Exhibit No.:	
Issues:	Revenue Requirement
Witness:	Greg R. Meyer
Type of Exhibit:	Direct Testimony
Sponsoring Parties:	Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumer's Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers
Case No.:	ER-2012-0175
Date Testimony Prepared:	August 9, 2012

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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-2012-0175** Tracking No. YE-2012-0405

Direct Testimony and Schedule of

Greg R. Meyer

On behalf of

Ag Processing Inc
Federal Executive Agencies
Midwest Energy Consumer's Group
Midwest Energy Users' Association
Missouri Industrial Energy Consumers

August 9, 2012

BRUBAKER & ASSOCIATES, INC.

Project 9594

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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-2012-0175** Tracking No. YE-2012-0405

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 Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumer's Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony and schedule which were prepared in written form for introduction into evidence in the Missouri Public Service Commission Case No. ER-2012-0175.

3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.

Greg R Meyer
Greg R. Meyer

Subscribed and sworn to before me this 8th day of August, 2012.

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 14, 2015
Commission # 11024862

Tammy S Klossner
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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-2012-0175** Tracking No. YE-2012-0405

Table of Contents to the
<u>Direct Testimony of Greg R. Meyer</u>

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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-2012-0175** Tracking No. YE-2012-0405

Direct Testimony of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and an Associate with Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A This testimony is presented on behalf of Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumer's Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers (collective referred to as "Industrials"). These companies purchase substantial amounts of electricity from KCP&L Greater Missouri Operations Company ("GMO" or "Company") and the outcome of this proceeding will have an impact on their cost of electricity. GMO operates two rate divisions – the Missouri Public Service ("MPS") division and the St. Joseph Light and Power ("L&P") division.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A In addition to a discussion of the adjustments and issues I am sponsoring, I will summarize all of the revenue requirement areas addressed by the Industrials' witnesses.

I am recommending several adjustments and disallowances to the Company's proposed revenue requirement. In total, they reduce GMO's proposed revenue requirement by approximately $5 million. Listed below is each adjustment and disallowance I am sponsoring with a short explanation discussing the adjustment and the approximate value of the issue.

1. Renewable Energy Standard ("RES") Cost – I recommend that all prudently incurred costs through March 31, 2012, in excess of the amount included in GMO's last rate case, be included in rate base and the operating expenses reflect a six-year amortization of this balance. These amounts should be trued-up based on the prudently incurred costs deferred through August 31, 2012. I am also recommending that the normalized level of solar rebate costs allowed in the last rate case, Case No. ER-2010-0356, be discontinued. Approximate value $1.9 million – $1.8 million for MPS and $0.1 million for L&P.

2. Organizational Realignment and Voluntary Separation Program – I recommend that GMO's amortization of the cost of this program be disallowed since GMO will realize off-setting savings during the period from implementation of the program to effective date of rates in this case. Approximate value $0.7 million – $0.5 million for MPS and $0.2 million for L&P.

3. Bad Debts Expense – I recommend the use of a lower bad debt write-off factor than GMO, based on an historic average. I also recommend that the Commission disallow the factoring-up of the revenue requirement in this case for additional bad debts expense as proposed by GMO. Approximate value $1.5 million – $1.1 million for MPS and $0.4 million for L&P.

4. Property Tax Tracker – I recommend that the Commission reject GMO's proposal to institute a property tax tracker. Value $0.

5. Overtime – I recommend the disallowance of the increase in operating expense for additional overtime payroll for MPS. Based on my analysis, the total Company overtime payroll during the 12 months ended May 31, 2012 has declined since the test year. Approximate value $0.5 million for MPS.

6. Crossroads Generating Station ADIT – I recommend that the Accumulated Deferred Income Tax ("ADIT") balance that existed prior to the transfer of this facility to GMO be included in the Crossroads valuation. Approximate value $0.7 million for MPS.

7. St. Joseph Infrastructure Program – I oppose GMO's request for construction accounting to defer depreciation and carrying cost on the distribution plant additions for this program. Value $0

The fact that I do not address an issue should not be interpreted as approval or acceptance by the Industrials of any position taken by GMO, unless I state otherwise in my testimony.

Q PLEASE SUMMARIZE THE REVENUE REQUIREMENT ADJUSTMENTS SPONSORED BY THE INDUSTRIALS' WITNESSES.

A Please see Schedule GRM-RR-1 attached to this testimony for a list of issues and adjustments by witness and adjustment value. The following witnesses are sponsoring revenue requirement testimony in this case.

- **James Dauphinais:** Mr. Dauphinais is recommending the Commission reject GMO's proposed transmission revenue credit reduction adjustments of $.085 million for MPS and $.053 million for L&P. He is also recommending that the Commission require GMO to annualize its transmission revenues based on actual values and rates at the end of the true-up period in the same manner the Company is proposing to do for its transmission expenses and rate base. In addition, Mr. Dauphinais recommends that the Commission deny GMO's request for a transmission tracker to defer the difference between the actual transmission cost incurred and the level set in this case, for recovery in the Company's next rate proceeding.

- **Nicholas L. Phillips:** Mr. Phillips presents the results of our production cost modeling and proposes one adjustment. He recommends a $0.581 million reduction to GMO's proposed fuel costs.
- **Greg Meyer:** As shown on Schedule GRM-RR-1, my adjustments to operation and maintenance ("O&M") expenses, including the related rate base effects, for the RES costs; Organizational Realignment and Voluntary Separation Program ("ORVS"); bad debts; ADIT for the Crossroads generating station; and overtime have a revenue requirement impact of $5 million. I am also providing testimony on GMO's proposal for a property tax tracker, and its construction accounting proposal for infrastructure investments in St. Joseph, Missouri, which do not impact revenue requirement in this case.

Q WHAT DOES SCHEDULE GRM-RR-1 SHOW?

A It shows that we have identified $5.289 million of non-fuel related revenue requirement claims that should be disallowed. In addition, we have identified $.569 million of fuel-related costs that are not reasonable to include in the annualization of fuel costs.

Renewable Energy Standard Cost

Q PLEASE BRIEFLY EXPLAIN THIS ISSUE.

A In November 2008, Missouri voters approved Proposition C, which mandates that by 2021, 15% of the energy sales by the state's four investor-owned electric utilities must be derived from renewable sources, including 0.3% of total sales (2% of 15%)

from solar applications. In June 2010, the Missouri Public Service Commission ("MPSC") established 4 CSR 240-20.100 ("RES Rule") for compliance with Proposition C, including the recovery of related costs.

Q WHAT OPTIONS ARE AVAILABLE TO UTILITY COMPANIES TO RECOVER THE COST OF COMPLYING WITH THE RULE?

A The rule allows a utility company to request recovery of RES costs through a regulatory accounting mechanism ("RESRAM") that allows for rate changes between rate cases. In the alternative, a utility may defer RES costs for recovery in subsequent rate cases.

Q WHAT HAS GMO PROPOSED IN THIS CASE FOR RES COSTS?

A GMO is proposing to include $2.6 million ($2.2 million for MPS and $0.4 million for L&P) in rate base associated with actual deferred RES costs through March 31, 2012 and estimated deferrals through December 31, 2012, and a $0.5 million ($0.4 million for MPS and $0.1 million for L&P) amortization of these deferrals in expense over a five-year period. In addition, GMO has included an ongoing expense level, equal to 2012 budgeted solar rebates and the 2011 Renewable Energy Credits ("RECs") of $1.5 million ($1.3 million for MPS and $0.2 million for L&P) in operating expense.

Q HAS GMO REQUESTED A RESRAM?

A No. Therefore, I recommend that the RES costs incurred by GMO be addressed through deferral and amortization. This option is discussed in Commission Rule 4 CSR 240-20.100(6)(D):

> "In the interim between general rate proceedings the electric utility may defer the costs in a regulatory asset account, and monthly calculate a

> carrying charge on the balance in that regulatory asset account equal to its short-term cost of borrowing. All questions pertaining to rate recovery of the RES compliance costs in a subsequent general rate proceeding will be reserved to that proceeding, including the prudence of the costs for which rate recovery is sought and the period of time over which any costs allowed rate recovery will be amortized."

Q IS THIS TREATMENT CONSISTENT WITH THE NON-UNANIMOUS STIPULATION AND AGREEMENT IN CASE NO. EU-2012-0131?

A Yes. As a result of the Stipulation and Agreement, GMO was allowed to defer all incremental RES costs, primarily solar rebates and RECs, through the Company's next rate case and accrue a carrying cost based on the Company's short-term debt rate.

Q WHAT LEVEL OF RES COSTS ARE YOU RECOMMENDING FOR INCLUSION IN THIS RATE CASE?

A In response to MPSC Staff Data Request No. 205, GMO provided an update of the RES costs incurred through March 31, 2012, which I have used in my calculations. In compliance with 4 CSR 240-20.100(6)(D), I recommend that all prudently incurred RES costs through March 31, 2012 (in excess of the amount of solar rebate expense established in the last rate case, Case No. ER-2010-0355) be included in rate base, and that operating expenses reflect an amortization of this amount over a six-year period. These amounts should be trued-up based on the prudently incurred costs deferred through the August 31, 2012 true-up cut-off date. I also recommend that any RES costs incurred after the true-up cut-off date in this case be deferred and addressed in the next general rate proceeding in compliance with 4 CSR 240-20.100(6)(D).

This section of the RES Rule does not contemplate an ongoing or normalized level of expense, other than amortization of prior deferrals. As a result, I am not recommending a continuation of the solar rebate expense established in the last rate case or the on-going RES expense proposed by GMO in this case. Therefore, it is necessary to adjust the test year expense to remove any RES expense.

Q WHY IS A SIX-YEAR AMORTIZATION APPROPRIATE?

A Section (4)(C) of the RES Rule states that:

> "The installed solar electric systems must remain in place on the account holder's premises for the duration of its useful life which is deemed to be ten (10) years unless determined otherwise by the commission."

To date, most of the RES costs incurred by GMO relate to solar rebates which, based on the RES Rule, should provide compliance benefits for 10 years. I believe a 10-year amortization is justified for the deferrals to date. However, I am recommending a conservative amortization period of only six years and also being consistent with the Commission's ordered amortization period for deferred energy efficiency costs.

Q HOW DOES YOUR RECOMMENDATIONS AFFECT THE REVENUE REQUIREMENT CALCULATED BY GMO IN THIS CASE?

A My recommendations reduce GMO's rate base and operating expenses by approximately $0.7 million and $1.8 million, respectively, prior to the true-up. These adjustments to GMO's case reduce the revenue requirement by approximately $1.9 million ($1.8 million for MPS and $0.1 million for L&P).

Q DO YOU HAVE ANY ADDITIONAL CONCERNS REGARDING GMO'S CALCULATION OF RES COSTS?

A Yes. The Stipulation and Agreement in Case No. EU-2012-0131 and the RES Rule specify a carrying cost based on the Company's short-term debt rate. In its calculations, GMO has used its Allowance for Funds Used During Construction ("AFUDC") rate. GMO's calculations should be modified to the extent the AFUDC rate differs from the required short-term debt rate.

Q WHAT IS YOUR RESPONSE TO GMO'S REQUEST FOR A TRACKER FOR RES COSTS?

A I am generally opposed to trackers because they single out selective expense items for special regulation treatment and give no consideration to potential changes in the other items of the cost of service. In addition, a tracker is not one of the options afforded to a utility for compliance cost recovery in the RES Rule.

Organizational Realignment and Voluntary Separation Program

Q PLEASE DESCRIBE THIS ISSUE.

A As discussed in the testimony of GMO witness Kelly R. Murphy, in March 2011, GMO announced the Organizational Realignment and Voluntary Separation Program ("ORVS") to "enhance organizational efficiency and to assist in the management of overall labor costs." ORVS offered any non-union employee two weeks of salary for every year of employment, with a minimum severance payment of 14 weeks of salary. Employees were also offered career transition services. Of the 140 employees who accepted the offer, the majority separated by April 2011.

Q WHAT LEVEL OF SAVINGS DOES GMO EXPECT TO REALIZE FROM ORVS?

A Ms. Murphy identified $20 million as the total annual savings, including employee benefits on a combined Kansas City Power & Light Company ("KCPL") and GMO basis. Multiplying this savings level by an O&M factor of 73%, results in an expense savings of approximately $14.6 million annually.

Q WHAT WAS THE COST OF ORVS?

A The total cost of the program was approximately $12.9 million ($3.5 million on a GMO basis) including career transition services. This amount was charged to operating expense during the test year ended September 30, 2011.

Q IS GMO REQUESTING RECOVERY OF THIS AMOUNT IN THE COST OF SERVICE?

A Yes. GMO is requesting recovery of this amount in the cost of service through a five-year amortization, by including 20% of the cost in operating expense in this case.

Q DO YOU AGREE WITH GMO'S PROPOSED AMORTIZATION?

A No. GMO has proposed to annualize the ongoing reduction to labor, benefit and payroll tax expenses resulting from the implementation of ORVS. However, ratepayers will not realize the benefit of those expense reductions until the rates resulting from this rate case are effective. There is no question that GMO incurred upfront costs to implement ORVS, and that ORVS has resulted in expense reductions or savings. However, GMO's proposed five-year amortization of the ORVS costs fails to recognize GMO's retention of all off-setting cost savings from the date the program was implemented and extending through the date that the rates resulting from this rate case become effective. Since the majority of the employees separated by April 2011, GMO alone will enjoy the savings resulting from ORVS for approximately 20 months before rates from this case become effective. The expense savings during this period equals approximately $24 million ($14.6 million of annual expense savings for 20 months), and will more than offset the cost of ORVS on a combined KCPL and GMO basis.

Q ARE YOU PROPOSING ANY REGULATORY TREATMENT FOR THE SAVINGS IN EXCESS OF THE COSTS ENJOYED BY GMO DURING THE PERIOD FROM IMPLEMENTATION OF ORVS TO THE EFFECTIVE DATE OF RATES IN THE CURRENT CASE?

A No. My proposal will allow GMO to retain all the savings from its portion of ORVS prior to the effective date of rates in this case, and likewise all the costs. My proposal appropriately matches the benefits created from implementation through the effective date of rates in the current case with the costs of ORVS.

Q HOW DOES YOUR RECOMMENDATION FOR TREATMENT OF THE ORVS COST AFFECT GMO'S COST OF SERVICE?

A My recommendation reduces GMO's cost of service by approximately $0.7 million ($0.5 million for MPS and $0.2 million for L&P) which reflects one year of the five-year amortization proposed by the Company for the cost of ORVS.

Bad Debts Expense

Q DID GMO PROPOSE TO INCLUDE AN ALLOWANCE FOR BAD DEBTS EXPENSE IN COST OF SERVICE?

A Yes. GMO has proposed to include a level of bad debts expense of $5.4 million ($4.1 million for MPS and $1.3 million for L&P) in its cost of service. The $5.4 million is comprised of: (1) the test year level of bad debts expense as recorded on the books of GMO of $3.9 million; (2) the increase in the test year level of bad debts expense of $0.9 million related to revenue adjustments; and (3) an increase in bad debts expense of $0.6 million that will allegedly arise as a result of the increased revenue requirement for this case.

Q DO YOU AGREE WITH THE LEVEL PROPOSED BY GMO?

A No. I recommend that the level of bad debts expense be $3.9 million. Therefore, I am recommending that GMO's proposed level of bad debts expense be reduced by $1.5 million ($1.1 million for MPS and $0.4 million for L&P).

Q WHAT IS THE BASIS FOR YOUR ADJUSTMENT?

A First, the net bad debt write-off factor used by GMO is too high when compared to historic results. Second, any increase in bad debts expense associated with GMO's revenue requirement that may occur will be realized outside of the true-up period in this rate case and is currently only speculative.

Q PLEASE DESCRIBE THE TERM NET BAD DEBT WRITE-OFF FACTOR.

A Net bad debt write-off factor is the level of bad debt write-offs, net of bad debts later collected, expressed as a percentage of revenues for a period of time. In his direct testimony, GMO witness John Weisensee testifies that a six-month lag exists between the recording of revenues and the recognition of bad debts expense. I have accepted that argument for purposes of my analysis and to calculate the net bad debt write-off factor.

Q WHY DO YOU BELIEVE THE NET BAD DEBT WRITE-OFF FACTOR GMO USED IS TOO HIGH?

A GMO proposes a bad debt write-off factor of 0.696% for MPS and 0.650% for L&P. I have calculated the net bad debt write-off factor for calendar years 2007-2010. Table 1 below shows the results of that analysis compared to the factor proposed by GMO.

TABLE 1

Historic Net Bad Debt Write-Off Factors

	Factor Percentage	
Year	**MPS**	**L&P**
2007	0.529%	0.498%
2008	0.587%	0.529%
2009	0.541%	0.518%
2010	0.625%	0.484%
GMO Proposed	0.696%	0.650%

The calendar year percentages listed above compare calendar year revenues to net write-offs for July - June of the following year. For example, year 2007 would include revenues for the calendar year 2007 compared to net write-offs for July 2007 - June 2008. Therefore, a bad-debt write-off factor for 2011 will not become known until bad debts through June 2012 have become known.

As can be seen from Table 1 above, the factor used by GMO is too high when compared to prior calendar years.

Q WHAT FACTOR DO YOU PROPOSE FOR ANNUALIZING BAD DEBTS EXPENSE FOR THIS RATE CASE?

A I propose a weighted four-year average of the net bad debts write-off factor of 0.573% for MPS and 0.507% for L&P for annualizing bad debts expense. I calculated these by determining the percentage reflecting the summed net write-offs for the four years divided by the revenues summed for the four years based on a six-month lag.

I believe an averaging method is appropriate for this case since there is no discernible trend in the level of bad debts or the related factor. Using GMO's method will overstate bad debts expense.

Q WHAT IS THE RESULT OF YOUR ANNUALIZATION METHOD?

A Using a net bad debt write-off factor of 0.573% for MPS and 0.507% for L&P reduces annualized bad debts expense by $0.7 million and $0.2 million, respectively.

Q DO YOU RECOMMEND THAT THE INCREASE IN BAD DEBTS EXPENSE PROPOSED BY GMO RELATING TO THE INCREASED REVENUE REQUIREMENT IN THIS CASE BE DISALLOWED?

A Yes. Considering the effective date of rates and the six-month lag between revenues and write-offs, the adjustment proposed by GMO will not be fully recognized on the books of GMO until June 2014. This is 22 months beyond the true-up date of August 31, 2012 in this case. GMO's proposed adjustment is also 18 months beyond the operation of law date. Effectively, GMO is attempting to collect rates for bad debt that won't fully be realized for another 18 months. The adjustment clearly violates the test year concept of a rate case whereby all relevant factors are analyzed to a consistent point in time. Therefore, I propose that the Commission disallow GMO's proposed increase in bad debts expense of $0.4 million for MPS and $0.2 million for L&P relating to the increased revenue requirement of this case.

Property Tax Tracker

Q PLEASE BRIEFLY DESCRIBE THIS ISSUE.

A GMO has requested a property tax tracker in this case. The Company, primarily through the testimonies of Darren R. Ives and Harold S. Smith, claims that due to the recent increase in the amount of property tax, over which the utility has no control, GMO needs a special regulatory mechanism to recover this cost.

Q HAS THE COMPANY SHOWN THAT PROPERTY TAXES HAVE NOT BEEN TIMELY ADDRESSED IN THE COST OF SERVICE DEVELOPED IN PREVIOUS RATE CASES?

A No. Mr. Smith simply provides a table that shows the level of property tax expense from 2008 through 2011.

Q IS SOME OF THE INCREASE IN PROPERTY TAX EXPENSE DUE TO LESS CAPITALIZATION OF PROPERTY TAXES?

A Yes. On page 3 of his testimony, Mr. Smith discusses the fact that property taxes previously capitalized as part of the construction cost of the Iatan project will now be expensed due to the completion of construction and the recognition of the plant in rates. This increase in property tax expense will be addressed in this case.

Q DO YOU AGREE THAT THE COMPANY HAS NO CONTROL OVER ITS LEVEL OF PROPERTY TAX PAID?

A. No. The Company has significant control over when it begins construction projects and adds new plant to its tax base. Since the taxes paid December 31st are based on assessed value as of the prior January 1st, any plant added after January 1st of the current year will not be taxed until December 31st of the following year. Therefore, based on the timing of plant additions, the Company can delay paying property taxes for up to two years.

Finally, the Company cannot know with certainty that the assumed relationship between property taxes and plant will continually result in increased property taxes.

Q HOW WOULD THE TRACKER PROPOSED BY GMO FUNCTION?

A As described by Mr. Ives, an annualized level of property tax expense would be included in the cost of service and would be the base used for the tracker. Future changes in property tax expense would be compared to this base, and the difference would be deferred and recognized in the next rate case. Between rate cases, the balance would be factored-up for a carrying cost. According to GMO's proposal, this deferral would be recognized in the next rate case by including the deferred balance in rate base and an amortization of this balance in expense.

Q DO YOU BELIEVE THAT A TRACKER FOR PROPERTY TAX EXPENSE IS APPROPRIATE?

A. No. I am generally opposed to the use of trackers for expense. I believe a much better regulatory approach is to consider all relevant facts when setting rates. To selectively carve out portions of the total cost of service calculation and provide tracking deviates from the all relevant factors concept.

In addition, the Company can file a rate case and/or time its rate case filings to address significant changes in property tax expense. The Company could also pursue an Accounting Authority Order ("AAO") to address significant changes in property tax expense between rate cases.

Overtime

Q PLEASE EXPLAIN THIS ISSUE.

A GMO has included an amount of overtime based on an average of the actual experience during the 2.75 years ended September 30, 2011.

Q DO YOU AGREE WITH THE RESULTS OF THIS METHODOLOGY?

A No. Based on an analysis I performed using the information provided in response to Staff Data Request No. 36, there is a general decline in the level of overtime payroll through May 31, 2012. GMO is proposing an increase for MPS. This result runs counter to the observed company-wide decline in overtime payroll.

Q WHAT IS YOUR RECOMMENDATION REGARDING GMO'S PROPOSED OVERTIME ADJUSTMENT FOR MPS?

A I recommend the Commission disallow the adjustment proposed by GMO to increase MPS overtime payroll and any associated expenses.

Q WHAT EFFECT DOES YOUR RECOMMENDATION HAVE ON GMO'S REVENUE REQUIREMENT?

A My recommendation reduces GMO's revenue requirement by approximately $0.5 million for MPS.

Crossroads Generating Station ADIT

Q HAS GMO INCLUDED CROSSROADS GENERATING STATION ("CROSSROADS") IN ITS RATE BASE?

A Yes. GMO has included Crossroads in rate base at an inflated value. In addition, the Company has included the ADIT which have accumulated since the transfer of the plant to GMO regulated operations. GMO's net plant value and its ADIT balance do not reflect the Commission's last Report and Order.

Q DO YOU AGREE THAT GMO HAS REFLECTED THE CORRECT AMOUNT OF ADIT?

A No. Company witness Melissa K. Hardesty states in her direct testimony on page 4 that the ADIT for Crossroads is $8,335,048, based on the amount generated after the Crossroads facility was transferred to GMO in 2007. However, there were ADIT created prior to transfer of this unit to GMO and those taxes should also be reflected in the rate base.

Q WHAT VALUE OF ADIT DO YOU PROPOSE TO INCLUDE FOR CROSSROADS?

A I propose to include $14,604,923 for ADIT. This value may change as a result of the true-up in this proceeding. I have included the ADIT associated with amortization and depreciation.

Q HOW WAS THIS LEVEL OF ADIT CREATED?

A The ADIT balance was generated due to the fact that the Internal Revenue Service ("IRS") allows an investment to be amortized or depreciated over a shorter time than GMO's depreciation expense on its books. Therefore, the IRS allows for a higher depreciation rate. This creates a timing difference between the tax and book depreciation and amortization. These differences create ADIT which is used to offset rate base.

Q PLEASE DESCRIBE THE CIRCUMSTANCES SURROUNDING THE DIFFERENCES IN ADIT BALANCES BETWEEN YOU AND THE COMPANY.

A In 2007, following the acquisition of Aquila, Great Plains Energy Inc. ("GPE") transferred Crossroads to the regulated operations of GMO. At the time of transfer of the Crossroads units to the regulated operations of MPS, GPE retained the ADIT associated with Crossroads while in the ownership of Aquila Crossroads Energy Center.

Q WHY DO YOU RECOMMEND THAT THE ADIT BE RECORDED ON THE REGULATED BOOKS OF GMO?

A ADIT should follow the sale of the asset. In transactions with which I am familiar, the ADIT accompanies the asset sale or transfer. The Missouri Commission Staff usually requires that the ADIT follow the ownership of the asset.

There is also the issue concerning the Commission's affiliate transaction rules. In transactions involving purchases from affiliates, utilities are required to buy from affiliates at the ***lesser*** of market value or cost. The ADIT balances are part and parcel of the "cost" of the transaction with the affiliate. Therefore, merely recording the asset at its net book cost without the consideration of ADIT does not comply with the affiliate transaction rules.

GMO has claimed that since the ratepayers did not provide the annual deferred taxes, they are not entitled to the ADIT. I believe this argument is without merit. If that were the case, ADIT would never accompany an asset sale or transfer as the ratepayers would not have provided those taxes. I further contend that the ratepayers of MPS are equally, if not more, entitled to the ADIT balance than the shareholders of GMO, since the ratepayers will be required to pay rates to provide a return 'on' and 'of' the Crossroads investment.

Q IN THE LAST GMO RATE CASE (CASE NO. ER-2010-0356) DID THE COMMISSION ADDRESS THE LEVEL OF ADIT TO INCLUDE IN RATE BASE?

A Yes. The Commission ruled that the total value of Crossroads' ADIT should be included as an offset to rate base. In addition, the Commission reaffirmed its position in a May 27, 2011 Order of Clarification and Modification wherein it stated the following:

> "The Commission set the value of Crossroads considering all relevant factors presented and found that GPE had conducted due diligence in its purchase of Aquila, Inc. Therefore, the Commission need not clarify this point in the Report and Order."

Therefore, I recommend that the Commission again recognize the ADIT for Crossroads of $14,604,923.

St. Joseph Infrastructure Program

Q IS GMO RECOMMENDING AN INFRASTRUCTURE PROGRAM FOR THE CITY OF ST. JOSEPH?

A Yes. GMO has requested construction accounting treatment for the infrastructure program.

Q PLEASE DESCRIBE THE INFRASTRUCTURE PROGRAM.

A GMO has developed a five-year plan that will address the overall distribution reliability condition and future capacity needs of the City of St. Joseph's electrical system. The program will include proposed substation additions and asset replacement to improve distribution reliability and the overall level of service to St. Joseph customers.

Q PLEASE DESCRIBE WHAT GMO HAS PROPOSED FOR CONSTRUCTION ACCOUNTING.

A Construction accounting would allow for the deferral to a regulatory asset of the depreciation on the infrastructure plant additions and a carrying cost until the next GMO rate case. This balance would then be amortized over a specified timeframe. In addition, GMO is requesting rate base inclusion of the unamortized balance of the deferral in future rate cases.

Q ARE YOU IN AGREEMENT WITH GMO'S PROPOSAL TO ALLOW CONSTRUCTION ACCOUNTING FOR THE ST. JOSEPH INFRASTRUCTURE PROGRAM?

A No, I do not believe the Commission should grant this request by GMO for special accounting treatment regarding this infrastructure program.

Q WHAT IS THE BASIS FOR YOUR OPPOSITION TO THIS PROPOSAL?

A I am opposed to this accounting treatment for several reasons. First, the capital dollars associated with this program are not material to the total plant in service recorded on L&P's books. Second, GMO has not identified any potential increased revenues associated with this program. Finally, GMO has not reflected any potential maintenance savings associated with the program.

Q YOU STATED THAT THE CAPITAL DOLLARS ASSOCIATED WITH THIS PROGRAM ARE NOT MATERIAL TO THE TOTAL PLANT IN SERVICE RECORDED ON L&P'S BOOKS. COULD YOU PROVIDE SOME FURTHER DETAIL FOR THIS STATEMENT?

A Yes. For purposes of calculating L&P's cost of service, GMO has identified $721.5 million of plant in service. The infrastructure program identified $27 million of total additional investment. This total increase in investment only represents 3.74% of L&P's total plant in service. It should also be noted that the infrastructure program is scheduled for completion over a five-year period. Therefore, the annual level of additions is an even smaller percentage in relation to plant in service. Clearly, this infrastructure program does not represent a significant addition to L&P's rate base that would justify special ratemaking treatment.

Q PLEASE PROVIDE THE BASIS FOR YOUR STATEMENT THAT GMO HAS FAILED TO IDENTIFY ANY INCREASED REVENUE ASSOCIATED WITH THE PROGRAM.

A On page 13 of William Herdegen's direct testimony, he makes the following statement:

> "The North and East outskirts of the city of St. Joseph are experiencing areas of significant growth. The Industrial Park Substation at the southeast end of the city currently is at approximately 88% of its capacity, and growing at a rate of approximately 4% per year. In order to address these areas of growth and reduce the existing footprint of the 34kV system over time, several new 161kV/12kV substations are proposed for construction in the St. Joseph metro area."

In addition, Mr. Herdegen discusses the high customer minutes interrupted ("CMI") that has been experienced in St. Joseph as compared to MPS and KCPL. Mr. Herdegen provided some historical data which stated that 38,920 customers were interrupted a total of 15,011,756 minutes over a five-year period, or approximately 386 minutes per customer. GMO believes that the completion of this program will have a significant positive impact on these interruptions. However, GMO does not project any increased revenues associated with new investment, even though it will facilitate customer growth and result in decreased outage time for customers.

Q FINALLY, YOU STATED THAT GMO HAS NOT REFLECTED ANY MAINTENANCE SAVINGS ASSOCIATED WITH THE PROGRAM. PLEASE DISCUSS THIS CONCEPT.

A Mr. Herdegen discusses over several pages of his direct testimony the different metrics based on CMI and outages. He also states that as a result of the successful completion of this program, customers will experience a significant positive impact on the overall level of the service provided. Inherent in these discussions regarding the enhancement of the level of service as a result of the program, is a reduction in the level of maintenance expense necessary to support the current investment. However, GMO does not propose to recognize any maintenance savings associated with this program.

Q PLEASE SUMMARIZE YOUR POSITION.

A I recommend that the Commission reject GMO's infrastructure program proposal. The proposed capital amounts are not substantial increases to L&P's plant investment levels. In addition, GMO has not considered the potential offsets that this program will create associated with increased revenues and reduced maintenance. Therefore, the special accounting treatment for this program should be rejected.

Q DO YOU HAVE ANYTHING FURTHER TO DISCUSS?

A Yes. My colleague, Nicholas L. Phillips, is filing direct testimony on GMO's fuel expense. Specifically, Mr. Phillips proposes that the equivalent forced outage rate for Iatan 2 was too high. Mr. Philips adjusts that outage rate to a more reasonable level. I have allocated Mr. Phillips' total adjustment of $0.581 million between MPS and L&P. I allocated the adjustment to MPS and L&P based on the Commission's decision in the last rate case to assign 100 MW of capacity to MPS and 53 MW of capacity to L&P.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

Qualifications of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am an Associate in the field of public utility regulation with the firm of Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree in Business Administration, with a major in Accounting. Subsequent to graduation, I was employed by the Missouri Public Service Commission. I was employed with the Commission from July 1, 1979 until May 31, 2008.

I began my employment at the Missouri Public Service Commission as a Junior Auditor. During my employment at the Commission, I was promoted to higher auditing classifications. My final position at the Commission was an Auditor V, which I held for approximately ten years.

As an Auditor V, I conducted audits and examinations of the accounts, books, records and reports of jurisdictional utilities. I also aided in the planning of audits and investigations, including staffing decisions, and in the development of staff positions in which the Auditing Department was assigned. I served as Lead Auditor and/or Case

Supervisor as assigned. I assisted in the technical training of other auditors, which included the preparation of auditors' workpapers, oral and written testimony.

During my career at the Missouri Public Service Commission, I presented testimony in numerous electric, gas, telephone and water and sewer rate cases. In addition, I was involved in cases regarding service territory transfers. In the context of those cases listed above, I presented testimony on all conventional ratemaking principles related to a utility's revenue requirement. During the last three years of my employment with the Commission, I was involved in developing transmission policy for the Southwest Power Pool as a member of the Cost Allocation Working Group.

In June 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant. Since joining the firm, I have presented testimony and/or testified in the state jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri and Washington. I have also appeared and presented testimony in Alberta and Nova Scotia, Canada. These cases involved addressing conventional ratemaking principles focusing on the utility's revenue requirement. The firm Brubaker & Associates, Inc. provides consulting services in the field of energy procurement and public utility regulation to many clients including industrial and institutional customers, some utilities and, on occasion, state regulatory agencies.

More specifically, we provide analysis of energy procurement options based on consideration of prices and reliability as related to the needs of the client; prepare rate, feasibility, economic, and cost of service studies relating to energy and utility services; prepare depreciation and feasibility studies relating to utility service; assist in contract negotiations for utility services, and provide technical support to legislative activities.

In addition to our main office in St. Louis, the firm has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

\\Doc\Shares\ProlawDocs\TSK\9594\Testimony-BAI\222949.doc

KCP&L Greater Missouri Operations Company
Case No. ER-2012-0175

Industrials' Adjustments to GMO's Proposed Revenue Requirement[1]

Line	Category of Adjustment	Amount of Reduction ($000) MPS[2]	L&P	Witness
1	Renewable Energy Standard Cost	$ 1,779	$ 85	Meyer
2	Organizational Realignment and Voluntary Separation Program	$ 530	$ 162	Meyer
3	Bad Debts Expense	$ 1,066	$ 406	Meyer
4	Property Tax Tracker	$0	$0	Meyer
5	Overtime	$ 468	$0	Meyer
6	Crossroads Generating Station ADIT	$ 656		Meyer
7	St. Joseph Infrastructure Program		$0	Meyer
8	Transmission Revenue Credit	$ 84	$ 53	Dauphinais
9	Transmission Tracker	$0	$0	Dauphinais
10	Total Non-Fuel	$ 4,583	$ 706	
11	Fuel Costs	$ 380	$ 189	Phillips
12	Total Fuel	$ 380	$ 189	
13	Total Reduction	$ 4,963	$ 895	
14	TOTAL GMO	$5,858		

[1] Industrials have adopted the midpoint cost of capital of Public Counsel witness Michael P. Gorman for determining the revenue requirement of rate base adjustments.

[2] The MPS revenue requirements do not reflect the immaterial FERC allocation.