

A. The Company has several incentive compensation programs for its non-bargaining employees. Most non-bargaining employees are covered under the ValueLink Plan, which provides cash awards, based on a percentage of the employee's base compensation, if certain benchmarks are met.[6] There are two incentive compensation programs for executives – the Annual Incentive Plan ("AIP") and the Long-term Incentive Plan ("LTIP"). The AIP is a cash awards program that is structured in a similar manner to ValueLink. The LTIP is an equity-based program that awards both Restricted Stock and Performance Shares, which are tied to the Company's Total Shareholder Return ("TSR").

Q. How much is included in the Company's pro forma expense claim relating to incentive compensation plans?

A. As shown in the Company's workpapers to its Incentive Compensation Adjustment (CS-51), KCP&L excluded the LTIP from its claim in this case. Therefore, the Company did not include any equity incentive compensation in its claim. KCP&L did include the projected payout for the ValueLink Program in its claim, adjusted to remove 5% that related to non-regulated activities. In addition, it included 50% of the projected AIP payout in its claim. KCP&L excluded the remaining 50% of the AIP from its request, since 50% of the AIP award is based on financial benchmarks.

Q. Are you recommending any adjustment to the Company's claims for incentive compensation costs?

A. Yes, I am recommending that 25% of the Company's ValueLink award be disallowed. The ValueLink award is currently based on three benchmarks: Company Financial (25%),

6 For non-exempt, non-bargaining employees, awards are based on base pay, overtime and shift differential.

Company Operational (50%), and Individual Performance (25%). While the Company Financial component is not tied to earnings per share, the financial component still results in a net shareholder benefit between base rate cases. Therefore, I recommend that the KCC eliminate 25% of the ValueLink award costs from the Company's revenue requirement. This recommendation is consistent with the Company's elimination of the LTIP and of 50% of the AIP. It will also provide an incentive for Company management to insure that incentive compensation programs are reasonably designed and it recognizes that shareholders also benefit from both company and individual performance. My adjustment to eliminate 25% of the ValueLink costs is shown in Schedule ACC-12.

Q. Did you also make a corresponding adjustment relating to payroll taxes?

A. Yes, in Schedule ACC-13, I have made an adjustment to eliminate the payroll taxes associated with my recommendation to disallow of 25% of the ValueLink incentive compensation costs. To quantify my adjustment, I utilized the statutory payroll tax rate of 7.65%, which is also the rate reflected by KCP&L in its Application.

E. <u>Wolf Creek Refueling Outage Expense</u>

Q. Please explain the Wolf Creek Refueling Outage adjustment included by KCP&L in its Application.

A. As stated by Mr. Klote on page 20 of his testimony, the Wolf Creek nuclear generating station refueling cycle is approximately 18 months. Therefore, the Company defers costs associated with each refueling outage and then amortizes those costs over an 18-month period. In its Application, KCP&L included costs associated with a 2016 fall outage (Outage 21) in its cost of service. The total costs for Outage 21 were $24,154,407, or $16,102,938 on an annual basis assuming an 18-month amortization period. Outage 21 will be fully amortized by the effective date of new rates in this case. Thus, these Outage 21 costs were only utilized as a proxy for costs expected to be incurred in the spring of 2018 relating to Outage 22 (see Company Adjustment CS-36).

The Company subsequently provided actual data regarding Outage 22, the costs of which will be amortized from April 2018 through September 2019. Actual costs were $19,350,153, or $12,900,102 (total company) on an annual basis.

Q. What do you recommend?

A. I recommend that the Company's adjustment relating to the Wolf Creek Refueling Outage be updated to remove the costs associated with Outage 21, and to recognize the actual costs for Outage 22 amortized over a period of 18 months. Therefore, I have included the Company's updated annual amortization expense of $12,900,102 in my revenue requirement. My adjustment is shown in Schedule ACC-14.

F. <u>Bad Debt Expense</u>

Q. How did the Company quantify its bad debt expense claim in this case?

A. As discussed in the testimony of Ms. Nunn at pages 8-9, the Company calculated its bad debt expense claim by applying a state-specific net bad debt write-off factor to its pro forma jurisdictional revenue claim. To determine its bad debt factor, the Company used the net bad debt write-offs (accounts written off less recoveries of accounts previously written off) for the Test Year and the retail revenues for the period April 2016 through March 2017. The Company also included a pro forma adjustment at proposed rates to reflect incremental bad debts associated with the incremental revenues it is seeking as a result of this base rate case.

Q. Are you recommending any adjustment to the Company's claim for bad debt expense?

A. I am not recommending any adjustment to its proposed bad debt ratio. However, I have eliminated the bad debt expense adjustment associated with KCP&L's proposed revenue increase. I am recommending a revenue reduction, rather than a revenue increase, for KCP&L. In addition, even if the KCC does not adopt all of my adjustments, it is unlikely that the Commission will approve the full increase being requested by the Company. Therefore, including a bad debt expense allowance based on the Company's request is likely to overstate its prospective bad debt expense and the Company's adjustment should therefore be rejected.

Q. How did you account for bad debt expense associated with your proposed rate increase?

A. In order to account for bad debt expense associated with my proposed rate increase, I have included a bad debt expense factor in my revenue multiplier, similar to my recommendation regarding the treatment of forfeited discount revenue. Thus, the bad debt expense included in my recommendation is matched to the overall level of the rate reduction that I am recommending in this case. My adjustment, which is shown in Schedule ACC-15, is based on the Company's proposed bad debt ratio.

G. <u>Rate Case Amortization Expense</u>

Q. How did the Company determine its rate case expense claim in this case?

A. KCP&L's claim is based on projected costs of $1,763,410 for the current case, amortized over a 3-year period, resulting in an annual amortization expense of $587,803.

Q. What are the components of the Company's claim for costs associated with the current case?

A. As shown in the response to KCC-45 the Company's claim consists of the following:

Alliance Consulting	$100,000
Scott/Madden	$105,000
Management Applications Consulting, Inc.	$36,100
Navillus	$50,000
Consultant Travel	$40,000
Legal	$345,000
Court Reporter	$35,000
Other Expenses	$142,000
CURB	$250,000
Staff	$500,000
Contingency	$160,310
Total	$1,763,410

Q. Are you recommending any adjustment to the Company's rate case expense claim?

A. I am not recommending any adjustment to the amount of rate case costs included by KCP&L in its Application. However, I recommend that these costs be amortized over a five-year period instead of over the three-year period proposed by the Company. Given that the Merger Stipulation provides for a five-year base rate moratorium, a five-year amortization is more appropriate in this case than the three-year amortization period proposed by KCP&L. My adjustment is shown in Schedule ACC-16.

H. <u>Meals and Entertainment Expense</u>

Q. Are you recommending any adjustment to the Company's meals and entertainment expense claim?

A. Yes, I am. According to the response to KCC-325 the Company has included in its filing approximately $585,681 of meals and entertainment expenses that are not deductible on the Company's income tax return. These are costs that the IRS has determined are not appropriate deductions for federal tax purposes. If these costs are not deemed to be reasonable business expenses by the IRS, it seems appropriate to conclude that they are not reasonable business expenses to include in a regulated utility's cost of service. Accordingly, at Schedule ACC-17, I have made adjustment to eliminate these costs from the Company's revenue requirements.

I. Amortization of Excess Deferred Income Taxes

Q. Please summarize the impact of the TCJA on the Company's income tax expense.

A. The TCJA, which became effective January 1, 2018, had a major impact on the cost of service for regulated utilities, including KCP&L The most significant feature of the TCJA was the reduction in the corporate federal income tax rate from 35% to 21%. This will impact KCP&L's utility rates in two ways. First, the Company's 2018 income tax expense will be reduced, due to the reduction in the corporate income tax rate. In addition, the lower income tax rate results in excess deferred income taxes that must be refunded to customers.

Q. What are excess deferred income taxes?

A. Excess deferred income taxes are the difference between the accumulated deferred income tax liability booked at the prior tax rate of 35% and the accumulated deferred income tax liability at the new tax rate of 21%.

Q. How are excess deferred income taxes treated for ratemaking purposes?

A. There are two types of excess deferred income taxes – protected and unprotected. Protected excess deferred income taxes relate to deferred taxes associated with plant-related balances, primarily related to accelerated depreciation methodologies (including bonus depreciation) that were permissible for tax purposes but which were not reflected for ratemaking purposes. Protected excess deferred income taxes are required to be returned to ratepayers using the Average Rate Assumption Method ("ARAM"), which generally provides that the excess deferred taxes cannot be flowed-through to ratepayers more rapidly than the average remaining life of the underlying property that gave rise to the deferred taxes.

Unprotected excess deferred taxes relate to differences between the tax and ratemaking treatments afforded other types of costs, such pension and benefit costs, regulatory costs, and costs for which the Company accrues a reserve. Unprotected excess deferred income taxes can also relate to plant-related timing differences other than those related to depreciation. Unprotected deferred taxes can be flowed-through for ratemaking purposes over any "reasonable" period.

Q. Please summarize the Company's proposal with regard to issues related to the TCJA.

A. KXP&L is proposing that the protected excess deferred income taxes be returned to ratepayers using the ARAM methodology. This is the methodology that is required by the IRS and it will result in an amortization period of approximately 30 years for these protected excess deferred income taxes. The Company is also proposing to use ARAM to return unprotected excess deferred income taxes associated with the plant items. The Company is proposing to return unprotected excess deferred income taxes associated with non-plant items over a period of 10 years. Finally, the Company is proposing to amortize excess deferred income taxes associated with net operating losses ("NOLs") over a five-year period.

Q. Are you recommending any adjustments to the Company's proposals regarding the treatment of excess deferred income taxes?

A. Yes, I am recommending two adjustments. First, I am recommending that excess deferred income taxes associated with unprotected plant balances be returned to ratepayers over a period of five years, instead of over the approximately 30 years implicit in the ARAM methodology. This recommendation will closely mirror the treatment afforded the NOL regulatory asset, and will therefore help to stabilize rates impacted by amortization of these regulatory tax assets. The Company is permitted to utilize any reasonable methodology to return the unprotected plant-related excess deferred income tax balances to ratepayers. The five-year amortization is already being used by KCP&L for the NOL tax asset and it is entirely reasonable also to utilize it for the unprotected plant-related excesss deferred income taxes. My adjustment is shown in Schedule ACC-18.

Q. What is your second adjustment?

A. The Company began to amortize excess deferred income taxes on January 1, 2018. However, since utility rates did not change as of that date, Kansas ratepayers did not yet receive the benefit from this amortization. I understand that KCP&L has established a regulatory liability for the amortization of excess deferred income taxes and therefore it has been booking this amortization expense into a regulatory liability account. Once rates are established in this case, Kansas ratepayers will begin to receive the benefit of this regulatory liability. I am proposing that the regulatory liability associated with these deferred costs be returned to ratepayers over a five-year period. This period is consistent with the amortization period that I recommend for the return of unprotected plant-related excess deferred income taxes. It is also consistent with the rate moratorium period agreed to by the signatories to the Settlement Agreement. Thus, at Schedule ACC-19, I have made an adjustment to return this regulatory liability to Kansas ratepayers over a five-year period.

J. Interest Synchronization and Taxes

Q. Have you adjusted the pro forma interest expense for income tax purposes?

A. Yes, I made this adjustment at Schedule ACC-20. This adjustment is consistent (synchronized) with CURB's recommended rate base, capital structure, and cost of capital recommendations. Because CURB is recommending a lower rate base than the Company included in its filing, CURB's recommendations result in lower pro forma interest expense for KCP&L. Since interest expense is an income tax deduction for state and federal tax purposes, my recommendations will result in an increase to the Company's income tax liability. Therefore, CURB's recommendations result in an interest synchronization adjustment that reflects a higher income tax burden, and a decrease to pro forma income at present rates.

Q. What income tax factor have you used to quantify your adjustments?

A. As shown on Schedule ACC-21, I have used a composite income tax factor of 26.53%, which includes a state income tax rate of 7.00% and a federal income tax rate of 21%.

Q. What revenue multiplier are you recommending in this case?

A As shown in Schedule ACC-22, I am recommending a revenue multiplier of 1.36212. This revenue multiplier includes the state income tax rate of 7.0% and the federal income tax rate of 21%. In addition, it includes a forfeited discount factor of -0.22% and a bad debt expense ratio of 0.29%, which are the forfeited discount and bad debt expense factors used in the Company's schedules. By incorporating the forfeited discount and bad debt factors into the Company's revenue multiplier, the required revenue change (increase or decrease) will be adjusted to reflect the impact of forfeited discounts and bad debt expense on the new base rates. Therefore, I recommend that the revenue multiplier be adjusted to include the Company's pro forma forfeited discount and bad debt expense factors.

VIII. <u>REVENUE REQUIREMENT SUMMARY</u>

Q. What is the result of the recommendations contained in your testimony?

A. My adjustments result in a base rate revenue <u>surplus</u> at present rates of $5,445,180, as summarized on Schedule ACC-1. This recommendation reflects revenue requirement adjustments of $28,118,593 to the Company's proposed increase of $22,673,414. After the roll-in of the Ad Valorem Property Tax Surcharge, the net result is a total revenue decrease of approximately $12.1 million.

Q. Have you quantified the revenue requirement impact of each of your recommendations?

A. Yes, at Schedule ACC-23, I have quantified the impact on KCP&L's revenue requirement of the rate of return, rate base, revenue and expense recommendations contained in this testimony.

Q. Have you developed a pro forma income statement for KCP&L?

A. Yes, Schedule ACC-24 contains a pro forma income statement, showing utility operating income under several scenarios, including the Company's claimed operating income at present rates, my recommended operating income at present rates, and operating income under my proposed revenue decrease. My recommendations will result in an overall return on rate base of 7.07%.

IX. <u>2018 TAX REFUND</u>

Q. Did the KCC order KCP&L and other utilities to defer cost savings associated with the TCJA?

A. Yes, it did. On January 18, 2018, the KCC issued an *Order Opening General Investigation and Issuing Accounting Authority Order Regarding Federal Tax Reform*.[7] In the order, utilities were required to defer the cost savings resulting from the TCJA beginning January 1, 2018. The KCC also required that interest on the deferral be applied at the customer deposit

7 KCC Docket No. 18-GIMX-248-GIV ("18-248 Docket").

rate, which is currently 1.62%. Finally, the KCC provided utilities with the opportunity to argue that the related tax savings should be offset with revenue deficiencies in other areas. As a result of the Settlement Agreement in the Merger Docket, KCP&L agreed to waive its right to argue for any such offset and instead agreed that the full deferral would be refunded to ratepayers.

Q. Has this issue been further addressed by the parties in the 18-248 Docket?

A. Yes, it has. I understand that a settlement agreement has been executed in the 18-248 Docket, whereby the parties agreed to a refund of $31,766,553, excluding interest. With interest at 1.62%, ratepayers would be entitled to a refund of $32,041,123 at January 1, 2019.

Q. How do you recommend that this amount be refunded to ratepayers?

A. In its Application, KCP&L proposed that the TCJA deferral would be refunded to ratepayers either through an amortization or through a one-time bill credit. I believe that a one-time bill credit is a reasonable approach for this refund and I recommend that the KCC order the Company to refund the $32.04 million within 120 days of an order in this case.

Q. Does this conclude your testimony?

A. Yes, it does.

<u>VERIFICATION</u>

STATE OF FLORIDA)

COUNTY OF BROWARD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing Direct Testimony, and that the statements made herein are true to the best of her knowledge, information and belief.

Andrea C. Crane

Andrea C. Crane

Subscribed and sworn before me this 6th day of September, 2018.

Notary Public Diane K Pappa

My Commission Expires: November 3, 2020

DIANE K PAPPA
MY COMMISSION # GG021910
EXPIRES November 03, 2020

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Kansas City Power and Light Company	E	Kansas	18-KCPE-480-RTS	9/18	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Co.	E/G	New Jersey	ER18010029/ GR18010030	8/18	Revenue Requirements	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	18-WSEE-328-RTS	6/18	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	17-00255-UT	4/18	Revenue Requirements	Office of Attorney General
Empire District Electric Company	E	Kansas	18-EPDE-184-PRE	3/18	Approval of Wind Generation Facilities	Citizens' Utility Ratepayer Board
GPE/ Kansas City Power & Light Co., Westar Energy, Inc.	E	Kansas	18-KCPE-095-MER	1/18	Proposed Merger	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Co.	E	New Jersey	GR17070776	1/18	Gas System Modernization Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	17-00044-UT	10/17	Approval of Wind Generation Facilities	Office of Attorney General
Kansas Gas Service	G	Kansas	17-KGSG-455-ACT	9/17	MGP Remediation Costs	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER17030308	8/17	Base Rate Case	Division of Rate Counsel
Public Service Company of New Mexico	E	New Mexico	16-00276-UT	6/17	Testimony in Support of Stipulation	Office of Attorney General
Westar Energy, Inc.	E	Kansas	17-WSEE-147-RTS	5/17	Abbreviated Rate Case	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	17-KCPE-201-RTS	4/17	Abbreviated Rate Case	Citizens' Utility Ratepayer Board
GPE/ Kansas City Power & Light Co., Westar Energy, Inc.	E	Kansas	16-KCPE-593-ACQ	12/16	Proposed Merger	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	16-KGSG-491-RTS	9/16	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	15-00312-UT	7/16	Automated Metering Infrastructure	Office of Attorney General
Kansas City Power and Light Company	E	Kansas	16-KCPE-160-MIS	6/16	Clean Charge Network	Citizens' Utility Ratepayer Board
Kentucky American Water Company	W	Kentucky	2016-00418	5/16	Revenue Requirements	Attorney General/LFUCG
Black Hills/Kansas Gas Utility Company	G	Kansas	16-BHCG-171-TAR	3/16	Long-Term Hedge Contract	Citizens' Utility Ratepayer Board
General Investigation Regarding Accelerated Pipeline Replacement	G	Kansas	15-GIMG-343-GIG	1/16	Cost Recovery Issues	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	15-00261-UT	1/16	Revenue Requirements	Office of Attorney General
Atmos Energy Company	G	Kansas	16-ATMG-079-RTS	12/15	Revenue Requirements	Citizens' Utility Ratepayer Board
El Paso Electric Company	E	New Mexico	15-00109-UT	12/15	Sale of Generating Facility	Office of Attorney General
El Paso Electric Company	E	New Mexico	15-00127-UT	9/15	Revenue Requirements	Office of Attorney General
Rockland Electric Company	E	New Jersey	ER14030250	9/15	Storm Hardening Surcharge	Division of Rate Counsel

Company	Utility	State	Docket	Date	Topic	On Behalf Of
El Paso Electric Company	E	New Mexico	15-00099-UT	8/15	Certificate of Public Convenience - Ft. Bliss	Office of Attorney General
Southwestern Public Service Company	E	New Mexico	15-00083-UT	7/15	Approval of Purchased Power Agreements	Office of Attorney General
Westar Energy, Inc.	E	Kansas	15-WSEE-115-RTS	7/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	15-KCPE-116-RTS	5/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR14101099-1120	4/15	Cable Rates (Form 1240)	Division of Rate Counsel
Liberty Utilities (Pine Buff Water)	W	Arkansas	14-020-U	1/15	Revenue Requirements	Office of Attorney General
Public Service Electric and Gas Co.	E/G	New Jersey	EO14080897	11/14	Energy Efficiency Program Extension II	Division of Rate Counsel
Exelon and Pepco Holdings, Inc.	E	New Jersey	EM14060581	11/14	Synergy Savings, Customer Investment Fund, CTA	Division of Rate Counsel
Black Hills/Kansas Gas Utility Company	G	Kansas	14-BHCG-502-RTS	9/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	14-00158-UT	9/14	Renewable Energy Rider	Office of Attorney General
Public Service Company of New Mexico	E	New Mexico	13-00390-UT	8/14	Abandonment of San Juan Units 2 and 3	Office of Attorney General
Atmos Energy Company	G	Kansas	14-ATMG-320-RTS	5/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Rockland Electric Company	E	New Jersey	ER13111135	5/14	Revenue Requirements	Division of Rate Counsel
Kansas City Power and Light Company	E	Kansas	14-KCPE-272-RTS	4/14	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR13100885-906	3/14	Cable Rates	Division of Rate Counsel
New Mexico Gas Company	G	New Mexico	13-00231-UT	2/14	Merger Policy	Office of Attorney General
Water Service Corporation (Kentucky)	W	Kentucky	2013-00237	2/14	Revenue Requirements	Office of Attorney General
Oneok, Inc. and Kansas Gas Service	G	Kansas	14-KGSG-100-MIS	12/13	Plan of Reorganization	Citizens' Utility Ratepayer Board
Public Service Electric & Gas Company	E/G	New Jersey	EO13020155 GO13020156	10/13	Energy Strong Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	12-00350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4 All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium, Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	110258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

APPENDIX B

Supporting Schedules

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

REVENUE REQUIREMENT SUMMARY

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Pro Forma Rate Base	$2,329,044,758	($52,118,481)	$2,276,926,277	(B)
2. Required Cost of Capital	7.11%	-0.04%	7.07%	(C)
3. Required Return	$165,590,424	($4,547,067)	$161,043,358	
4. Operating Income @ Present Rates	148,932,270	16,108,665	165,040,935	(D)
5. Operating Income Deficiency	$16,658,154	($20,655,731)	($3,997,577)	
6. Revenue Multiplier	1.3611	1.3611	1.3621	
7. Base Revenue Deficiency	**$22,673,414**	**($28,118,593)**	**($5,445,180)**	

Sources:
(A) Company Revenue Requirement Model provided in response to CURB-3, Schedule 1.
(B) Schedule ACC-3.
(C) Schedule ACC-2.
(D) Schedule ACC-6 .
(E) Schedule ACC-22.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

REQUIRED COST OF CAPITAL

	Capital Structure	Cost Rate	Weighted Cost
	(A)	(A)	
1. Common Equity	49.09%	9.30%	4.57%
2. Long Term Debt	50.91%	4.93%	2.51%
3. Total	100.00%		**7.07%**

Sources:
(A) Reponse to KCC-161.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

RATE BASE SUMMARY

		Company Claim	Recommended Adjustment		Recommended Position
		(A)			
1.	Utility Plant in Service	$4,586,347,518	($5,621,136)	(B)	$4,580,726,382
	Less:				
2.	Accumulated Depreciation	(1,764,056,647)	722,577	(B)	(1,763,334,070)
3.	Net Utility Plant	$2,822,290,871	($4,898,559)		$2,817,392,312
	Plus:				
4.	Cash Working Capital	(38,520,707)	$0		(38,520,707)
5.	Fuel Inventory - Oil	3,758,641	0		3,758,641
6.	Fuel Inventory - Coal	23,803,076	0		23,803,076
7.	Fuel Inventory - Additives	436,338	0		436,338
8.	Fuel Inventory - Nuclear	24,125,328	0		24,125,328
9.	Materials and Supplies	58,514,223	0		58,514,223
10.	Prepayments	6,064,209	0		6,064,209
11	Regulatory Asset - Iatan I and Common	2,948,807	0		2,948,807
12.	Regulatory Asset - La Cygne Environ	2,631,856	0		2,631,856
13.	CWIP	81,485,621	(49,030,820)	(C)	32,454,801
	Less:				
14.	Customer Advances For Construction	($2,109,759)	$0		(2,109,759)
15.	Customer Deposits	(1,808,988)	0		(1,808,988)
16.	Deferred Income Taxes	(630,337,674)	1,810,898	(B)	(628,526,776)
17.	Def. Gain on SO2 Emission Allowances	(24,216,283)	0		(24,216,283)
18.	Deferred Gain Em. Allow- Allocated	(20,801)	0		(20,801)
19.	Total Rate Base	**$2,329,044,758**	**($52,118,481)**		**$2,276,926,277**

Sources:
(A) Company Revenue Requirement Model provided in response to CURB-3, Schedule 3.
(B) Schedule ACC-4.
(C) Schedule ACC-5.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

UTILITY PLANT-IN-SERVICE - CCN

		(A)
1.	Utility Plant in Service - CCN	$5,621,136
2.	Accumulated Depreciation - CCN	(722,577)
3.	ADIT - CCN	(1,810,898)
4.	Net Rate Base Adjustment	**$3,087,661**

Sources:
(A) Response to CURB-5.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

CONSTRUCTION WORK IN PROGRESS

1.	CWIP Claim - Total Company	$176,104,385	(A)
2.	CWIP - Generation	(70,139,914)	(A)
3.	Recommended Adjustment	$105,964,471	
4.	Allocation to Kansas (%)	46.27%	(B)
5.	Allocation to Kansas ($)	**$49,030,820**	

Sources:
(A) Workpaper to Adjustment RB-21.
(B) Company Filing, Section 3(i), page 2.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

OPERATING INCOME SUMMARY

			Schedule No.
1.	Company Claim	$148,932,270	1
2.	Annualized Revenues	4,192,511	7
3.	Forfeited Discounts	(52,387)	8
4.	CCN Revenues	(41,785)	9
5.	CCN Operating and Maintenance Costs	237,865	10
6.	CCN Depreciation Expense	390,334	11
7.	Incentive Compensation Expense	939,353	12
8.	Payroll Tax Expense	71,861	13
9.	Wolf Creek Refueling Expense	$1,107,519	14
10.	Bad Debt Expense	71,670	15
11.	Rate Case Costs	172,743	16
12.	Meals and Entertainment Expense	187,565	17
13.	Amortization of Excess Deferred Income Taxes	8,252,973	18
14.	Refund of EDIT Amortization	771,480	19
15.	Interest Synchronization	(193,037)	20
16.	Net Operating Income	$165,040,935	

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

ANNUALIZED REVENUES

		Revenues (A)	Growth (B)	Adjustment	
1. Residential		$295,423,478	1.00%	$2,954,235	
2. Commercial		275,646,808	1.00%	2,756,468	
4. Total Revenue Adjustment				$5,710,703	
5. Uncollectibles @	0.29%			(16,647)	(C)
6. Forfeited Discounts @	0.22%			12,369	(C)
7. Net Revenue Adjustment				$5,706,426	
8. Income Taxes @	26.53%			1,513,915	
9. Operating Income Impact				**$4,192,511**	

Sources:
(A) Company Filing, Workpapers to Revenue Adjustment R-20.
(B) Recommendation of Ms. Crane.
(C) Rates per Schedule ACC-22.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

FORFEITED DISCOUNTS - RATE REQUEST

1.	Company Claim		$71,304	(A)
2.	Income Taxes @	26.53%	18,917	
3.	Operating Income Impact		**$52,387**	

Sources:
(A) Company Filing, Workpapers to Revenue Adjustment R-21b.

Schedule ACC-9

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

CCN REVENUES

1.	Company Claim		$128,376	(A)
2.	Allocation to Kansas (%)		44.30%	(A)
3.	Allocation to Kansas ($)		$56,874	
4.	Income Taxes @	26.53%	15,089	
5.	Operating Income Impact		**$41,785**	

Sources:
(A) Response to CURB-5.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

CCN OPERATING AND MAINTENANCE EXPENSES

1.	Company Claim		$683,103	(A)
2.	Allocation to Kansas (%)		47.40%	(A)
3.	Allocation to Kansas ($)		$323,757.35	
4.	Income Taxes @	26.53%	85,893	
5.	Operating Income Impact		**$237,865**	

Sources:
(A) Response to CURB-5.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

CCN DEPRECIATION EXPENSES

1. Company Claim		$531,283	(A)
2. Income Taxes @	26.53%	140,949	(A)
3. Operating Income Impact		**$390,334**	

Sources:
(A) Response to CURB-5.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

INCENTIVE COMPENSATION

1.	Value Link Claim		$12,400,000	(A)
2.	Recommended Adjustment (%)		25.000%	(B)
3.	Recommended Adjustment (%)		$3,100,000	
4.	Allocation to Joint Partners @	6.96%	(215,760)	(C)
5.	GPE Incentive Compensation Adjustment		2,884,240	
6.	Allocation to KCP&L (%) @	66.58%	1,920,327	(C)
7.	Allocation to Expense @	68.98%	1,278,554	(C)
8.	Income Taxes @	26.53%	339,200	
9.	Operating Income Impact		**$939,353**	

Sources:
(A) Company Filing, Workpapers to CS-51.
(B) Recommendation of Ms. Crane.
(C) Ratios per Company Filing, Workpapers to CS-51.

Schedule ACC-13

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING JUNE 30, 2014

PAYROLL TAX EXPENSE

1.	Incentive Compensation Adjustment		$1,278,554	(A)
2.	Payroll Taxes @ 7.65%		$97,809	(B)
3.	Income Taxes @	26.53%	25,949	
4.	Operating Income Impact		**$71,861**	

Sources:
(A) Schedule ACC-12.
(B) Payroll tax rate per Company Filing, Workpapers to CS-53.

Schedule ACC-14

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

WOLF CREEK REFUELING OUTAGE

1.	Outage 21 Annual Costs		$16,102,938	(A)
2.	Outage 22 Annual Costs		12,900,102	(B)
3.	Recommended Adjustment		$3,202,836	
4.	Allocation to Kansas (%)		47.07%	
5.	Allocation to Kansas ($)		$1,507,444	
6.	Income Taxes @	26.53%	399,925	
7.	Operating Income Impact		**$1,107,519**	

Sources:
(A) Company Filing, Adjustment CS-36.
(B) Response to CURB-17.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

BAD DEBT EXPENSE

1.	Recommended Adjustment		$97,550	(A)
2.	Income Taxes @	26.53%	25,880	
3.	Operating Income Impact		**$71,670**	

Sources:
(A) Company Filing, Adjustment CS-20b.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

RATE CASE EXPENSE

1.	Total Rate Case Costs Per Company		$1,763,410	(A)
2.	Proposed Amortization Period		5	(B)
3.	Annual Amortization Expense		$352,682	
4.	Company Claim		587,803	(A)
5.	Recommended Adjustment		$235,121	
6.	Income Taxes @	26.53%	62,378	
7.	Operating Income Impact		**$172,743**	

Sources:
(A) Company Filing, Workpapers to CS-80.
(B) Recommendation of Ms. Crane.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

MEALS AND ENTERTAINMENT EXPENSES

			Total	
1.	Total Meals and Entertainment Expenses		$1,171,361	(A)
2.	Recommended Adjustment (%)		50.00%	(B)
3.	Recommended Adjustment ($)		$585,681	
4.	Kansas Allocation (%)		43.59%	(C)
5.	Kansas Allocation ($)		$255,295	
6.	Income Taxes @	26.53%	67,730	
7.	Operating Income Impact		**$187,565**	

Sources:
(A) Response to KCC-325.
(B) Recommendation of Ms. Crane.
(C) Based on allocation for Account 930.2 per Company Workpapers.

Schedule ACC-18

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

AMORTIZATION OF EXCESS DEFERRED INCOME TAXES

1.	Unprotected Plant Related EDIT	$127,178,907	(A)
2.	Proposed Amortization Perod	5	(B)
3.	Proposed Annual Amortization	$25,435,781	
4.	Company Claim	7,599,694	(A)
5.	Recommended Adjustment	$17,836,087	
6.	Allocation to Kansas (%)	46.27%	(C)
7.	Allocation to Kansas ($)	**$8,252,973**	

Sources:
(A) Response to CURB-34.
(B) Recommendation of Ms. Crane.
(C) Company Filing, Section 11 (ii-iv), page 3.

Schedule ACC-19

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

REFUND OF EDIT AMORTIZATION

1.	Amortization of EDIT	$8,981,109	(A)
2.	NOL EDIT	(644,603)	(A)
3.	Actual EDIT Jan-June	$8,336,506	
4	Amortization Period	5	(B)
5	Annual Amortization	$1,667,301	
6.	Allocation to Kansas (%)	46.27%	(C)
7.	Allocation to Kansas ($)	**$771,480**	

Sources:
(A) Response to CURB-34.
(B) Recommendation of Ms. Crane.
(C) Company Filing, Section 11 (ii-iv), page 3.

Schedule ACC-20

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

INTEREST SYNCHRONIZATION

1.	Pro Forma Rate Base		$2,276,926,277	(A)
2.	Weighted Cost of Debt		2.51%	(B)
3.	Total Pro Forma Interest		$57,093,249	
4.	Company Claim		57,820,865	(C)
5.	Decrease in Taxable Income		($727,616)	
6.	Income Taxes @	26.53%	**($193,037)**	

Sources:
(A) Schedule ACC-3.
(B) Schedule ACC-2.
(C) Company Filing, Section 11 (ii-iv), page 4.Update, Section 11.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

INCOME TAX FACTOR

1.	Revenue	100.00%	
2.	State Income Tax Rate	7.00%	(A)
3.	Federal Taxable Income	93.00%	
4.	Income Taxes @ 21%	19.53%	(A)
5.	Operating Income	73.47%	
6.	Total Tax Rate	**26.53%**	(B)

Sources:
(A) Tax rates per Company Filing, Section 11, (ii -iv), page 3.
(B) Line 2 + Line 4.

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

REVENUE MULTIPLIER

1. Revenue	100.00%	
2. Forfeited Discounts	-0.22%	(A)
3. Uncollectibles	0.29%	(B)
4. Net Revenue	99.93%	
5. State Income Taxes @ 7.00%	6.99%	(C)
6. Federal Taxable Income	92.93%	
7. Income Taxes @ 21%	19.52%	(C)
8. Operating Income	73.41%	
9. Revenue Multiplier	**1.36212**	(D)

Sources:
(A) Rate per Company Workpapers, Adjustment R-21a.
(B) Rate per Company Workpapers, Adjustment CS-20a.
(C) Tax rates per Company Filing, Section 11, (ii-iv), page 3.
(D) Line 1 / Line 8.

Schedule ACC-23

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING SEPTEMBER 30, 2017

REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS

1.	Rate of Return	($1,171,648)
	Rate Base Adjustments:	
2.	Utility Plant in Service	($541,137.93)
3.	Accumulated Depreciation	69,561
4.	Deferred Income Taxes	174,332
5.	CWIP	(4,720,120)
	Operating Income Adjustments	
6.	Annualized Revenues	($5,706,427)
7.	Forfeited Discounts	$71,304
8.	CCN Revenues	$56,874
9.	CCN Operating and Maintenance Costs	($323,757)
10.	CCN Depreciation Expense	($531,283)
11.	Incentive Compensation Expense	($1,278,554)
12.	Payroll Tax Expense	($97,809)
13.	Wolf Creek Refueling Expense	($1,507,444)
14.	Bad Debt Expense	($97,550)
15.	Rate Case Costs	($235,121)
16.	Meals and Entertainment Expense	($255,295)
17.	Amortization of Excess Deferred Income Taxes	($11,233,121)
18.	Refund of EDIT Amortization	($1,050,062)
19.	Interest Synchronization	$262,742
20.	Revenue Multiplier	(4,078)
21.	Total Recommended Adjustments	($28,118,593)
22.	Company Claim	22,673,414
23.	Revenue Requirement Deficiency	**($5,445,180)**

KANSAS CITY POWER AND LIGHT COMPANY

TEST YEAR ENDING JUNE 30, 2014

PRO FORMA INCOME STATEMENT

		Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues		$763,181,408	5,582,525	$768,763,933	($5,445,180)	$763,318,754
2. Operating Expenses		$381,059,229	($3,693,443)	$377,365,786	($4,078)	$377,361,707
3. Depreciation and Amortization		152,238,478	(531,283)	151,707,195	0	151,707,195
4. Taxes Other Than Income		52,432,608	(97,809)	52,334,799	0	52,334,799
5. Taxable Income Before Interest Expenses		$177,451,093	$9,905,061	$187,356,154	($5,441,101)	$181,915,053
6. Interest Expense		57,820,865	(727,616)	57,093,249	0	57,093,249
7. Taxable Income		$119,630,228	$10,632,677	$130,262,905	($5,441,101)	$124,821,804
8. Income Taxes @	26.53%	28,518,823	(6,203,604)	22,315,219	(1,443,524)	20,871,695
9. Operating Income*		$148,932,270	$16,108,665	$165,040,935	($3,997,577)	$161,043,358
10. Rate Base		$2,329,044,758		$2,276,926,277		$2,276,926,277
11. Rate of Return		**6.39%**		**7.25%**		**7.07%**

* Line 5 - Line 8.

CERTIFICATE OF SERVICE

18-KCPE-480-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 12th day of September, 2018, to the following:

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