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Kansas Corporation Commission
/S/ Patrice Petersen-Klein

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

Received
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by
State Corporation Commission
of Kansas

DIRECT TESTIMONY OF

MELISSA K. HARDESTY

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

**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

I. INTRODUCTION AND OVERVIEW

Q: Please state your name and business address.

A: My name is Melissa K. Hardesty. 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 of Taxes.

Q: What are your responsibilities?

A: My responsibilities include management of KCP&L's taxes, including income, property, sales and use, and transactional taxes.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain the income tax related accounting adjustments—adjustment RB-125 related to Accumulated Deferred Income Taxes, and adjustment CS-125 related to income tax expense. These two adjustments are included in the Direct Testimony of Company witness Mr. John P. Weisensee in Schedules JPW-2 and JPW-4, respectively.

Q: Before you begin, please provide the Commission with some background on your education, experience, and employment history.

A: I graduated from the University of Kansas in 1996 with a Bachelor of Science in Accounting. I am a Certified Public Accountant with a permit to practice in the State of Kansas. After completion of my degree, I worked at the public accounting firm Marks, Stallings & Campbell, P.A. as a staff accountant from 1996 to 1999. In 1999, I went to work for Sprint Corporation as a Tax Specialist in the company's federal income tax department. I held various positions at Sprint from 1999 to 2006. When I left Sprint to join KCP&L in December 2006, I was Manager of Income Taxes for Sprint's Wireless Division. I joined KCP&L as the Director of Taxes and was subsequently promoted to my current position of Senior Director of Taxes for KCP&L in May of 2009.

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

A: No, I have not testified before the KCC. However, I have testified a number of times before the Missouri Public Service Commission.

II. ADJUSTMENT RB-125 – ACCUMULATED DEFERRED INCOME TAXES

Q: Please explain adjustment RB-125.

A: Deferred income taxes represent the tax on timing differences for deductions and income reported on KCP&L's income tax returns compared to what is reported for book purposes. Accumulated Deferred Income Taxes ("ADIT") represents the accumulated balance of those income tax timing differences at a point in time. KCP&L used calendar year 2011 as the test year in this case. Adjustment RB-125 adjusts the test year end December 31, 2011 ADIT to appropriately account for certain rate base items as I will explain in more detail later in my testimony.

Q: Why does ADIT affect rate base?

A: ADIT liabilities such as accelerated depreciation are considered a cost-free source of financing for ratemaking purposes. Ratepayers should not be required to provide for a return on plant in service that has been funded by the government in the form of reduced (albeit temporarily) taxes. As a result, ADIT liabilities are reflected as a rate base offset (reduction in rate base). Conversely, ADIT assets such as the timing difference related to SO_2 allowance proceeds and net operating losses increase rate base. KCP&L has paid taxes to the government in advance of the time when such taxes are included in cost of service and are collected from ratepayers. To the extent taxes are paid, KCP&L must borrow money and/or use shareholder funds. The increase to rate base for deferred income tax assets allows shareholders to earn a return on shareholder provided funds until recovered from ratepayers through ratemaking.

Q: What are the ADIT adjustments to KCP&L's rate base?

A: Schedule MKH-1 itemizes ADIT and the RB-125 ADIT adjustments related to items included in KCP&L's rate base. This schedule reflects the deferred tax liabilities relating to depreciation and other expenses deducted for the tax return in excess of book deductions (including bonus depreciation), resulting in a rate base decrease. Schedule MKH-1 also reflects deferred tax assets that serve to increase rate base. The most significant of the deferred tax assets is net operating losses. For tax purposes, the deductions for accelerated depreciation (including 100% bonus depreciation) created a net operating loss for KCP&L in 2011. Under Internal Revenue Service ("IRS") normalization rules, deferred tax liabilities that have not been used to reduce the tax liability of the company should not be included as a rate base reduction. The inclusion of the deferred tax assets related to net operating losses created by accelerated depreciation deductions partially offsets the deferred tax liabilities for accelerated depreciation in order to reflect the proper amount of deferred taxes in rate base for the Company.

Q: What time period was used for ADIT in this case?

A: ADIT is based on December 31, 2011 general ledger balances, with the plant-related ADIT balances adjusted for projected plant activity through June 30, 2012.

III. ADJUSTMENT CS-125 – INCOME TAX EXPENSE

Q: Please explain adjustment CS-125.

A: The test period income tax expense reflects various adjustments to test year taxable income. The adjusted income tax calculation is shown on Schedule MKH-2. The income tax adjustment includes current income taxes, deferred income taxes and the amortization of investment tax credits and certain other amortizations.

Q: Please explain the current income tax component in cost of service as calculated in Schedule MKH-2.

A: Jurisdictional operations and maintenance deductions and other adjustments are applied against jurisdictional revenues to derive net jurisdictional taxable income, which is then used to compute the jurisdictional current income tax expense component (current provision) for cost of service. For book purposes, these adjustments are the result of book versus tax differences and their implementation under normalization or flow-through tax methods. Each adjustment is either added to or subtracted from net income to derive net taxable income for ratemaking. For Schedule MKH-2, however, a simplified methodology is used which eliminates the need to specifically identify all book and tax differences. Most significantly, all basis differences between the book basis and tax basis of assets are ignored in the current tax provision. The reversal of deferred income taxes resulting from prior basis differences is considered in the deferred tax section of this schedule and is discussed below.

Accelerated tax depreciation is used in the currently payable calculation based on the tax basis of projected Plant in Service as identified in adjustment RB-20 (discussed by Mr. Weisensee in his testimony). The difference between the accelerated depreciation deduction for tax depreciation on tax basis assets and the depreciation deduction calculated on a straight-line basis generates offsetting deferred income tax. The resulting income tax expense, considering both the current and deferred income tax components, reflects a level of total income taxes as if the depreciation deduction to arrive at taxable income was based solely on depreciation of projected tax basis assets calculated on a straight-line basis. This modified approach normalizes depreciation relating to the method differences (*e.g.*, accelerated versus straight-line) and life differences. The Company and the KCC Staff have used this modified approach in previous rate cases.

Q: Please describe the adjustments to derive net taxable income for ratemaking.

A: The following are the primary adjustments to derive net taxable income for ratemaking purposes:

- Book depreciation and amortization expense (adjustments CS-120 and CS-121, respectively, discussed in the testimony of Mr. Weisensee) have been excluded from the deductions listed on Schedule MKH-2. As previously discussed, accelerated tax depreciation on both projected depreciable plant and projected amortizable plant is subtracted to derive taxable income.
- The deduction for nuclear fuel amortization is treated consistently with the treatment of depreciation and amortization on plant in service.
- The Manufacturer's Deduction amount is deducted from net income in deriving taxable income. This special deduction is allowable under Internal Revenue Code ("IRC") Section 199. The deduction is based upon taxable income derived from the production of electricity. For 2011 and 2012, the deduction was 9 percent of electricity production taxable income. The deduction has not been adjusted to conform to Kansas jurisdictional taxable income. This deduction is not an expense for book purposes; therefore, no deferred income taxes are created. The amount of the projected deduction on Schedule MKH-2 is based upon the amount deducted under IRC Section 199 for the 2010 federal income tax return. Bonus depreciation legislation has significantly lowered the electricity production taxable income for 2010, 2011 and 2012. Therefore, the Company does not

expect to have electricity production taxable income or an IRC Section 199 deduction for 2010, 2011, or 2012.

- A portion of Meals and Entertainment expense is added back in deriving net taxable income, since a portion of certain meals and entertainment expense is not tax deductible. This adjustment increases taxable income and ultimately increases the current income tax provision. The amount by which taxable income was increased is equal to the amount for the 2010 federal income tax return.
- Interest expense is subtracted to derive net taxable income. It is calculated by multiplying the adjusted rate base by the weighted average cost of debt as proposed in this proceeding. This is referred to as "interest synchronization" because this calculation ensures that the interest expense deducted for deriving current taxable income equals the interest expense provided for in rates.

Q: Once the deductions and adjustments have been applied to net income to derive taxable income for ratemaking, what further deductions from taxable income are applied before calculating the two components of current income tax expense, federal current income tax expense and Kansas state current income tax expense?

A: Before calculating federal income taxes, Kansas state income taxes are deducted. No further adjustments are required before calculating Kansas state income taxes.

Q: How are the current income tax components for federal and state calculated?

A: The current provision calculation utilizes a 35 percent federal tax rate and a 7 percent Kansas state rate, each applied independently to the appropriate level of taxable income as discussed above. The federal and state income tax rates are used to compute the composite tax rate of 39.55 percent which is used to calculate deferred income taxes, discussed below. The composite tax rate reflects the federal benefit relating to deductible Kansas state income tax.

Q: Is the current tax expense determined by multiplying current taxable income by the income tax rate further reduced by tax credits?

A: Yes, the wind production tax credit and research and development ("R&D") tax credits reduce current income tax due.

Q: Please explain the wind production tax credit on Schedule MKH-2.

A: IRC Section 45 allows for a federal tax credit based upon the amount of electricity produced by a qualifying wind generating facility. The credit is allowed for 10 years after the facility is placed in service. The adjustment shown on this schedule as a direct reduction of federal currently payable income tax expense reflects the estimated production tax credits for KCP&L's wind generation facilities for the twelve months ended June 30, 2012. This adjustment uses the presently allowable $22 per megawatt-hour of generation multiplied by the annualized amount of estimated megawatt hours of wind generation to determine the amount of credit.

Q: Please explain the R&D tax credit on Schedule MKH-2.

A: IRC Section 41 allows for a federal tax credit based on the amount of qualified research expense incurred. The adjustment shown on this schedule as a direct reduction of federal currently payable income tax expense reflects the R&D tax credit per the 2010 federal tax return. Current tax law allows R&D tax credits only through the 2011 tax year. However, Congress has a history of extending the period for the credit during years that the credit has expired and providing a retroactive effective date for the extension to the beginning of the tax year. At this time, the Company expects the credit to be reinstated for the 2012 tax year.

Q: Please explain the deferred income tax component in cost of service as calculated in Schedule MKH-2.

A: The deferred income tax component in cost of service is primarily the result of applying the composite income tax rate (39.55%) to the difference between projected accelerated tax depreciation used to compute current income tax, as discussed earlier in this section of the testimony, and projected tax basis straight-line depreciation. Tax basis straight-line depreciation is computed by multiplying tax depreciation by the ratio of the tax basis of depreciable plant to the book basis of depreciable plant.

Deferred income tax expense also includes the reversal of deferred income taxes on basis timing differences over the related assets' jurisdictional book lives. These basis difference adjustments serve to normalize the tax effect of items that generally are deducted for tax purposes and capitalized for book purposes.

The other main deferred tax item is the average rate assumption method of deferred tax amortization ("Excess Deferred Income Taxes"). This adjustment represents the amortization of excess deferred income taxes over the remaining book lives. It reduces the income tax component of cost of service. During the 1980s, the federal tax rate was higher than today's 35 percent rate. Because deferred taxes were provided at the rate in effect when the originating timing differences were generated, the deferred income taxes were provided at a rate higher than the tax rate that is expected to be in existence when the timing differences reverse and the taxes are due to the government. This difference in rates is being amortized into cost of service over the remaining book lives of the assets that generated the timing differences.

Q: Please explain the investment tax credit ("ITC") amortization component in cost of service as calculated in Schedule MKH-2.

A: ITC amortization reduces the income tax component of cost of service. The ITC is amortized ratably over the remaining book lives of the underlying assets.

Q: Will the Excess Deferred Income Taxes and ITC need to be recomputed if the book depreciation rates are adjusted in this case?

A: Yes. IRS normalization rules require the Excess Deferred Income Taxes and ITC to be amortized into cost of service over the remaining book lives of the related assets. Adjusting book depreciation rates will change the book lives of assets. Therefore, the Excess Deferred Income Taxes and ITC will need to be recomputed.

Q: What happens if the Excess Deferred Income Taxes and ITC are not recomputed to be consistent with adjusted book depreciation rates?

A: If the Excess Deferred Income Taxes and ITC are not recomputed, then the Company will have an IRS normalization violation. If the Company has a normalization violation for Excess Deferred Income Taxes, it would lose the ability to use accelerated depreciation on future federal tax returns. If the Company has a normalization violation for ITC, it would be required to repay any unamortized ITC previously used to offset federal tax liabilities to the IRS, lose the ability to use any ITC generated but unutilized on future federal tax returns, and lose the ability to claim ITC on any future investments until the normalization violation is corrected.

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 Make Certain Changes in Its Charges for Electric Service	))))	Docket No.: 12-KCPE- -RTS

AFFIDAVIT OF MELISSA K. HARDESTY

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Melissa K. Hardesty, being first duly sworn on her oath, states:

1. My name is Melissa K. Hardesty. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Director of Taxes.

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 eleven (11) 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.

Melissa Hardesty
Melissa K. Hardesty

Subscribed and sworn before me this 18th day of April, 2012.

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

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Kansas Jurisdiction
TY 12/31/11; known & measurable through 6/30/12

Accumulated Deferred Income Tax Reserves - Schedule 13

LINE NO.	Account No.	Line Description	Test Year	Direct/Update True Up Rate Case Adj	Adjusted Balance	Juris Factor #	Juris Allocator	Juris Adjusted Balance
	A	B	C	D	E	F	G	H
1	190	**ACCT 190 ACCUM DEFERRED TAX**						
2		Misc	(214,947)	(3,592)	(218,539)	PTD	46.1449%	(100,845)
3		Net Operating Loss	(76,353,984)	(2,423,764)	(78,777,748)	PTD	46.1449%	(36,351,882)
4		Vacation & Other Salaries & Wages Alloc	(10,123,523)	2,424,432	(7,699,091)	Sal&Wg	46.0760%	(3,547,436)
5		Advertising			0	100% MO	0.0000%	0
6		Nuclear Fuel			0	E1	42.2004%	0
7		**TOTAL ACCT 190**	(86,692,454)	(2,924)	(86,695,378)			(40,000,163)
8								
9	281	**ACCELERATED AMORTIZATION**	0	0	0	D1	46.3810%	0
10								
11	282	**LIBERALIZED DEPRECIATION**						
12		Method/Life Depreciation - Non Wolf Creek	509,911,997	67,900,735	577,812,732	D1	46.3810%	267,995,323
13		Method/Life Depreciation - Wolf Creek	158,958,117	4,832,042	163,790,159	D1	46.3810%	75,967,514
14		Nuclear Fuel	879,193	(3,048,727)	(2,169,534)	E1	42.2004%	(915,552)
15		Other DIT Adj for Post June 2012 Method/Life		(15,698,300)	(15,698,300)	D1	46.3810%	(7,281,029)
16		Other DIT Adj - KS Only			0	100% KS	100.0000%	0
17		Other DIT Adj - MO Only (Add'l Amort Maintain Credit Ratio)			0	100% MO	0.0000%	0
18		**TOTAL LIBERALIZED DEPRECIATION**	669,749,307	53,985,750	723,735,057			335,766,256
19								
20		**ACCUM DIT ON BASIS DIFFERENCES**						
21		Gross AFUDC - Wolf Creek Construction	20,920,824	(12,629,971)	8,290,853	100% MO	0.0000%	0
22		AFUDC Debt/Cap Int - W/O Fuel & Wolf Creek Constr	(11,219,614)	(1,792,608)	(13,012,222)	D1	46.3810%	(6,035,199)
23		AFUDC Debt - Nuclear Fuel	0	0	0	E1	42.2004%	0
24		Contributions in Aid of Construction	(22,140,890)	1,544,303	(20,596,587)	D1	46.3810%	(9,552,903)
25		Repait Allowance	48,701,489	(2,811,311)	45,890,178	D1	46.3810%	21,284,323
26		Repair Expense - Wolf Creek	22,307,744	1,213,787	23,521,531	D1	46.3810%	10,909,521
27		Repair Expense - Production	97,279,716	16,084,318	113,364,034	D1	46.3810%	52,579,373
28		Pensions Capitalized - Assigned	520,738	(358,049)	162,689	100% KS	100.0000%	162,689
29		Pensions Capitalized - Allocated	0	0	0	D1	46.3810%	0
30		Payroll Tax Capitalized - Assigned	416,528	(271,875)	144,653	100% KS	100.0000%	144,653
31		Payroll Tax Capitalized - Allocated	0	0	0	D1	46.3810%	0

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Kansas Jurisdiction
TY 12/31/11; known & measurable through 6/30/12

Accumulated Deferred Income Tax Reserves - Schedule 13

LINE NO.	Account No.	Line Description	Test Year	Direct/Update True Up Rate Case Adj	Adjusted Balance	Juris Factor #	Juris Allocator	Juris Adjusted Balance
	A	B	C	D	E	F	G	H
32		Prop Tax Capitalized - Assigned - Wolf Creek	0	0	0	100% KS	100.0000%	0
33		Prop Tax Capitalized - Assigned	2,506,773	376,919	2,883,692	100% KS	100.0000%	2,883,692
34		Prop Tax Capitalized - Allocated - Wolf Creek	0	0	0	D1	46.3810%	0
35		Prop Tax Capitalized - Allocated	48,022	(28,762)	19,260	D1	46.3810%	8,933
36		Health & Welfare Capitalized	284,852	(122,713)	162,139	D1	46.3810%	75,202
37		MSC0140 - Strategic Initiative Capitalized	237,248	(237,248)	0	100% MO	0.0000%	0
38		Other Miscellaneous	44,057,546	(382,974)	43,674,572	D1	46.3810%	20,256,703
39		**TOTAL ACCUM DIT ON BASIS DIFFERENCES**	203,920,976	583,816	204,504,792			92,716,988
40								
41		**TOTAL ACCT 282**	873,670,283	54,569,566	928,239,849			428,483,244
42								
43	283	**MISC DEFERRED INCOME TAX (RATEBASE ITEMS)**						
44		Prior Years Depr ADJ & Other Total Plant	(11,302,837)	(188,865)	(11,491,702)	D1	46.3810%	(5,329,966)
45		Refueling Outage & Other items with E1 Allocator	10,366,475	173,219	10,539,694	E1	42.2004%	4,447,793
46		Postretirement Benefits & Other Salaries & Wages	(25,235,406)	12,782,409	(12,452,997)	Sal&Wg	46.0760%	(5,737,848)
47		Customer Demand Prog & Other 100% MO	18,147,983	(18,147,983)	0	100% MO	0.0000%	0
48		Customer Demand Prog & Other 100% KS	3,742,979	62,543	3,805,522	100% KS	100.0000%	3,805,522
49		**TOTAL ACCT 283**	(4,280,806)	(5,318,677)	(9,599,483)			(2,814,499)
50								
51		**TOTAL ACCUMULATED DEFERRED TAXES**	782,697,023	49,247,965	831,944,988			385,668,582

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Kansas Jurisdiction
TY 12/31/11; known & measurable through 6/30/12

Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 8.571% Return
	A				B	C
1	Net Income Before Taxes (Sch 9)	298,597,969				152,467,198
2	***Add to Net Income Before Taxes:***					
3	Depreciation Exp	167,213,746				77,695,499
4	Plant Amortization Exp	14,324,782				6,610,151
5	Book Nuclear Fuel Amortization	21,378,412				9,021,775
6	Transp & Unit Train Depr-Clearing (a)	3,090,041				1,428,111
7	50% Meals & Entertainment	976,481	Sal&Wg	46.0760%		449,924
8	**Total**	206,983,462				95,205,459
9	***Subtract from Net Income Before Taxes:***					
10	Interest Expense	129,384,534				57,471,396
11	IRS Tax Return Depreciation	250,431,623	PTD	46.1449%		115,561,323
12	IRS Tax Return Plant Amortization	4,724,852	PTD	46.1449%		2,180,276
13	IRS Tax Return Nuclear Amortization	17,469,014	E1	42.2004%		7,371,994
14	Cost of Removal Incurred on Pre-81 Property	4,095,509	PTD	46.1449%		1,889,867
15	Cost of Removal Provided for Pre-81 Property	(4,302,159)	PTD	46.1449%		(1,985,225)
16	IRC Section 199 Domestic Production Activities		D1	46.3810%		0
17	**Total**	401,803,373				182,489,631
18	**Net Taxable Income**	103,778,058				65,183,027
19	**Provision for Federal Income Tax:**					
20	Net Taxable Income	103,778,058				65,183,027
21	Deduct State Income Tax @ 100%	7,264,464			7.00%	4,562,812
22	Deduct City Income Tax	0				0
23	Federal Taxable Income	96,513,594				60,620,215
24	Federal Tax Before Tax Credits	33,779,758			35.00%	21,217,075
25	Less Tax Credits:					
26	Wind	(11,977,900)	E1	42.2004%		(5,054,722)
27	Research and Development	(636,171)	E1	42.2004%		(268,467)
28	**Total Federal Tax**	21,165,687				15,893,887
29	**Provision for State Income Tax:**					
30	Net Taxable Income	103,778,058				65,183,027
31	Deduct Federal Income Tax @ 0%	0				0
32	Deduct City Income Tax	0				0
33	State Jurisdictional Taxable Income	103,778,058				65,183,027
34	**Total State Tax**	7,264,464			7.00%	4,562,812
35	**Provision for City Income Tax:**					
36	Net Taxable Income	103,778,058				65,183,027
37	**Total City Tax**	0			0.00%	0
38	**Effective Tax rate before Tax Cr and Earnings Tax**	39.55%				39.55%
39	**Summary of Provision for Income Tax:**					
40	Federal Income Tax	21,165,687				15,893,887
41	State Income Tax	7,264,464				4,562,812
42	City Income Tax	0				0
43	**Total Provision for Income Tax**	28,430,151				20,456,699

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
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Income Tax - Schedule 11

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 8.571% Return
44	**Deferred Income Taxes:**					
45	Deferred Income Taxes - Excess IRS Tax over Tax SL	39,397,502	See Computation Below			17,785,805
46	Amortization of Deferred ITC	(1,155,298)	PTD	46.1449%		(533,111)
47	Amort of Excess Deferred Income Taxes (ARAM)	(433,589)	PTD	46.1449%		(200,079)
48	Amort. of Prior Deferred taxes - Turnaround of Book/Tax Basis Differences	(5,828,011)	PTD	46.1449%		(2,689,328)
49	Amortization of R&D Credits	(194,111)	100% MO	0.0000%		0
50	Amortization of Cost of Removal-ER-2007-0291	354,438	100% MO	0.0000%		0
51	**Total Deferred Income Tax Expense**	32,140,931				14,363,288
52	**Total Income Tax**	60,571,082				34,819,987
53	(a) Percent of vehicle depr clearing to O&M				54.870%	

Interest Expense Proof:

Total Rate Base (Sch. 2)	1,820,789,380
X Wtd Cost of Debt	3.156%
Interest Exp @ 12/31/07	57,471,396
Less: Interest Expense from Line 7	57,471,396
Difference	0

* As Needed

Note 1: If this cell contains a ref# error, delete the cell contents and re-enter the formula.
If (state tax > 0, state tax, 0)

Computation of Line 43 Above:

Line No.	Line Description	Total Company Balance *	Juris Factor #	Juris Allocator *	Tax Rate	(Jurisdictional) Adjusted with 8.571% Return
	Straight Line Tax Depreciation:					
54	Annualized Book Depreciation (Sch 5)	167,213,746				77,695,499
55	Straight Line Tax Ratio	80.63%				80.63%
56	Straight Line Tax Depreciation	134,817,587				62,642,695
	Deferred Income Taxes - Excess IRS Tax over Tax SL:					
57	IRS Tax Return Depreciation	250,431,623				115,561,323
58	Less: Tax Straight Line Depreciation	134,817,587				62,642,695
59	Excess IRS Tax Depr over Tax SL Depr	115,614,036				52,918,628
60	IRS Tax Return Plant Amortization	4,724,852				2,180,276
61	Less: Tax Straight Line Amortization	10,700,526	PTD	46.1449%		4,937,743
62	Excess IRS Tax Amort over Tax SL Amort	(5,975,674)				(2,757,466)
63	IRS Tax Return Nuclear Amortization	17,469,014				7,371,994
64	Less: Tax Straight Line Nuclear Amort	25,831,034	E1	42.2004%		10,900,800
65	Excess IRS Tax Nuclear Amort over Tax SL Nuclear Amort	(8,362,020)				(3,528,806)
	Other Plant Related Depr/Amortiz:					
66	Tax Basis SL Depr - Unrecovered Reserve- MO		100% MO	0.0000%		0
67	Tax Basis SL Depr - Unrecovered Reserve - KS	1,661,925	100% KS	100.0000%		1,661,925
68	Amortiz Catalyst and Dust Collection Bags		PTD	46.1449%		0
69	Excess Tax Depr/Amort over Tax SL	(1,661,925)				(1,661,925)
70	Total Timing Differences	99,614,417				44,970,431
71	Effective Tax rate	39.55%				39.55%
72	**Deferred Income Taxes - Excess IRS Tax over Tax SL**	39,397,502				17,785,805