

Exhibit No.:  
Issue: Property Taxes  
Witness: Shannon Green Jr.  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2006-0314  
Date Testimony Prepared: September 8, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2006-0314**

**FILED<sup>3</sup>**

NOV 13 2006

**REBUTTAL TESTIMONY**

Missouri Public  
Service Commission

**OF**

**SHANNON GREEN JR.**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

Kansas City, Missouri  
September 2006

KCP&L Exhibit No. 20  
Case No(s). ER 2006-0314  
Date 10-16-06 Rptr XS

**REBUTTAL TESTIMONY**

**OF**

**SHANNON GREEN JR.**

**Case No. ER-2006-0314**

1 **Q: Please state your name and business address.**

2 A: My name is Shannon Green Jr. My business address is 1201 Walnut, Kansas City,  
3 Missouri 64106.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company ("KCPL") as Manager,  
6 Property & Misc. Taxes.

7 **Q: What are your responsibilities?**

8 A: As Manager, Property & Misc. Taxes, I have primary responsibility to minimize  
9 KCPL's cash expenditures for property and miscellaneous taxes while ensuring  
10 compliance with all tax laws, regulations and ordinances.

11 **Q: Please describe your education, experience and employment history.**

12 A: I graduated from Northwest Missouri State University in 1979 with a Bachelor of  
13 Science Degree in Accounting and became a Certified Public Accountant in 1985. I  
14 was first employed at KCPL in 1984 as a Property Tax Accountant. After serving as  
15 an Administrative Tax Assistant, Senior Tax Accountant and Supervisor of Property  
16 and Misc. Taxes, I became Manager, Property & Misc. Taxes in 1997. Prior to my  
17 career at KCPL, I was employed by Price Waterhouse, a public accounting firm, as an  
18 auditor and then as a tax service provider from 1979 to 1982.

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

1 A: The purpose of my rebuttal testimony is to respond to Missouri Public Service  
2 Commission ("MPSC") Staff witness Phillip K. Williams, specifically regarding  
3 Staff's proposals relating to property taxes.

4 **PROPERTY TAXES**

5 **Q: Is KCPL in agreement with Staff's Adjustment No. S-87.2 to adjust property tax**  
6 **expense to reflect Staff's annualized property tax level?**

7 A: No. KCPL appreciates Staff's efforts to adjust test year 2005 property tax expense to  
8 an annualized level; however, Staff's adjustment does not reasonably reflect the  
9 increased property tax expense that KCPL will incur in 2006 and thereafter, let alone  
10 the increased property tax expense due to applicable plant additions during 2006.

11 **Q: Please explain Staff's Adjustment No. S-87.2.**

12 A: The Initial Adjustment No. S-87.2 sponsored by Staff witness Williams increases  
13 actual test year property taxes expensed of \$54,284,956 by \$411,691. This  
14 adjustment was calculated by developing a ratio of total property taxes paid in 2005  
15 into total gross plant at December 2004. This ratio of 1.06384% was then applied to  
16 total gross plant at December 2005 to develop an annualized property tax amount of  
17 \$55,501,782. This annualized tax amount was then allocated to operations and  
18 maintenance ("O&M") property taxes by the ratio of 2005 test year property taxes  
19 expensed to total 2005 property taxes.

20 **Q: Why did you indicate that Staff's Adjustment No. S-87.2 was an "Initial"**  
21 **Adjustment?**

1 A: After publication of Staff's direct testimony regarding this adjustment, Staff has  
2 updated Adjustment No. S-87.2, increasing the annualized property tax amount based  
3 on December 2005 plant balances from \$411,691 to \$1,684,275.

4 Q: **Can you explain the difference between the Initial and the Updated Adjustment?**

5 A: Yes, the Updated Adjustment replaces the ratio of property taxes paid in 2005 to total  
6 gross plant at December 2004 of 1.06384%, as previously explained, with a new ratio  
7 of 1.08855%. This new higher ratio recognizes the fact that the amount of taxes  
8 expensed or charged in 2005 but not paid until 2006 exceeds the amount of taxes  
9 expensed or charged in 2004 but paid in 2005.

10 Q: **Please continue.**

11 A: Essentially, any taxes paid in 2005 that were expensed or charged in 2004 would have  
12 been property taxes based on December 2003 plant and thus not consistent with the  
13 test year property tax amounts to be annualized. Additionally, all taxes expensed or  
14 charged in 2005 but scheduled for payment in 2006 were paid by June 2006.

15 Q: **Does the Updated Staff Adjustment No. S-87.2 more appropriately reflect the**  
16 **level of property tax expense that KCPL will incur in 2006 than Staff's Initial**  
17 **Adjustment?**

18 A: Yes; however, while the Staff's Updated Adjustment is more correct than the Initial  
19 Adjustment, both understate the adjustment required to fully reflect the latest known  
20 and measurable information that will provide for the most reasonable level of  
21 property taxes for 2006 and thereafter.

22 Q: **Please explain.**

1 A: The calculation of property taxes for utility property located in Missouri and Kansas  
2 is determined by applying the tax levy rates as imposed by the applicable local taxing  
3 jurisdictions such as the state, county, school district, etc. to the assessed value of the  
4 taxable property of KCPL, as of the beginning of the calendar year. Subsequent to  
5 the filing of the rate case, KCPL received its final 2006 property tax assessments  
6 from all state and local assessing authorities in Missouri and Kansas. KCPL's  
7 combined Missouri and Kansas taxable assessed values increased from \$677,794,344  
8 in 2005 (see KCPL response to MPSC Staff Data Request No. 0264) to \$701,885,630  
9 in 2006 (see KCPL response to MPSC Staff Data Request No. 0427).

10 Q: **Please continue.**

11 A: As part of KCPL's response to MPSC Staff Data Request No. 0427, which was  
12 updated and transmitted to Staff on August 29, 2006 (See Exhibit SG-1), a projected  
13 KCPL 2006 property tax was calculated by applying actual 2005 average tax levy  
14 rates, by county, for KCPL property to the actual 2006 assessments, by county. This  
15 resulted in total property tax, based on December 2005 plant, of \$57,064,955. After  
16 determining and subtracting similarly calculated property tax amounts for Vehicles,  
17 Construction Work In Progress ("CWIP"), Unit Trains, and Non-Utility property  
18 based on actual 2006 assessments with actual 2005 tax levy rates (see KCPL June 30,  
19 2006 update work papers), the total annualized property tax O&M expense is  
20 \$56,175,765. This requires an annualized property tax adjustment of \$1,890,810  
21 (\$206,535 more than Staff's Updated Adjustment ratio method.).

22 Q: **What other factors should be considered before establishing the property tax**  
23 **expense O&M annualized adjustment?**

1 A: Also included in KCPL's June 30, 2006 update of its annualized property tax  
2 adjustment was an adjustment amount of \$1,360,293 for expected 2006 increases to  
3 the actual 2005 tax levy rates. Of this amount, \$660,293, relating to O&M property  
4 tax expense, was based on a three-year historical trending factor of levy rate increases  
5 for total Company KCPL property of 1.18%. Many of the actual 2006 levy rates will  
6 be set by the September 30, 2006 true-up date. The remaining \$700,000 was based  
7 on an expected increase in the Burlington, Kansas USD #244 school levy that had not  
8 been changed for 14 years. On August 14, 2006 the Board of Education of the  
9 USD #244 approved a 2.5 mill levy increase for 2006. This actual tax levy rate  
10 change increases KCPL's 2006 projected property tax amount by \$500,316. (See  
11 copy of information provided to Staff on August 31, 2006, summarized in  
12 Exhibit SG-2.) As \$1,382 of the USD #244 tax levy increase will be capitalized, the  
13 difference of \$498,934 will increase the property tax O&M annualized adjustment.

14 **Q: What is the current increase that KCPL projects in the annualized property tax**  
15 **expense amount due to increases in tax levy rates over actual 2005 rates?**

16 A: KCPL currently projects an increase in its property tax O&M annualized adjustment  
17 of \$1,159,227 due to increases in 2006 tax levy rates over actual 2005 rates.

18 **Q: Are there any additional factors to be considered?**

19 A: Yes, also included in KCPL's June 30, 2006 update of its annualized property tax  
20 amount were two property tax adjustment amounts relating to 2006 plant additions  
21 through September 30, 2006.

22 **Q: Please explain the first adjustment relating to 2006 plant additions through**  
23 **September 30, 2006.**

1 A: The estimated plant additions from January 1 to September 30, 2006 (excluding the  
2 new wind generation facility) resulted in an additional adjustment of \$1,309,526.  
3 This adjustment was determined by developing a ratio of the latest known amount of  
4 2006 property taxes to total gross plant as of December 31, 2005. This ratio was then  
5 applied to the 2006 plant additions as of September 30, 2006 excluding any wind  
6 generation additions.

7 **Q: Please explain the second adjustment relating to 2006 plant additions through**  
8 **September 30, 2006.**

9 A: As explained in direct testimony filed by Philip Burright in this case, no property  
10 taxes were annualized on the new wind generating facility located in Ford County,  
11 Kansas as such property is exempt from property taxes. However, pursuant to  
12 K.S.A. 12-147, taxing subdivisions of the State of Kansas are authorized and  
13 empowered to enter into contracts for PILOTs with the owners of property exempt  
14 from property taxes. In June 2006, separate agreements were finalized with Ford  
15 County and USD #381 that provided for 30 annual payments commencing in 2007.  
16 These payments are necessary to secure agreements with landowners and community  
17 leaders to site a wind facility. The aggregate of the payments in the initial year is  
18 \$330,000 and such payments escalate between 2.5% and 3% per year (See Exhibit  
19 SG-3 for a summary of the payment schedules).

20 **Q: Would you please summarize KCPL's annualized adjustments to test year 2005**  
21 **O&M property tax expense?**

22 A: Yes. The adjustment for using actual 2006 assessed values but with 2005 actual tax  
23 levies is \$1,890,810. The adjustment for applying projected 2006 tax levy increases

1 to 2006 actual assessments is \$1,159,227 (of which \$498,934 is already authorized).

2 The adjustment for taxes on 2006 plant additions is \$1,639,526 (of which \$330,000 is  
3 pursuant to signed agreements regarding the new wind generation facility).

4 Accordingly, KCPL's total proposed annualized O&M property tax expense  
5 adjustment is \$4,689,563, increasing test year property tax expenses from  
6 \$54,284,955 to \$58,974,518.

7 **Q: Why are these adjustments considered appropriate in this case?**

8 **A:** The 2006 Rate Case Schedule pursuant to the Regulatory Plan Stipulation and  
9 Agreement indicated that in a true-up proceeding in October 2006, KCPL will file a  
10 reconciliation as of September 30, 2006. The true-up items included, but were not to  
11 be limited to, plant-in-service and property taxes. Additionally, the projected 2006  
12 property taxes are known and measurable because they are based on actual  
13 assessments, actual and/or historical trended tax levies, and will be effective prior to  
14 the effective date of the new rates. The projected property taxes on the 2006 plant  
15 additions are known and measurable based on actual signed agreements or use of an  
16 acceptable tax to plant ratio as utilized by Staff, and such tax increases coincide with  
17 the implementation of the new rates.

18 **Q: Would you care to add any additional comments or summarize your testimony?**

19 **A:** Yes. KCPL respectfully requests the Commission to allow recovery of known and  
20 measurable increases in its property tax expense amounting to \$4,689,563. This  
21 annualized adjustment to KCPL's 2005 test year property tax expense exceeds Staff's  
22 recommended adjustment of \$1,684,275 by \$3,005,288.

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





1 A: Yes, it does.

Kansas City Power & Light Company  
Schedule of Property Taxes  
Total System Summary  
Actual 2006 Assessments with 2005 Actual Tax Levy Rates

Kansas Taxes (excluding Unit Trains)	30,258,466
Missouri Taxes (excluding Unit Trains)	<u>26,740,986</u>
Subtotal without Taxes on Unit Trains	56,999,452
2006 Total Unit Train Tax on 12-31-05 plant	<u>65,503</u>
Total Property Taxes on System 12-31-05 Plant	<b>57,064,955</b>

Prepared by: Shannon Green, Tax

Corrected Aug. 29, 2006

Kansas City Power & Light  
Schedule of Property Taxes Due  
By Kansas Taxing Units - 2006  
State Summary

Actual 2006 Kansas Assessed Valuation by County with 2005 Actual Tax Levies

<u>Taxing District</u>	<u>2006 Actual Assessed Valuation</u>	<u>2005 Actual Effective Tax Rate</u>	<u>Total Tax Due</u>
Allen County	343,775	11.2004%	38,504
Anderson County	3,040,427	12.0982%	367,837
Atchison County	40,401	11.8772%	4,799
Bourbon County	358,535	12.8478%	46,064
Coffey County	200,794,497	6.5171%	13,085,902
Douglas County	3,143,842	10.8428%	340,879
Franklin County	10,890,352	11.6541%	1,269,173
Johnson County	67,738,104	11.2436%	7,616,224
Other Assessments	-	-	17,474
Total Johnson Co.	-	-	7,633,698
Leavenworth County	804,118	9.8582%	79,272
Linn County	53,031,069	8.9229%	4,731,888
Lyon County	3,888	14.9977%	583
Miami County	20,160,241	10.6993%	2,157,000
Osage County	3,566,867	11.1649%	398,238
Shawnee County	5,635	14.3728%	810
Wyandotte County	782,537	14.7193%	115,184
Rounding	(3)		
Grand Total Kansas	<u>\$364,704,285</u>	<u>8.2998%</u>	<u>30,269,831</u>

Less:

Kansas Unit Train Taxes paid to Linn County  
that are part of the valuation above.

(11,365)

Total Kansas less allocated Unit Train Taxes

**30,258,466**

Prepared by: Shannon Green, Tax  
Corrected Aug. 29, 2006

Kansas City Power & Light  
Schedule of Property Taxes Due  
By Missouri Taxing Districts - 2006  
Actual 2006 Missouri Assessed Valuations by County with 2005 Actual Tax Levy Rates

Total Tax by County	Distributable			Locally Assessed			Total Distributable & Local Tax Due: 12-31-06
	2005 Effective Tax Rate	2006 Actual Assessed Valuation	Distributable Tax Due	2005 Effective Tax Rate	2006 Actual Assessed Valuation	Local Tax Due	
Bates County	5.265%	1,118,116	58,870	5.160%	347,443	17,927	76,797
Buchanan County	6.528%	570,978	37,271	-	0	-	37,271
Carroll County	6.251%	21,225,368	1,326,771	6.094%	6,132	374	1,327,145
Other Misc. Levees	-	-	-	-	-	-	438
Total Carroll Co	-	-	-	-	-	-	-
Cass County	6.252%	12,852,538	809,741	5.884%	24,370	1,434	811,175
Chariton County	5.976%	21,227,875	1,268,653	5.869%	9,714	570	1,269,223
Other Misc. Levees	-	-	-	-	-	-	298
Total Chariton Co	-	-	-	-	-	-	-
Clay County	8.214%	42,412,287	3,483,794	8.041%	3,450,130	277,436	3,761,230
Other Misc. Levees	-	-	-	-	-	-	5,172
Total Clay Co	-	-	-	-	-	-	-
Cooper County	8.518%	927,790	60,469	-	0	-	60,469
Henry County	5.109%	1,832,127	93,599	4.608%	6,163,389	283,989	377,588
Other Misc. Levees	-	-	-	-	-	-	-
Total Henry Co	-	-	-	-	-	-	-
Howard County	7.118%	3,683,862	262,138	6.670%	4,320	288	262,426
Jackson County	9.264%	115,554,314	10,705,216	8.862%	36,875,780	3,267,779	13,972,995
Other Misc. Levees	-	-	-	-	-	-	94,277
Total Jackson Co	-	-	-	-	-	-	-
Johnson County	5.947%	139,188	8,277	-	0	-	8,277
Lafayette County	6.159%	8,999,144	554,257	5.872%	706	40	554,297
Livingston County	6.616%	6,152	407	-	0	-	407
Pettis County	5.972%	2,000,536	119,473	5.972%	3,430	205	119,678
Platte County	7.715%	25,126,087	1,938,582	7.011%	11,174,058	783,448	2,722,030
Other Misc. Levees	-	-	-	-	-	-	6,086
Total Platte Co	-	-	-	-	-	-	-
Randolph County	5.324%	536,757	28,577	-	0	-	28,577
Ray County	6.119%	959,704	58,726	-	0	-	58,726
Saline County	6.057%	19,533,198	1,183,101	5.599%	316,052	17,695	1,200,796
Other Misc. Levees	-	-	-	-	-	-	14,036
Total Saline Co	-	-	-	-	-	-	-
Total Missouri Due 12-31-06	7.890%	278,805,821	21,997,922	7.981%	58,375,524	4,651,185	26,769,414

Less:

Missouri Billing to Galloyd for rental of Parking lot

(28,428)

Total Missouri without unit train taxes

**26,740,986**

Kansas City Power & Light Company  
Case: ER-2006-0314

2006 Property Tax Increase Due to 2006 Mill Levy Rate Increase  
on KCPL Property located in USD #244

Coffey County Tax Units with USD # 244	KCPL Actual 2006 Assessed Value
001	\$ 10,027
021	\$ 26,992
058	\$ 239,066
150	\$ 189,395,030
151	\$ 2,143,486
152	\$ 5,396,254
155	\$ 2,678
450	\$ 1,530,752
451	\$ 772,248
462	\$ 2,132
501	\$ 2,198
701	\$ 96,584
702	\$ 84
708	\$ 181,293
709	\$ 327,509
	<u>\$ 200,126,333</u>

Mill levy Increase 2.5

Tax Increase \$ 500,316

Note: Since 1992, the USD #244 has maintained a 24 mill tax levy rate for the combined general fund, supplemental fund and capital outlay fund. In 2006 for the first time in 14 years this combined levy was increased to 26.5 mills per passage at the August 14, 2006 SD #244 School Board Meeting. This results in a 2.5 mill levy rate increase.

One mill equals \$1 Tax per \$1,000 Assessed Valuation  
Thus, 2.5 mills equals \$2.50 tax per \$1,000 A.V.

Prepared by: Shannon Green, Tax

**KCPL**

**Schedule of Aggregate Annual Payments**  
for Payment In Lieu of Taxes Agreement with Ford County  
& Donation/Contribution Agreement with School District #381  
Related to 100.5 MW Wind Generating Facility near Spearville, Kansas  
With Anticipated Commercial Operation Date of October 1, 2006


<u>Year of Payment</u>	<u>PILOT Agreement with Ford County, KS</u>	<u>Donation/Contribution Agreement with School District #381</u>	<u>Annual Aggregate Amount of Payments</u>
2007	221,628	108,372	330,000
2008	227,169	111,623	338,792
2009	232,848	114,972	347,820
2010	238,669	118,421	357,090
2011	244,636	121,974	366,610
2012	250,752	125,633	376,385
2013	257,021	129,402	386,423
2014	263,446	133,284	396,730
2015	270,032	137,282	407,314
2016	276,783	141,401	418,184
2017	283,703	145,643	429,346
2018	290,795	150,012	440,807
2019	298,065	154,512	452,577
2020	305,517	159,148	464,665
2021	313,155	163,922	477,077
2022	320,983	168,840	489,823
2023	329,008	173,905	502,913
2024	337,233	179,122	516,355
2025	345,664	184,496	530,160
2026	354,306	190,031	544,337
2027	363,163	195,732	558,895
2028	372,242	201,604	573,846
2029	381,548	207,652	589,200
2030	391,087	213,881	604,968
2031	400,864	220,298	621,162
2032	410,886	226,907	637,793
2033	421,158	233,714	654,872
2034	431,687	240,725	672,412
2035	442,479	247,947	690,426
2036	453,541	255,386	708,927

In the Matter of the Application of Kansas City )  
Power & Light Company to Modify Its Tariffs to ) Case No. ER-2006-0314  
Begin the Implementation of Its Regulatory Plan )

**STATE OF MISSOURI            )**  
   **) ss**  
**COUNTY OF JACKSON          )**

1. My name is Shannon Green Jr. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager Property & Misc. Taxes.

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.

  
Shannon Green Jr.

Nicole A. Wynn  
Notary Public

**NICOLE A. WEHRY**  
Notary Public - Notary Seal  
ST. LOUIS, MISSOURI  
Jefferson County  
**My Commission Expires: Feb. 4, 2007**