BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

CURTIS D. BLANC

ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY

IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO CONTINUE THE
IMPLEMENTATION OF ITS REGULATORY PLAN

DOCKET NO. 10-KCPE-415-RTS

Q: Please state your name and business address.

A: My name is Curtis D. Blanc. My business address is 1200 Main Street, 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 the "Company") as Senior Director – Regulatory Affairs.

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, and tariff administration.

Q: Please describe your experience and employment history.

A: I received a Bachelor of Science degree from Washington University in St. Louis with majors in Finance and Economics. I also received a *Juris Doctor* from the George

Washington University, National Law Center. Prior to coming to KCP&L, I worked as an attorney in private practice first at Shook, Hardy & Bacon, LLP, then at Vinson & Elkins, LLP, representing energy companies primarily before the Federal Energy Regulatory Commission (the "FERC"). I came to KCP&L in 2005 as in-house regulatory counsel and continued in that role until being promoted to my current position in July 2009.

Q: Have you previously testified in a proceeding before the Kansas Corporation Commission ("Commission" or "KCC")?

A: I have not previously testified before the Commission, but I have testified before the Missouri Public Service Commission.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide an overview of the Company's proposed rate increase, including a description of the major drivers in the case. I also address the progress of KCP&L's Regulatory Plan including the Rate Plan (Appendix C), and the status of the investments under the Resource Plan (Appendix A), the Asset Management Plan (Appendix A-1) and the Customer Programs (Appendix B), which the Commission approved in Docket No. 04-KCPE-1025-GIE ("1025 Docket") as part of the Stipulation and Agreement ("1025 S&A"). In addition, I provide an update on the status of certain commitments from the Stipulation and Agreement approved by the Commission in KCP&L's most recent rate case (Docket No. 09-KCPE-246-RTS) ("246 S&A") and in the September 9, 2009 Joint Report Regarding the Timing and Process for KCP&L's Final Rate Proceeding Under Its Five-Year Regulatory Plan, which was filed in the 1025 Docket ("Joint Report"). Finally, I describe the Company's request for

Commission authorization concerning certain additional matters, including the use of the abbreviated rate case mechanism, as set forth in K.A.R. 82-1-231(b)(3), as well as an environmental cost recovery ("ECR") rider to improve the timeliness of recovery for the Company's future environmental investments.

CASE OVERVIEW AND DRIVERS

Q: Please briefly summarize the Company's case.

A: The Company is requesting an increase of $55.2 million or 11.5 percent, based on a current Kansas jurisdictional base revenue requirement of $481.1 million, to be reflected in rates effective October 17, 2010. The Company's case is based on a historical test year that ended September 30, 2009, with adjustments made for known and measurable changes as of August 31, 2010 (September 30, 2010 for plant). Also, as agreed to in the Joint Report, KCP&L is including in this case its share of the *budgeted* cost of Iatan Unit 2, a new 850 megawatt ("MW") coal-fired generation facility. The Company's *actual* expenditures will be trued up as part of an abbreviated case under K.A.R. 82-1-231(b)(3), as also agreed to in the Joint Report.

Q: What is the return on equity KCP&L is requesting in this case?

A: KCP&L is requesting a return on equity of 11.25 percent based upon the projected capital structure of Great Plains Energy Incorporated ("Great Plains Energy") as of August 31, 2010, KCP&L's parent holding company, 46.2 percent of which is comprised of common equity. KCP&L witness Dr. Samuel Hadaway presents in his Direct Testimony his cost of capital study results and recommendations in support of the Company's requested return on equity. Dr. Hadaway has utilized the same approach as in KCP&L's three recent rate cases before the Commission. Dr. Hadaway's approach is based on a traditional approach to estimate the underlying cost of equity capital for a group of comparable, investment-grade electric utility companies.

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

A: This case represents the fourth of four rate cases contemplated under the Rate Plan set forth in the 1025 S&A. As set out in the 1025 S&A and the Joint Report, this case includes the budgeted amount of KCP&L's share of Iatan Unit 2. KCP&L owns a 465 MW interest in the plant, which equates to a 54.7 percent interest. KCP&L's partners in Iatan Unit 2 are KCP&L Greater Missouri Operations Company (formerly Aquila, Inc.), which owns 153 MW (18%); The Empire District Electric Company, which owns 102 MW (12%); Missouri Joint Municipal Electric Utility Commission, which owns 100 MW (11.8%); and Kansas Electric Power Cooperative, which owns 30 MW (3.5%). Iatan Unit 2 is expected to be in service in late summer 2010.

This case also includes continued investments in system reliability focused transmission and distribution ("T&D") projects, which are provided for in the Asset Management Plan set forth in the 1025 S&A, as well as the Iatan Unit 1 air quality control system equipment and common costs that were not included in KCP&L's last rate case, including a regulatory asset for depreciation and carrying costs on that differential in accordance with the 246 S&A.

Q: Are there drivers unrelated to the 1025 S&A?

A: Yes, other investments in plant along with increasing operating costs are additional factors contributing to the revenue deficiency being addressed in this case.

Q: How was the test year for this case and resultant rate increase amount determined?

A: Although the 1025 S&A Rate Plan contemplated that the Company would file this case on or before August 15, 2009, the Rate Plan also recognized that KCP&L might need to adjust the timing of its rate filings due to the magnitude of its investments and the length of time the 1025 S&A covered. The Company sought and obtained Commission approval to make this filing at a later date. Accordingly, test year data was annualized and normalized and reflects projected values for known and measurable changes prior to the effective date of new rates. The resulting annualized and normalized amounts were then allocated between FERC, Kansas and Missouri jurisdictions. This allocation process is described in the Direct Testimony of KCP&L witness John Weisensee. The cost of service and revenue requirement determination is also supported in Mr. Weisensee's Direct Testimony and included in his Schedule JPW2010-1.

Q: Does this rate increase include fuel costs recovered under the Company's Energy Cost Adjustment ("ECA") mechanism?

A: No. While ECA revenue and expenses are included in the Company's Revenue Requirements Model, the Company's ultimate revenue requirement is not affected by these revenues and expenses because the adjusted Kansas revenue includes ECA revenue equal to the sum of all adjusted ECA expenses.

Q: Does this rate increase include energy efficiency program costs recovered under the Company's Energy Efficiency ("EE") rider?

A: No. As with the ECA, while EE program revenue and expenses are included in the Company's Revenue Requirements Model, the revenue requirement is not affected by these revenues and expenses because the adjusted Kansas revenue includes EE program revenue equal to the sum of all adjusted EE program expenses.

Q: Does the requested rate increase amount include an additional amount for Contribution in Aid of Construction ("CIAC"), or Pre-Tax Payment on Plant ("PTPP") as has been applied in KCP&L's last three rate cases?

A: No. Under the terms of the 1025 S&A, CIAC was only to be utilized during the first three rate cases with the mechanism providing for return of the applied amounts as part of the fourth rate case. In this fourth case, the cumulative amount of PTPP collected as a result of the previous cases is credited against the cost of the various supply-related Regulatory Plan projects as a deduction to rate base, an approach agreed to with Staff. KCP&L estimates that approximately $66.25 million ($40 million net of tax) will be credited against rate base as a result of the PTPP to the long-term benefit of its customers. Additionally, the aggregated PTPP amortization expense of $33 million built into current rates will be reversed in this rate proceeding.

Q: Does the requested rate increase include a flowback to ratepayers of SO_2 emission allowance proceeds as required by the 1025 S&A?

A: Adjustment CS-26 included on Schedule JPW2010-2 provides for the flowback to ratepayers of the $87 million liability (total company) over the remaining life of FERC plant account 312 (22 years), or a $3.9 million amortization in this case (total company). However, this adjustment does not impact revenue requirements in this rate proceeding since it is an ECA component. Customers will benefit from the flowback through the ECA mechanism.

Q: Has the Company included the revenue requirement impact of the recent acquisition (effective July 14, 2008) of Aquila, Inc. by Great Plains Energy (the "Acquisition") in the revenue requirement for this case?

A: Yes. Pursuant to the settlement agreement approved by the Commission in Docket No. 07-KCPE-1064-ACQ ("1064 S&A"), KCP&L did not include any revenue requirement impact associated with the Acquisition in its last rate case (Docket No. 09-KCPE-246-RTS). However, as contemplated by the 1064 S&A, this case includes $2 million, which reflects an amortization of the transition cost associated with the Acquisition (see ¶ 26 of the 1064 S&A). Similarly, the synergies or cost savings associated with the Acquisition are also reflected in this case in the Company's overall cost of service.

REGULATORY PLAN UPDATE

Q: Please provide a summary of the projects contemplated in KCP&L's Regulatory Plan.

A: In the Regulatory Plan, KCP&L committed to undertake reasonable efforts to make (i) supply-related investments, including construction of a new coal-fired power plant and a new wind generation facility, as well as the addition of certain air quality control system ("AQCS") equipment to existing coal-fired generating units; (ii) reliability-focused T&D investments; and (iii) investments in Customer Programs.

Q: Please describe the supply-related investments included in the Regulatory Plan.

A: The supply-related investments are listed in Appendix A, Resource Plan, of the Regulatory Plan. Chronologically, the investments are:

- A new 100 MW wind generation project to be completed in 2006 ("2006 Wind Project");
- A selective catalytic reduction ("SCR") system for the existing La Cygne Unit 1 to be completed in 2007 ("La Cygne 1 AQCS – Phase 1 Project");

- An SCR, flue gas desulphurization equipment ("Scrubber"), and pulse jet fabric filter ("Baghouse") for the existing Iatan Unit 1 to be completed in 2008 ("Iatan 1 AQCS Project");
- The potential for a second 100 MW wind generation project to be evaluated for completion in 2008 ("2008 Wind Project");
- A Scrubber and Baghouse for the existing La Cygne Unit 1 to be completed in 2010 ("La Cygne 1 AQCS – Phase 2 Project"); and
- A new 800-900 MW coal-fired generation facility to be completed in 2010 ("Iatan Unit 2 Project").

Q: What is the status of the 2006 Wind Project?

A: KCP&L completed the 2006 Wind Project in September 2006 when the Spearville Wind Energy Facility was placed into service. The Spearville Wind Energy Facility is located at a site near Spearville, Kansas and has a generating capacity of 100.5 MW. This investment was included in KCP&L's rate base as part of the 2006 rate case, Docket No. 06-KCPE-828-RTS ("828 Docket") the first rate case under the Rate Plan.

Q: What is the status of the La Cygne 1 AQCS – Phase 1 Project?

A: The La Cygne 1 AQCS – Phase 1 Project was completed and placed into service in May 2007. This investment was included in KCP&L's rate base as part of the 2007 rate case, Docket No. 07-KCPE-905-RTS ("905 Docket") the second rate case under the Rate Plan.

Q: What is the status of the Iatan 1 AQCS Project?

A: The Iatan 1 AQCS Project was completed and placed into service in April 2009. Consistent with the terms of the 1025 S&A, KCP&L included projected costs for Iatan Unit 1 in its 2008 rate case, Docket No. 09-KCPE-246-RTS ("246 Docket") the third rate case under the Rate Plan. Ultimately, the parties in that case reached a settlement, the 246 S&A, whereby only actual costs for the Iatan Unit 1 AQCS Project and Iatan common costs paid or approved for payment through April 30, 2009 were included in rate base as a result of the 2008 rate case. A regulatory asset was then created for depreciation expense and carrying costs for Iatan Unit 1 AQCS and Iatan common costs included in plant-in-service but not included in rate base in the 2008 rate case. Prudence issues related to Iatan Unit 1 and Iatan common costs included in the 2008 rate case were deferred to this proceeding for consideration by the Commission but were limited to the review and arguments set out by the parties in the 2008 rate case and any proposed disallowance for imprudence is capped at $4.7 million (Kansas jurisdictional, including AFUDC). The remaining $56 million (Kansas jurisdictional, excluding AFUDC) of potential costs for Iatan Unit 1 AQCS and Iatan common not paid or approved for payment as of April 30, 2009 and not included in rate base in the 2008 rate case, are subject to a prudence review with the amount of associated disallowance that may be recommended as a result of the review capped at $2.8 million (Kansas jurisdictional).

Q: What is the status of the 2008 Wind Project?

A: The 2008 Wind Project was subject to evaluation and approval by the Commission. Specifically, the 1025 S&A provided that the 2008 Wind Project “will not be considered a part of the Resource Plan unless and until a detailed evaluation supports proceeding with its construction and it receives Commission approval.” KCP&L worked with Staff to evaluate a potential project for 2008. However, the timing of KCP&L’s decision whether to proceed with the project coincided with turmoil in the financial markets. KCP&L ultimately determined in the fall of 2008 that it would be prudent not to proceed with a wind project in 2008 primarily due to concerns about the Company's access to capital markets. Had the Company tied up its existing lines of credit at that time, it might have jeopardized its ability to respond to a significant, unanticipated event, *e.g.*, an ice storm. KCP&L continues to be committed to wind energy and has recently requested proposals for 100 MW of wind energy in 2010 and 200 MW of wind energy in 2011.

Q: What is the status of La Cygne 1 AQCS – Phase 2 Project?

A: KCP&L sought to complete the La Cygne 1 AQCS – Phase 2 Project by the Regulatory Plan's anticipated completion date of May 31, 2010. However, the Project will not be completed within that timeframe. The Resource Plan was designed to stagger the supply-related investment projects over the five-year period of the 1025 S&A. Between the time of the 1025 S&A in the summer of 2005 and the time this project was scheduled to commence, demand for this type of AQCS equipment increased dramatically. In fact, KCP&L saw the result of this increased demand and the associated cost pressures in the Iatan Unit 1 AQCS Project, which was scheduled ahead of the La Cygne 1 AQCS – Phase 2 Project. As this demand pressure continued, it resulted in increased lead times of approximately 48 months for the equipment, which meant that KCP&L would have to wait four years for the equipment after ordering it. This unanticipated delay pushed the earliest possible completion timeline into 2011. The continuing increased demand also resulted in significant cost pressures. Initial estimates at the time of the Regulatory Plan indicated the Scrubber and Baghouse would cost $128 million. By December 2006, the estimate had increased to $261-318 million.

Although the precise timing of the requirement is not clear at this time, it appears that both units of the La Cygne Generating Station will need to have Best Available

Retrofit Technology ("BART") equipment in place by June 1, 2015 to continue operating. BART will require an SCR, Baghouse, and Scrubber for both La Cygne units. Currently, the only such equipment in place is the recently installed SCR at La Cygne Unit 1 (the La Cygne 1 AQCS – Phase 1 project). KCP&L had hoped to phase in its BART compliance investments at La Cygne by completing Unit 1 ahead of Unit 2. However, the extended lead time for AQCS equipment has put the La Cygne 1 AQCS – Phase 2 Project more on track with retrofitting Unit 2 for BART compliance. That being the case, KCP&L believes there are potential benefits and cost savings to combining the La Cygne 1 AQCS – Phase 2 Project and the AQCS work to be done on Unit 2. KCP&L continues to evaluate its options at the La Cygne Generating Station, including completion of the La Cygne 1 AQCS – Phase 2 project, taking into account the cost of BART equipment, anticipated natural gas prices, the potential for carbon regulation, and the intentions of Westar Energy, who is a joint owner in the facility with a 50 percent interest.

Q: What is the status of the new 800-900 MW coal-fired generation facility?

A: Construction of Iatan Unit 2 is nearly complete. The Project team has begun testing various systems as they are completed. As construction efforts wind down, the Company's focus will increasingly turn to start-up and commissioning activities. Iatan Unit 2 is expected to be in-service by late summer 2010. Company witnesses William Downey, Carl Churchman, Robert Bell, Brent Davis, Chris Giles, Kenneth Roberts, Steve Jones, and Daniel Meyer discuss various aspects of the construction of Iatan Unit 2 in their direct testimonies.

Q: Please describe the T&D investments included in the Regulatory Plan.

A: The T&D investments are described in Appendix A-1 of the Regulatory Plan as the Asset Management Plan. The Asset Management Plan is a five-year plan focused on improving system reliability. It began with a system-wide condition assessment and inventory of the Company's T&D infrastructure. That information enabled KCP&L to identify equipment that is reaching the end of its useful life and to proactively replace that equipment prior to its mechanical failure. The information garnered through the condition assessment and inventory also enabled the Company to identify where strategic investments could be made to increase system reliability.

Q: What is the status of KCP&L's T&D investments?

A: KCP&L's T&D investments, as developed in the Asset Management Plan, are scheduled to be completed by the expiration of the 1025 S&A. During the Asset Management Plan, KCP&L has achieved tier-one reliability metrics. The Company won Reliability One's Best in Region Award in 2007, 2008 and 2009, and was nationally recognized for reliability in 2007.

Q: Please describe the Customer Program investments included in the Regulatory Plan.

A: The Customer Program investments are listed in Appendix B of the Regulatory Plan. The Regulatory Plan contemplated a portfolio of fourteen affordability, energy efficiency and demand response programs plus a market research component.

Q: What is the status of KCP&L's Customer Programs investments?

A: Of the fourteen Customer Programs envisioned under the Regulatory Plan, KCP&L has developed, submitted, received Commission approval for, and implemented all but two. KCP&L withdrew its proposed compact florescent light bulb rebate program, Change a Light – Save the World, after discussions with Commission Staff concerning the economic evaluation of the program. The Commission did not approve the Company's Home Performance with ENERGY STAR® program. The remaining twelve programs are in place today and several have already undergone Evaluation, Measurement and Verification ("EM&V"). KCP&L also completed the market research component.

As a result of the Company's two demand response programs, Energy Optimizer and MPower, KCP&L has more than 150 MW of load Company-wide it can call upon for curtailment. In addition, KCP&L estimates that its energy efficiency and affordability programs have resulted in energy savings of 95,000 MWh Company-wide.

Q: Has the Company provided updates to Staff, Citizens' Utility Ratepayer Board ("CURB"), and the parties to the 1025 S&A concerning the status of its investments under the Regulatory Plan?

A: Yes. As part of the 1025 S&A, KCP&L submits to the signatories a quarterly report outlining the overall progress of the projects contemplated in the Regulatory Plan. The reports also describe the issues potentially impacting the projects. Although CURB was not a signatory to the 1025 S&A, KCP&L has provided them with a copy of all quarterly reports. KCP&L periodically meets with the parties to discuss the information contained in the reports and answer any questions. CURB has been included in those meetings.

Q: You have indicated that this is the fourth of four rate cases contemplated in the Regulatory Plan. Please describe the results of the first three cases?

A: On January 31, 2006, the Company filed the first contemplated rate case ("828 Docket" or "2006 case"). It was the Company's first request for a rate increase in nearly 20 years. The Company requested an increase of $42.3 million (10.56%). The Commission approved a settlement in that case signed by KCP&L, KCC Staff, CURB, Midwest

Utility Users' Group ("MUUG"), Wal-Mart, and the International Brotherhood of Electrical Workers Locals 412, 1464 and 1613. The settlement resulted in an increase in Kansas revenues in the amount of $29 million (7.40%) effective January 1, 2007. The increase included an annual amount of $4 million for PTPP.

On March 1, 2007, KCP&L filed the second rate case under the Regulatory Plan ("905 Docket" or "2007 case"). The Company requested an increase of $47 million (10.82%), which included $12.8 million for additional PTPP. The Commission approved a settlement in that case signed by KCP&L, KCC Staff, CURB, and MUUG. The settlement resulted in an increase in Kansas revenues in the amount of $28 million (6.48%) effective January 1, 2008. The increase included an annual amount of $11 million for PTPP.

On September 5, 2008, KCP&L filed the third rate case under the Regulatory Plan ("246 Docket" or "2008 case"). The Company requested an increase of $71.6 million (17.5%), which included $11.2 million for additional PTPP. The Commission approved a settlement in that case signed by KCP&L, KCC Staff, CURB, MUUG and Kansas Electric Power Cooperative, Inc. ("KEPCo"). The settlement resulted in an increase in Kansas revenues in the amount of $59 million (14.4%) effective August 1, 2009. The increase included an annual amount of $18 million for PTPP.

Q: Were the investments contemplated in the Regulatory Plan reflected in the three rate cases?

A: Yes, as previously stated, the 2006 case included the 2006 Wind Project. The 2007 case included the La Cygne 1 AQCS – Phase 1 Project. The 2008 case included the Iatan 1 AQCS Project. In addition, all three cases also included investments in T&D projects.

Investment in Customer Programs were approved for deferral to a regulatory asset account and subsequently addressed in the 905 S&A, which allowed the Company to apply for an energy efficiency ("EE") rider. These costs are now handled through the EE Rider and not as part of the Company's revenue requirement request in this case. All of these investments are consistent with and represent KCP&L's continued implementation of its Regulatory Plan.

Q: You explained earlier in your testimony that the parties in the 246 Docket agreed to defer a Commission decision on prudence issues related to Iatan Unit 1 to this case. Can you explain how KCP&L has approached consolidation of that issue with the Iatan Unit 2 issues in this case?

A: Yes. The 246 S&A very explicitly stated that testimony filed in that docket on Iatan Unit 1 would be carried over into this case and no supplemental testimony regarding prudence or imprudence on Iatan Unit 1 would be allowed. In an effort to strictly adhere to that agreement, KCP&L determined that it would be best and most efficient, for every witness who is testifying regarding Iatan Unit 2 issues in this case to attach their Iatan Unit 1 testimony from the 246 Docket as an exhibit to their testimony in this case. In this manner, all testimony relevant to the prudence issues will be part of the record in this docket.

246 S&A AND JOINT REPORT UPDATE

Q: What commitments made by the signatory parties to the 246 S&A will you address here?

A: I will address the commitment regarding discussion of a green tariff, the collaborative process regarding KCP&L's class cost of service study for this case, and the collaboration process regarding the procedural schedule for this case.

Q: What was the specific commitment in the 246 S&A regarding green tariff discussions?

A: KCP&L agreed that, prior to the filing of this rate case, it would work collaboratively with the other Signatory Parties to explore the possibility of developing a green tariff to accommodate the purchase and development of renewable energy in Kansas. If such collaborative process resulted in a tariff, it could be presented to the Commission for review and approval as part of this case.

Q: What is the status of this collaborative process?

A: KCP&L held three meetings with the 246 S&A Signatory Parties over the past several months (October 5, 2009, November 10, 2009, and December 2, 2009). The meetings were productive as they kicked-off discussion and helped to identify areas of specific interest to the varied participants as well as areas of potential investigation. KCP&L researched and provided the participants with a variety of other utility green tariffs and supporting documents to generate discussion on how a KCP&L Kansas green tariff might best be structured. The participants also discussed the complexity added to the discussion as a result of the recently passed Renewable Energy Standard in Kansas and a similar provision in Missouri. The Company is encouraged by the stakeholders' expressed interest in continuing discussions concerning a potential green tariff.

Q: Is KCP&L requesting a green tariff in the instant case?

A: No. At this point in time there is no consensus among the participants on a structure for a green tariff. KCP&L will continue to work with the participants toward gaining such consensus and, if such consensus on a green tariff structure is reached, KCP&L will make a separate filing with the Commission for approval of a green tariff.

Q: Do you believe that KCP&L has complied with the 246 S&A regarding its green tariff commitment?

A: Yes. The commitment was to collaboratively explore the possibility of developing a green tariff. KCP&L has complied with that commitment. In addition, KCP&L intends to continue to work collaboratively with the Signatory Parties on this issue.

Q: What was the specific commitment in the 246 S&A regarding KCP&L's class cost of service study?

A: The 246 S&A states as follows:

> KCP&L agrees to perform and submit in its next rate case, a class cost of service study that includes: (1) a breakout of each residential water heating and space heating subclass from the aggregate Residential Service class; and (2) a breakout of KCP&L's total allocated cost of service, by rate class, into separate summer- and winter-related revenue requirement components.
>
> KCP&L agrees that it will work with Staff, CURB and any other Party to this case as it prepares its class cost of service study to ensure that the agreed-upon cost-of-service modifications are appropriately modeled. KCP&L agrees to accommodate any reasonable request of a Party to this case for alternative scenario runs under its model.

(246 S&A, Paragraph 37 and 38, page 12)

Q: Has KCP&L completed and submitted a class cost of service study with the noted breakouts?

A: Yes. The Company's class cost of service study is included in the Direct Testimony of KCP&L witness Paul M. Normand.

Q: Did KCP&L work with interested Parties from the 246 Docket as it prepared its study regarding the modeling used for the specified breakouts?

A: Yes. KCP&L conducted two collaborative sessions with the interested Parties; one on September 24, 2009 and one on November 18, 2009. The Parties were provided with the results of the modeling and, with proper confidentiality agreements, with the model itself. KCP&L brought its class cost of service modeling consultants to each of these meetings to explain the model and answer questions. To date there have been no requests for alternate scenario runs but KCP&L anticipates that such requests might come following this filing.

Q: Do you believe that KCP&L has complied with the 246 S&A regarding its class cost of service model commitment?

A: Yes.

Q: What was the commitment in the 246 S&A regarding the procedural schedule for this case?

A: The 246 S&A states:

> Because of the complexities in process and timing encountered in the current case, and as originally contemplated in ¶6 of the 1025 Stipulation, the Signatory Parties recognize that this filing date [August 15, 2009] set

> for the in the 1025 Stipulation is no longer appropriate for the next rate case. Accordingly, the Signatory Parties agree to collaborate in advance of the filing of KCP&L's next rate case in order to establish a procedure for the next rate case that addresses the in-service, process, and timing problems realized with this current proceeding.
>
> (246 S&A, Paragraph 35, page 11)

Q: Have the Signatory Parties complied with this collaborative provision?

A: Yes. The Joint Report includes the results of this collaborative process; specifically, it includes a relational procedural schedule worksheet for this case which adjusts based upon the actual filing date of the Application. The Joint Report also includes other agreements made by the Parties in regard to the procedural schedule for this case.

Q: Are there commitments in the Joint Report that you would like to address here?

A: Yes. Just one. In the Joint Report, KCP&L committed to provide a summary of the current status of the projects contemplated under the 1025 S&A to the Commissioners and Advisory Staff for informational purposes.

Q: Has KCP&L provided the noted summary?

A: Yes. On November 20, 2009, I presented a summary of the projects contemplated under the Regulatory Plan to the Commissioners and others during an open meeting. The PowerPoint presentation is posted on the KCC website in Docket No. 04-KCPE-1025-GIE and a transcript was made of the meeting.

ENVIRONMENTAL COST RECOVERY RIDER

Q: Is KCP&L seeking to implement an ECR rider as part of this case?

A: Yes. As explained in greater detail below, KCP&L expects that changing environmental laws and regulations are likely to require the Company to spend significant sums of money for environmental compliance in the future. An ECR rider would help the Company as well as its customers handle the increased costs associated with these environmental requirements. The Company will benefit because the lag between its expenditures and recoveries will be lessened when compared to traditional cost of service ratemaking. Customers will benefit because the Company's environmental expenditures will be phased in over time, as opposed to customers seeing "lumpy" increases as projects are completed. Customers will also benefit because more timely recovery of these costs will minimize the accumulation of Allowance for Funds Used During Construction on these projects. In addition, establishing an ECR rider as a separate line item on a customer's bill will inform customers of the costs necessary to meet mandated environmental requirements.

Q: What are the current significant air regulations that affect KCP&L's generating units?

A: The primary environmental laws affecting KCP&L's generating units are the National Ambient Air Quality Standard ("NAAQS"), the Clean Air Interstate Rule ("CAIR"), the Acid Rain Program, and the Regional Haze Rule.

Q: What is the NAAQS?

A: The Clean Air Act ("CAA") requires the Environmental Protection Agency ("EPA") to establish NAAQS for six air pollutants (also known as "criteria pollutants"): particulate matter; ground-level ozone; carbon monoxide ("CO"); sulfur dioxide ("SO_2"); nitrogen oxides ("NO_X"); and lead. Limits based on human health concerns are called "primary standards." Limits intended to prevent environmental and property damage are called "secondary standards."

The EPA classifies areas of the country as "attainment" areas, *i.e.*, locations in which air quality is in compliance with NAAQS, and "non-attainment" areas, *i.e.*, locations where air quality fails to meet the standard for one or more criteria pollutants. A finding that an area is in non-attainment requires development of a plan to bring the area into compliance with the NAAQS. The CAA delegates to the states the responsibility for developing and implementing compliance plans. In Kansas, the administering agency is the Kansas Department of Health and Environment ("KDHE").

Q: How does NAAQS affect KCP&L?

A: As noted, a finding that an area is in non-attainment requires development of a plan to bring the area into compliance with the NAAQS standards. That plan may require the installation of additional emission control equipment at KCP&L's generation facilities. Currently, the counties in KCP&L's service territory are all in attainment of the NAAQS but in 2008, KDHE released a proposed recommendation that the Kansas City area violates the NAAQS for ozone.

Q: How would an ozone NAAQS violation affect KCP&L?

A: The Maintenance Plans for the Control of Ozone for the Kansas City area were approved by the EPA in July 2007. The plans include contingency control measures that go into effect if associated triggers (such as a violation of the 8-hour ozone standard) occur.

In June 2007, the Kansas City area violated the 8-hour ozone national ambient air quality standard. As a result, Missouri implemented the Phase I trigger established in its Maintenance Plan for control of ozone. The Phase I trigger requires early implementation of CAIR NO_X controls at Iatan Unit 1 and the Sibley Station units. The installation of the NO_X controls at these units is complete and operational.

Phase II of the Maintenance Plan if triggered by continued high ozone values would require additional emission controls to be implemented within two years following the end of the ozone season that triggered the Phase II contingency measure. The consequence of the Phase II trigger of this Maintenance Plan is additional NO_X controls at La Cygne Unit 2. Phase II has not been triggered but is anticipated to occur within the next few years.

Q: How does the ozone NAAQS recommended non-attainment designation affect KCP&L?

A: In March 2009, both KDHE and MDNR made non-attainment recommendations for ozone NAAQS for Kansas City metropolitan counties. Non-attainment will likely make KCP&L's La Cygne Generating Station and potentially other generation facilities subject to more stringent NO_X emission requirements. The largest emission sources are usually targeted for reductions first because of the economic advantage of additional emission controls.

Q: What is the Clean Air Interstate Rule?

A: In March 2005, the EPA issued CAIR, a rule that will dramatically reduce air pollution that moves across state boundaries. The CAIR will permanently cap emissions of SO_2 and NO_X in the eastern United States. Although various legal appeals have occurred, the CAIR remains in effect pending future EPA or court action.

Q: What is the effect of the CAIR on KCP&L?

A: KCP&L must continue to comply with the CAIR, which requires it to have allowances starting in 2009 for its NO_X emissions and 2010 for its SO_2 emissions. In addition, KCP&L must continue to plan for more restrictive caps effective in 2015. Ultimately, the EPA will need to promulgate a revised CAIR as a result of the legal appeals.

Q; What is the Acid Rain Program?

A; Acid rain occurs when SO_2 and NO_X emissions are transformed in the atmosphere to acids and are returned to the ground in the form of rain and dust. The Acid Rain Program was established in the CAA to reduce emissions that cause this phenomenon. Title IV establishes a nationwide cap on electric utility SO_2 emissions, implemented through an emission trading system. In addition, the Acid Rain Program requires extensive monitoring and reporting of plant emissions.

Q: How does the Acid Rain Program affect KCP&L?

A: KCP&L will need to continue to maintain Acid Rain Program allowances for SO_2 emissions.

Q: What is the Regional Haze Rule?

A: The Regional Haze Rule requires emission control equipment for industrial facilities, including coal-fired generation units, that emit air pollutants that cause or contribute to regional haze.

Q: How does the Regional Haze Rule affect KCP&L?

A: The Regional Haze rule directs state air quality agencies to identify whether visibility-reducing emissions from sources subject to BART are below limits set by the state or whether retrofit measures are needed to reduce emissions. BART applies to specific eligible facilities including KCP&L's La Cygne Units 1 and 2 in Kansas and Iatan Unit 1 and Montrose Unit 3 in Missouri.

Q: What is the Regional Haze Agreement that both KCP&L and KDHE executed?

A: In July 2008, KDHE issued its proposed Regional Haze Rule. The rule includes the BART reductions that KCP&L agreed to in the Regional Haze Agreement executed with the KDHE in November 2007 incorporating limits for stack particulate matter emissions, as well as limits for NO_X and SO_2 emissions at its La Cygne Station that are below the presumptive limits under BART. KCP&L further agreed to use its best efforts to install emission control technologies to reduce those emissions from the La Cygne Station prior to the required compliance date under BART, but in no event later than June 1, 2015.

Q: What emission controls may be required for KCP&L's La Cygne Station to comply with the Regional Haze Rule?

A: As described earlier in my testimony, KCP&L installed an SCR on LaCygne Unit 1 in 2007 as part of the Regulatory Plan. KCP&L anticipates that the Regional Haze Rule will require it to install an SCR on La Cygne Unit 2 to remove NO_X, scrubbers on both Units 1 and 2 to remove SO_2 and to rebuild or upgrade particulate matter removal equipment on both Units 1 and 2.

Q: Please describe your proposed ECR rider.

A: With these significant potential environmental investments in mind, the proposed ECR rider is designed to recover the prudently incurred costs of environmental improvements, including a return on the capital deployed, a return of the capital (depreciation), related operation and maintenance expenditures directly tied to the environmental improvement, and income taxes. Recovery of the environmental charge will be spread among all rate schedules based on a kWh charge for all retail sales. The Company's proposal is discussed in more detail in the Direct Testimony of Company witness Tim Rush.

ABBREVIATED RATE CASE

Q: Does KCP&L seek Commission approval to file an abbreviated rate case following this case pursuant to K.A.R. 82-1-231(b)(3)?

A: Yes, it does. As provided in K.A.R. 82-1-231(b)(3), KCP&L seeks to file an abbreviated rate case. Consistent with the requirements of the statute, KCP&L will file that case within 12 months of the Commission's Order issued in this case.

Q: What is to be included in the abbreviated case?

A: As noted earlier in my testimony, the parties to the Joint Report agreed to use the budgeted cost numbers for Iatan Unit 2 in this case with a true-up process using an abbreviated case. According to the Joint Report

> This abbreviated case will address primarily the true-up of Iatan 2 costs from the budgeted amounts used in the 2010 rate case to the actual costs determined at the time of the abbreviated case.
>
> The abbreviated case will not address any additional prudence issues or disallowances, except as otherwise provided for in [the] Report.
>
> (Joint Report, Section III.B)

Q: Do the parties anticipate any other issues will be handled in the abbreviated case?

A: The Joint Report states that "The true-up process for Iatan 1 invoices will occur as a matter of course as part of the 2010 rate case and the anticipated abbreviated case." The Joint Report also notes that the issue of a Transmission Cost Rider would be a good candidate to remove from the 2010 rate case and consider in the abbreviated case.

Q: What is the status of the Joint Report at this time?

A: On the same day the parties filed the Joint Report, we also filed a Joint Motion to Approve Modifications Contained in the September 9, 2009 Report ("Joint Motion"). In that Joint Motion, the parties requested approval of the terms of the Joint Report that differ from the 1025 S&A. That Joint Motion is presently pending before the Commission, although some of the modifications have been addressed by previous Commission orders.

Q: What matters in the Joint Motion are still pending?

A: The requests to:

(1) file the transmission cost rider in the abbreviated case;

(2) approve the proposed procedural schedule outlined for this docket;

(3) modify the termination dates for collection of CIAC (PTPP) and the termination date of the 1025 S&A; and

(4) extend the deadline for SO_2 emissions allowances.

Q: Will rate design be considered in this case or in the abbreviated case?

A: The parties to the Joint Report have been discussing this issue since July 2009. While discussions continue, there has been no agreement as yet on this issue. KCP&L includes in this filing a rate design recommendation for equal application of the rate increase across all classes and rate components. Company witness Tim Rush discusses this matter in his Direct Testimony.

OTHER REQUESTS

Q: Does the Company request Commission authorization on any additional matters?

A: Yes, KCP&L requests Commission authorization on the following items:

- KCP&L requests that it be allowed rate recovery for contributions made to the pension trust in excess of the Financial Accounting Standard No. 87 expense for the following reasons: (i) reduction in Pension Benefit Guarantee Corporation variable premiums; (ii) avoidance of pension benefit restrictions under the Pension Protection Act of 2006 ("PPA") that would cause an inability of the Company to pay pension benefits to recipients according to the normal provisions of the plan; and (iii) avoidance of at-risk status under the PPA that would result in acceleration of minimum contributions. Company witness John Weisensee discusses this matter in more detail in his Direct Testimony.
- KCP&L requests that the depreciation and amortization rates recommended by Company witness John Spanos in his Direct Testimony, Schedule JJS2010-1, be authorized, including the amortization of unrecovered general plant over ten years. Additionally, KCP&L requests that Commission authorize the plant accounting practice generally referred to as "general plant amortization", discussed in the Direct Testimony of Mr. Spanos and Mr. Weisensee.
- KCP&L requests that the Commission approve the continued use of the following methods to amortize Intangible Plant: (i) Computer software- amortize over five or ten years depending on the nature of the asset; (ii) leasehold improvements- amortize over the remaining lease term; and (iii) rights to use equipment that the Company does not own- depreciate using the depreciation rate the Commission authorizes in this rate proceeding for similar equipment owned by the Company, as recommended by Company witness John Weisensee in his Direct Testimony.

- KCP&L requests that the approach used to spread the cumulative PTPP balance in the depreciation study sponsored by Company witness John Spanos in his Direct Testimony be used to spread the cumulative PTPP balance in the Company's property records system, as recommended by Company witness John Weisensee in his Direct Testimony.
- KCP&L requests that off-system sales margins included in the ECA rider be allocated based on Kansas' allocation of steam production plant as a percentage of total KCP&L steam production plant ("steam production plant allocator"), as recommended by Company witnesses Larry Loos, John Weisensee and Tim Rush in their respective Direct Testimonies. The tariff addressing this modification is filed as part of this case.
- KCP&L requests that FERC account 501400, Fuel Residuals, expense be included in KCP&L's ECA rider beginning with new rates set in this docket, as recommended by Company witness John Weisensee in his Direct Testimony. Prior to 2009 the Company charged this expense to FERC account 502, which is not an account included in the ECA rider.
- KCP&L requests that net SO_2 emission allowance proceeds be amortized back to customers over 22 years, the composite remaining depreciable life of FERC plant account 312, as recommended by Company witness John Weisensee in his Direct Testimony.
- KCP&L requests that the deferred depreciation portion of the Iatan Unit 1 AQCS and Iatan common cost regulatory asset approved in the 246 S&A, be transferred to FERC account 108, Accumulated Depreciation, as a reduction in that balance

and that the carrying cost portion of the regulatory asset be transferred to FERC account 101, Plant in Service, as an increase in that balance, as recommended by Company witness John Weisensee in his Direct Testimony. Alternatively, in the event the Commission does not grant this request, we ask that the amortization period for the regulatory asset be set at the remaining depreciable life of Iatan Unit 1, FERC plant account 312, or 27 years, also as discussed by Mr. Weisensee in his Direct Testimony.

- KCP&L requests authority to record a $1,666,357 regulatory liability for a legal fee reimbursement, with the liability to be amortized over three years beginning with the date of new rates in this rate case, as recommended by Company witness John Weisensee in his Direct Testimony.
- KCP&L requests authority to establish a tracking mechanism for Other Post-employment Benefits, as recommended by Company witness John Weisensee in his Direct Testimony.
- KCP&L requests the Commission establish the level of property taxes included in rates in this rate proceeding, as recommended by Company witness John Weisensee in his Direct Testimony.
- KCP&L requests authority to continue the process authorized by the Commission in the 1025 Docket to defer proceeds from future SO_2 allowance sales, including the annual Environmental Protection Agency auction, and to offset the deferred gains with coal premiums of purchase of low sulfur coal, as recommended by Company witness John Weisensee in his Direct Testimony.

- In past Stipulation and Agreements in rate cases under the Regulatory Plan, the Company has requested reaffirmation of the Commission's Order in Docket No. 04-WSEE-605-ACT allowing KCP&L to defer all costs on the balance sheet, for financial reporting purposes, associated with the adoption of Statement of Financial Accounting Standards No. 143 and Financial Accounting Standards Board Interpretation No. 47, including accretion and depreciation expenses and amounts included for cost of removal in depreciation rates. KCP&L requests that the Commission again reaffirm this authorization in the current rate proceeding.
- KCP&L also requests to modify its annual Wolf Creek Nuclear Decommissioning Trust accrual as described in the Direct Testimony of Company witness Gregg Clizer.

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 Kansas City)
Power & Light Company to Modify Its Tariffs to) Docket No. 10-KCPE-___-RTS
Continue the Implementation of Its Regulatory Plan)

AFFIDAVIT OF CURTIS D. BLANC

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Curtis D. Blanc, being first duly sworn on his oath, states:

1. My name is Curtis D. Blanc. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Director – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of thirty (30) 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.

Curtis D. Blanc

Subscribed and sworn before me this 17th day of December, 2009.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200