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State Corporation Commission
of Kansas

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

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# DIRECT TESTIMONY OF

# DARRIN R. IVES

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

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**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MAKE CERTAIN CHANGES IN
ITS CHARGES FOR ELECTRIC SERVICE**

**DOCKET NO. 15-KCPE-116-RTS**

## I. INTRODUCTION

**Q: Please state your name and business address.**

A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri 64105.

**Q: By whom and in what capacity are you employed?**

A: I am employed by Kansas City Power & Light Company ("KCP&L" or "Company") as Vice President – Regulatory Affairs.

**Q: On whose behalf are you testifying?**

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

**Q: What are your responsibilities?**

A: My responsibilities include oversight of the Company's Regulatory Affairs Department, as well as all aspects of regulatory activities including cost of service, rate design, revenue requirements, regulatory reporting and tariff administration.

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

A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in 1996 and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

**Q: Have you previously testified in a proceeding before the Kansas Corporation Commission ("Commission" or "KCC") or before any other utility regulatory agency?**

A: Yes, I have testified before both this Commission and the Missouri Public Service Commission on several occasions.

**Q: What is the structure and purpose of your testimony?**

A: The structure and purpose of my testimony is to:

I. Introduce myself;

II. Provide an overview of the case;

III. Discuss challenges and risks facing the Company;

IV. Explain and support the Company's requests for alternative regulatory mechanisms including the following:

- Transmission Delivery Charge ("TDC") rider;

- Vegetation Management ("VM") tracker; and
- Tracker mechanism to recover costs to comply with Federal Energy Regulatory Commission ("FERC") critical infrastructure protection standards ("CIPS") and cybersecurity costs;

V. Address other cost of service issues:

- Depreciation Study Update; and
- Wolf Creek Decommissioning Trust Fund Accrual Level;

VI. Provide an overview of the rate design presented in the Application;

VII. Discuss the Company's request to implement an Economic Relief Pilot Program ("ERPP") and describe the Company's Connection Program;

VIII. Present a summary of KCP&L's rate history and discuss the value of safe and reliable electricity to our customers;

IX. Set out other miscellaneous requests presented in this Application;

X. Discuss the Company's request for specific items to be included in the abbreviated rate case approved by the Commission in Docket No. 15-GIME-025-MIS ("15-025 Docket"); and

XI. Summarize the Company's requests in this Application.

## II. CASE OVERVIEW

**Q: Please briefly summarize the Company's reasons for filing this Application.**

A: This Application is a request for authority to implement a general rate increase for electric service. The Company last raised rates July 25, 2014, in accordance with the Commission's order in Docket No. 14-KCPE-272-RTS ("14-272 Docket"), an abbreviated filing made in order to include in KCP&L's rates certain costs associated with the construction of environmental upgrades at the La Cygne Generating Station ("La Cygne") ("La Cygne Environmental Project" or "Project").[1] This Application seeks to recover the remaining investments in the Project made since the 14-272 Docket as well as significant capital expenditures at the Wolf Creek Generating Station, reset cost of service based upon the test year for this case, and establish certain alternative regulatory mechanisms in order to provide the Company a reasonable opportunity to earn its Commission-authorized return after this case. The Company also requests the Commission authorize an ERPP to be used to assist customers with their bills.

**Q: Please describe the work the Company is completing at La Cygne.**

A: KCP&L is completing a significant capital expenditure on environmental controls at La Cygne. The La Cygne Environmental Project includes a dual flue chimney for both La Cygne 1 and La Cygne 2 and the following major additions by unit:

La Cygne 1:

- Flue Gas Desulfurization (scrubber) replacement primarily for sulfur dioxide ("$SO_2$") control.
- Pulse Jet Fabric Filter (baghouse) addition for particulate matter control.
- Activated carbon injection for mercury control.

La Cygne 2:

- Selective Catalytic Reduction system addition for nitrogen oxides ("$NO_x$") control.

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[1] The 14-272 abbreviated rate filing was approved by the Commission in KCP&L's last full rate case filed on April 20, 2012, in Docket No. 12-KCPE-764-RTS ("12-764 Docket"). See *In the Matter of the Application of Kansas City Power & Light Company to Make Certain Changes in Its Charges for Electric Service*, Docket No. 12-KCPE-764-RTS, *Order On KCP&L's Application for Rate Change*, (issued Dec. 13, 2014) ("12-764 Order"), p. 43, ¶ 112.

- Flue Gas Desulfurization (scrubber) addition primarily for $SO_2$ control.
- Pulse Jet Fabric Filter (baghouse) addition for particulate matter control.
- Activated carbon injection for mercury control.
- Low-nitrogen oxide (low $NO_x$) burners.
- Over-fire air system.

This equipment is required to be installed pursuant to the Kansas Regional Haze Rule and the Regional Haze Agreement that KCP&L executed at the request of the Kansas Department of Health and Environment. The Mercury and Air Toxics Rule and the Cross-State Air Pollution Rule also require the installation of the emission control equipment. There are also various expected actions by the United States Environmental Protection Agency of the designation and pending recommendations of National Ambient Air Quality Standards non-attainment of the Kansas City area, that will require the installation of some or all of the emission control equipment in the near future in addition to the final rules listed above. The Project is on schedule and it is currently expected that the cost of the La Cygne Environmental Project will be below $1.23 billion, which is the definitive cost estimate for the Project. As KCP&L owns 50% of La Cygne, the Company is responsible for 50% of that cost. Company witness Mr. Robert N. Bell discusses the Project status in more detail in his Direct Testimony.

**Q: What revenue requirement increase is the Company requesting in this case?**

A: The Company is requesting a revenue increase of $67.3 million or approximately 12.5 percent.[2] The revenue requirement schedules are based on a historical test year of

[2] 12.5% is calculated based on a current Kansas jurisdictional base revenue requirement of $536.7 million.

the 12 months ending June 30, 2014. Below is a graphical depiction of the case, including case drivers, significant elements of the case and other high level facts.

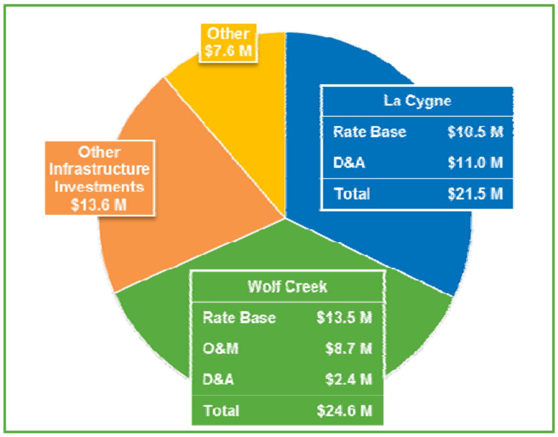
## KCP&L – Kansas Rate Case Summary

| Case Number | Date Filed | Requested Increase (in Millions) | Requested Increase (Percent) | Rate Base (in Millions) | ROE | Cost of Debt | Rate – Making Equity Ratio | Rate of Return | Anticipated Effective Date of New Rates |
|---|---|---|---|---|---|---|---|---|---|
| 15-KCPE-116-RTS | 1/2/15 | $67.3 | 12.53% | $2,155[1,2] | 10.3% | 5.55% | 50.48% | 7.94% | 10/1/15 |

**Rate Case Attributes:**

- Test year ended June 30, 2014 with certain known and measurable changes projected through March 31, 2015
- Primary drivers of increase:
  - Environmental investments at the La Cygne Generating Station and upgrades to the Wolf Creek Nuclear Generating Station
  - New infrastructure investments to ensure reliability, security and dependable service to customers
- Requested authorization to implement
  - Transmission delivery charge rider (TDC)
  - Critical Infrastructure Protection Standards (CIPS) / Cybersecurity tracker
  - Vegetation management tracker
- File abbreviated rate case August 29, 2016 or sooner to true-up actual cost of environmental investments at La Cygne and upgrades at Wolf Creek

**$67.3 Million Rate Increase Request:**




[1] Projected rate base is approximately $239 million or 12% higher than at the conclusion of the La Cygne abbreviated rate case
[2] Includes transmission plant in rate base of $65.4 million included in the proposed TDC

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This summary of the requested increase clearly depicts that the increase addresses federally-mandated investments at La Cygne and reliability investments at Wolf Creek Generating Station ("Wolf Creek") and across our system in addition to other cost increases. I will discuss each of these in turn below; however, each item will be discussed in more detail by other KCP&L witnesses. Following is a list of the Company's witnesses in this case and the topics each address.

| | |
|---|---|
| Scott H. Heidtbrink | Company Operations Overview, Company Initiatives for Reliable Service including Wolf Creek Plant Additions and Cost Control Measures, Rate of Return Issues |
| Darrin R. Ives | Case Overview, Regulatory Policy, Alternative Rate Mechanism Requests, Customer Program Requests, Abbreviated Rate Case and Other Requests |
| Robert N. Bell | La Cygne Environmental Project Status and In-Service Criteria for Project |
| Robert B. Hevert | Return on Equity, Cost of Capital, Cost of Debt, Capital Structure, and Overall Rate of Return |
| Gregg N. Clizer | Wolf Creek Decommissioning Trust Funding Level |
| Jamie S. Kiely | Vegetation Management Plan |
| Ronald A. Klote | Revenue Requirement Model, Accounting Adjustments including Plant in Service for the La Cygne Environmental Project and Wolf Creek Plant Additions and Certain Regulatory Asset and Liability Amortizations |
| Dane A. Watson | Depreciation Issues |
| Wm. Edward Blunk | Fuel Inventory Management |
| Bradley D. Lutz | Minimum Filing Requirements, Class Cost of Service and Rate Design, Rules and Regulations Changes |
| Paul M. Normand | Class Cost of Service (CCOS) Study |
| Albert R. Bass, Jr. | Weather Normalization |

**Q: What is the effective date of the Company's proposed rates filed in this case?**

A: Pursuant to the Commission-approved procedural schedule for this rate case ("15-116 Docket"), the resulting rates will be effective October 1, 2015.[3]

**Q: What is the impact on customers of the increase in revenue requirements proposed by the Company?**

A: The proposed increase of approximately 12.5 percent will increase the monthly bill of a typical residential customer, a household using 1452 kWh in summer and 791 kWh in

[3] 15-025 Docket, Order issued Sept. 9, 2014, pp. 9-10.

winter, by approximately $11.67. A typical small commercial customer, (summer usage = 1719 kWh and winter usage = 1151 kWh) will see an increase of approximately $29.04 to their monthly bill.

**Q: What are the key drivers underlying KCP&L's proposed rate increase in this case?**

A: There are four primary drivers underlying this rate increase request.

First, KCP&L is completing a significant capital expenditure on environmental controls at La Cygne. On February 23, 2011, in Docket No. 11-KCPE-581-PRE ("11-581 Docket"), the Company petitioned the Commission for predetermination of ratemaking principles related to the La Cygne Environmental Project. The Commission approved that petition on August 19, 2011. As determined in the 11-581 Docket, the La Cygne Environmental Project, which will have been ongoing for more than four years when it goes in-service as scheduled before June 1, 2015, is necessary to meet governmentally-mandated environmental standards. KCP&L has incurred substantial costs on the La Cygne Environmental Project for several years. Certain of those costs related to CWIP were recognized and included in rates in prior KCP&L rate cases: Docket No. 12-KCPE-764-RTS ("12-764 Docket") and the 14-272 Docket. The Company is seeking to recover the remainder of the cost of this Project in this case.

Second, in addition to these technology investments, infrastructure investments at Wolf Creek will include three major modifications to the Essential Service Water system during the 2015 spring refueling outage. The Essential Service Water system pumps lake water into the plant and would ultimately cool the plant, the spent fuel pool and the reactor in the event of an accident. Its operation would be critical to prevent a Fukishima type of event. Because the Essential Service Water system is filled with lake water, there is a large amount of corrosion on the original piping. These modifications are the next portions of replacement for this aging, original plant system. The original exterior piping of the Essential Service Water system has been replaced and was completed in the 2014 mid-cycle outage. The details of the Wolf Creek Essential Service Water system modifications are more fully discussed in the Direct Testimony of KCP&L witness Mr. Scott H. Heidtbrink. This work is necessary to ensure the continued safe and reliable operation of Wolf Creek. The Company is seeking recovery of these critical and necessary infrastructure investments.

Third, the Company has also made significant infrastructure investments in its facilities and systems to ensure the reliability, security, and service customers require and expect. Many of these investments are technology and systems driven. The Company is investing in its systems to maintain high levels of customer service and reliability as evidenced by current and contemplated upgrades to the customer information and billing system, Distribution and Outage Management System, and Energy Management System; and installation of the next generation of automated metering and a Meter Data Management system. Participation in Southwest Power Pool, Inc.'s ("SPP") Day 2 Market necessitated technology investments. While electricity is still delivered via poles and wires much as it has been for decades, the service customers expect has become in large part a function of technology, requiring significant investments in both new systems and upgrades/maintenance of existing systems. KCP&L is seeking recovery of technology and systems infrastructure expenditures necessary to maintain and ensure reliability, security, and high levels of customer service.

Fourth, KCP&L is seeking to establish regulatory mechanisms to mitigate prospectively regulatory lag associated with transmission delivery charges, CIPS/cybersecurity costs and vegetation management. In addition to resetting these cost of service items in this case, KCP&L is requesting a TDC rider, CIPS/cybersecurity tracker, and a VM tracker to mitigate prospectively the resulting regulatory lag associated with these rising costs which are largely outside the Company's control.

**Q: Please explain how KCP&L developed its rate case.**

A: The Company's cost of service and revenue in this case is based on a historical test year ended June 30, 2014, using actual data for all 12 months. The test year data was then annualized and normalized where appropriate, and adjustments were made for known and measurable changes for certain items as of March 31, 2015. In order to state the cost of service on a Kansas jurisdictional basis, the adjustments were allocated between the FERC, Kansas and Missouri jurisdictions. The production allocation was made on the basis of 12 coincident month peaks. The Direct Testimony of Company witness Mr. Ronald A. Klote supports the cost of service and revenue requirement determination, which is included in his Schedules RAK-1 through RAK-3.

**Q: What accounting treatment will be used for the La Cygne Environmental Project in this case?**

A: In the 15-025 Docket, the Commission granted KCP&L authorization to utilize a Budget Treatment approach for Project costs to be included in rate base for determination of base rates in this rate case with a deferral mechanism for the monthly depreciation expense recorded for the La Cygne Environmental Project from the date a specific addition of the

Project is placed in service to the date the plant addition is included in rates. As part of this Budget Treatment approach, a true-up process will be used.

**Q: Please describe the Budget Treatment of the La Cygne Environmental Project in more detail.**

A: First, KCP&L has included in this rate case a total budget amount for its Kansas jurisdictional portion of the La Cygne Environmental Project plant additions in its rate base for computing revenue requirement. This total budget amount includes all budgeted Kansas jurisdictional capital expenditures through completion of the Project, including all projected Allowance for Funds Used During Construction ("AFUDC") amounts. The total budgeted capital expenditures are treated as actual expenditures for revenue requirement purposes and the associated annual depreciation expense is computed on the rate base amount and reflected in the cost of service calculation.

Second, KCP&L will defer to regulatory asset Account 182.3 all depreciation expense that is recorded on actual capital plant additions associated with Project expenditures through March 31, 2015, the update date for this rate case. The deferral period will be from the date a specific addition of the Project is placed in service, at conclusion of each of the 2015 environmental equipment tie-in outages for La Cygne Unit 2, La Cygne Common, and La Cygne Unit 1, respectively, to the effective date of rates for this 2015 rate case. The deferred costs in Account 182.3, including those costs expected to be accumulated in Account 182.3 up to the effective date of rates in this rate case, are included in rate base in this case. In addition, the deferred costs in Account 182.3 will be included as an amortization in cost of service over the life of La Cygne.

KCP&L may reduce the amount of its requested rate increase during this rate case if it determines that actual costs for the La Cygne Environmental Project are coming in at a level noticeably lower than the budgeted costs used in its application. The cut-off date by which KCP&L may make this adjustment for this purpose is the date when KCP&L's rebuttal testimony is due – June 1, 2015 – after which no further modifications to its requested rate increase will be allowed under this provision.

**Q: What accounting treatment will be used for the Wolf Creek plant additions ("Wolf Creek Additions") in this case?**

A: In the 15-025 Docket, the Commission granted KCP&L authorization to utilize a Budget Treatment approach for the costs of the Wolf Creek Additions to be included in rate base for determination of base rates in this rate case. The Budget Treatment approach for the Wolf Creek Additions will work similarly to the approach outlined above for the La Cygne Environmental Project except no depreciation deferral mechanism will be used for the Wolf Creek Additions.

**Q: Please describe the Budget Treatment of the Wolf Creek Additions in more detail.**

A: KCP&L has included as part of its rate case a total budget amount for its Kansas jurisdictional portion of the Wolf Creek Additions in its rate base for computing revenue requirement. The total budget amount includes all budgeted Kansas jurisdictional capital expenditures through completion of the Wolf Creek Additions, including all projected AFUDC amounts. The total budgeted capital expenditures will be treated as actual expenditures for revenue requirement purposes, and the associated annual depreciation expense is computed on the rate base amount and reflected in the cost of service calculation in this rate case.

**Q: Will the budget amounts used for the La Cygne Environmental Project and the Wolf Creek Additions in this case be updated to actual in the future?**

A: Yes. Rates set in this rate case using budgeted costs will be adjusted to reflect actual costs once those actual costs are known. The Commission authorized this 'true-up' be accomplished in an abbreviated rate case to be filed by KCP&L within 12 months of the date rates from this 2015 rate case become effective, pursuant to K.A.R. 82-1-231(b)(3). KCP&L is required to file such abbreviated rate case with the Commission unless Staff, the Citizens' Utility Ratepayer Board ("CURB"), and KCP&L mutually agree that the abbreviated rate case is unwarranted due to the level of true-up required, and these parties notify the Commission of their agreement that no abbreviated rate case will be filed.

**Q: What will the abbreviated rate case include associated with La Cygne and Wolf Creek treatment in this case?**

A: The abbreviated rate case will address primarily the true-up of costs for the La Cygne Environmental Project and the Wolf Creek Additions from the budgeted amounts used in the Company's 2015 rate case to the actual costs determined at the time of the abbreviated rate case, as well as a true-up of the depreciation deferral amounts to actual depreciation expense recorded by KCP&L on the La Cygne Environmental Project from the in-service date to the effective date of rates in this rate case. Additionally, KCP&L will adjust depreciation expense in cost of service in the abbreviated rate case to reflect actual expenditures included in rate base for both the La Cygne Environmental Project and Wolf Creek Additions in the abbreviated rate case using depreciation rates resulting from this rate case.

KCP&L will true-up any amounts over- or under-collected from the effective date of rates from this 2015 rate case to the effective date of rates of the abbreviated rate case when comparing the return on actual expenditures and associated depreciation expense of expenditures placed in service on a monthly basis beginning the first month end after rates become effective from this 2015 general rate case and including additions in each subsequent month thereafter to the Budget Treatment value included in rate base in this case and record to either regulatory liability Account 254 or regulatory asset Account 182.3 any difference to be reflected in rate base in the abbreviated rate case. For the Budget Treatment value and depreciation deferral true-up amounts, in the event of an under-collection, the amount to collect will be incorporated into effective rates as an amortization to cost of service over a three-year period in the process of the abbreviated rate case. In the event of an over-collection, the total over-collected amount, including annual interest at a rate equal to the after-tax weighted average cost of capital as determined in the 2015 rate case on the over-collected amount, will be calculated. The total refund amount will be applied as an amortization to cost of service over a three-year period, instead of as a refund on bills, and will be incorporated in rates effective from the abbreviated rate case.

In summary, at conclusion of an authorized abbreviated rate case, customer rates will reflect the actual incurred La Cygne Environmental Project and Wolf Creek Additions costs and associated depreciation expense based upon depreciation rates established in the 2015 general rate case as well as true-ups to the budget treatment value (for both the La Cygne Environmental Project and the Wolf Creek Additions) and the depreciation deferral (for the La Cygne Environmental Project), which will be amortized to cost of service over a three-year period beginning on the effective date of rates from the abbreviated rate case.

**Q: What is the return on equity ("ROE") KCP&L is requesting in this case?**

A: KCP&L is requesting an ROE of 10.3%. KCP&L witness Mr. Robert B. Hevert presents in his Direct Testimony his cost of capital study results and recommendations in support of the Company's requested ROE. Mr. Hevert's recommendation reflects analytical results based on a proxy group of electric utilities, and takes into consideration the Company's risk profile, including the regulatory environment in which the Company operates and its generation portfolio.

**Q: What is the equity ratio in the capital structure KCP&L is requesting in this case?**

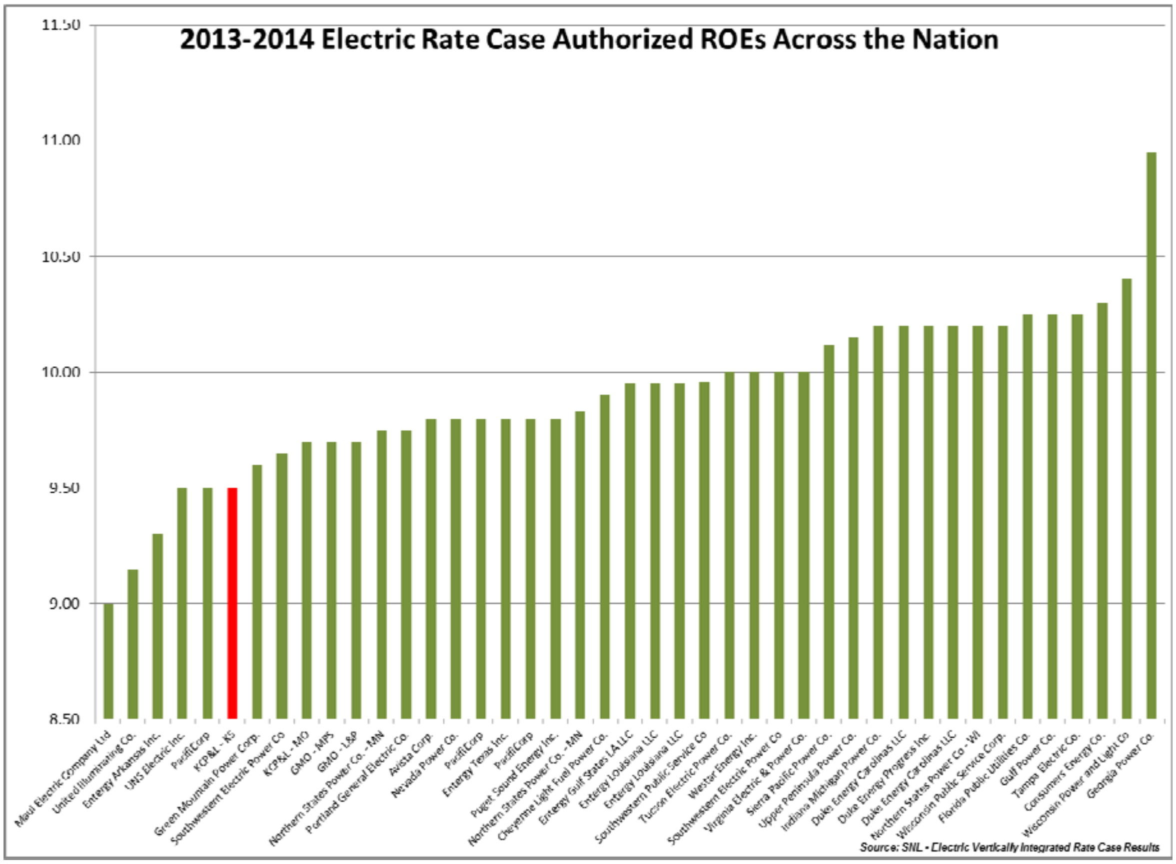
A: KCP&L is requesting a capital structure comprised of 50.48% common equity based on the projected consolidated capital structure of Great Plains Energy Incorporated ("GPE"), KCP&L's parent company, as of March 31, 2015. The 50.48% requested in this case is a decrease from the 51.82% utilized in setting KCP&L's revenue requirement in the last case. Mr. Hevert presents in his Direct Testimony his cost of capital study results and recommendations in support of the Company's requested capital structure.

**Q: Has the Company taken any steps to reduce the weighted average cost of capital?**

A: Yes. Although we are asking for an increase in our ROE from 9.5% to 10.3%, this impact on the weighted average cost of capital is largely offset due to having more debt and less equity in the capital structure and the cost of debt going down to 5.554% from 6.425% in the last case.

**Q: How does the Company's currently authorized ROE of 9.5% compare to ROEs awarded across the country?**

A: It is low when compared to ROEs authorized in other jurisdictions. The chart below illustrates this comparison.




**Q: What is the effect of a low authorized ROE as compared to other utilities?**

A: Utilities are highly capital investment intensive. Access to capital markets at a reasonable cost is key to providing safe, reliable service at a reasonable cost. Investors have many choices so it is important that utilities are able to compete for capital. A low ROE puts the utility at a disadvantage in the capital markets. As a result it can cost more to borrow money and that cost is ultimately borne by ratepayers.

**Q: Are you aware of any Kansas regulatory reviews that would indicate ROEs awarded in Kansas tend to be lower than the industry average?**

A: Yes, Regulatory Research Associates August 29, 2014 *KS Regulatory Review*, included the following statement, "Recent base rate proceedings in Kansas have generally been resolved via 'black box' settlements that do not specify rate-of-return parameters. However, historically, when the Commission has established equity returns for the utilities, the returns specified were below prevailing industry-wide averages at the time authorized."

## III. <u>CHALLENGES AND RISKS FACING THE COMPANY</u>

**Q: Do the rate case procedures normally used in Kansas provide a sufficient mechanism for KCP&L to recover the increasing level of costs that it is facing and still earn a fair ROE?**

A: No, not in today's environment where costs are increasing rapidly and billing determinants that drive revenues (*i.e.*, customer numbers and kWh sales) are flat to declining. Under these circumstances, the opportunity for KCP&L to earn a fair return is compromised by regulatory lag. Regulatory lag is the delay in the time between when the cost to provide service changes and the effective date for the new rates resulting from a rate case. Regulatory lag can work both ways, that is, it can serve to prolong both under-earnings and/or over-earnings. In the current environment – with escalating costs, the continued need to make capital expenditures that do not translate into additional sales, and flat to declining revenues – KCP&L is experiencing prolonged under-earnings. A rate case in Kansas typically takes approximately eight months to complete. Even absent the La Cygne Environmental Project, KCP&L's costs of service have been increasing rapidly since the conclusion of its last full general rate case, the 12-764 Docket. Generally, operation and maintenance costs have been held flat since the last rate case, but that cost control is not sustainable without damage to reliability and operational effectiveness. Consequently, due to the increase in costs primarily for infrastructure investment and the shrinking of rate revenues earned, KCP&L has experienced lower earnings than authorized.

**Q: What factors contribute to regulatory lag for KCP&L in Kansas?**

A: There are several. First and foremost, the regulatory model in Kansas is built primarily on historical financial information. From a cost of service perspective, the process utilizes historical test year costs, updated for known and measurable changes. Regardless of the update period, this model results in rates being set on historical costs that were incurred in a range anywhere from five months to 27 months prior to the date rates are effective. This model not only ignores cost increases that have occurred between the historical test year used, or update period where applicable, and the date rates are effective, it also ignores the fact that in a rising cost environment, costs to serve our customers continue to increase from the date rates are effective, with little ability to synchronize recovery with costs incurred other than to initiate another expensive and time-consuming rate case.

In certain cost of service categories, costs can vary significantly from year-to-year and when such costs are a material cost of service component they can have a dramatic impact to the Company as a result of regulatory lag. In this general rate case filing, the Company has identified certain cost of service components it believes warrant rider/tracker treatment which I will elaborate more on later in this direct testimony.

From a capital investment perspective, when a utility is in a substantial capital investment cycle, as is occurring at KCP&L and across the industry today, significant negative economic impact from regulatory lag occurs. This lag is a result of the same historical model that I discussed regarding cost of service. Capital investments are generally reflected in a rate case based on assets placed in-service as of the update date in the case. Without specific authorized treatment, such as the Budget Treatment authorized by the Commission for La Cygne and Wolf Creek investments in this case, it means capital assets included in rate base for determination of revenue requirement will be approximately six months outdated at the time rates from this case are effective. Additionally, while utilities are allowed to record AFUDC to recover financing costs associated with CWIP, assets placed in-service subsequent to the true-up of the case, receive no financing cost recovery until the utility files another expensive and time-consuming rate case to reflect the assets in rate base. While Kansas allows CWIP treatment for certain assets under the criteria of K.S.A. 66-1239, many assets constructed by a utility cannot practically be addressed under this statute and therefore subject the utility to capital investment regulatory lag related to return on investment subsequent to in-service.

In addition, during the entire time the assets are in-service but not reflected in rates, the Company is also recording depreciation expense for the utilization of the assets. Such depreciation expense is not reflected in rates and, except for specific, infrequent circumstances in which special accounting authority has previously been provided for large generation investments, there is not currently a mechanism in Kansas to routinely recover that lost depreciation expense. These regulatory lag effects for capital investment are significant to KCP&L, and other similar utilities, that are in a substantial capital investment cycle where annual capital additions significantly exceed the annual depreciation expense of the company.

It should be noted that while we commonly refer to loss of return and depreciation recovery as regulatory lag, it represents a permanent loss in recovery of both the return on the investment and depreciation expenses (return of the investment) for the Company. This gap, if it continues to go unmitigated, operates as a significant financial disincentive for the Company to continue to proactively invest, and it creates a substantial obstacle in addressing the sizable capital investments that the Company has in front of it.

**Q: Are there other factors that contribute to regulatory lag for KCP&L?**

A: Yes. Another factor significantly contributing to regulatory lag for KCP&L is that the Company is experiencing little or no growth in its Kansas sales due to stagnation in the population in its Kansas service territory, conservation measures, and other factors. Historically, KCP&L, and other regional utilities experienced load growth (increased kWh usage) in a range of 2% to 3% annually. In the historical-based regulatory model, this increased kWh usage on the Company's system provided revenues that exceeded the revenues upon which rates were based. Utilities like KCP&L were able to utilize the increased revenue to offset cost of service and capital investment regulatory lag. Today, consistent with KCP&L's experience at the time of filing its 2012 rate case, the Company has experienced flat to declining kWh and kW usage in its Kansas service territory over the last several years. This lack of load growth adds to and exacerbates the cost of service and capital investment regulatory lag previously discussed.

**Q: Are there ways in which the Commission could address this lag?**

A: Yes. The Company is appreciative that the Commission has already recognized the capital investment regulatory lag associated with the La Cygne Environmental Project and the Wolf Creek plant additions by providing for use of budget amounts in rates for these projects in this case. In this case, the Company is also specifically asking for changes to the treatment of certain costs that would definitely help to alleviate expected prospective lag that the traditional ratemaking process will not effectively address.

The Company is requesting a TDC rider to help manage increasing transmission costs. The Company is also requesting a VM tracker to help in managing costs of the tree-trimming practices of the Company. Lastly, the Company is requesting a tracker for costs associated with meeting Critical Infrastructure Protection Standards ("CIPS") and cybersecurity requirements imposed by the North American Electric Reliability Corporation ("NERC") under authority delegated to it by the FERC.

**Q: Why is approval of these mechanisms in this case so important?**

A: KCP&L will devote substantial resources to CIPS and cybersecurity efforts over the next few years which are intended to protect customers' interests; however, the cost to be incurred for this work remains somewhat unclear and uncertain. With regard to the VM tracker, the Company is proposing changes in its tree trimming practices that will enhance reliability for customers. The tracker is being proposed to help balance the tree trimming expenditures between rate jurisdictions in Missouri and Kansas, as well as balance them with KCP&L Greater Missouri Operations Company ("GMO").

As will be described in more detail later in this testimony, these regulatory mechanisms will help to mitigate the impact of regulatory lag prospectively in these areas, which, if left unaddressed, would be an obstacle preventing KCP&L from having a reasonable opportunity to earn at the Commission-authorized level while also protecting customers from excess earnings driven by the items covered by these mechanisms.

**Q: Why doesn't the traditional ratemaking process provide an adequate mechanism for KCP&L to recover its increasing costs in these areas?**

A: The effect of regulatory lag in the traditional ratemaking process means that KCP&L will always face a time lag in recovering cost increases. Because of KCP&L's current low to no growth revenue environment and the magnitude of the costs identified in the TDC rider, the CIPS/cybersecurity cost tracker and vegetation management cost tracker, failure to recover even a small percent of those increased costs will have a significant adverse impact on the Company's earnings.

Such under-recovery of costs, over time, would undermine KCP&L's financial health and access to capital markets, potentially increasing the cost to customers by paying higher capital costs or potentially jeopardizing KCP&L's ability to maintain service levels and invest in its system. In addition to adversely affecting earnings, an under-recovery of costs compromises the Company's cash flows, further straining its financial health and limiting its access to credit.

It is also important to remember that these are not one-way mechanisms, that is, they protect customers from paying higher than actual costs while also protecting the Company from under-recoveries regarding those same cost items.

**IV. ALTERNATIVE REGULATORY MECHANISMS**

**Q: What alternative regulatory mechanisms is KCP&L asking the Commission to approve in this docket?**

A: The Company is requesting the Commission authorize use of three alternative regulatory mechanisms in this case: a TDC rider, a VM tracker; and a CIPS/cybersecurity tracker.

**Q: KCP&L has previously requested approval of another alternative regulatory mechanism – an Environmental Cost Recovery Rider ("ECRR"). Has the Company determined that an ECRR is no longer necessary for its Kansas jurisdiction?**

A: No. KCP&L still believes an ECRR is an appropriate recovery mechanism for government-mandated environmental plant investment costs; however, KCP&L has determined not to request an ECRR mechanism as part of this case.

**Q: Does KCP&L plan to request an ECRR mechanism again in the future?**

A: Yes. KCP&L plans to work with Staff and other interested parties outside of the rate case process to develop an ECRR mechanism to address anticipated upcoming environmental projects. I anticipate such a mechanism would be tied to specific projects and have a finite effective period.

**(a) Transmission Delivery Charge (TDC) Rider**

**Q: What is a TDC rider?**

A: The TDC rider is a mechanism authorized by Kansas statute to ensure that utilities have the opportunity to recover transmission-related costs associated with service to their Kansas-jurisdictional customers. Specifically, K.S.A. 66-1237 provides:

> (a) Any electric utility subject to the regulation of the state corporation commission pursuant to K.S.A. 66-101, and amendments thereto, may seek to recover costs associated with transmission of electric power, in a manner consistent with the determination of transmission-related

> costs from an order of a regulatory authority having legal jurisdiction, through a separate transmission delivery charge included in customers' bills. The electric utility's initial transmission delivery charge resulting from this section may be determined by the commission either from transmission-related costs approved in the electric utility's most recent retail rate filing or in an order establishing rates in response to a general retail rate application by an electric utility.
>
> (b) If an electric utility elects to recover its transmission-related costs through a transmission delivery charge, such electric utility shall have the right to implement a transmission delivery charge through an application to the commission.

K.S.A. 66-1237 further provides under section (b)(2):

> If an electric utility proposes to establish its initial transmission delivery charge in connection with an application to the commission for a general retail rate change, the commission shall, in its order in such proceeding, determine the electric utility's transmission-related costs related to its service to Kansas retail customers and determine an initial transmission delivery charge sufficient to permit the electric utility to recover from its Kansas retail customers such utility's transmission-related costs incurred to provide service to such customers.

**Q: Is KCP&L the first utility in Kansas to make use of this statute allowing for implementation of a TDC rider?**

A: No. Westar Energy, Inc. currently has a TDC rider. Midwest Energy, Inc. also had a TDC rider; however, Midwest Energy is no longer rate-regulated by the Commission.

**Q: Has the Company previously requested approval of a TDC rider?**

A: No. A TDC rider was contemplated in 2004 as part of the Company's Kansas Regulatory Plan ("Regulatory Plan" or "Plan"),[4] but a TDC rider was never included in the rate cases covered by the Plan.

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[4] See *In the Matter of the Future Supply, Delivery and Pricing of the Electric Service Provided by Kansas City Power & Light Company,* Docket No. 04-KCPE-1025-GIE, *Stipulation and Agreement,* (Apr. 27, 2005), Appendix C, Section I, 5.

**Q: Please explain further.**

A: At the time that the TDC mechanism was originally authorized by statute in 2003, KCP&L did not have a FERC Transmission Formula Rate ("TFR"), which is a key component of the mechanics for the development of TDC charges utilized in the proposed rider. KCP&L received FERC approval of its TFR tariff in late 2010[5] – around the time the last of the Regulatory Plan rate cases was concluding.

**Q: Why is the Company asking for a TDC rider in this case?**

A: As I have discussed earlier in my testimony, the Company is concerned about the effects of regulatory lag. A TDC rider is a statutorily-approved mechanism that helps address this issue. Additionally, a TDC rider ties certain transmission-related costs directly to the FERC-approved TFR for the Company. It also provides transparency regarding transmission-based costs.

**Q: Please briefly describe the Company's proposed TDC rider.**

A: Presently a portion of the revenue requirement associated with KCP&L's transmission function is bundled in retail base rates, and a portion is recovered through the Energy Cost Adjustment ("ECA") rider. We propose to remove the transmission function revenue requirement components from our retail base rates and to remove the retail transmission-related costs from our ECA rider and then combine these transmission-related costs for recovery, instead, through a TDC rider. By implementing the TDC rider as a separate tariff we will unbundle transmission-related cost of service for Kansas retail customers and collect all transmission-associated revenue requirements through a distinct

[5] KCP&L's TFR was approved in FERC Docket No. ER10-230.

charge on customers' bills. This separately identified bill charge will provide transparency to retail customers regarding transmission-related costs.

**Q: Does KCP&L describe what charges reflected in the Company's TDC request are currently recovered through retail base rates and which charges are currently recovered through the ECA rider?**

A: Yes. Mr. Klote provides this detail in his Direct Testimony.

**Q: Has the Company determined its transmission-related costs related to its service to Kansas retail customers and determined an initial transmission delivery charge sufficient to permit recovery of such costs through its proposed TDC rider as required for the Commission under the statute?**

A: Yes. The Company removed its transmission-related costs associated with provision of service to its retail customers from its base rate revenue requirement calculation in this case. We also revised the Company's ECA rider tariff language as part of this case to reflect removal of retail transmission-related costs currently recovered through that rider. Finally, we developed and provided a proposed TDC rider tariff for approval as part of this case. The TDC rider tariff includes the initial TDC unit charges ($/kWh) proposed by the Company.

**Q: Once the TDC is in place, are there any transmission-related costs that will continue to be recovered through base rates, the ECA rider, or any other non-TDC mechanism?**

A: Not through base rates, but transmission-related costs for off-system sales will continue to be recovered through the ECA rider. This is described in more detail in the testimony of Ronald Klote.

**Q: What basis does the Company propose to use to determine its retail transmission-related costs for inclusion in its TDC rider?**

A: K.S.A. 66-1237(c) provides in part:

> All transmission-related costs incurred by an electric utility and resulting from any order of regulatory authority having legal jurisdiction over transmission matters, including orders setting rates on a subject-to-refund basis, shall be conclusively presumed prudent for purposes of the transmission delivery charge and an electric utility may change its transmission delivery charge whenever there is a change in transmission-related costs resulting from such an order. The commission may also order such a change if the utility fails to do so.

As a result, KCP&L proposes to base its TDC rider on its FERC-approved TFR.

**Q: What are the components that make up the transmission-related costs that will be recovered through the TDC rider?**

A: The Company incurs a variety of costs related to its transmission assets. First are the costs to construct its transmission facilities including a return on the capital investment and recovery of depreciation expense. The Company also incurs costs to operate and maintain its transmission facilities that must be recovered. In addition to the costs of owned facilities, the Company incurs costs to utilize non-KCP&L transmission facilities to move power to its retail customers and receives revenues from other utilities for the use of the Company's owned transmission facilities. SPP also assesses member utilities for costs to construct transmission facilities as directed by SPP. There are also administrative fees that the Company incurs related to SPP, NERC and FERC. Many of these costs and charges are determined under the SPP's Open Access Transmission Tariff ("OATT") and under the Network Integrated Transmission Service ("NITS") Agreement the Company has with SPP.

**Q: How does SPP determine what to charge for transmission service?**

A: KCP&L uses its FERC TFR to calculate its annual transmission revenue requirement ("ATRR") necessary to cover the cost of its transmission system. SPP posts KCP&L's ATRR information, as well as ATRR information for the other SPP TOs, to its Revenue Requirements and Rates file ("RRR File"). The RRR File contains all of the revenue requirements and associated rates for all of the SPP member-entities. The RRR File is posted to the SPP website and is used to establish rates for transmission service. There are two types of service: Network and Point-to-Point ("PtP"). SPP uses the rates established for each type of service for each member-entity to charge for transmission service over the member TOs transmission facilities, including KCP&L's facilities. Revenue from these charges is collected by SPP and provided back to the TO that owns the transmission facilities. Essentially, SPP acts as a billing agency for KCP&L for wholesale transmission customers using its transmission facilities.

**Q: How is the amount to be recovered through the TDC rider determined?**

A: The TDC rider essentially serves as a pass-through mechanism for transmission costs related to retail transmission service. All components making up the TDC rider rates are reflective of only the Kansas Retail jurisdictional amounts for KCP&L. To get to a number that only reflects charges attributable to Kansas Retail jurisdictional customers, two adjustments are made:

First, for the components of the TDC rider based on the ATRR of the SPP RRR File, an adjustment is made to ensure charges only reflect KCP&L's retail customer load within the Company's total Network Load designated under the NITS Agreement with the SPP. This adjustment backs out any long-term PtP reservations served under grandfathered agreements and third party network load that sinks in the SPP KCP&L Zone.

Once this adjustment is made to the ATRR components of the TDC rider, a second adjustment is then made to the ATRR components, as well as the other schedules and fees that comprise the various components of the TDC rider, to establish the Kansas Retail jurisdictional amounts. This second adjustment applies an allocation factor to each TDC rider component based on allocation methodologies that are consistent with those previously used for these TDC rider components when they were included in base rates or in the ECA rider. For example, Schedule 9 charges related to amounts previously included in base rates are allocated to the Kansas Retail jurisdiction by utilizing a 12 coincident peak ("12 CP") Demand allocator. Likewise, Schedule 11 amounts and other transmission charges and fees related to retail load previously recovered through the ECA rider are allocated to the Kansas Retail jurisdiction by utilizing an Energy allocator.

**Q: Please explain the method KCP&L proposes to use to allocate the transmission expenses recovered through the TDC rider to the various classes of customers?**

A: The TDC rider-related charges are collected by applying a TDC unit charge, developed for each Kansas retail customer class, to each applicable customer's bill. The TDC unit charge is implemented using a per kilowatt hour ($/kWh) charge. The allocation of the TDC rider-related charges to the respective customer classes is based on the 12 CP allocation methodology.

**Q: Why is KCP&L proposing use of a 12 CP allocation methodology?**

A: A 12 CP allocation is proposed because it is consistent with how transmission costs are incurred, charged and allocated in other contexts. SPP calculates the NITS charges based on each NITS customer's proportionate share of the total system transmission load using a 12 CP methodology. This calculation determines each NITS customer's "load ratio share" of the SPP transmission system load. SPP uses KCP&L's load ratio share to determine KCP&L's bill for NITS. In the Company's revenue requirement model and class cost of service model, transmission costs are allocated using a similar 12 CP allocation. Thus, KCP&L proposes allocation of the TDC rider transmission revenue requirement to classes of retail customers based on each class' contribution to KCP&L's 12 coincident peaks.

**Q: How often is the 12 CP allocation reviewed?**

A: At the time of a full general rate case – or at a minimum of at least every five years – the TDC rider is adjusted for each customer class using the updated 12 CP allocation ratio from KCP&L's most recent rate case. Between rate proceedings, the 12 CP allocation ratio from the previous rate case is maintained and applied to future TDC rider updates to allocate to the various customer classes.

**Q: When does KCP&L propose this new TDC rider go into effect?**

A: KCP&L proposes to begin billing its retail customers under the TDC rider October 1, 2015, the same effective date as base rate changes associated with this rate case and consistent with the October 1, 2015 quarterly update to the ECA rider. This timing ties the removal of the transmission-related costs from base rates and from the ECA rider to the start of the TDC rider.

**Q: How often will the TDC rider be updated?**

A: Included in the proposed TDC rider is a provision for the Company to file with the Commission to adjust the proposed TDC unit charge "at least annually." But pursuant to the provisions of K.S.A. 1237(c), KCP&L will be allowed to update the TDC unit charge more frequently by submitting proposed changes "no later than 30 days prior to the effective date of the proposed changes."

**Q: When does KCP&L propose that the TDC rider will be updated after the October 1, 2015 effective date?**

A: SPP TO formula rates are typically updated near the beginning of each year. To set the initial annual update schedule, KCP&L anticipates filing an update to its TDC rider in early 2016 to reflect annual SPP TO formula rate updates. It is anticipated that the Company will update the TDC rider annually thereafter but could update more frequently in certain circumstances as discussed above.

**Q: Does KCP&L propose to true-up the revenue received under the TDC rider to the actual revenue requirement when known?**

A: Yes. KCP&L proposes a mechanism to true-up TDC rider revenue recovery to actual costs.

**Q: How will the true-up mechanism work?**

A: The proposed TDC unit charge will be based on currently-effective rates in the SPP RRR File at the time of the filing and the projected SPP billings for the coming calendar year. The true-up, which will be calculated at the end of the calendar year, will incorporate the actual effective rates from the SPP RRR File throughout the calendar year as well as the actual SPP billings during the calendar year. These actual costs for the calendar year will be compared to the revenues billed during the calendar year through the TDC rider. The difference between the actual costs and the revenues billed through the TDC rider, which may be positive or negative, will be applied to the amount included in the calculation of the TDC unit charge for the following calendar year.

**Q: How does KCP&L propose to handle the true-up calculation for the 2015 TDC-related costs and revenues?**

A: The true-up for 2015 would be based on the TDC rider revenues billed from October 1, 2015 through December 31, 2015 compared to the actual TDC-related costs for the same period, with the difference, positive or negative, added to the TDC rider rates for 2016. This process is similar to the true-up mechanism used for KCP&L's ECA rider. Future year true-ups will be based on a comparison of actual TDC transmission-related costs for the calendar year to the TDC rider revenues billed during that calendar year.

**Q: What is the rate impact on customers for transmission expenses to be recovered through the TDC rider?**

A: The proposed TDC rider $/kWh unit charge applicable to each retail customer class is provided in the TDC rider tariff attached as Schedule DRI-1.

**(b) <u>Vegetation Management Tracker</u>**

**Q: Please describe the Company's request for a VM tracker.**

A: The Company requests that a vegetation management tracking mechanism be authorized in this case to ensure the appropriate recovery of rising expenses and to allow the Company to better manage the cyclical nature of tree-trimming throughout the Company's entire service territory. The Company is seeking similar authority to implement vegetation management cost trackers in its KCP&L Missouri and GMO rate jurisdictions as well.

**Q: Please explain how a VM tracker will affect the Company's management of its vegetation management program?**

A: As noted in the Direct Testimony of Company witness Mr. James "Jamie" S. Kiely, KCP&L has a single vegetation management program that covers all three of its service jurisdictions. The program is funded by revenues from each of the jurisdictions. Rather than limiting vegetation management to three separate buckets, use of a tracker for vegetation management costs will enable the Company to schedule and perform this work in the most efficient manner across all three jurisdictions. For example, circumstances may arise wherein concentrating resources and efforts on a particular portion of the Company's service territory may be the most efficient and cost-effective use of resources for a given time period. A VM tracker would allow the Company to move its vegetation management resources around efficiently and cost-effectively, while still meeting all requirements for all jurisdictions, without creating the perception that the Company is spending a vegetation management rate allowance for one rate jurisdiction on vegetation management efforts in a different rate jurisdiction.

**Q: Why is vegetation management important?**

A: Vegetation management mitigates service interruptions and reduces potentially dangerous conditions, like downed power lines. The Company continually evaluates its vegetation management practices and strives to improve them to reduce risk and enhance reliability for our customers. The rate increase in this case includes the cost to implement three new vegetation management initiatives during the fourth quarter of 2015. They are:

- Emerald Ash Borer mitigation efforts;
- Triplex circuit tree trimming; and

- Urban and rural trim cycle alignment.

Mr. Kiely is the Company's Director, Resource Management, and is responsible for KCP&L's vegetation management program. He provides detailed information regarding each of these enhancements in his Direct Testimony.

**Q: How does the Company propose that the VM tracker be implemented?**

A: We propose that annual vegetation management expenses, as defined in this VM tracker, be set in this rate proceeding at the expense level determined in this case. The Company proposes a Kansas jurisdictional amount be set as identified and supported by adjustment CS-43 in the Direct Testimony of Company witness Mr. Klote. The Company would then track its actual vegetation management expenses on an annual basis against this amount, with the Kansas jurisdictional portion of any excess treated as a regulatory asset (Account 182) and the Kansas jurisdictional portion of any shortfall treated as a regulatory liability (Account 254).

**Q: Is the Company requesting carrying costs on the amounts added to the regulatory asset or regulatory liability for the period before amounts are included in rate base?**

A: Yes. The Company is requesting that carrying costs be accrued on amounts. The carrying costs would be calculated monthly by applying the monthly short-term interest rate to the account balance.

**Q: How would the regulatory asset or liability be dealt with in KCP&L's next rate case?**

A: We propose that the regulatory asset or liability be amortized to cost of service in the Company's next rate proceeding over the same length of period as costs are accumulated.

The Company would reset the level of ongoing vegetation management expense in base rates in the next rate case, similar to how ongoing pension costs are reset each case.

**(c) <u>Critical Infrastructure Protection/Cybersecurity Tracker</u>**

**Q: What are the CIPS and cybersecurity?**

A: As background, in 2007, the FERC designated the NERC the Electric Reliability Organization in accordance with Section 215 of the Federal Power Act, enacted by the Energy Policy Act of 2005. Upon FERC’s approval, NERC’s Reliability Standards became mandatory within the United States. These mandatory Reliability Standards include CIPS, which address the security of cyber assets essential to the reliable operation of the electric grid. To date, these standards (and those promulgated by the Nuclear Regulatory Commission) are the only mandatory cybersecurity standards in place across the critical infrastructures of the United States. Subject to FERC oversight, NERC and its Regional Entity partners enforce these standards. The Company is subject to these Reliability Standards which include the CIPS. The Company is currently working to implement CIP standard Version 5 (“V5”).

**Q: What is “Version 5”?**

A: The CIPS represent the portion of the full NERC reliability standards library focused on security of the infrastructure supporting reliable operation of the Bulk Electric System (“BES”). Due to the fluid nature of security threats to the critical infrastructure, the standards have continued to evolve to strengthen industry’s approach in response to those threats. These responses are compliance obligations as well as additional protective measures that may not be mandated. V5 of the standards, the most recent update, includes ten new or modified reliability standards, which expand the scope of the cyber systems that the current standards protect, as well as strengthen protections required for assets that are currently in scope. Under V5, all cyber systems impacting the BES will be subject to CIPS.

**Q: What is the effective date of CIP V5?**

A: The V5 standard is effective April 1, 2016.

**Q: What is the impact to the Company of the CIPS?**

A: Security is a top priority for the Company. KCP&L is committed to and required to comply with the standards set out in CIP standard V5. The standards to be implemented in 2016 are much more aggressive in broader coverage of the Company's assets and systems supporting the BES. These cyber systems, as they are referenced in the V5, will require additional actions as well as resources for both physical and logical protection in support of reliability of the BES. CIPS represent only a portion of Company efforts around strengthening physical and cyber security in protection of the Company's assets. This protection is necessary to ensure KCP&L is positioned to provide services to customers reliably given the emerging threats to the United States and its infrastructure. The cost to comply is undetermined, but will be substantial. The Company has already committed significant resources toward compliance. Going forward, those efforts and resources will be increasing.

**Q: What is the Company requesting regarding CIPS and cybersecurity in this case?**

A: The Company requests the Commission authorize establishment of a tracking mechanism, a CIP tracker, to ensure recovery of the costs necessary to address the government mandated requirements regarding security of cyber assets essential to the reliable operation of the electric grid. The incremental amount associated with CIPS and cybersecurity will be tracked for recovery consideration in a future rate case.

**Q: What is the cost to comply with these requirements?**

A: The cost to comply is undefined at this time, but will be substantial. KCP&L is working diligently to develop an overall cost plan. As previously noted, the Company has already committed substantial resources toward compliance and the effort and resources going forward will be increasing. The plan is to establish an amount reflecting personnel hired directly attributable to the CIP in the March 31, 2015 update and also include any defined costs that may have been incurred at that time. While additional personnel that are added before the March 31, 2015 update will be included in the overall case, many of the costs will not be incurred before the update date, but shortly thereafter and during the remainder of 2015 and early 2016.

**Q: Is this like asking the Commission for a blank check?**

A: No. First, the government-mandated requirements have a cost to them, but that cost is currently undefined. The Company is asking the Commission to authorize it to establish a tracker for these costs. These costs will include the addition of personnel, substantial computer software enhancements and support, and the development of new programs to address hardening of the Company's infrastructure. As this rate case proceeds, these costs will become better defined. The Company will establish specific project IDs to track all costs associated with each specific project. The Company will be able to track these costs for consideration for recovery in a future rate case when the costs could be reviewed and audited by Staff and others.

**Q: Is the Company requesting carrying costs on the amounts added to the regulatory asset for the period before amounts are included in rate base?**

A: Yes. The Company is requesting that carrying costs be accrued on amounts deferred. The carrying costs would be calculated monthly by applying the monthly short-term interest rate to the account balance.

**Q: How would the regulatory asset be dealt with in KCP&L's next rate case?**

A: We propose that the regulatory asset be amortized to cost of service in the Company's next rate proceeding over a five-year period. The Company would reset the level of ongoing CIPS V5 expense in base rates in the next rate case, similar to how ongoing pension costs are reset each case.

## V. OTHER COST OF SERVICE ISSUES

### (a) Depreciation Rates

**Q: Has the Company included a depreciation study as part of this proceeding?**

A: No. However, the Company has included three items which affect depreciation expenses: the new La Cygne plant, AMI meters and unrecovered reserve associated with replaced AMR meters. These items are presented by Mr. Dane A. Watson of Alliance Group on behalf of the Company. The impact of these three items is included in the Company's cost of service supported in the Direct Testimony of Mr. Klote.

**(b) Wolf Creek Decommissioning Fund Accrual Level**

**Q: What is the Company requesting regarding its Wolf Creek Decommissioning Fund accrual level?**

A: KCP&L is requesting inclusion of the Wolf Creek decommissioning trust fund annual accrual recommendation included in the Direct Testimony of KCP&L witness Mr. Gregg N. Clizer.

**Q: What accrual level is currently included in rates for KCP&L?**

A: The current Wolf Creek Decommissioning Fund accrual levels were set by this Commission in KCP&L's 12-764 Docket and were based upon the Commission's Order in Docket No. 12-WCNE-136-GIE ("12-136 Docket") which addressed the 2011 decommissioning cost study for Wolf Creek.

**Q: Has the Company filed a new decommissioning cost study for Wolf Creek?**

A: A new 2014 Wolf Creek decommissioning cost study was filed by Wolf Creek Nuclear Operating Corporation on behalf of the plant's owners, including KCP&L, in August 2014 in Docket No. 15-WCNE-093-GIE ("15-093 Docket"). That docket is currently in process before the Commission but is scheduled to conclude with a Commission order in March 2015.

**Q: If the 15-093 Docket set to review the new 2014 Wolf Creek decommissioning cost study has not yet concluded, why is KCP&L requesting the Commission include new accrual funding levels in this case?**

A: When the Commission issues an order in a decommissioning cost study case such as the 15-093 Docket, it generally requires the owner companies to file new trust fund accrual amounts within 45 days of the order.[6] In this situation, the Commission's Order in the 15-093 Docket is scheduled to be issued prior to the March 31, 2015 update date for this rate case and the 45-day period to file the Company's accrual position will also be encompassed by the procedural schedule for this rate case. KCP&L used the Wolf Creek decommissioning cost and escalation rate as filed in the 15-093 Docket in its calculations for the Wolf Creek fund accrual level. Any changes to those filed positions resulting from a Commission order in the 15-093 Docket can be included in the update and addressed in Staff's testimony. This process was envisioned by the parties when they filed for approval of the procedural schedule in the 15-093 Docket.[7] KCP&L has followed similar practice for each of its last four Wolf Creek decommissioning fund accrual level reviews.

## VI. <u>RATE DESIGN</u>

**Q: What is the Company's rate design proposal?**

A: First, the Company is proposing to apply the rate increase request to each customer class on its pro rata share. In other words, each customer class, Residential, Small General Service, Medium General Service, Large General Service, and Lighting, in total would receive the same percentage increase. Within each customer class level, the Company's rate design proposal varies between the Residential classes and the Commercial and Industrial classes. Company witness Mr. Bradley D. Lutz discusses the Company's rate design proposal in detail in his Direct Testimony. In support of the rate design proposal,

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[6] *For example, see* Order Approving Stipulation and Agreement, 12-136 Docket, issued May 16, 2012, ¶ 25 and ordering ¶ A, p. 10.

[7] *See* Joint Motion for Procedural Schedule, 15-093 Docket, filed Oct. 10, 2014, ¶ 5, pp. 2-3.

Company witness Mr. Paul M. Normand presents the results of the Class Cost of Service ("CCOS") study in his Direct Testimony.

**Q: What is the Company's Residential rate design proposal?**

A: The Residential proposal incorporates an alignment of fixed and variable costs with their recovery through the fixed and variable rate components. That alignment results in an increase in the customer charge to $19 per month from the current customer charge of $10.71 per month. The Residential rate design proposal also reflects an adjustment to the winter and summer energy charges to better reflect the difference in the cost to provide electricity in the winter vs. the summer. Both of these proposals draw support from the CCOS study prepared by Mr. Normand.

**Q: What is the Company's proposal regarding Commercial and Industrial rate design?**

A: With a few minor exceptions, the proposed Commercial and Industrial rate design reflects the requested average increase applied to all rate components, resulting in no significant change to the Commercial and Industrial rate design. Mr. Lutz discusses this in more detail in his testimony.

## VII. CUSTOMER PROGRAMS

**Q: What is the purpose of this section of your testimony?**

A: The Company proposes to implement an Economic Relief Pilot Program. The ERPP will provide an opportunity to ease the financial hardship experienced by some of our customers by providing a fixed credit to customers eligible under the terms of the pilot. I will discuss the Company's proposal.

I will also offer testimony regarding KCP&L's Connections Program ("Connections"), giving customers in need access to resources that can make their life easier. The program includes products and services to help customers save energy and money; a range of payment options; and ways to connect to assistance programs in the community.

**(a) Economic Relief Pilot Program**

**Q: How is the Company proposing to assist those customers that may have difficulty paying their bills?**

A: As discussed in Mr. Heidtbrink's Direct Testimony, the Company currently has several assistance programs to help customers with their utility bills including the Dollar-Aide program, which I discuss below, various payment plan opportunities, and the Gatekeeper program. We have included in this case a charitable contribution intended to fund a new assistance program called the Economic Relief Pilot Program or ERPP.

**Q: Generally speaking, what is the ERPP?**

A: The ERPP, as currently proposed, delivers up to a $65 per month "fixed credit" to eligible low-income customers—improving energy affordability. As proposed, the ERPP would be provided for up to 1,000 participants, with 50% of the costs of the program absorbed by shareholders and 50% of the cost included in base rates as part of this rate case. The program would therefore be funded through shareholder dollars at $400,000 per year with ratepayers also funding the program at $400,000 per year.

**Q: How are charitable contributions generally addressed by the Commission?**

A: Pursuant to K.S.A. 66-101f, the Commission may allow between 50 and 100 percent recovery of charitable contributions. The Commission has a "policy" of sharing the costs of charitable contributions by a utility 50/50 between ratepayers and shareholders. That is, the Commission generally allows a utility to recover 50 percent of its charitable contributions through base rates.

**Q: How is the Dollar-Aide program designed to assist customers with bill payments?**

A: KCP&L accepts voluntary donations for the "Dollar-Aide" program and sponsors the "Dollar-Aide Credit" program to assist customers who are having difficulty paying their energy bills. Both programs are administered by Mid-America Assistance Coalition ("MAAC") with separate funds maintained for each program. Anyone can make donations to Dollar-Aide at any time, and KCP&L ratepayers can make monthly donations to Dollar-Aide through an additional, voluntary charge added to their monthly statements. The Company matches every dollar ($1.00) donated to the Dollar-Aide program fund with a $0.50 donation to a Dollar-Aide Credit program fund. Eligibility requirements for assistance are similar for both programs, but the ERPP credit may only be used as a credit to the customer's KCP&L account. Distributions from the Dollar-Aide program may be used for other utility fuel or water bills.

**Q: How is cost recovery for KCP&L's $0.50 per $1.00 matching contribution to the Dollar-Aide Credit fund addressed?**

A: The cost of matching funds is included as a charitable contribution expense and is recovered on the basis of 50% to ratepayers and 50% to stockholders.

**Q: How does the ERPP proposed by the Company differ from the Dollar-Aide program?**

A: The Dollar-Aide program exists to assist customers lacking sufficient money for heating, cooling or water expenses. To be eligible to receive assistance, the customer must have a delinquent residential heating or cooling related energy bill, or water bill; be threatened with termination for that energy supply or water service; and demonstrate he or she has no other obvious resources for heating and cooling, or water related assistance. To be eligible for the Dollar-Aide program, a customer need not have a KCP&L account that is delinquent. The household must have income at or below 150% of the federal government's poverty level. The household maximum assistance in one year is $500 and the minimum is $25. This program can be characterized as an emergency assistance program, where service termination is eminent.

The ERPP, on the other hand, is an ongoing program providing monthly assistance to customers in need. They need not be facing service termination, but may likely be struggling to pay their bills. The ERPP is available only to KCP&L residential customers at or below 185% of the federal government's poverty level.

**Q: Please describe the elements of the ERPP and how the ERPP would work.**

A: The ERPP would be administered by social service agencies serving the Company's Kansas service territory that qualify and assist customers experiencing difficulty paying their KCP&L electric bill. In order to be eligible to participate in the program, the applicant must:

- be a customer receiving residential service under the Company's Schedule R or Schedule RTOD;
- have a verified annual income no greater than 185% of the federal poverty level;
- enter a special pay agreement as mutually agreed to by both the participant and the Company should they have outstanding arrearages;
- provide, via an interview or questionnaire, information related to their energy use and program participation;

- agree to apply for a Low-Income Home Energy Assistance Program ("LIHEAP") grant (with agency assistance) when such grants become available if they have not already done so; and
- agree to apply for other available energy assistance programs identified by the Company.

As proposed, the program is available for up to 1,000 participants. Participants receive the ERPP credit in the amount of their average bill for the most recent 12 months bills, not to exceed $65 per month for up to a year, and they may reapply to participate further. A copy of the proposed ERPP tariff showing the structure of the program is attached as Schedule DRI-2.

**Q: How does the Company propose to fund the ERPP?**

A: As previously noted, the Company's proposal is to fund 50% of the program with shareholder funds and 50% of the program with ratepayer funds. The ratepayer funding in the amount of $400,000 shall be matched dollar-for-dollar by the Company's shareholders. The annual charitable contribution in total to fund the program for KCP&L's Kansas jurisdiction is $800,000 which includes $20,000 for anticipated administrative fees to be paid to the social agencies administering the program.

**Q: If the annual funding is not completely used to assist customers each year, what is the plan for the remaining funds?**

A: In the event the full $800,000 annual funding is not required to assist eligible customers, the Company proposes to move any remaining funds at the end of each year to the Dollar-Aide program. The funds would still be considered charitable contributions under the Dollar-Aide program and would be recovered on the same basis as if they were fully utilized under ERPP. Results of the ERPP will be reviewed annually with changes to the program and its funding levels addressed in KCP&L's next full general rate case.

**Q: Has KCP&L previously proposed an ERPP?**

A: Yes. In 2008, the Company was looking for a way to help lower income customers keep their accounts current. In Docket No. 09-KCPE-246-RTS ("09-246 Docket"), the Company proposed a pilot program, the ERPP, designed to deliver energy affordability benefits to KCP&L's qualifying low-income residential customers.

**Q: Why wasn't the ERPP approved in the 09-246 Docket?**

A: The 09-246 Docket was a complex docket with many issues. The ERPP was dropped from further discussion at some point during the case but the record is unclear as to why it was dropped. Therefore, the Commission never ruled on the Company's ERPP request in the 09-246 Docket.

**Q: Is the Company's ERPP proposal in this case the same as its ERPP proposal in the 09-246 Docket?**

A: In many regards, yes. However, in this case the Company incorporated the 09-246 Docket position of Mr. Don Low, then Director of the Utilities Division for the Commission, regarding the ERPP being considered a charitable program and therefore recovered by the Company on a 50/50 basis similar to the Commission's historical practice of allowing 50% of charitable donations to be recovered. Mr. Low discussed the history surrounding Kansas law which precludes utilities from offering discounted rates to low-income customers; however, he provided rationale as to why the ERPP was different than a simple discounted rate and could more appropriately be classified similar to the Company's Dollar-Aide Credit program which is treated as a charitable donation program for purposes of recovery. As discussed earlier in my testimony, the Dollar-Aide program is funded by customers with the Company matching $0.50 for every customer-donated dollar. The Company's donations are recovered under the provisions of K.S.A. 66-101f.

**Q: Does KCP&L currently offer the ERPP in its Missouri jurisdiction?**

A: Yes, ERPP has been offered in Missouri since 2009.

**Q: Does the Company believe the program has been successful in Missouri?**

A: Yes, between January 2013 and September 2014, the number of monthly participants in the Missouri ERPP has averaged 969 customers. During the same period, 20,355 Missouri customer bills have received an ERPP credit. KCP&L is requesting expansion of the ERPP in Missouri in its current pending rate case. The original Missouri pilot program provided for $50 per month to up to 1,000 customers. The expansion requests to increase the monthly assistance amount to $65 and the customer limit to 1,500.

**Q: Why is KCP&L proposing assistance for up to 1,500 customers under the ERPP in Missouri but only up to 1,000 customers under the ERPP proposal in Kansas?**

A: The ERPP began as a pilot program in Missouri and has been running for over five years now. The Company has sufficient information on the Missouri program to project the higher assistance need there. KCP&L is proposing to begin the Kansas ERPP as a pilot program similar to how we started the program in Missouri. Adjustments to assistance levels can be reviewed in future Kansas rate cases.

**Q: In Missouri, can customers participate in the ERPP and receive Dollar-Aide assistance?**

A: Currently Dollar-Aide is administered by the MAAC using MAACLink, a computer system that operates locally inside a secure and confidential network by trained agency representatives. Missouri ERPP is administered by the Salvation Army with access to MAACLink, so the agencies are able to see who has benefited from Dollar-Aide and who is benefiting from ERPP. While there is no strict prohibition against a customer receiving assistance from Dollar-Aide and ERPP, the agencies work to make sure the funds are distributed equitably and fairly.

**Q: Why is the Company making this proposal again now?**

A: The Company recognizes the challenge increasing electric rates places on its low to moderate-income customers, and believes the ERPP provides needed assistance to those customers. The ERPP maximum monthly bill credit of $65 is intended to help offset the increased costs for those customers in need. Additionally, the Company believes the ERPP has been proven successful. Under the current Missouri ERPP, there is often a waiting list of customers when the program is fully subscribed. We would like to expand the ERPP into our Kansas service territory on a pilot basis.

**Q: What is KCP&L asking of the Commission with regard to the ERPP?**

A: KCP&L requests that the Commission approve the proposed ERPP tariff and grant KCP&L the authority to include in cost of service 50% of the costs of the program which is $400,000 per year (one-half of an $800,000 Company charitable contribution).

### (b) <u>Connections Program</u>

**Q: What other customer assistance programs does KCP&L have available?**

A: The Company's Connections program was created in 2009 in response to observed challenges to our customers' ability to keep their accounts current because of a challenging economic climate. It is intended to help customers and educate them regarding payment assistance and options. Utility assistance is available through various resources, including KCP&L. However, we found that many customers are not aware of payment assistance and options available to them and would not think to contact KCP&L if they were falling behind on their bills. Assistance information historically had been available on KCP&L's website and was communicated in newsletters and bill inserts. It was determined that additional proactive strategies were needed in order to reach customers and communicate effectively. The Connections program was created to help customers address payment needs, manage energy usage and access community resources. Today, there is still a need to communicate our Connections program to customers. As of October 1, 2014, for example, more than 20% of residential KCP&L accounts have past-due balances.

**Q: What strategies do you use to communicate about Connections with customers?**

A: We focus on mass communications strategies to reach all residential customers as well as more targeted strategies that are intended to reach specific demographic groups. Our customer insights indicate that while more customers than ever have fallen behind and are struggling to make ends meet, there are segments of our customer base who are struggling more than others. As a result, we have developed targeted strategies to reach those segments. Our mass and targeted communications strategies include Media

Outreach, Energy Resource Fairs, Employee Ambassadors and in-bound Call Center representatives.

**Q: Why is media relations a strategy you used to promote Connections?**

A: Our customer research indicates that our customers say the news media is a primary way they get information about KCP&L. Therefore, media relations are a key component of our Connections communications plan. We secured coverage with print, radio and TV stations, as well as local community blogs. We also promoted our Energy Resource Fairs, and other unique and timely Connections items via the media.

**Q: You mentioned Energy Resource Fairs. Please explain.**

A: We wanted to connect with customers on a personal, face-to-face level. Through the Energy Resource Fairs, we have personally met with several thousand customers around our service territory. Each fair lasted several hours and customers could meet with KCP&L employees equipped to answer questions, set up payment arrangements and provide referrals to local resources, including the Salvation Army, United Way 2-1-1 and the LIHEAP. We have held the fairs various days of the week and times of day to accommodate our customers. The Community Relations department was instrumental in the fairs' success because each community manager set up and facilitated fairs in the community for which they are responsible. They were able to spread the word in a grassroots effort encouraging attendance and we also supported the promotion efforts via direct communications channels. We also asked our employees to promote the Connections program and serve as KCP&L ambassadors in their communities. This resulted in more Energy Resource Fairs than were previously planned due to community interest.

**Q: How did you partner with community agencies to implement the Connections program?**

A: KCP&L saw an opportunity to partner with other community stakeholders, such as KCMO Weatherization initiative, Community Services, Inc., The Salvation Army, and United Way 2-1-1. These partnerships expanded the scope of available community resources available to customers, including information about applying for funding assistance and home weatherization. KCP&L promoted the assistance agencies in our communications material and invited the agencies to participate in our Connections Energy Resource Fairs. This extended our reach within the community. We provided collateral material to the agencies for their use with customers year-round and they commented that the rebrand of Connections really breathed new life into the programs and shed new light on already available assistance. We also found that partnering with local assistance agencies, schools and churches resulted in a greater turnout at the fairs because those organizations are trusted in their communities and already serve as resources for information and assistance.

**Q: How did you educate your Call Center staff about the Connections program?**

A: KCP&L provided training to its customer service representatives so they were educated and able to help customers calling about Connections. In addition, the Company publicized a 1-800 number that was unique to the program on all marketing materials. We had dedicated call center representatives assigned to staff the 1-800 number in order to respond to customer inquiries and track which marketing tactics were most effective.

## VIII. RATE HISTORY

**Q: When did the Company last increase rates?**

A: The Company implemented new rates as ordered in the 14-272 Docket on July 25, 2014.

**Q: Haven't KCP&L Kansas rates been steadily increasing recently?**

A: Yes. Including the 2014 increase, the Company's Kansas rates have increased six times since 2007. Four of those six increases were associated with the Company's Regulatory Plan which included the construction of Iatan Unit 2 and Spearville 1 wind generation, environmental upgrades for Iatan Unit 1 and La Cygne Unit 1, demand-side management and asset management initiatives, as discussed in the Direct Testimony of Mr. Heidtbrink. The Company recognizes that its rate increases since 2006 have been substantial and that increased rates pose a hardship for some customers. I believe, however, that focusing on only the past seven or eight years, presents a lopsided view of the situation.

**Q: Prior to 2007, when did the Company last increase rates?**

A: The last increase prior to 2007 was effective November 1985, following the construction of Wolf Creek. Following that increase in 1985, the Company decreased rates in 1987, 1988, 1989, 1998, and 2003. During the 20-year period from 1986 through 2006, KCP&L did not file a single rate case.[8] The chart below compares 12 month ending June 1990 data[9] to 2014 data.[10]

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[8] As noted, KCP&L had several rate decreases during this period.

[9] EEI Typical Residential, Commercial and Industrial Bills Investor-Owned Utilities Summer 1991 (12 ME 6/30/1990).

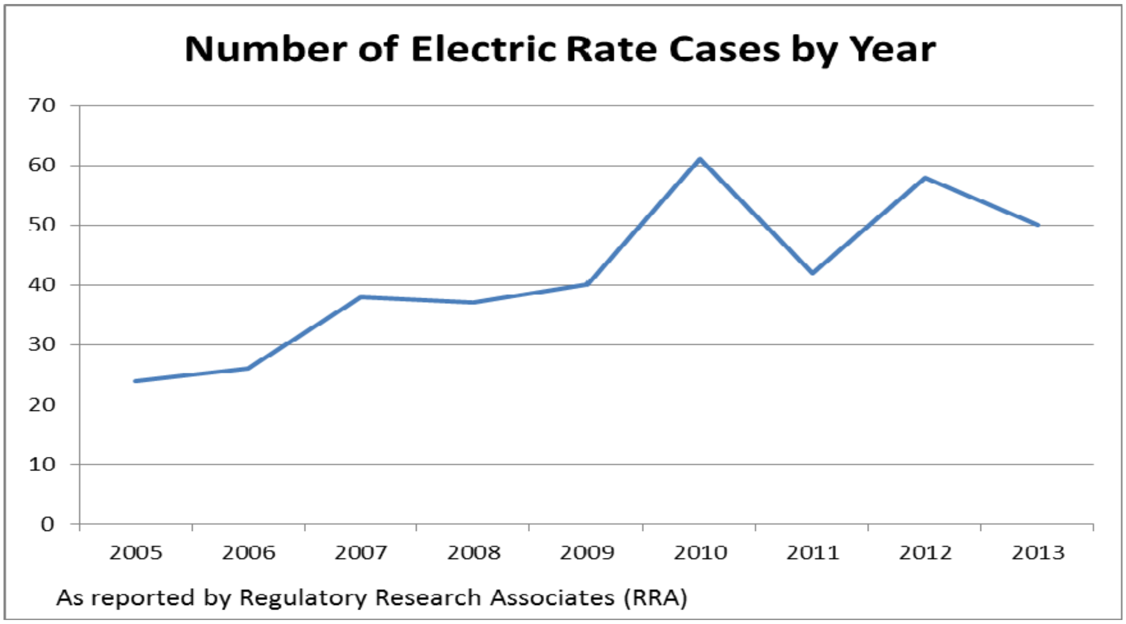
[10] EEI Typical Bills and Average Rates Report Summer 2014 (12 ME 6/30/2014).

| | 12 ME June 1990 | 2014 rates | Increase |
|---|---|---|---|
| **KCP&L KS** | 7.24¢/kWh | 10.32¢/kWh | 42.50% |
| **Kansas** | 6.34¢/kWh | 9.64¢/kWh | 52.05% |
| **Regional** | 5.95¢/kWh | 8.64¢/kWh | 45.21% |
| **National** | 6.73¢/kWh | 10.53¢/kWh | 56.46% |

When one looks at a longer and more representative time period, it is clear that KCP&L's rates have not increased as fast as the rest of the state, region or country. Moreover, KCP&L's rate increases are far lower than the rate of inflation. Since 1990, the Consumer Price Index for the Kansas City area has increased 75.88%. The fact is that KCP&L provides good value to its customers, but we are currently in a rising cost environment which has prevailed since 2006.

**Q: Is there evidence that rate case activity has increased across the country in recent years?**

A: Yes, according to SNL Energy affiliate Regulatory Research Associates, in the United States during 2005, 24 electric rate case proceedings were pending. In 2013 that number was 50.




On July 7, 2014, SNL Energy issued a special report entitled *Average Regulated Retail Price of Electricity: 2013 & Comparative Historical Data*:

> In 2013, the average price/kWh to ultimate customers rose 3.3% to 10.41¢. When adjusted for inflation, ultimate rates increased 1.9%, making 2013 the first year since 2009 that the rate of change in electric prices exceeded inflation. Over the last decade real prices have risen by 13.2%. One of the driving forces behind this upward trend has been the robust level of rate case activity, spurred by rising capital expenditures to meet more stringent environmental standards, address reliability and congestion issues, and deploy innovative grid and metering technologies. Increased operating expenses, which have included rising employee healthcare and post-employment-benefit costs, have also been a major factor in recent rate cases. Over the years 2009 through 2012, many companies focused on limiting the magnitude of rate increases owing to the weakened recessionary economy. Upward pressure on customer rates was also considerably mitigated by the precipitous decline in market-based power prices largely attributable to lower gas prices that resulted from the rapid proliferation of shale-gas production, as well as declining interest rates and the resultant drop in authorized equity returns. We note that the recent rise in forward-looking power prices in some regions point toward higher commodity prices on the horizon. This factor, in combination with expectations for continued robust levels of new

> infrastructure spending throughout the industry suggests higher retail prices in the future.[11]

**Q: What region of the United States was the focus of this *Special Report*?**

A: The report covered the entire United States, and all of the major investor-owned electric utilities.

**Q: Does this reported view reflecting activities of all major investor-owned electric utilities in the United States resonate with KCP&L's experience?**

A: Yes. The report could have been covering only KCP&L and it would have been nearly the same. The driving forces behind the upward trend in KCP&L's retail rates "…has been the robust level of rate case activity, spurred by rising capital expenditures to meet more stringent environmental standards, address reliability and congestion issues, and deploy innovative grid and metering technologies. Increased operating expenses, which have included rising employee healthcare and post-employment-benefit costs have also been a major factor in recent rate cases." The driving forces for KCP&L's rate increase are essentially the same as those seen across the country.

**Q: Specific to KCP&L, what is the long-term value of higher rates for customers?**

A: Mr. Heidtbrink gives the historical view of the Company's activities over the last decade in his Direct Testimony. The Regulatory Plan was the focus of our efforts for many years. The Company made sizable investments in new coal generation, environmental upgrades, demand-side management, renewable wind energy, and transmission and distribution reliability investments. These are tangible investments made over a relatively short period of time that provide long-term value to customers in the form of

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[11] Brendan Blank, *Average Regulated Price of Electricity: 2013 & Comparative Historical Data*, SNL Energy Financial Focus, Special Report, July 7, 2014, at p. 1.

low-cost environmentally responsible generation for decades to come; renewable wind energy; programs to help customers control their usage and their bills; and reliable service.

**Q: Given the rate increases Kansas customers have experienced in recent years, do you believe Kansas customers receive good value for their electricity dollars?**

A: Yes, our customers receive excellent value for their electricity dollars. Using current prices, an average residential general service KCP&L Kansas customer pays about $1,490 per year, $124 per month, or $4.08 per day for electricity. If a household earns $40,000 in annual income, that household spends about 3.7% of their income for electricity. Broken down to a daily basis, for $4.08 a day a residential customer heats and cools their home, refrigerates their food, washes and dries their clothes, charges their cell phones, plays their televisions, has light and much more. Using estimated usage provided by Energy Star®, it costs customers about $0.20[12] a day for electricity to keep their food cold and about $0.09[13] a day to run the dishwasher. The cost of the electricity to wash and dry clothing is about $0.25 a day.[14] A recent internet search on Dish TV indicated

[12] Energy Star rated 22.2 cu ft refrigerator using 606 kWh/year at KCP&L's average residential general service rate of $0.123/kwh. Energy Star, *Energy Star Certified Residential Refrigerators* (Sept. 24, 2014), http://www.energystar.gov/productfinder/product/certified-residential-refrigerators/details/2214696.

[13] Energy Star rated dishwasher using 260 kWh/year at KCP&L's average residential general service rate of $0.123/kwh. Energy Star, *Energy Star Certified Residential Dishwashers* (Sept. 24, 2014), http://www.energystar.gov/productfinder/product/certified-residential-dishwashers/details/2204486.

[14] Energy Star rated clothes washer using 146 kwh/year and clothes dryer using 608 kwh/year at KCP&L's average general service residential rate of $0.123/kwh. Energy Star, *Energy Star Certified Residential Clothes Dryers* (Sept. 24, 2014), http://www.energystar.gov/productfinder/product/certified-clothes-dryers/details/2216912. Energy Star, *Energy Star Certified Residential Clothes Washers* (Sept. 24, 2014), http://www.energystar.gov/productfinder/product/certified-clothes-washers/results?scrollTo=0&search_text=MHW7100D&sort_by=modified_energy_factor_mef&sort_direction=desc&load_configuration_filter=&brand_name_isopen=0&markets_filter=United+States&page_number=1&lastpage=0&brand_name_filter=Maytag.

service availability for $19.99 per month.[15] The cost of the electricity to run a 40-inch LED television for a month is about $1.00.[16] When compared to other expenditures, both in terms of magnitude and impact, electricity remains an excellent value.

**Q: Has KCP&L taken steps to control costs during the test year for this case?**

A: Yes, as described in the Direct Testimony of Mr. Heidtbrink, KCP&L has undertaken significant cost control efforts including the supply transformation project, benchmarking initiatives in the generation, delivery and supply chain areas, and disciplined management of employee headcount. The Company's cost control efforts have enabled it to reduce its (total GPE) controllable non-fuel operation and maintenance expenses by approximately $2.6 million from 2011 to 2013, a reduction of approximately (0.21%) per year, during a time when inflation in the overall economy increased by 1.68% per year and wages paid to employees have increased as well.

## IX. OTHER REQUESTS

**Q: Does the Company have additional requests of the Commission in this filing?**

A: Yes, in addition to those items discussed above, KCP&L requests Commission authorization on the following items:

(a) KCP&L requests that the OPEB balances at March 31, 2015 for Tracker 1 and Tracker 2 be specifically identified so as to establish the beginning amount to be used in the next rate proceeding. Additionally, KCP&L requests that the OPEB

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[15] Dish Network, L.L.C. (Sept. 24, 2014), http://www.dish.com/redirects/promotion/offer50/?WT.srch=1&KBID=8887808958&WT.mc_id=BSBNPCPDTVB_5549&utm_medium=CPC&utm_source=[*EngineAccountType*]&utm_campaign=[*Campaign*]&utm_content=[*searchterm*].

[16] Energy Star rated 40 inch LED TV using 97.9 kwh/year at KCP&L's average general service residential rate of $0.123/kwh. Energy Star, *Energy Star Certified Televisions* (Sept. 24, 2014), http://www.energystar.gov/productfinder/product/certified-televisions/details/2209264.

expense built into rates in this case be established. Mr. Klote discusses these items in his Direct Testimony.

(b) KCP&L requests that the Pension balances at March 31, 2015 for Tracker 1 and Tracker 2 be specifically identified so as to establish the beginning amount to be used in the next rate proceeding. Additionally, KCP&L requests that the pension expense built into rates in this case be established. Mr. Klote discusses these items in his Direct Testimony.

(c) KCP&L requests that the vegetation management expense included in rates in this rate case be established at the Kansas jurisdictional level to be used as a basis to track actual vegetation management expenses against. Any actual expenses over or under this base amount will be recorded to a regulatory asset or regulatory liability and be considered in the next general rate case proceeding. Mr. Klote provides this amount in his Direct Testimony.

(d) KCP&L requests that the CIPS / cybersecurity tracker mechanism be established in this rate case proceeding. The incremental amount associated with CIPS V5 and cybersecurity will be tracked for recovery consideration in a future rate case.

(e) KCP&L requests that the Commission re-base property tax expense in this rate case at $81,446,886 (total KCP&L) for purposes of KCP&L's property tax surcharge rider as discussed by Mr. Klote in his Direct Testimony.

(f) KCP&L requests the Commission approve the updated production plant depreciation rates as set out in the Direct Testimony of Mr. Watson.

(f) KCP&L requests to set its annual Wolf Creek Nuclear Decommissioning Trust accrual as described in the Direct Testimony of Mr. Clizer.

## X. ABBREVIATED RATE CASE

**Q: Is the Company requesting Commission authorization for another abbreviated rate case?**

A: Yes. As noted earlier in my testimony, in the 15-025 Docket, the Company sought and received Commission approval to file an abbreviated rate case following this case pursuant to K.A.R. 82-1-231(b)(3). Consistent with the requirements of the regulation, KCP&L will be required to file that case within 12 months of the Commission's Order issued in this case. KCP&L understands that it will be required to adopt all the regulatory procedures, principles, and rate of return established by the Commission in this case to be utilized in the abbreviated case.

**Q: What would be included in the abbreviated case?**

A: Pursuant to the Commission's Order issued in the 15-025 Docket, the abbreviated case will include a true-up to actual costs of the budget figure used for the La Cygne Environmental Project in this case. The same type of true-up will be included for the Wolf Creek Additions budget figure used in this case. Those are the only two items specifically identified in the 15-025 Docket for inclusion in the abbreviated case.

**Q: After putting the Company's general rate case together, are there other items you have identified that should be included in the abbreviated case?**

A: Yes. We have identified additional items including:

- Update the amortization of Wolf Creek refueling outage costs included in base rates to refueling outage 20 expenditures;
- Eliminate the following amortizations that are requested to be adjusted to 18 months in this case:

- Removal of amortization of pre-existing FAS 87 regulatory asset (Adjustment CS-65);
- Removal of amortization of the regulatory assets associated with all prior rate case's rate case expenses ( Adjustment CS-80);
- Removal of amortization of the regulatory asset associated with the Kansas Merger Transition Costs (Adjustment CS-96);
- Removal of amortization of the regulatory asset associated with the talent assessment expenses (Adjustment CS-101);
- Removal of amortization of the regulatory liability of a legal fee reimbursement (Adjustment CS-115).

**Q: Please describe the first item – updating the Wolf Creek outage expenditure level to the Outage 20 expenditures.**

A: Wolf Creek refueling outage number 20 is expected to begin February 28, 2015 and be complete sometime in the second quarter of 2015. The plant additions discussed earlier in my testimony, which the Company is using a budgeted amount in cost of service in this rate case and to be true-up to actual amounts in the abbreviated case, will be completed during this outage. The completion of this outage is after the expected update period in this rate case of March 31, 2015. As such, the company is proposing to update cost of service in the abbreviated rate case from the amortization of refueling outage number 19 to the amortization expense associated with the refueling outage number 20. This will ensure that actual costs incurred associated with plant additions and the refueling outage as a result of refueling outage number 20 will be included in rates subsequent to the effective date of rates in the abbreviated rate case.

**Q: Please describe the second item – removal of the amortizations associated with certain regulatory assets and liabilities.**

A: There are certain regulatory assets and liabilities that have amortizations that end after the effective date of rates in this rate case proceeding and prior to the implementation of new rates associated with the abbreviated rate case. As such, KCP&L has proposed in the current case that the associated amortizations with the adjustments listed below provide for an eighteen month amortization period for the remaining unamortized amounts at October 1, 2015, the date new rates are expected in this rate case. Then the Company is proposing removing the amortization of these items from cost of service in the abbreviated rate case filing. Below is a listing of the regulatory assets and liabilities that the Company is proposing to amortize over an eighteen month period beginning with the effective date of rates in this rate case. For additional discussion on this, Company witness Ronald Klote has included discussion of these issues listed in his Direct Testimony.

**Q: Does KCP&L anticipate any other issues will be handled in the abbreviated case?**

A: No, not at this time.

## XI. SUMMARY

**Q: Can you briefly summarize KCP&L's general requests in this case?**

A: Yes. Through this rate case filing, in addition to requests listed above, KCP&L requests that the Commission:

(a) Approve the proposed rate schedules and tariffs for electric service, and order that they become effective as proposed, including the new proposed TDC rider and ERPP tariff;

(b) Approve the trackers proposed by KCP&L for vegetation management costs and CIP/cybersecurity efforts;

(c) Approve continued use by KCP&L of the Pension/OPEB tracker approved by the Commission in Docket No. 07-GIMX-1041-GIV;

(d) Affirm its approval for KCP&L to file an abbreviated rate case within 12 months of the Order issued in this docket for the purposes set forth above.

**Q: Does that conclude your testimony?**

A: Yes, it does.

**BEFORE THE STATE CORPORATION COMMISSION**
**OF THE STATE OF KANSAS**

| | | |
|---|---|---|
| In the Matter of the Application of<br>Kansas City Power & Light Company<br>to Make Certain Changes in<br>Its Charges for Electric Service | )<br>)<br>)<br>) | Docket No.: 15-KCPE-116-RTS |

**AFFIDAVIT OF DARRIN R. IVES**

**STATE OF MISSOURI** )
) **ss**
**COUNTY OF JACKSON** )

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of Sixty-two (62) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Darrin R. Ives

Darrin R. Ives

Subscribed and sworn before me this 2nd day of January, 2015.

Nicole A. Wehry

Notary Public

My commission expires: Feb. 4, 2015

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200

## TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**APPLICABILITY:**

This Transmission Delivery Charge (TDC) rider (Schedule TDC) shall be applicable to all Kansas Retail Rate Schedules for the Company.

**BASIS OF CHARGE:**

Company shall collect from applicable customers a Transmission Delivery Charge (TDC) based on all transmission-related costs incurred to be recovered under the following schedules of the Open Access Transmission Tariff for Service Offered by Southwest Power Pool, Inc. (SPP) for service to Company's retail customers:

- Schedule 1A – Tariff Administration Service
- Schedule 2 – Point-to-Point (PtP) charges (as assignable to retail)
- Schedule 7 – Firm PtP charges (as assignable to retail)
- Schedule 8 – Non-Firm PtP charges (as assignable to retail)
- Schedule 9 – Network Integration Transmission Service (NITS)
- Schedule 10 – Wholesale Distribution Service
- Schedule 11 – Base Plan Charge
- Schedule 12 – Federal Energy Regulatory Commission (FERC) Assessment Charge
- Other costs associated with Schedule 1 fees for transmission service provided on foreign wires
- SPP Direct Assigned or Sponsored Upgrade Transmission Fees for Customer Upgrades

In addition, other non-SPP transmission related charges recorded in FERC Account 565 (Transmission of Electricity by Others), fees charged to the Company by the North American Electric Reliability Council (NERC), and other transmission revenue requirements not otherwise reflected in and recoverable through base rates or other Commission authorized rider mechanisms shall be included.

The cost to be recovered under Schedule 9 (Network Integration Transmission Service) shall exclude the revenue requirement for all Company-owned transmission facilities classified by SPP as Base Plan Upgrades.

**TRANSMISSION DELIVERY CHARGE CALCULATION:**

$$TDC_{Proj} = ATRR_{Proj} + SPP_{Proj} + Other_{Proj} + TU_{n-1}$$

$$TDC_{Act} = ATRR_{Act} + SPP_{Act} + Other_{Act} + TU_{n-1}$$

$$TU_n = TDC_{Act} - TDC_{Rev}$$

## TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**TRANSMISSION DELIVERY CHARGE CALCULATION (continued):**

Where:

| | | |
|---|---|---|
| TDC Year | = | The 12-month period January 1 - December 31 for which TDC related costs and revenues are evaluated |
| $TDC_{Proj}$ | = | The TDC-related costs, as allocated Kansas Retail customers, projected to be incurred during the TDC year including the True-Up calculated for the prior TDC Year. |
| $TDC_{Act}$ | = | The TDC-related costs, as allocated Kansas Retail customers, actually incurred during the TDC year including the True-Up calculated for the prior TDC Year. |
| $TDC_{Rev}$ | = | TDC Revenues billed to Kansas Retail customers during the TDC Year. These TDC revenues will be based on TDC Rates in effect throughout the TDC Year. Such TDC Rates may be changed one or more times during TDC Year, with approval by the Commission. The TDC Rates in effect at any point during the TDC Year will be applied to Kansas Retail KWh sales billed during the effective period of each such approved TDC Rate. |
| $TU_{n-1}$ | = | True-Up amount to reflect difference between the actual TDC-related costs incurred for the prior TDC Year and TDC Revenues billed during the prior TDC Year. This difference for the prior TDC Year shall be included as a component of TDC Rate for the current TDC Year.<br><br>The $TU_{n-1}$ component in the initial TDC rate calculation for the initial TDC Year shall be zero ($0). The True-Up component included TDC Rate calculations for subsequent TDC Years may be positive or negative. |
| $TU_n$ | = | True-Up calculation to reflect difference between the actual TDC-related costs incurred for TDC Year and TDC Revenues billed during the TDC Year (to be applied to TDC rate for the following TDC year) |

# TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**TRANSMISSION DELIVERY CHARGE CALCULATION (continued):**

And:

$ATRR_{Proj}$ = Amount allocated to Kansas Retail customers for the Zonal and Regional SPP Schedule 9 and Schedule 11 Network Service Annual Transmission Revenue Requirements applicable to the KCP&L Zone (based on the Southwest Power Pool, Inc. (SPP) Revenue Requirements and Rates file (RRR file) currently effective at the time of filing of the TDC Rate).

The allocation to Kansas Retail customers shall first reflect the Company's Native System portion of the KCP&L Zone Load Ratio Share (LRS). The Company's Native System includes Kansas Retail customers, Missouri Retail customers, and certain requirement wholesale customers.

For the Schedule 9 amounts, the allocation of the Native System portion of the LRS to Kansas Retail customers shall be based on a projected 12-CP Demand allocator for the TDC Year.

For the Schedule 11 amounts, the allocation of the Native System portion of the LRS to Kansas Retail customers shall be based on a projected Energy allocator for the TDC Year.

$ATRR_{Act}$ = Amount allocated to Kansas Retail customers for the Zonal and Regional SPP Schedule 9 and Schedule 11 Network Service Annual Transmission Revenue Requirements applicable to the KCP&L Zone (based on the SPP RRR files effective throughout the TDC Year).

The allocation to Kansas Retail customers shall first reflect the Company's Native System portion of the KCP&L Zone Load Ratio Share (LRS).

For the Schedule 9 amounts, the allocation of the Native System portion of the LRS to Kansas Retail customers shall be based on the actual 12-CP Demand allocator for the TDC Year.

For the Schedule 11 amounts, the allocation of the Native System portion of the LRS to Kansas Retail customers shall be based on an actual Energy allocator for the TDC Year.

## TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**TRANSMISSION DELIVERY CHARGE CALCULATION (continued):**

And:

$SPP_{Proj}$ = Amount allocated to Kansas Retail customers for projected amounts for the TDC Year for:

- SPP NITS charges to the Company for fees and other transmission services for Native System Load excluding those charged under Schedules 9 & 11.
- Other costs associated with Schedule 1 fees for transmission service provided on foreign wires
- SPP PtP charges under Schedules 2, 7, 8 specifically identified as assignable to the Company's Native System Load.
  - Other SPP PtP charges that are not specifically identifiable as assignable to Native System Load shall instead be eligible for recovery under the Company's ECA rider.
- Other transmission charges from entities other than SPP that are specifically identifiable as assignable to the Company's Native System Load.
  - Other transmission charges from non-SPP entities not specifically identifiable as assignable to the Company's Native System Load shall instead be eligible for recovery under the Company's ECA rider.
- Direct-assigned charges to the Company related to requested upgrades including sponsored upgrades and other direct-assigned upgrades, net of credits received for other use of these upgrades.

The allocation to Kansas Retail customers of the projected Native System charges to the Company shall be based on a projected Energy allocator for the TDC Year.

$SPP_{Act}$ = Amount allocated to Kanas Retail customers for actual amounts for the TDC Year for the charges described for $SPP_{Proj}$ above.

The allocation to Kansas Retail customers of the actual Native System charges to the Company shall be based on an actual Energy allocator for the TDC Year.

## TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**TRANSMISSION DELIVERY CHARGE CALCULATION (continued):**

And:

$Other_{Proj}$ = Projected Other Amounts calculated in the Company's FERC-approved transmission formula rate (TFR) to be collected in the TDC rate to reflect amounts not otherwise reflected in Base Rates or other applicable Riders.

The allocation to Kansas Retail customers of the projected Other amounts described above shall be based on a projected 12-CP Demand allocator for the TDC Year.

$Other_{Act}$ = Actual Other Amounts calculated in the Company's FERC-approved transmission formula rate (TFR) to be collected in the TDC Rate to reflect amounts not otherwise reflected in Base Rates or other applicable Riders.

The allocation to Kansas Retail customers of the projected Other amounts described above shall be based on an actual12-CP Demand allocator for the TDC Year.

## TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**CALCULATION OF TDC UNIT CHARGES:**

The Company shall calculate a separate TDC Unit Charge for each applicable Kansas Retail customer class as described below:

$$TDC_{Rate(Class)} = \frac{TDC_{Proj} \times DA_{Class}}{kWH_{Proj(Class)}}$$

Where:

$TDC_{Rate(Class)}$ = The TDC Rate applicable to a specified rate class to be billed to at a per kWh rate. The TDC Rate is based on the TDC-related costs projected to be incurred during the TDC year, as allocated to the specified Kansas Retail customer class. The TDC Rate may be changed one or more times during TDC Year, with approval by the Commission.

And:

$TDC_{Proj}$ = Described on Sheet 2 under TRANSMISSION DELIVERY CHARGE CALCULATION

$DA_{Class}$ = The demand allocator for the applicable Kansas Retail customer class. This demand allocator shall be based on the 12 Coincident Peak (CP) allocator utilized by the Company for its Class Cost of Service Study in its most recent Kansas retail rate case. These class demand allocators shall remain unchanged, until the next general rate class in which class demand allocators are specifically reset or, at a minimum, once every five years, to limit cost shifting among retail classes.

$kWH_{Proj(Class)}$ = Projected kWhs for the applicable Kansas Retail customer class during the TDC Year

The Company shall file to update its TDC Unit Charges at least annually. The Company may elect to file for a change in the TDC Unit charges more frequently than once per year. All proposed TDC Unit Charges shall be filed with the Commission no later than 30 business days before the effective date of the proposed charges.

THE STATE CORPORATION COMMISSION OF KANSAS

SCHEDULE 83

KANSAS CITY POWER & LIGHT COMPANY
(Name of Issuing Utility)

Replacing Schedule ______ Sheet ______

Rate Areas No. 2 & 4
(Territory to which schedule is applicable)

which was filed ______

No supplement or separate understanding shall modify the tariff as shown hereon.



## TRANSMISSION DELIVERY CHARGE
## Schedule TDC

**METHOD OF BILLING:**

The TDC-related revenue requirements shall be collected by applying the TDC Unit Charge, developed for each rate schedule permitting such cost recovery, to each applicable customer's bill. The TDC Unit Charge shall be implemented using a cents per kilowatt hour (kWh) charge.

**TDC UNIT CHARGES EFFECTIVE OCTOBER 1, 2015:**

The TDC Unit Charges in the following table shall be applied to a customer's bill of each rate schedule as indicated. The amount determined by applying the TDC Unit Charge shall become part of the total bill for electric service furnished and will be itemized separately on customer's bill.

| Rate Schedule | $ per kWh |
|---|---|
| Large General Service | $0.00440 |
| Medium General Service | $0.00500 |
| Small General Service | $0.00537 |
| Residential Service | $0.00625 |
| Lighting Service | $0.00625 |

Issued: January 2, 2015
Month Day Year

Effective: ______
Month Day Year

By: /s/ Darrin R. Ives Vice President
Title

**ECONOMIC RELIEF PILOT PROGRAM**
**Schedule ERPP**

**PURPOSE:**

The Economic Relief Pilot Program (ERPP) offered by the Company provides an opportunity to relieve the financial hardship experienced by some of our customers.

**APPLICATION:**

This ERPP is applicable to qualified customers billed under Schedule R or Schedule RTOD for residential service. The ERPP will, on a pilot basis, provide up to 1,000 participants with a fixed credit on their monthly bill (ERPP credit). Customers participating in the ERPP program shall receive the credit for a period up to 12 months from the billing cycle designated by the Company as the participant's first month until the billing cycle designated as the participant's last for ERPP. At the end of the 12-month period, a customer may reapply to participate further in the program.

**DEFINITIONS:**

Qualified Customer – A customer receiving residential service under Schedule R or Schedule RTOD who is classified as low-income, which is defined as an annual household income no greater than 185% of the federal poverty level, as established by the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Services under the authority of 42 U.S.C. 9902 (2).

Applicant – A qualified customer who submits an ERPP application form for the ERPP credit.

Participant – An applicant who agrees to the terms of the ERPP and is accepted by the Company.

Program Funds – Annual ratepayer funding for the ERPP is $400,000.00. Ratepayer funding shall be matched dollar for dollar by the Company. The $800,000.00 annual sum of ratepayer funding and the Company matching funds shall be the “Program Funds”.

Agencies – The social service agencies serving the Company's service territory that qualify and assist ERPP customers pursuant to written contract between the Company and the Agencies.

**ECONOMIC RELIEF PILOT PROGRAM**
**Schedule ERPP** **(Continued)**

**AVAILABILITY:**

Service under this rate schedule shall be available to up to one thousand (1,000) Participants per month in the Company's service area who satisfy the following eligibility requirements:

1. Participant must be a customer receiving residential service under Schedule R or Schedule RTOD.

2. Participant's annual household income must be verified initially, and annually thereafter, as being no greater than 185 percent (185%) of the federal poverty level.

3. Participants who have outstanding arrearages shall enter special pay agreements as mutually agreed to by both the Participant and the Company.

4. Participants must provide, via an interview or questionnaire, information related to their energy use and program participation. Any information provided in these interviews or questionnaires that are later made public will not be associated with the Participant's name.

5. Any provision of the Company's rules and regulations applicable to the Company's Schedule R or Schedule RTOD customers will also apply to ERPP Participants.

6. Participants will not be subject to late payment penalties while participating in the program.

**ENERGY ASSISTANCE:**

1. Participants who have not previously completed an application for a LIHEAP ("Low-Income Home Energy Assistance Program") grant agree to apply for a LIHEAP grant when such grants become available. KCP&L, through the Agencies, shall assist ERPP Participants with completion of LIHEAP application forms when such assistance is requested.

2. Applicants agree to apply for any other available energy assistance programs identified by the Company.

Issued: January 2, 2015
Month Day Year

Effective: ______
Month Day Year

By: /s/ Darrin R. Ives Vice President
Title

**ECONOMIC RELIEF PILOT PROGRAM**
**Schedule ERPP** **(Continued)**

**CREDIT AMOUNT:**

Participants shall receive the ERPP credit for so long as the Participant continues to meet the ERPP eligibility requirements.

Up to 1,000 Participants per month shall receive the ERPP credit in the following amounts (not to exceed the Participant's monthly Average Payment Plan amount payment): Up to a maximum of $65 per month.

**DISCONTINUANCE AND REINSTATEMENT:**

The Company may discontinue a Participant's ERPP credit for any of the following reasons:

1. If the Company, through the Agencies, determines the Participant no longer meets the eligibility requirements set forth in this tariff.

2. If the Participant submits a written request to the Company asking that the ERPP credit be discontinued.

3. If the Participant does not conform to the Company's rules and regulations as approved by the Kansas Corporation Commission, and, as a result, the Participant has Schedule R or Schedule RTOD service discontinued.

Reinstatement of the ERPP credit following discontinuance in the above circumstances and after the Participant again meets the eligibility requirements will be at the discretion of the Company.

**MISAPPLICATION OF THE ERPP CREDIT:**

Providing incorrect or misleading information to obtain the ERPP credit shall constitute a misapplication of the ERPP credit. If this occurs, the Company may discontinue the ERPP credit and rebill the account for the amount of all ERPP credits received by the Participant. Failure to reimburse the Company for the misapplication of the ERPP credits may result in termination of customer's electric service pursuant to the Company's rules and regulations. However, nothing in this tariff shall be interpreted as limiting the Company's rights under any provisions of any applicable law or tariff.

THE STATE CORPORATION COMMISSION OF KANSAS

SCHEDULE 47

KANSAS CITY POWER & LIGHT COMPANY
(Name of Issuing Utility)

Replacing Schedule ______ Sheet ______

Rate Areas No. 2 & 4
(Territory to which schedule is applicable)

which was filed ______

No supplement or separate understanding shall modify the tariff as shown hereon.



**ECONOMIC RELIEF PILOT PROGRAM**
**Schedule ERPP** **(Continued)**

**OTHER CONDITIONS:**

The ERPP program has been designed so that the Company neither profits from nor incurs losses as a result of offering this program.

Costs of administering the program, including those costs charged by the Agencies, shall be paid from the Program Funds.

The Company will gather and maintain Participant data on usage, arrears, payments and other relevant factors to be used in the evaluation of the program.

The Company shall make non-confidential data, as well as any and all program evaluations that are conducted, available to the parties.

Issued: January 2, 2015
Month Day Year

Effective: ______
Month Day Year

By: /s/ Darrin R. Ives Vice President
Title