

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

REBUTTAL TESTIMONY OF

JOHN P. WEISENSEE

**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. 07-KCPE-905-RTS

1 **Q:** **Are you the same John P. Weisensee who submitted direct testimony in this**
2 **proceeding?**

3 **A:** Yes, I am.

4 **Q:** **What is the purpose of your rebuttal testimony?**

5 I rebut various Kansas Corporation Commission (“KCC”) Staff and the Citizens’
6 Utility Ratemaking Board (“CURB”) witnesses on the following issues:

- 7 Accumulated Depreciation;
- 8 Accumulated Deferred Income Taxes (“ADIT”);
- 9 Pension Regulatory Asset;
- 10 Sulfur Dioxide (“SO₂”) Emission Allowance Expense;
- 11 Rate Case Expense;
- 12 Demand Side Management (“DSM”) Amortization Expense;
- 13 Talent Assessment Expense;
- 14 Credit and Debit Card Expense;
- 15 Medical Expense;
- 16 Accounts Receivable Expense;
- 17 Montrose Surface Transportation Board (“STB”) Expense;
- 18 Department of Energy (“DOE”) Refund;
- 19 Taxes Other than Income Taxes;
- 20 Interest Synchronization;

1 Payroll Capitalization Rates; and
2 Miscellaneous Disallowed Expenses.

3 In addition, I provide a schedule documenting various mechanical errors in Staff's
4 and CURB's filed cases.

5 All amounts included in this testimony are Kansas jurisdictional, unless otherwise
6 noted.

7 **Accumulated Depreciation**

8 **Q: Do you agree with Staff's Accumulated Depreciation adjustment (RB-5)?**

9 A: No, I do not. Mr. Rohrer did not calculate the adjustment correctly for the intangible
10 plant. He calculated amortization on this plant by multiplying the December 31, 2006
11 gross plant balance by the approved amortization rate. However, the proper
12 calculation for intangible plant is to divide the unamortized plant balance by the
13 remaining life. This approach is necessary because a significant portion of the
14 intangible plant balance is fully amortized.

15 **Q: Is your recommended approach consistent with the Company's amortization
16 calculations within its property records system?**

17 A: Yes, it is.

18 **Q: What is the impact of this incorrect calculation of intangible plant amortization?**

19 A: Mr. Rohrer's RB-5 adjustment is overstated by \$2,386,851.

20 **Q: Is there any other adjustment that should be made?**

21 A: Yes. As shown in Mr. Rohrer's workpaper GDR-7A (page 6 of 18), Intangible plant
22 in service with a five-year life will increase by \$7,681,481 (total Company) between
23 December 31, 2006 and September 31, 2007. Although the Company's case included
24 the increase to plant in service, neither the intangible plant amortization expense nor

1 the impact on the Accumulated Reserve for Depreciation was considered in the
2 Company's Revenue Requirement Model. Annualized amortization expense would
3 increase \$1,536,296 (total Company) while the Accumulated Depreciation at
4 September 30, 2007 would increase by \$640,123 (total Company), using the
5 workpaper's assumption that the \$7,681,487 would be added ratably over the nine-
6 month period. Mr. Rohrer's Accumulated Reserve adjustment, as corrected in the
7 earlier paragraph adjusts for the Accumulated Reserve impact of these intangible
8 plant additions, but the annualized amortization expense must be increased for
9 consistency.

10 **ADIT**

11 **Q: Do you agree with Staff's ADIT adjustment (RB-4)?**

12 A: Staff's adjustment has several components. Two of the components that I have a
13 concern about relate to the DSM regulatory asset and the SO₂ Emission Allowances
14 regulatory liability.

15 **Q: What is your concern in regard to the DSM component?**

16 A: Staff removed the \$1,876,635 ADIT balance related to the DSM regulatory asset to
17 be consistent with its adjustment RB-3 to remove the regulatory asset from rate base.
18 Company witness Chris Giles discusses the removal of the regulatory asset from rate
19 base in his rebuttal testimony. If the Commission should find in favor of the
20 Company on this issue and determine that these costs should be included in rate base,
21 then Mr. Rohrer's RB-4 adjustment to remove the ADIT balance on the DSM
22 regulatory asset would no longer be appropriate.

1 **Q: Since CURB also proposed an adjustment to remove the DSM regulatory asset**
2 **from rate base (ACC-16), has CURB correspondingly proposed an adjustment**
3 **to remove the associated ADIT balances?**

4 A: No, they have not.

5 **Q: Should CURB adjust the ADIT balances if the associated DSM regulatory asset**
6 **is ordered removed from rate base?**

7 A: Yes, it would be appropriate to make such an adjustment, consistent with Staff's
8 approach.

9 **Q: What is your concern with regard to the regulatory liability associated with SO₂**
10 **Emission Allowances?**

11 A: As discussed below in the SO₂ Emission Allowances section of this testimony, Staff
12 incorrectly calculated the May 31, 2007 SO₂ Emission Allowances balance. As a
13 result, the associated ADIT balance is misstated.

14 **Q: What revision to Staffs' RB-4 adjustment is necessary to correct for this**
15 **misstatement?**

16 A: Staff's RB-4 adjustment must be reduced by \$245,506 (39.78% of the \$617,159 SO₂
17 Emission Allowances misstatement discussed below).

18 **Pension Regulatory Asset**

19 **Q: Do you agree with the Staff's Pension Regulatory Asset adjustment (RB-6)?**

20 A: I found one relatively minor error in the calculation. Staff witness Karen Hull
21 incorrectly included an amortization of the 2007 piece of the regulatory asset. This
22 amortization will not begin until 2008 and should not have been considered in
23 estimating the September 30, 2007 regulatory asset balance.

1 **Q: Please quantify the effect of this error.**

2 A: Because the 2007 piece was negative, Ms. Hull increased the regulatory asset by
3 \$127,665 too much.

4 **SO₂ Emission Allowances**

5 **Q: Do you agree with Staff's SO₂ Emission Allowances adjustment (RB-2)?**

6 A: No, I do not. The May 31, 2007 balance that Mr. Grady used in his calculation is
7 incorrect. He forgot to include the SO₂ coal premiums deferred component of this
8 regulatory liability, as authorized by the Commission in the Order Approving
9 Stipulation and Agreement in Docket No. 04-KCPE-1025-GIE ("2004 Stipulation").

10 **Q: What is the May 31, 2007 amount of the SO₂ coal premiums that Mr. Grady did
11 not include in his calculation of the regulatory liability?**

12 A: The pre-2007 cumulative amount at May 31, 2007 was \$1,454,000 (\$617,159 Kansas
13 jurisdictional.) Per the 2004 Stipulation, Kansas jurisdictional premiums on low
14 sulfur coal incurred during the 2007 transaction year are being charged to fuel
15 expense and not the regulatory liability. However, per the Order Approving
16 Stipulation and Agreement in Docket No. 06-KCPE-828-RTS, the Company will
17 once again charge the premiums against the regulatory liability beginning January 1,
18 2008.

19 **Q: What would be the effect of Staff including the May 31, 2007 cumulative SO₂
20 coal premiums in determining the regulatory liability?**

21 A: The regulatory liability would be reduced by a like amount.

22 **Rate Case Expense**

23 **Q: Do you agree with Staff's Rate Case expense adjustments (IS-25 and IS-26)?**

1 A: No, I do not. I have three issues I would like to discuss with regard to these rate case
2 adjustments. The first issue is not so much a concern with Ms. Bowman's adjustment
3 but rather a reiteration of a point Ms. Bowman made in her testimony. Her
4 calculation included a \$100,000 estimate for rate case expenses from July 14-
5 September 30, 2007, resulting in a total cost for this rate case of \$457,852. The
6 Company currently estimates the total cost at \$800,000, a 40% reduction in costs
7 from the 2006 rate case. Ms. Bowman has correctly stated in her testimony that
8 "Staff will work with KCPL to determine the final amount of rate case expense before
9 the issuance of a final order" (in this rate case).

10 **Q: Please address your second issue with regard to Staff's rate case expense**
11 **adjustments.**

12 A: Ms. Bowman used a 4-year amortization period to determine rate case expense
13 amortization for the current rate case (Adj-26). Given that KCPL has a mandatory
14 rate case in 2009, two years from now, it would appear appropriate to use a 2-year
15 amortization. The current rate case costs would then be fully amortized as
16 amortization of the 2009 rate case expenses begins.

17 **Q: Please quantify the effect of these first two issues.**

18 A: Assuming the 2007 rate case expense costs are \$800,000, as projected by the
19 Company, the effect is that Staff's rate case adjustment IS-26 is overstated by
20 \$285,537. Assuming the 2007 rate case expense costs are \$457,852, as projected by
21 Staff, the overstatement is \$114,463.

22 **Q: Please address your third issue concerning Staff's rate case expense adjustments.**

1 A: Ms. Bowman incorrectly included all regulatory expenses in her adjustment IS-26,
2 including \$887,237 of costs completely unrelated to incremental rate case expenses.
3 These costs include internal payroll costs and incremental costs related to other
4 dockets and cases.

5 **Q: Please quantify the effect of using costs unrelated to incremental rate case**
6 **expenses in the determination of the rate case expense amortization.**

7 A: Ms. Bowman's adjustment IS-26 was overstated by \$887,237. Based on her estimate
8 of 2007 incremental rate case costs and using her 4-year amortization period, her
9 adjustment should have been for \$232,507 (\$346,970 KCPL amortization vs.
10 \$114,463 Staff amortization.)

11 **Q: Please quantify the total effect of the three issues you have addressed.**

12 A: Given the Company's \$800,000 estimate of 2007 rate case expenses, the Staff's
13 adjustment is overstated by \$1,172,774. Given the Staff's \$457,852 estimate of 2007
14 rate case expenses, the overstatement is \$1,001,700.

15 **DSM Amortization Expense**

16 **Q: Do you agree with CURB's DSM amortization adjustments (ACC-25)?**

17 A: No, I do not. I have two concerns. First, Ms. Crane did not consider 2007 DSM costs
18 in her adjustment. CURB generally considered costs updated through May or June
19 2007 for their other adjustments, and they should have for the DSM adjustment also.
20 The Company incurred \$909,180 of DSM costs from January 1-June 30, 2007.

21 **Q: Please quantify the effect of not considering an update of these costs?**

22 A: CURB's DSM adjustment would have been reduced by \$90,918 (ten-year
23 amortization).

1 **Q: Please discuss your second concern.**

2 A: I have a concern with Ms. Crane's adjustment for internal labor costs. Ms. Crane is
3 under the mistaken impression that the Company is double counting for its DSM
4 labor costs, by including these costs in its payroll annualization and again in its DSM
5 amortization.

6 **Q: Are the payroll costs for employees engaged in the DSM programs also included**
7 **in the Company's payroll annualization adjustment?**

8 A: No, they are not. The Company allocates its payroll annualization adjustment to its
9 various operations and maintenance ("O&M") accounts and balance sheet accounts in
10 the same proportion as its actual test year payroll charges. To the extent payroll
11 charges were incurred during the test year for DSM programs and charged or
12 transferred to the DSM regulatory asset balance sheet account, a portion of
13 annualized payroll is allocated to this balance sheet account. Therefore, DSM payroll
14 is not included in the Company's annualized O&M payroll adjustment/expense.

15 **Q: Please quantify the effect of this second concern.**

16 A: Ms. Crane overstated the adjustment by \$20,985.

17 **Q: Please quantify the effect of the two concerns.**

18 A: In total Ms. Crane has overstated her adjustment by \$111,903.

19 **Talent Assessment Expense**

20 **Q: Do you agree with CURB's Talent Assessment adjustment (ACC-21)?**

21 A: No, I do not. Company witness Lora Cheatum discusses her concern with the
22 disallowance of the amortization in her rebuttal testimony. I will address another
23 matter. Ms. Crane did not adjust her disallowance of the Company's Talent

1 Assessment amortization for the Company's error in the outplacement cost
2 component of this amortization. Staff witness Justin Grady notes in his footnote to
3 his Exhibit JTG-9 that the Company's adjustment to remove outplacement costs from
4 cost of service was included twice in KCPL's application, once in the Company's
5 Talent Assessment adjustment (Adj-20(c) and once in the Company's Other Benefit
6 Expense adjustment (Adj 45). Ms. Crane was probably unaware of this error but her
7 proposed adjustment must be revised to account for it.

8 **Q: Please quantify the effect of this error in Ms. Crane's adjustment.**

9 A: Ms. Crane overstated her adjustment by \$236,365, the Kansas jurisdictional amount
10 of the \$526,543 outplacement adjustment shown on Mr. Grady's Exhibit.

11 **Credit and Debit Card Expense**

12 **Q: Do you agree with Staff's Credit and Debit Card Expense adjustment (IS-7)?**

13 A: No, I do not. Mr. Grady included only expenses paid to one vendor in his
14 annualization adjustment, and did not include the expenses paid to a second vendor.

15 **Q: What is the amount of the piece that Mr. Grady did not take into consideration?**

16 A: The annualized expenses paid to this second vendor, based on the same June 2007
17 month that Mr. Grady used in his adjustment, is \$63,295.

18 **Q: Please summarize the effect of this error.**

19 A: Mr. Grady overstated his adjustment by \$29,323, the Kansas jurisdictional allocation
20 of the \$63,295 expenses paid to this second vendor.

21 **Medical Expense**

22 **Q: Do you have any concerns with Staff's adjustment IS-10 and CURB's**
23 **adjustment ACC-22?**

1 A: Yes, I do. Both Staff and CURB accepted updated medical expenses as of May,
2 2007, but would not consider expenses beyond that point, as they maintain the
3 Company's medical costs subsequent to May, 2007 are not known and measurable.
4 Company witness Paul Van Dyne explains in his rebuttal testimony why these costs
5 are known and measurable. Therefore, the Company believes that the medical
6 expense component of Mr. Grady's adjustment and all of Ms. Crane's adjustment
7 should be disallowed.

8 **Q: Please quantify the effects of disallowing these adjustments.**

9 A: Mr. Grady's adjustment would be reduced by \$234,060. Ms. Crane's adjustment of
10 \$500,269 would be entirely eliminated.

11 **Q: If both Staff and CURB updated through May 2007, why would the Staff effect
12 not be the same as that of CURB?**

13 A: The effects would be the same except that Mr. Grady did not use the correct
14 Company amount in his calculation. He used \$16,536,858, whereas Ms. Crane used
15 the correct amount of \$17,376,990.

16 **Accounts Receivable Expense**

17 **Q: Do you agree with Staff's Accounts Receivable Expense adjustment (IS-18)?**

18 A: No, I do not. Staff witness George Rohrer states in his testimony that KCPL's
19 adjustment in its filed case is based on estimates that are not known and measurable.
20 However, actual expenses are known as of June 30, 2007, and Staff utilized actual
21 mid-year 2007 results in many of its other adjustments.

22 **Q: What is the amount of June 30, 2007 year-to-date Accounts Receivable
23 expenses?**

1 A: Year-to-date 2007 Accounts Receivable expenses as of June 30, 2007 were
2 \$1,985,764.

3 **Q: If these year-to-date 2007 expenses were annualized, what effect would this have**
4 **on Staff's adjustment?**

5 A: Staff's adjustment would decrease by \$44,371.

6 **Montrose STB Expense**

7 **Q: Do you agree with Staff's STB adjustment (IS-17)?**

8 A: No, I do not. In accordance with the Stipulation & Agreement in the 2006 rate case
9 the Company transferred its 2005 and 2006 STB expenses to a Regulatory Asset in
10 December 2006. However, the transfer of the 2005 expenses (\$462,743 total
11 Company) resulted in a \$462,743 credit for the STB expense account in 2006, since
12 the debits (charges) to the account occurred in 2005. In determining its revenue
13 requirements in the current rate case, the Company appropriately reversed the effect
14 of the transfer of the 2005 charges so as not to end up with a credit in the STB
15 expense account. In preparing its adjustments in this case the Staff reversed the
16 Company's reversal, thereby resulting in a \$462,743 credit balance in the STB
17 expense account.

18 **Q: Please quantify the effect of this error.**

19 A: Staff's adjustment is overstated by \$196,414, the Kansas jurisdictional allocation of
20 the \$462,743 misstatement.

21 **Q: Do you have any other concerns regarding the STB costs?**

22 A: Yes, I do. Both Staff and CURB did not consider 2007 STB costs in their
23 adjustments (IS-17 and ACC-26, respectively). Both Staff and CURB generally

1 considered costs updated through May or June 2007 for their other adjustments, and
2 they should have for the STB adjustment also.

3 **Q: Please quantify the effect of not considering an update of these costs?**

4 A: Both Staff's and CURB's adjustments would have been reduced by \$14,868 if 2007
5 STB costs through June 30, 2007 were considered.

6 **DOE Refund**

7 **Q: Do you agree with Staff's DOE refund adjustment (IS-29)?**

8 A: No, I do not. Company witness Chris Giles discusses his concern with the
9 amortization of this refund in his rebuttal testimony. I will address another matter.
10 Staff witness Laura Bowman accurately discussed the nature of this refund in her
11 testimony. As she points out, the refund was received in 2006 for overcharges in
12 prior years. Similar to the STB item discussed above, the Company had to adjust out
13 this credit when determining its revenue requirements in the current case, or its
14 expense in this account would have reflected a negative (credit) balance.
15 Ms. Bowman, in making her adjustment, reversed the Company's reversal, thereby
16 resulting in a credit balance in this expense account and an inappropriate
17 "normalized" expense level. If Ms. Bowman's intent was to amortize the refund over
18 three years, she should first have accepted the KCPL adjustment to restore the test
19 year to its proper amount before receipt of the refund, and then amortized the Kansas
20 jurisdictional portion of the refund over three years ($\$427,150/3 \text{ yrs} \times 42.4456\% =$
21 $\$60,435.$) Instead, she effectively amortized two-thirds of the Kansas jurisdictional
22 portion of the refund instead of one-third.

23 **Q: Please quantify the effect of this error.**

1 A: Staff's adjustment was overstated by \$60,436.

2 **Taxes Other Than Income Taxes**

3 **Q: Do you agree with Staff's Taxes Other Than Income Taxes adjustment (IS-21)?**

4 A: No, I do not. The Company, in its filed case, made a \$1,036,305 (total Company) rate
5 case adjustment to reverse a credit in the capital stock tax expense account test year
6 balance. The Company had accrued a balance in this account over several years
7 related to possible exposure on a capital stock tax issue. In 2006, the Company was
8 informed that its position on this issue prevailed and the Company therefore reversed
9 the accrual, resulting in a credit entry to this account. Similar to the STB and DOE
10 items discussed above, KCPL appropriately reversed the effects of this credit entry in
11 order to reflect a normal level of capital stock tax expense in cost of service. In
12 adjustment IS-21, Mr. Rohrer incorrectly reversed the Company's reversal, thereby
13 resulting in a large credit balance in this account.

14 **Q: Why do you believe Mr. Rohrer made this adjustment?**

15 A: I believe Mr. Rohrer made this adjustment because he was not aware of the reason the
16 Company made its adjustment. An added factor was that the capital stock tax is paid
17 to the state of Missouri and he apparently thought we were adding expense to the case
18 that should have been allocated entirely to Missouri. However, as I discussed above,
19 KCPL was not adding any expense to the case; rather KCPL was simply reversing a
20 credit balance. If the Company had not made its adjustment, Kansas ratepayers
21 would have inappropriately been given a large credit in cost of service.

22 **Q: What revision do you recommend for Staff adjustment IS-21?**

1 A: The entire amount of Staff’s adjustment (\$465,375 Kansas jurisdictional) should be
2 reversed, as the entry is not necessary.

3 **Interest Synchronization**

4 **Q: Do you agree with Staff’s income tax adjustment (IS-34)?**

5 A: No, I do not. Staff adjusted the Company’s long-term debt interest rate in
6 determining its rate of return, as discussed in the rebuttal testimony of Company
7 witness Michael Cline, but did not correspondingly adjust the interest deduction in
8 the income tax provision.

9 **Q: Why is it necessary to adjust the interest deduction in the income tax provision if**
10 **the assumed interest rate in the rate of return calculation is revised?**

11 A: An adjustment is necessary because ratepayers should receive an income tax benefit
12 corresponding to the interest expense the ratepayers are being charged through the
13 rate of return.

14 **Q: What correction to Staff’s IS-34 adjustment is necessary for this item?**

15 A: I do not propose a specific dollar adjustment at this time. Rather, I recommend that
16 when the rate of return issue is settled the interest deduction in the income tax
17 provision should be adjusted or “synchronized” accordingly.

18 **Payroll Capitalization Rates**

19 **Q: What is meant by the term “payroll capitalization rate”?**

20 A: During the course of a test year employees charge their time to various construction
21 and retirement (“capital”), balance sheet and O&M accounts. The percentage of total
22 payroll charged to capital is referred to as the payroll capitalization rate. Separate

1 rates are calculated for the KCPL/Great Plains Energy Services combined payroll and
2 the Company's Wolf Creek payroll.

3 **Q: Why is the payroll capitalization rate important in a rate proceeding?**

4 A: The rate is used to allocate the payroll annualization adjustment between capital and
5 O&M, and also to allocate employee benefit costs. Because of the magnitude of the
6 costs being allocated, a small change in this rate can significantly affect revenue
7 requirements.

8 **Q: Did the Staff and CURB use the correct payroll capitalization rates in their
9 filings?**

10 A: Staff and CURB both used the identical rates that KCPL used in its filing (24.88%
11 and 9.28% for KCPL/GPES and the Company's Wolf Creek payroll, respectively).
12 However, the Company has since determined that the rates were calculated
13 incorrectly and that the correct rates are 24.55% and 7.31%, respectively, when
14 applied to labor amounts including overtime. When applied to amounts such as
15 pensions and benefits that relate solely to straight time labor, the correct rates are
16 23.83% and 7.31%, respectively.

17 **Q: Has the Company quantified the effect of revising the capitalization rates?**

18 A: No, it has not. The rates are used in many rate case adjustments and the Company
19 believes Staff and CURB will need to revise all applicable adjustments to determine
20 the effects.

21 **Q: Are there any other payroll capitalization issues that you would like to address?**

22 A: Yes, there are. Subsequent to KCPL's filing in this case, it determined that the
23 pension regulatory asset amortization was not allocated properly between capital and

1 O&M. Neither Staff nor CURB were aware of this error and therefore made no
2 adjustment to correct the allocation.

3 **Q: What was incorrect about the allocation the Company made?**

4 A: The Company allocated the amortization based on the KCPL/GPES payroll
5 capitalization rate discussed above. However, the pension regulatory asset is
6 determined by considering both KCPL/GPES and the Company's Wolf Creek
7 pension expense. Therefore, the Company should have used a blended payroll
8 capitalization rate, taking into consideration both KCPL/GPES and the Company's
9 Wolf Creek payroll costs.

10 **Q: What payroll capitalization rate would have been more appropriate?**

11 A: The correct blended rate, taking into consideration the revision of the individual
12 KCPL/GPES and Wolf Creek payroll capitalization rates discussed above, is 20.23%.

13 **Q: Has the Company quantified the effect of using the blended rate to amortize the
14 pension regulatory asset amortization?**

15 A: Yes, it has. The pension regulatory asset amortization would increase by \$135,357.

16 **Miscellaneous Disallowed Expenses**

17 **Q: Which Staff and CURB adjustments relate to miscellaneous disallowances?**

18 A: Staff adjustments IS-13, IS-14, IS-16 and IS-23 relate to miscellaneous
19 disallowances. CURB adjustments ACC-37 and ACC-38 relate to miscellaneous
20 disallowances.

21 **Q: Do you agree with Staff adjustment IS-13 and IS-16?**

22 A: No, I do not. Dues and employee recognition provide benefits to customers. For
23 instance, dues paid for economic development could result in an increase in the

1 customer base that fixed costs are spread across, thereby decreasing the cost of
2 service to ratepayers. Such costs also benefit the community. Another example of a
3 cost that was removed from cost of service by Staff is expense to recognize KCPL
4 employees for their safety and service accomplishments. KCPL believes that
5 acknowledging these accomplishments creates an environment that will yield safe and
6 efficient utility service and therefore will benefit KCPL ratepayers. A third cost that
7 was eliminated by Staff is the Dollar-Aide energy credit program. This program
8 actively seeks out donations that are then used to offset energy costs for low income
9 customers. KCPL then matches 50% of the donation with an energy credit.

10 **Q: Do you agree with Staff's Income Statement adjustment IS-14?**

11 A: No, I do not. This adjustment seeks to eliminate expenses incurred for outside
12 services. Outside services are a normal and necessary operational expense to provide
13 utility service. About half of the cost that Staff proposes to eliminate relates to a
14 project that identified cost reductions in KCPL's procurement processes. These cost
15 reductions were incurred in the test year, but the results of the project will positively
16 impact net operating income in future years.

17 **Q: Do you agree with Staff adjustment IS-23 and CURB's adjustment ACC-38?**

18 A: No, I do not. For example, the elimination of Company expenditures that recognize
19 employees for their contribution to KCPL's annual operational accomplishments is
20 inappropriate. These expenditures were the primary component of Staff's
21 adjustment, and were a significant component of CURB's adjustment. KCPL
22 believes that recognition is an effective tool in developing and maintaining an

1 engaged and effective workforce. A workforce that is engaged and effective can
2 provide a level of safe and reliable Tier 1 service that is a direct benefit to ratepayers.

3 **Q: Do you agree with CURB adjustment ACC-37?**

4 A: No, I do not. This cost was incurred to provide leadership training to supervisors and
5 above. While Ms. Crane is correct in stating that the cost could have been much
6 lower if the training were held at a Company facility, the advantage of increased
7 focus/reduced interruption time at an off-site facility would not have been realized.

8 **Q: Please summarize the impact of the inappropriate miscellaneous disallowance
9 adjustments.**

10 A: The Company's recommendation is that all of the costs associated with these
11 disallowance adjustments be allowed in cost of service as costs beneficial to
12 ratepayers.

13 **Mechanical Errors**

14 **Q: Please discuss the mechanical errors you noted in Staff's and CURB's cases.**

15 A: Attached as Schedule JPW-4 is a listing of various mechanical errors in Staff's and
16 CURB's cases, including an estimate of the revenue requirement impacts.

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

18 A: Yes, it does.

Errors in KCC Staff's Case

Witness	Exhibit #	Line #	Explanation	Included in Adj.	Per Schedule	Correct amount	Where correct amount obtained from	Kansas revenue requirement impact if corrected (plus (minus)) (1)
STAFF ERRORS								
Grady	JTG-1A	11	Incorrect construction percentage (error confirmed by Mr. Grady)	IS-1	28.48%	24.88%	Company's Adj 20 workpapers	2,482,012
Grady	JTG-3	5	Incorrect Company adjustment amount (error confirmed by Mr. Grady)	IS-3	\$ 500,000	\$ 50,000	p. 18 of Mr. Grady's testimony	208,691
Grady	p. 31 of Mr. Grady's testimony	14	Mr. Grady added the 401(k) adjustment of \$33,840 on JTG-10A to the Other Benefit adjustment of (\$343,495) on JTG-10, instead of netting the two adjustments	IS-10	\$ 377,335	\$ 309,655	JTG-10 and JTG-10A	67,680
Grady	JTG-7	7	Mr. Grady indicates the calculation is \$5,294 x 12, but that is not how he makes the calculation	IS-7	\$ 58,780	\$ 63,528	JTG-7, line 7	2,200
Grady	JTG-7	8	Mr. Grady indicates the calculation is the number of June transactions annualized (12,576 x 12 months) x \$.10, but that is not how he makes the calculation	IS-7	\$ 4,748	\$ 15,091	JTG-7. lines 5 & 8	(4,792)
Rohrer	GDR-11	2	Account is a 100% Missouri account, not an allocable account	IS-15	\$ (24,864)	\$ -	GDR-11, line 2	24,864
		5	Account is a 100% Kansas account, not an allocable account	IS-16	\$ 22,237	\$ -	GDR-11, line 5	(22,237)
		7	Account is a 100% wholesale account, not an allocable account	IS-17	\$ (18,373)	\$ -	GDR-11, line 7	18,373
		9	Account is a 100% wholesale account, not an allocable account	IS-18	\$ (2,296)	\$ -	GDR-11, line 9	2,296
Staff schedules	B-1	14, column E	Mr. Rohrer entered an amount that does not tie to Applicant's filing	-	\$ 11,122,987	\$ 10,905,382	Company's filing, Section 9, Schedule 4, line 4-279	362,471
								3,141,558
CURB ERRORS								
Crane	ACC-10	1	Amount described as "excluding AFUDC", but the amount includes AFUDC	ACC-10	\$ 166,616,380	\$ 164,033,468	Company's property records system	379,943
Crane	ACC-13	19	Allocation factor is incorrect	ACC-13	45.03%	42.44%	Company's filing, Section 6(i), Schedule 15, page 1	25,410
Crane	ACC-25	2	Incorrect amount used for internal labor costs	ACC-25	187,212	209,847	same reference as Ms. Crane's footnote (B) on Schedule ACC-25	(2,264)
Crane	ACC-26	7	Formula error confirmed by Ms. Crane	ACC-26	\$ 368,572	\$ 225,142	ACC-26, line 7	143,430
								546,519
(1) rate base items assume:								
	rate of return	8.8309%						
	tax gross-up factor	1.6657292						