| Exhibit No.: Issue: Witness: Type of Exhibit: Sponsoring Parties: Case No.: Date Testimony Prepa | Revenue Requirement Greg R. Meyer Surrebuttal Testimony Missouri Energy Consumers Group ER-2018-0146 ared: September 4, 2018 | | |
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| | BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI | | |
| In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service |)) Case No. ER-2018-0145)) | | |
| In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service |))) Case No. ER-2018-0146))) | | |
| Surrebuttal Testimony | y of | | |
| Greg R. Meyer | | | |
| On behalf of | | | |
| Missouri Energy Consum | ners Group | | |
| REDACTED VERSION | | | |
| September 4, 2018 | | | |
| Brubaker & Associates, Inc. | | | |
| Project 10552 | | | |

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service

)

Case No. ER-2018-0145

Case No. ER-2018-0146

STATE OF MISSOURI

SS

COUNTY OF ST. LOUIS

Affidavit of Greg R. Meyer

Greg R. Meyer, being first duly sworn, on his oath states:

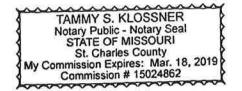
1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Energy Consumers Group in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2018-0146.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

Greg R/Ivleyer

Subscribed and sworn to before me this 4th day of September, 2018.



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Notary Public

BRUBAKER & ASSOCIATES, INC.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

| In the Matter of Kansas City Power & |) |
|---|---|
| Light Company's Request for Authority |) |
| to Implement a General Rate Increase | Case No. ER-2018-0145 |
| for Electric Service |) |
| In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service | /)) Case No. ER-2018-0146)) |

Table of Contents to the Surrebuttal Testimony of Greg R. Meyer

| Crossroads Transmission Costs | 2 |
|-------------------------------|---|
| | |
| KCPL/GMO Rate History | 8 |
| | |
| Lake Road Plant Allocations | 9 |

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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Surrebuttal Testimony of Greg R. Meyer

| 1 Q | | PLEASE STATE YOUR NAME AND BUSINESS ADDRESS. |
|------------|--|--|
|------------|--|--|

- 2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
- 3 Chesterfield, MO 63017.
- 4 Q ARE YOU THE SAME GREG MEYER WHO HAS PREVIOUSLY FILED

5 TESTIMONY IN THESE PROCEEDINGS?

A Yes. I have previously filed direct testimony on revenue requirement in Case No.
7 ER-2018-0146.

8 Q ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN

9 YOUR PRIOR TESTIMONY?

10 A Yes. This information is included in Appendix A to my direct testimony.

11 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

12 A I am testifying on behalf of the Missouri Energy Consumers Group ("MECG").

1 Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony will discuss comments contained in the rebuttal testimonies of GMO witnesses Burton Crawford and Tim Rush as it relates to the issue of recovery of Crossroads transmission costs. In addition, I will briefly comment on Mr. Ives' rebuttal testimony regarding KCPL's rate increases over the past 12 years. Finally, I will address MECG's position on Lake Road allocations.

The fact that I do not address a particular issue in this testimony should not be
interpreted as a tacit approval of a position taken by the Companies on that issue

9

Crossroads Transmission Costs

10 Q MR. CRAWFORD TAKES ISSUE WITH YOUR STATEMENT ON PAGE 6,
 11 LINES 13-14, OF YOUR DIRECT TESTIMONY THAT GREAT PLAINS ENERGY
 12 DECIDED TO "SIMPLY ASSIGN" CROSSROADS TO GMO RETAIL CUSTOMERS,
 13 WHEN A PURCHASE COULD NOT BE LOCATED. PLEASE COMMENT.

A Mr. Crawford addresses the actions of GMO once it decided to include Crossroads in its supply portfolio. My statement was intended to address events that ultimately led up to the decision that this unit needed to be included in GMO's supply portfolio. As the following shows, before and after Great Plains Energy's acquisition of Aquila, Aquila Merchant and then Great Plains Energy attempted to sell Crossroads. Given the failure to "monetize" the unit, Great Plains Energy decided to "utilize" it as a GMO regulated unit.

21 Q PLEASE DESCRIBE THOSE EVENTS.

| 1 | |
|----------------------------------|--|
| 2 | |
| 3 | ** Clearly, there was no interest from third parties in the Crossroads unit. |
| 4 | Second, it is my understanding through discussions with the Staff that ** |
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| 12 | |
| 13 | |
| 14 | ** |
| 15 | Finally, even after GMO acquired the Crossroads unit, Mr. Terry Bassham, |
| 16 | Great Plains Executive Vice President and Chief Financial Officer, stated that it was |
| 17 | Great Plains intention to "monetize" Crossroads by selling it. |
| 18 19 20 | Michael Lapides I'm thinking not the regulated one but the merchant one. Terry Bassham Crossroads. |
| 21 22 23 24 25 26 | Michael Lapides My apologies for not being Terry Bassham That is okay, Michael. As Mike said we looked at (indiscernible) from a Crossroads perspective. We looked at the ability to utilize that or sell it. Our preference would be probably to get value through monetizing it. But if not we've looked at other options as well. ¹ |

¹Form 425, filed with the SEC on February 8, 2007, Great Plains included a transcript of a joint webcast call by Great Plains Energy Incorporated, Aquila Inc. and Black Hills Corporation on February 7, 2007.

- 1 As this demonstrates, like Aquila before it, Great Plains Energy's "preference" was to 2 sell Crossroads. Only when that failed did Great Plains decide to "utilize" it as a 3 regulated unit.
- 4 Q HAS THE COMMISSION PROVIDED ANY COMMENTS THAT WOULD SUPPORT
- 5

ITS BELIEF THAT CROSSROADS HAD BEEN UP FOR SALE PRIOR TO BEING

6 **INCLUDED IN GMO'S PORTFOLIO?**

- 7 А Yes. In its Report and Order in Case No. ER-2010-0356, the Commission stated in
- 8 Paragraph 266 the following:
- 9 266. Aquila, Inc. attempted to sell Crossroads, but was unable to sell 10 it.³³⁵ It follows that, absent a write-down which GMO has not taken, the market value of Crossroads is less than its booked value. 11 (Page 92, Footnote omitted.) 12
- 13 In addition, in Paragraph 271 of the same Report and Order, the Commission made
- 14 the following statement:

15 271. When conducting its due diligence review of Aguila's assets for determining its offer price for Aquila, GPE would have considered the 16 17 transmission constraints and other problems associated with 18 Crossroads.³⁴¹ It is incomprehensible that GPE would pay book value 19 for generating facilities in Mississippi to serve retail customers in and about Kansas City, Missouri. And, it is a virtual certainty that GPE 20 management was able to negotiate a price for Aquila that considered 21 22 the distressed nature of Crossroads as a merchant plant which Aquila 23 Merchant was unable to sell despite trying for several years. Further, it is equally likely that GPE was in as good a position to negotiate a price 24 25 for Crossroads as AmerenUE was when it negotiated the purchases of 26 Raccoon Creek and Goose Creek, both located in Illinois, from Aquila 27 Merchant in 2006. (Page 94, Footnote omitted.)

- 28 Clearly, the record shows that Aguila's and Great Plains Energy's initial
- 29 "preference" was to "monetize" the unit through sale and not to "utilize" it in GMO's
- 30 supply portfolio. It was only after repeated attempts to sell the unit that GMO decided
- 31 to add Crossroads to its generation fleet.

1QMR. CRAWFORD THEN PROCEEDS TO PROVIDE AN ANALYSIS OF THE2VALUE OF CROSSROADS TO OTHER OPTIONS. DO YOU CARE TO3RESPOND?

4 А Mr. Crawford's analysis has been raised before and considered by the Commission. 5 This issue has been brought up before by Mr. Crawford and addressed extensively by 6 Staff witness Cary Featherstone. I do not have anything to add to the comprehensive 7 analysis and testimony provided by Mr. Featherstone. In addition, I do not believe the 8 Commission has been influenced by this discussion as it continues to support the 9 value of Crossroads that it established in Case No. ER-2010-0356 GMO rate case. In 10 fact, in Paragraph 268 of the Commission's Report and Order in Case No. 11 ER-2010-0356, the Commission made the following statement:

268. GMO claims that the fair market value of Crossroads is
established by an RFP conducted in March 2007, prior to the SEC
disclosures. GMO postulates that, the responses to this RFP,
demonstrate that fair market value is comparable to the proposed net
book value. GMO fails to explain, however, given the alleged results
of the RFP, why it announced to the Securities Exchange Commission,
mere months later, that fair value was only \$51.6 million. (Page 93)

19 The fact of the matter is that the Commission determined the asset value of 20 Crossroads based on the sale price of Raccoon Creek and Goose Creek - a sale 21 between a willing buyer (Ameren Missouri) and a willing seller (Aquila). Those were 22 the market conditions at the time of the sale and those conditions constituted a 23 reasonable surrogate for the Commission's valuation of a virtually identical 24 Crossroads unit. The issue of asset valuation and inclusion in rate base has been accepted by GMO in this rate case. The only issue is whether the incremental 25 26 transmission costs should be included in cost of service.

As I mentioned in my direct testimony, the surrogate for the valuation of Crossroads was the sale of Raccoon Creek and Goose Creek – a sale of a generating station located in the same RTO as the AmerenUE service area. Undoubtedly, AmerenUE would have paid much less, if anything, if those units had
not been located in MISO. Given this, as Staff and I have repeatedly argued, if the
Commission allows for any transmission costs, it should significantly reduce the
valuation of Crossroads in order to maintain the logic of the Raccoon Creek / Goose
Creek valuation.

6 Q IN HIS REBUTTAL TESTIMONY, GMO WITNESS TIM RUSH CLAIMS THAT THE

POSITION THE COMPANY IS PRESENTING IS CONSISTENT WITH PRIOR

8 COMMISSION RULINGS. DO YOU AGREE WITH MR. RUSH?

- 9 A Absolutely not. I find Mr. Rush's arguments to be very troubling and without merit.
- 10 The Commission has never indicated in any of its orders that it would consider an
- 11 incremental adjustment to the transmission costs of Crossroads in a future rate case.
- 12 In fact, the Commission has found quite the opposite. In its Report and Order in
- 13 Case No. ER-2010-0356, the Commission addressed the issue of transmission costs
- 14 and their ongoing nature.

7

- 15 246. This higher transmission cost is an ongoing cost that will be paid 16 every year that Crossroads is operating to provide electricity to customers located in and about Kansas City, Missouri. GMO does not 17 18 incur any transmission costs for its other production facilities that are 19 located in its MPS district that are used to serve its native load 20 customers in that district. This ongoing transmission cost GMO incurs 21 for Crossroads is a cost that it does not incur for South Harper, and is 22 the cause of one of the biggest differences in the on-going operating 23 costs between the two facilities.
- 24247. It is not just and reasonable to require ratepayers to pay for the25added transmission costs of electricity generated so far away in a26transmission constricted location. Thus, the Commission will exclude27the excessive transmission costs from recovery in rates. (Page 87)
- 28 It is clear from the above discussion that the Commission recognized the
- 29 ongoing nature of the Crossroads transmission costs when it originally disallowed
- 30 those costs. It is also clear that when the Commission disallowed those transmission

costs, they believed they were excessive. Certainly, given that they have more than doubled in the last eight years makes them even more "excessive" today.

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3 In addition, in the Stipulation and Agreement in Case No. ER-2016-0156, 4 GMO stipulated to the exclusion of all transmission costs associated with Crossroads. 5 For instance, in discussing the surveillance reports, GMO agreed to the removal of 6 "all MISO transmission expenses related to the Crossroads Energy Center." 7 Furthermore, in discussing the fuel adjustment clause, GMO expressly agreed that 8 "[t]he costs and revenues in GMO's FAC will not include transmission costs 9 associated with Crossroads Energy Center. . . . No Crossroads transmission costs will 10 be included in the FAC." Clearly then, in previous cases, GMO interpreted previous 11 Commission decisions as excluding "all" Crossroads transmission expenses. This is 12 completely contrary to GMO's interpretation in this case that the Commission only 13 intended to exclude \$4.9 million of Crossroads transmission costs. The 14 Commission's previous decisions are clear that it is unreasonable to require GMO 15 ratepayers to have to pay the "excessive" costs associated with transmitting energy 16 from the Crossroads Energy Center in Mississippi (MISO) to ratepayers in Missouri 17 (SPP). In order to protect customers, the Commission should continue to exclude all 18 Crossroads transmission costs from GMO rates.

In summary, if the Commission determined that recovery of \$4.9 million of transmission costs were "excessive" in the context of GMO's 2010 rate case, GMO's request to recover \$6.5 million above the \$4.9 million is even more "excessive." This Commission recognized that transmission costs would be ongoing in nature and determined that the original level of transmission costs were excessive. Simply attempting to bifurcate the recovery of transmission costs now to a disallowed piece (\$4.9 million) and an incremental piece (\$6.5 million) does not remove the "excessive" nature of the costs. The Commission should continue to disallow all transmission
 costs as it has in the past.

3 KCPL/GMO Rate History

4 Q IN HIS REBUTTAL TESTIMONY, MR. DARREN IVES COMMENTS ON YOUR
5 RATE HISTORY ANALYSIS. MR. IVES ARGUES THAT KCPL/GMO'S RATES
6 HAVE BEEN IMPACTED BY THE LARGE CONSTRUCTION CYCLE THESE
7 UTILITIES HAVE EXPERIENCED. PLEASE COMMENT.

8 A Much of Mr. Ives' arguments were from impacts that I identified in my direct 9 testimony. In his rebuttal testimony, Mr. Ives argues that the KCPL/GMO construction 10 cycle in the future will be less than that of its other electric peers. However, Mr. Ives 11 ignores or does not discuss the construction cycles of those peers from a historic 12 perspective.

I agree with Mr. Ives that the magnitude of a utility's construction cycle will impact its customer rates. As Mr. Gorman discussed in his direct testimony, KCPL has not been unique in its recent large construction cycle. As described by Mr. Gorman, the electric industry has seen a steady increase in capital expenditures in the last decade. Given this, the fact that KCPL has been involved in such a construction cycle does not adequately explain why KCPL's rates were once below the national average, but are now above the national average.

20 Ultimately, my argument is that KCPL/GMO must constantly be aware of its 21 customer's rates relative to those of other electric utilities in order to ensure the 22 competitiveness of its rates and the ability of the KC region to attract and retain new 23 and existing business customers. If rates continue to remain above the national average, KCPL's electric rates will place the KC region at a distinct disadvantage
 maintaining or growing its industrial/commercial base.

3 Lake Road Plant Allocations

4 Q IN HIS REBUTTAL TESTIMONY, STAFF WITNESS CHARLES POSTON 5 PROPOSES TO CONTINUE THE LAKE ROAD ALLOCATORS AGREED TO IN 6 CASE NO. ER-2016-0156. PLEASE COMMENT.

7 А In his rebuttal testimony, Mr. Poston agrees that the Lake Road Plant has been 8 subjected to conditions that have changed how it is dispatched for electricity. 9 However, Mr. Poston is not yet convinced that the Lake Road allocators need to be 10 changed to reflect this change as proposed by GMO witness Tim Rush. MECG 11 agrees that the conditions under which the Lake Road unit operates have changed in 12 the last several years. Given this, MECG believes that changes to the Lake Road 13 allocators may need to be modified in this case or in the very near future. MECG will 14 review the surrebuttal testimony of both GMO and the Staff to keep abreast of this 15 issue.

16 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

17 A Yes, it does.

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