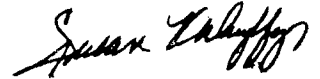


THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

AUG 02 2010



In the Matter of the Application of Kansas )  
City Power & Light Company to Modify Its ) Docket No. 10-KCPE-415-RTS  
Tariffs to Continue the Implementation of Its )  
Regulatory Plan. )

**CURB'S RESPONSE TO KANSAS CITY POWER  
& LIGHT COMPANY'S LIST OF CONTESTED ISSUES**

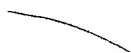
COMES NOW, the Citizens' Utility Ratepayer Board ("CURB"), and files this response to Kansas City Power & Light Company's ("KCPL" or "Company") List of Contested Issues ("KCPL's Issue List"). In support of its response, CURB states as follows:

1. On July 23, 2010, KCPL filed KCPL's Issue List pursuant to the June 10, 2010, Prehearing Officer's Order Granting Joint Motion for Modification of Procedural Schedule. Responses to KCPL's Issue List are required to be filed by August 2, 2010, pursuant to the March 12, 2010 Procedural Order.

2. Paragraph 5 of KCPL's Issue List accurately lists the parties to this proceeding. Since the filing of KCPL's Issue List, the Petition to Intervene filed by Shawnee Mission Unified School District No. 512 was granted by the Commission on July 26, 2010.

3. CURB reserves the right to supplement its list of contested issues, particularly with respect to the material changes to the Company's filed position submitted in rebuttal testimony on July 26, 2010.

4. Except for a few exceptions, KCPL's Issue List accurately represents CURB's positions on contested issues. However, there are a few errors with regard to CURB's



recommendations and a few areas of dispute that were not addressed in KCPL's Issue List. As a result, CURB responds to the Company's List of Contested Issues as necessary below.

#### **I. UNCONTESTED ISSUES NOTED BY KCPL.**

5. In paragraph 7 of KCPL's Issue List, the Company set forth several informal, verbal agreements that have been reached among the parties. It should be noted that the resolution of an issue between Staff and the Company does not necessarily mean the entire issue is no longer in dispute between KCPL and CURB (or even between KCPL and Staff). For example, KCPL lists Staff Adjustment RB-15, Cash Working Capital, as a resolved issue. However, as noted later in KCPL's Issue List, cash working capital is still an issue in dispute, even though a particular adjustment proposed by one of the parties may have been resolved.

6. In addition, CURB has the following revisions to the CURB adjustments shown in paragraph 7 of KCPL's Issue List that the Company indicates have been resolved:

- The Company identified an adjustment of \$857,152 to CURB Schedule ACC-21, Incentive Compensation. CURB believes that the correct reference should be to Schedule ACC-22. In addition, CURB has quantified the impact of this revision as a decrease to operating expense of \$856,985. The small difference between CURB's quantification and the Company's quantification is likely due to rounding in the allocation factors.
- The Company identified a correction to rate case expense, CURB Schedule ACC-34, which it states increases operating expense by \$41,745. The operating expense adjustment shown on Schedule ACC-34 is correct, but the income tax calculation is not. Therefore, CURB

believes that KCPL's presentation of this adjustment should be revised to indicate an increase of \$25,221 (not \$41,745) in income tax expense (not operating expense).

## **II. CURB'S ADDITIONAL UNCONTESTED ISSUES.**

7. While not specifically addressed by KCPL, CURB believes that KCPL and other parties will agree that the interest synchronization adjustment (Schedule ACC-42) and revenue multiplier (Schedule ACC- 44) would be adjusted to reflect the findings of the KCC with regard to rate base, cost of debt, forfeited discount revenue, and uncollectible rates.

## **III. CONTESTED ISSUES NOTED BY KCPL.**

8. Overall Rate Increase. KCPL correctly notes the original filed positions of KCPL, Staff, and CURB on the overall rate increase or decrease in paragraph 9 of KCPL's Issue List. However, as noted in paragraph 7 of KCPL's Issue List, KCPL, Staff, and CURB have modified and continue to modify their filed positions based upon errors and updates to the parties' positions. Because CURB has not finalized its review of the voluminous rebuttal testimony filed by KCPL on July 26, 2010, CURB's final position on the overall revenue requirement reflecting those errors and updates will be provided to the Commission at the hearing.

9. ROE adder. While KCPL lists the ROE adder as a disputed issue in paragraph 11 of KCPL's Issue List, it should be noted that the ROE adder is a new issue, proposed for the first time in the Company's rebuttal testimony. As a result, parties, including CURB, have not had an opportunity to address this issue.

10. Incentive Compensation. In discussing CURB's adjustment (Schedule ACC-22) in paragraph 28 of KCPL's Issue List, the Company refers to a recommended expense decrease of

\$928,621. While this was CURB's filed position, as noted in paragraph 7 of KCPL's Issue List and as discussed above, this adjustment has now been increased by \$856,985, to a total adjustment of \$1,785,606.

11. Rate Design. In paragraph 46 of KCPL's Issue List, KCPL states: "Alternatively, KCP&L offers a rate design option in the testimony of Tim Rush." To be clear, this newly-offered rate design "option" was offered in the rebuttal testimony of Mr. Rush, which effectively denies parties the opportunity to respond to or address the newly-offered rate design option in testimony. CURB submits that parties should be afforded an opportunity to address this newly-offered rate design option with their rate design witnesses on direct examination during the hearing of this matter. CURB intends to file a motion with the Commission to address this issue

#### **IV. CURB'S ADDITIONAL ISSUES.**

12. The Company did not address CURB's adjustments on the issues below in its rebuttal testimony or in KCPL's Issue List, and CURB understands from informal discussions that the Company is not contesting CURB's positions on these issues. CURB is identifying these issues to ensure the Commission is aware these adjustments and issues are being asserted by CURB.

13. Iatan 2 Estimate. The Company included CURB's Iatan 2 prudence adjustment (Schedule ACC-11) in KCPL's Issue List, but it did not address CURB's adjustment relating to Iatan 2 estimated costs, which is shown in Schedule ACC-10. In that schedule, CURB made an adjustment to reduce Iatan 2 plant in service by \$657,183. This adjustment reflected updated property taxes for Iatan 2 that are being capitalized to plant in service.

14. Accumulated Depreciation. KCPL did not identify accumulated depreciation as a contested issue. However, CURB does recommend an adjustment to reduce accumulated depreciation by \$207,449, as shown in Schedule ACC-12. This adjustment relates to CURB's Iatan 2 plant in service adjustments. CURB understands that the Company agrees there will be an adjustment to reduce accumulated depreciation if there is a prudence disallowance determination by the Commission.

15. FAS 87 Pension Regulatory Asset. The Company did not identify the FAS 87 Pension Regulatory Asset in KCPL's Issue List, although the Company did note in paragraph 35 that "the value of the pension-related regulatory asset and its amortization to cost of service is also impacted" by the Company's updated pension cost claim. CURB's adjustment, which is shown in Schedule ACC-15, increases the Company's regulatory asset by \$1,833,916. As noted, this adjustment relates to KCPL's updated pension cost claim.

16. Forfeited Discount Revenue. KCPL did not identify forfeited discount revenue in KCPL's Issue List. As shown on Schedule ACC-19, CURB made an adjustment to increase forfeited discount revenue by \$104,988. CURB's adjustment is based on excluding June 2009 from its normalization adjustment.

17. Payroll Expense. In discussing payroll expense in paragraph 34 of KCPL's Issue List, the Company did not address CURB's adjustment shown in Schedule ACC-20. This adjustment reduces payroll expense by \$1,084,483 to reflect the elimination of 77 vacant positions.

18. Wolf Creek Refueling Outage. In KCPL's Issue List, the Company did not address CURB's adjustment shown in Schedule ACC-30 relating to Wolf Creek refueling outage costs. This

adjustment reduces expense by \$162,135 and reflects updated actual data from the most recent refueling outage.

19. Lobbying Expense. In KCPL's Issue List, the Company did not address CURB's adjustment shown in Schedule ACC-37 relating to lobbying. This adjustment reduces expense by \$8,327. The Company had indicated in discovery that these costs were inadvertently included in its claim.

20. Interest on Customer Deposits. KCPL's Issue List did not address CURB's adjustment shown in Schedule ACC-38 relating to interest on customer deposits. This adjustment reduces expense by \$10,220 and reflects the most recent interest rate approved by the KCC.


21. Depreciation Expense. In discussing depreciation expense in paragraph 54 of KCPL's Issue List, the Company did not discuss CURB's adjustment (Schedule ACC-41), which reduces the Company's depreciation expense by \$1,244,696. This adjustment is based on CURB's recommended plant in service adjustments. CURB understands that the Company agrees there will be an adjustment to reduce depreciation expense if there is a prudence disallowance determination by the Commission. KCPL's Issue List also fails to note that while CURB did not sponsor a depreciation witness, CURB contests the reduction the Company proposes (\$12.2 million) as insufficient. CURB supports the additional reduction proposed by Staff (\$13.6 million), which CURB believes is conservative and perhaps even understated.

22. CURB notes that all traditional ratemaking principles, including but not limited to the applicant's burden of proof, substantial competent evidence, adjustments for known and measurable changes, etc., remain at issue in this docket.

**IV. CONCLUSION**

23. WHEREFORE, CURB respectfully requests that the Commission accept the above response to KCPL's Issue List and for such other relief as the Commission may deem just and appropriate.

Respectfully submitted,

  
\_\_\_\_\_  
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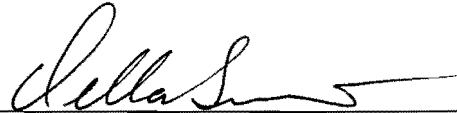
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