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Revenue Requirement
True-up Allowance for Changes*

Witness: Cary G. Featherstone

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MISSOURI PUBLIC SERVICE COMMISSION

**REGULATORY REVIEW DIVISION
UTILITY SERVICES - AUDITING**

DIRECT TESTIMONY

OF

CARY G. FEATHERSTONE

**KCP&L GREATER MISSOURI OPERATIONS COMPANY
GREAT PLAINS ENERGY, INC
CASE NO. ER-2012-0175**

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DIRECT TESTIMONY
OF
CARY G. FEATHERSTONE
KCP&L GREATER MISSOURI OPERATIONS COMPANY
CASE NO. ER-2012-0175

Q. Please state your name and business address.

A. Cary G. Featherstone, Fletcher Daniels State Office Building, 615 East 13th Street, Kansas City, Missouri.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

CREDENTIALS

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Kansas City in December 1978 with a Bachelor of Arts degree in Economics. My course work included study in the field of Accounting and Auditing.

Q. What job duties have you had with the Commission?

A. I have assisted, conducted, and supervised audits and examinations of the books and records of public utility companies operating within the state of Missouri. I have participated in examinations of electric, industrial steam, natural gas, water, sewer and telecommunication companies. I have been involved in cases concerning proposed rate increases, earnings investigations, and complaint cases as well as cases relating to mergers and acquisitions and certification cases.

Direct Testimony of
Cary G. Featherstone

1 Q. Have you previously testified before this Commission?

2 A. Yes. Schedule I attached to this testimony contains a list of rate cases in
3 which I have submitted testimony. In addition, I also identify in Schedule 1, other cases
4 where I directly supervised and assisted Commission Staff (Staff) in audits of public utilities,
5 but where I did not testify.

6 Q. With reference to Case No. ER-2012-0175, have you examined and studied
7 the books and records of KCP&L Greater Missouri Operations Company regarding its
8 electric operations?

9 A. Yes, with the assistance other members of the Commission Staff.

10 Q. What knowledge, skill, experience, training and education do you have with
11 regard to KCP&L Greater Missouri Operations Company's general rate increase tariff filing
12 that is the subject of Case No. ER-2012-0175?

13 A. I have acquired knowledge of the ratemaking and regulatory process through
14 my employment with the Commission. I have participated in numerous rate cases, complaint
15 cases, merger cases and certificate cases, and filed testimony on a variety of topics. I have
16 also acquired knowledge of these topics through review of Staff work papers from prior rate
17 cases filed before this Commission relating to KCP&L Greater Missouri Operations
18 Company ("GMO," which may also be referred to as "Company") and its electric operations
19 and GMO's affiliate Kansas City Power & Light Company ("KCPL") and its electric
20 operations. I have previously examined generation and generation-related topics; conducted
21 and participated in several construction audits involving plant and construction records,
22 specifically the costs of construction projects relating to power plants. I have also been

1 involved in the fuel and fuel-related areas for power plant production, purchased power and
2 off-system sales on numerous occasions.

3 In particular, I have been involved in many electric and steam rate cases involving
4 GMO, previously named Aquila, Inc. (“Aquila”). Great Plains Energy (“Great Plains”), the
5 parent of both GMO and KCPL, acquired GMO in July 2008 after the Commission approved
6 the acquisition in Case No. EM-2007-0374. GMO has two rate districts—L&P (in and about
7 St. Joseph, Missouri) and MPS (the remainder of its service territory which includes areas in
8 and about Kansas City and Sedalia, Missouri). Prior to Great Plains’ acquisition of GMO,
9 I was involved in many Aquila rate cases and acquisition reviews for what are now the L&P
10 and MPS rate districts. GMO provides steam service in its L&P rate district that uses some
11 of the same facilities it uses for providing electric service in its L&P rate district. Prior to the
12 Aquila name it went by UtiliCorp United, Inc. (“UtiliCorp”). UtiliCorp changed its name to
13 Aquila in early 2002.

14 I also have participated in many KCPL electric rate cases—three under its
15 experimental alternative regulatory plan (herein referred to as the “Regulatory Plan”) the
16 Commission approved in Case No. EO-2005-0329, and others in the early 1980’s, in
17 particular the rate case concerning the in-service of the Wolf Creek Nuclear Generating
18 Station (“Wolf Creek”). I was also involved in KCPL’s steam rate cases in the early 1980’s
19 when KCPL had steam operations in downtown Kansas City before it sold them to
20 Trigen-Kansas City Energy Corporation in 1990.

21 Since GMO became an affiliate of KCPL, they have consolidated their operations;
22 operationally, KCPL runs GMO. Therefore, for this rate case, I reviewed testimony, work
23 papers and responses to data requests from both KCPL and GMO, along with documents

1 such as data request responses and work papers in prior cases involving rates, electric and
2 steam, for what are now referred to as the MPS and L&P rate districts. I conducted and
3 participated in interviews of Company personnel relating to this rate case, and I performed
4 extensive discovery concerning aspects of the construction and operation of GMO's and
5 KCPL's electric operations. Over the years I have had many discussions with the Company
6 regarding a variety of regulatory topics, including GMO's and KCPL's rate case & regulatory
7 activities, earnings reviews, regulatory plans, depreciation, de-commissioning trust funds for
8 Wolf Creek, and merger, acquisition and sale transactions.

9 I also participated in the Staff's review of the 1996 merger application of KCPL and
10 GMO (then doing business as UtiliCorp United, Inc.) in Case No. EM-96-248, where they
11 applied for Commission authority to consolidate their operations. After that merger did not
12 close because KCPL's shareholders did not approve it, I participated in two cases in 1998
13 and 1999, Cases No. EM-97-515, where KCPL and Westar Energy (then called Western
14 Resources) sought authority to merge. I participated in the case, Case No. EM-2000-292,
15 where St. Joseph Light & Power Company and UtiliCorp United sought Commission
16 authority to merge. That merger closed December 2000. I also participated in the case, Case
17 No. EM-2000-0369, where UtiliCorp United and The Empire District Electric Company
18 sought Commission authority to merge. That merger did not close.

19 In addition to the foregoing cases, during my employment at the Commission I have
20 been involved in many other reviews and investigations that were initiated by applications
21 filed by KCPL or GMO.

22 **EXECUTIVE SUMMARY**

23 Q. Please summarize your testimony.

1 A. Staff witness Dan Beck and I sponsor Staff's Cost of Service Report and
2 Accounting Schedules in this rate proceeding that are being filed concurrently with this and
3 Mr. Beck's testimony. Staff's Cost of Service Report supports Staff's recommendation of the
4 amount of the rate revenue increase for GMO based on information through the period
5 ending March 31, 2012, using actual historical information, and the rate revenue increase
6 recommendation that Staff expects it will find after true-up to be appropriate for GMO in
7 these rate cases. Staff prepared its revenue requirement results based on actual results
8 through the March 31, 2012, update period. Staff will further update the cases for GMO to
9 include actual results for the true-up period ending August 31, 2012. The rate revenue
10 recommendation being filed for March 31, 2012, period is found in Staff's separately filed
11 Accounting Schedules.

12 I present an overview of the results of Staff's review of GMO's revenue requirement
13 started in response to GMO's general rate increase request made on February 27, 2012.
14 Several members of the Commission's Staff participated in Staff's examination of GMO's
15 and KCPL's books and records for all the relevant and material components that make up the
16 revenue requirement calculation. These components can be broadly defined as (1) capital
17 structure and return on investment, (2) rate base investment and (3) income statement results,
18 including revenues, operating and maintenance expenses, depreciation expense, and the taxes
19 related to revenues and these expenses, including income taxes. I provide an overview of the
20 Staff's work on each of these broadly defined components.

21 Q. Based on its review of the test year ending September 30, 2011 updated
22 through March 31, 2012, what is Staff's recommendation concerning GMO's revenue
23 requirements for MPS and L&P?

1 A. Staff recommends a return on equity (“ROE”) range of 8.00% to 9.00%, with
2 a mid-point of 8.5%, which yields the rate of return range of 7.14% to 7.66% for MPS and
3 L&P. Staff’s GMO revenue requirement calculation, which is based on GMO’s actual costs
4 through March 31, 2012, indicates shortfalls for MPS and L&P as follows:

5

GMO MPS	Rate of Return 7.14%	Rate of Return 7.66%
Revenue Requirement	\$ 370,510	\$11.9 million
Percentage Increase	0.1%	2.2%
Total Revenues	\$545.1 million (see income statement Schedule 9)	\$545.1 million
Total Revenues plus Recommended Increase	\$545.4 million	\$556.9 million

6

7

GMO L&P	Rate of Return 7.14%	Rate of Return 7.66%
Revenue Requirement	\$707,740	\$4.6 million
Percentage Increase	0.4%	2.7%
Total Revenues	\$170.5 million (see income statement Schedule 9)	\$170.5 million
Total Revenues plus Recommended Increase	\$171.2 million	\$175.1 million

8

1 Staff's MPS revenue requirement calculation, which is based on MPS actual costs
2 through March 31, 2012, indicates the increase in revenues is approximately \$370,000 to
3 \$11.9 million on current MPS rates, which generates approximately \$545.1 million. With the
4 increase of between \$370,000 to \$11.9 million (0.1% to 2.2%), Staff's total MPS revenue
5 requirement recommendation is approximately \$545.4 to \$556.9 million.

6 Staff's L&P revenue requirement calculation, which is based on L&P actual costs
7 through March 31, 2012, indicates increase in revenues is approximately \$707,000 to
8 \$4.6 million on current L&P rates, which generates approximately \$170.5 million. With the
9 increase of between \$707,000 to \$4.6 million (0.4% to 2.7%), Staff's total L&P revenue
10 requirement recommendation is approximately \$171.2 to \$175.1 million.

11 Because of cost increases related to plant additions, and other changes to plant
12 investment, revenues and costs, expected to occur through the true-up period through
13 August 31, 2012, that are not known and measurable at this time, the Staff's revenue
14 requirement for GMO will change when the true-up is completed in this case.

15 Staff will perform the true-up audit and make a recommendation regarding the
16 revenue requirement based on actual results for the August 31, 2012 at the time of its
17 scheduled true-up direct filing in this case.

18 Q. What are the major drivers for Staff's estimate of GMO's revenue
19 requirement in this case?

20 A. The following is a non-exhaustive list:

- 21 • Rate of Return
- 22 • Remaining costs for the additional plant for GMO investment in the
23 Iatan 2 not captured in its last rate case

- 1 • GMO's investment in Iatan Common Plant not captured in its last rate
- 2 case
- 3 • GMO's fuel costs, including freight rate changes and purchased power
- 4 costs
- 5 • GMO's off-system sales margins from the firm and non-firm bulk power
- 6 markets
- 7 • GMO's pension and other post-employment benefits (OPEBs) costs
- 8 • Jurisdictional Allocations
- 9 • Acquisition savings and transition costs

10 Q. Did you review any specific components of the revenue requirement
11 calculation Staff used for determining GMO's revenue requirement in this case?

12 A. Yes. I examined the capital investment in GMO's Crossroads Generating
13 Facility (Crossroads), based on the Commission's ordered value in Case No. ER-2010-0356,
14 GMO's last general rate increase case.

15 I, with Staff witness Alan Bax, examined the jurisdictional assignment and allocation
16 of costs, i.e., the assignment and allocation of costs between the Missouri retail, the Kansas
17 retail and the wholesale markets, to identify the rate base investment and income statement
18 expenses to include in developing KPCL's revenue requirement for serving its Missouri retail
19 customers—the Missouri retail jurisdiction.

20 Q. Are you sponsoring any of Staff's adjustments to GMO's books and records
21 for purposes of determining an appropriate revenue requirement for GMO in this case?

22 A. Yes. I sponsor the value of Crossroads in plant in service and accumulated
23 depreciation reserve in rate base—Schedule 2 and adjustment relating to transmission
24 expense in the income statement—Schedule 10 to remove from the test year the transmission

1 costs relating to Crossroads based on the Commission's Order in Case No. ER-2010-0356.
2 These adjustments are E 74.1 to GMO's income statement for MPS.

3 **OVERVIEW OF KCP&L GREATER MISSOURI OPERATIONS COMPANY**
4 **FILING**

5 Q. What is the purpose of your direct testimony?

6 A. With Mr. Beck, I present an overview of the results of Staff's review of
7 GMO's revenue requirement in response to GMO's general rate increase request made on
8 February 27, 2012. I provide an overview of the Staff's work on each component of the
9 revenue requirement calculation Staff used for determining an appropriate revenue
10 requirement for GMO in this case. Mr. Beck provides an overview of the work performed by
11 members of the Commission's Utility Operations Department who contributed to Staff's
12 calculation of GMO's revenue requirement. Several members of Staff had specific
13 assignments relating to different components of Staff's revenue requirement calculation for
14 GMO. The members of Staff who contributed to the Staff's Cost of Service Report are
15 identified in the report to the sections for which they are responsible and verify, and their
16 credentials are included in an appendix to the report. Results for the different revenue
17 requirement calculation components are contained in Staff's Accounting Schedules. Using
18 historic financial information from KCPL's and GMO's actual operations through the update
19 period ending March 31, 2012 to develop a comprehensive revenue requirement, Staff
20 applies annualization and normalization ratemaking techniques to make adjustments to
21 reflect the costs of its ongoing operations in the future.

22 Staff refers to the revenue requirement model it uses as "Exhibit Model System" or
23 "EMS," and refers to its EMS modeling results based on various inputs as "EMS runs." Staff
24 estimates a utility's revenue requirement based on the work product of members of the

1 Regulatory Review Division of the Commission. Staff's EMS run results that support its
2 revenue requirement for GMO are the Accounting Schedules that are separately filed as an
3 exhibit in the case. They, with my direct testimony, Mr. Beck's direct testimony, and the
4 Staff's Cost of Service Report present and support Staff's revenue requirement for GMO.

5 Q. Why did Staff review KCPL and GMO's books and records and calculate a
6 revenue requirement for GMO in this case?

7 A. On February 27, 2012, GMO filed tariff sheets designed to implement an
8 increase in its electric retail rate revenues in Missouri, exclusive of gross receipts, sales,
9 franchise and occupational fees or taxes, of \$58.3 million per year, a 10.9% increase and the
10 new tariff sheets it filed for L&P are designed to increase its revenues from retail electric
11 customers by \$25.2 million, a 14.6% increase. The GMO requests for MPS and L&P are
12 based on a proposed rate of return on equity of 10.4% applied to the 52.5% equity capital
13 structure based on the capital structure of its parent holding company Great Plains Energy
14 [source: paragraphs 6 and 7 of GMO Application- Minimum Filing Requirements page 3 and
15 GMO Press Release]. The Commission assigned the filing File No. ER-2012-0175 to the
16 GMO rate case.

17 Q. Earlier you testified that KCPL and GMO have consolidated their operations.
18 Did KCPL also file tariff sheets designed to implement a general increase in electric rates
19 in Missouri?

20 A. Yes. It did so on the same day, February 27, 2012. The Commission
21 designated that case, Case No. ER-2012-0174.

22 KCPL stated the new tariff sheets it filed are designed to increase its revenues from
23 its retail customers by \$105.7 million. If implemented on an equal percentage basis, this

1 represents a 15.1% increase in existing KCPL rates. KCPL, in part, based its rate increase
2 request on a proposed rate of return on equity of 10.4% applied to a 52.5% equity capital
3 structure based on the capital structure of its parent holding company Great Plains Energy
4 Incorporated (Great Plains) [source: paragraphs 6 and 7 KCPL's Application- Minimum
5 Filing Requirements page 3]. Staff reviewed KCPL's books and records, and calculated a
6 revenue requirement for KCPL, to independently evaluate KCPL's rate increase request.

7 Q. Has Staff filed direct testimony in the KCPL rate case?

8 A. Staff filed the KCPL electric rate increase case (Case No.
9 ER-2012-0174) on August 2, 2012.

10 **BRIEF HISTORY OF GREAT PLAINS ENERGY AND KANSAS CITY**
11 **POWER & LIGHT COMPANY**

12 Q. Please provide a brief overview of KCPL and GMO's parent, Great Plains
13 Energy.

14 A. Great Plains is a holding company incorporated in Missouri in 2001. It has
15 two wholly-owned subsidiaries—KCPL and GMO—that provide regulated utility services in
16 Missouri. It also owns KLT Inc., which has very small non-regulated operations that
17 presently are not active. Great Plains Energy also wholly owns Great Plains Energy Services
18 Incorporated (GPES). GPES provided corporate services at cost to Great Plains Energy and
19 its subsidiaries, including KCPL and GMO until December 16, 2008, when, in a
20 restructuring, all Great Plains Energy and GPES employees were transferred to KCPL.
21 Following that restructuring, KCPL employees perform all the work for Great Plains Energy
22 and its subsidiaries including GMO.

23 Q. What is GMO?

1 A. GMO is an integrated, regulated electric utility that provides generation,
2 transmission, distribution and sells electricity to retail customers in the northwestern, central
3 western and southern part state of Missouri. As described earlier, it has two districts with
4 different rates—MPS and L&P. GMO provides electric retail service only in Missouri. In
5 addition to serving retail customers, MPS, under the jurisdiction of the FERC, sells electricity
6 at wholesale to several municipalities Missouri. L&P does not. GMO also sells steam
7 service in L&P, but has made no request regarding those rates. GMO is a Missouri
8 corporation incorporated in 1987 and most recently renamed in 2008. GMO's most recent
9 prior name was Aquila, Inc (formerly UtiliCorp United Inc.) The predecessor company to
10 UtiliCorp United was Missouri Public Service Company which was incorporated in 1926).
11 The Company, and its predecessors, began providing electric service to the public in the late
12 19th century.

13 Q. What is KCPL?

14 A. KCPL is an integrated, regulated electric utility that provides generation,
15 transmission, distribution and sells electricity to retail customers in Missouri and Kansas. Its
16 employees also operate GMO under an operating agreement. KCPL, under the jurisdiction
17 of the Federal Energy Regulatory Commission (FERC), also sells electricity at wholesale to
18 several municipalities in Kansas and Missouri. KCPL is a Missouri corporation incorporated
19 in 1922. The Company, and its predecessors, began providing electric service to the public
20 in the late 19th century.

21 **STAFF FINDINGS AND RECOMMENDATIONS FOUND IN STAFF'S COST**
22 **OF SERVICE REPORT AND STAFF'S ACCOUNTING SCHEDULES**

23 Q. Did Staff only review GMO's and KCPL's books and records to calculate a
24 revenue requirement for GMO?

1 A. No. Staff also interviewed KCPL personnel. Staff reviewed KCPL's, and
2 GMO's, responses to data requests issued in this and other cases. Staff reviewed the
3 minutes of meetings of Great Plains', KCPL's and GMO's Boards of Directors as well as the
4 minutes of the former Aquila Board of Directors. Staff reviewed the books and records of
5 KCPL and GMO, as well as their affiliates including: the general ledger, plant ledgers and
6 various other documents, including the FERC Form 1, for the last several years. Staff in
7 previous rate cases toured most of KCPL's and GMO's plant facilities, including the Iatan
8 Project— Iatan Unit 1 Air Quality Control System and Iatan Unit 2, both of which KCPL
9 owns jointly with GMO and other entities. In the 2010 rate case, Staff also toured the Wolf
10 Creek Nuclear Generating Station of which KCPL owns 47% as well as other KCPL
11 generating units.

12 In previous rate cases, Staff toured several of GMO's generating facilities including
13 Sibley Generating Unit ("Sibley"), Jeffrey Energy Center ("Jeffrey") Lake Road Generating
14 Station ("Lake Road") and several of its combustion turbines. Sibley is wholly owned by
15 MPS and Jeffrey is owned by MPS, which has an 8% ownership share.

16 Q. Which members of Staff are assigned to this case?

17 A. Several Staff experts from the Regulatory Review Division are assigned to
18 this case. Their names follow with a brief description of their contribution to the Staff's Cost
19 of Service Report:

20 **Utility Services Department**

21 **Financial Analysis Unit--**

- 22 ▪ David Murray -- Rate of Return and Capital Structure.

1 **Engineering and Management Services Unit--**

- 2 ▪ Arthur W. Rice-- Depreciation Rates.

3 **Auditing Unit--**

- 4 ▪ Cary G. Featherstone-- Overall Revenue Requirement Results, Jurisdictional
5 Allocations

- 6 ▪ Patricia Gaskins-- Plant in Service, Accumulated Depreciation Reserve,
7 Depreciation Expense; material and supplies, prepayments, advertising and lease
8 expenses

- 9 ▪ V. William Harris-- Off-system Sales; Cash Working Capital

- 10 ▪ Charles R. Hyneman-- Income Taxes, Deferred Income Taxes, Deferred Income
11 Tax Reserve; Pensions and Other Post-Retirement Employment Benefits

- 12 ▪ Karen Lyons-- Electric Revenues and Uncollectible Revenues (Bad Debts);
13 Operation and Maintenance Expense-- Non-wage

- 14 ▪ Keith Majors— Fuel and Purchased Power Costs, Fuel Inventories, Off-system
15 Sales; Acquisition Savings and Construction Accounting

- 16 ▪ Bret G. Prenger— Fuel and Purchased Power Costs, Fuel Inventories, Payroll,
17 Payroll Related Benefits, Payroll Taxes and Incentive Compensation

18 **Utility Operations Department.**

- 19 • Matthew J. Barnes – Fuel Adjustment Clause

- 20 • Alan J. Bax — Losses and Jurisdictional Allocations

- 21 • Dan Beck-- Overall Revenue Requirement Results

- 22 • Kim Cox -- Large Customer Annualizations

- 23 • Natelle Dietrich – Energy Independence and Security Act of 2007

- 24 • David W. Elliott-- Fuel Modeling and Fuel Model Inputs

- 25 • Randy Gross – KCPL Smart Grid Update

- 26 • Thomas M. Imhoff – Tariff Issues

- 27 • Hojong Kang – Demand-Side Management Program Prudence and High
28 Efficiency Street and Area Lighting

- 1 • Robin Kliethermes – Economic Considerations and Large Customer
2 Annualizations
- 3 • Shawn E. Lange - Weather Normalization, 365-Days Adjustment, and Fuel
4 Model Inputs
- 5 • Erin L. Maloney – Spot Market Prices, Fuel and Purchased Power Cost
6 Allocation between Rate Districts
- 7 • Lena Mantle—Capacity Planning and Capacity Allocation between Rate
8 Districts
- 9 • John A. Rogers – Demand-Side Management Cost Recovery
- 10 • Michael E. Taylor – Renewable Energy Costs, Heat Rate Testing, In-Service
11 Testing
- 12 • Henry Warren- Low Income Weatherization
- 13 • Curt Wells- Electric Rate Revenues
- 14 • Seoung Joun Won –Weather Normal Variables

15 Each of these Staff experts' work product was used as a direct input to the various
16 adjustments contained in Staff's Accounting Schedules and revenue requirement
17 recommendation.

18 Q. Would you provide an overview of how the Staff assigned to this case worked
19 together to arrive at Staff's revenue requirement recommendations and true-up estimates?

20 A. All of the Staff members assigned to this case are, by education, training and
21 experience, experts at performing their regulatory responsibilities as members of the
22 Commission Staff. These regulatory experts rely on the work of each other to develop Staff
23 revenue requirement recommendations regarding filings public utilities make before the
24 Commission. The work of each Staff member is an integral part of the Staff's Cost of
25 Service Report, including Staff's Accounting Schedules, which contain the results of their

1 collective efforts in Staff's findings and recommendations. Mr. Beck and I relied on these
2 findings and recommendations to develop Staff's ultimate recommendations in this direct
3 filing. Many of the individual sections presented include references indicating reliance on
4 the work of other contributing experts.

5 Mr. Beck and I relied on the work product of every Staff expert assigned to this case.
6 Each Staff expert provided the results of their review and analysis as inputs to the revenue
7 requirement calculations for MPS and L&P, and is identified in the sections of the report
8 submitted by that expert. An affidavit, credentials, and the qualifications of each Staff expert
9 are included in the Report as attachments. Each Staff expert assigned to the KCPL and GMO
10 rate cases will provide work papers supporting the findings and recommendations to both
11 Companies and to other parties as the Commission has ordered in setting the procedural
12 schedule in this case. Finally, each Staff expert assigned to this rate case will be available to
13 answer Commissioner questions and to be cross-examined by any party who wishes to
14 conduct cross-examination regarding information on how Staff's findings and
15 recommendations were developed and presented in Staff's Cost of Service Report, including
16 Staff's Accounting Schedules.

17 Q. What is your overall responsibility in this case?

18 A. I am one of two project coordinators assigned to identify the work scope for
19 the case, make Staff assignments, and supervise and oversee all work product development.
20 I specifically supervised all areas of the audit work assigned to and the responsibility of the
21 Auditing Unit. I worked closely with other Staff experts assigned to this rate case. I worked
22 with the depreciation and rate of return experts as well as the Utility Operations experts
23 assigned to revenues and fuel costs.

1 I have overall responsibility to ensure the revenue requirement calculations using the
2 Staff's computer model are timely completed. This involves all aspects of the elements
3 making up the revenue requirement recommendations. To this end, I, along with those under
4 my direct supervision, either developed directly, or was provided with, the information used
5 to support the Staff's revenue requirement recommendations for KCPL and GMO.

6 Q. Please provide examples of how information from Staff experts was used to
7 develop Staff's revenue requirement recommendations for GMO?

8 A. Staff expert David Murray's recommendations from his capital structure and
9 rate of return analyses were provided as inputs to the revenue requirement calculations and
10 appear as part of Accounting Schedule 12. His findings are also in Staff's Cost of Service
11 Report, along with his schedules.

12 Staff expert Arthur W. Rice provided the results of his depreciation analysis, which
13 also are reflected in Staff's Cost of Service Report, and in a schedule.

14 Staff experts Karen Lyons, Kim Cox, Robin Kliethermes and Curt Wells worked
15 closely together and are sponsoring the revenue adjustment results.

16 Staff experts David Elliott, Erin L. Maloney, Keith Majors and Bret G. Prenger
17 worked together in developing the Staff's fuel costs for KCPL and GMO in these cases.

18 Staff expert Alan J. Bax developed the energy and demand jurisdictional allocators
19 used to allocate total company operations to GMO's Missouri jurisdictional retail operations.

20 Q. Did Staff develop its revenue requirement recommendations for GMO in this
21 rate case any differently than it has done so in the past for KCPL and GMO rate cases and for
22 other utilities?

1 A. No. Based on my extensive experience as a regulatory auditor, my many
2 years of experience as a project coordinator in numerous rate cases, the effect of the inputs
3 provided by the various Staff experts assigned to these rate cases, Staff's overall revenue
4 requirements for KCPL and GMO as presented in this testimony and the Staff's Cost of
5 Service Report, including the Accounting Schedules, are all reasonable. Staff developed its
6 revenue requirements for KCPL and GMO consistently with how Staff has developed
7 revenue requirements for other utilities, and the inputs provided by the various Staff experts
8 assigned to the KCPL and GMO rate cases are reasonable.

9 Q. Does this August 9, 2012 filing by Staff present all of Staff's direct case?

10 A. No. Staff is scheduled to file its rate design recommendation for GMO on
11 August 23, 2012.

12 **Test Year and Known & Measurable Period**

13 Q. What is a test year?

14 A. A test year is an historical year from which actual information is used as the
15 starting point for determining an annual revenue requirement to see if any shortfall or excess
16 of earnings exist. Adjustments are made to that information so that, as adjusted, it reflects
17 the normal annual revenues and operating costs of the rate-regulated utility. Those normal
18 annual revenue and operating costs to provide utility service in the future form the basis for
19 determining what the utility's rates need to be to give it the opportunity to collect in the
20 future sufficient revenues both to pay for those ongoing costs and to earn a reasonable profit.
21 In determining ongoing revenues and costs to develop the utility's revenue requirement, the
22 first step is to identify the test year costs levels, which serve as the starting point for making
23 all the adjustments to arrive at the revenue requirement recommendation. The Commission

1 | concisely stated the purpose of using a test year in its Order in KCPL's 1983 general rate
2 | case, Case No. ER-83-49:

3 | The purpose of using a test year is to create or construct a
4 | reasonable expected level of earnings, expenses and
5 | investments during the future period in which the rates, to be
6 | determined herein, will be in effect. All of the aspects of the
7 | test year operations may be adjusted upward or downward to
8 | exclude unusual or unreasonable items, or include unusual
9 | items, by amortization or otherwise, in order to arrive at a
10 | proper allowable level of all of the elements of the Company's
11 | operations. The Commission has generally attempted to
12 | establish those levels at a time as close as possible to the period
13 | when the rates in question will be in effect.

14 | Q. Is the test year important?

15 | A. Yes. It is important to synchronize and capture—"match"—all revenues and
16 | costs in the test year, and more importantly the update period, in order to develop a
17 | relationship between the various components of the ratemaking process and keep those
18 | relationships properly aligned. To determine the proper level of utility rates, Staff examines
19 | the major elements of the utility's operations. These include rate base items such as plant in
20 | service, accumulated depreciation, deferred income tax reserves, fuel stocks, material and
21 | supplies, and other investment items. Also essential in this process is a review of the utility's
22 | revenues and expenses, making adjustments through the annualization and normalization
23 | processes. These items include: payroll, payroll related benefits, payroll taxes, fuel and
24 | purchased power costs including the updating of current fuel prices, operation and
25 | maintenance costs for non-payroll related costs such as material and equipment costs, small
26 | tool costs, and outside vendor costs for equipment repairs. Depreciation expense and taxes,
27 | including federal, state, local and property taxes, are all considered in setting rates.

1 It is important to maintain a representative relationship between rate base, revenues
2 and expenses at a point in time near to when new prospective rates become effective in order
3 for a public utility to have an opportunity to earn a fair and reasonable return. An attempt is
4 made in the regulatory process to set rates to properly reflect the levels of investment and
5 expenses necessary to serve the retail customer base which provides revenues to the utility.

6 Q. What is the test year in this case?

7 A. The ordered test year is the twelve months that ended September 30, 2011.
8 The September 30, 2011 test year was chosen by the Company, agreed to by Staff, and
9 approved by the Commission in its April 19, 2012 *Order Determining Relevant Periods and*
10 *Other Matters*. Staff made annualization, normalization and disallowance adjustments to the
11 test year results when the unadjusted results did not fairly represent GMO's most current
12 annual level of existing revenue and operating costs.

13 Q. What update period did the Commission order in this case?

14 A. The update period in this, as well as the KCPL rate case, is the period ending
15 March 31, 2012.

16 Q. What is the significance of the update period?

17 A. The update period is critical to the development of new rates. New rates from
18 general rate cases such as this one normally take about eleven months from the time the case
19 is filed until the new rates take effect. A utility's revenue requirement based on the historical
20 test year may change significantly while its case is being processed. To better match new
21 rates with the utility's ongoing revenue requirement, the Commission orders update and true-
22 up periods. Test year information is updated to reflect changes through the update cut-off

1 date—in this case March 31, 2012—and major changes through the true-up date—in this
2 case August 31, 2012.

3 Selecting a “known and measurable date” or “known and measurable period” is even
4 more important than test year to synchronize and capture—“match”—all revenues and
5 expenses as this updated information will, along with the results of the true-up will form the
6 basis for changing rates. Just as with the test year, a proper determination of revenue
7 requirement is dependent upon a consideration of all material components of the rate base,
8 return on investment, current level of revenues, along with operating costs, *at the same point*
9 *in time*. This ratemaking principle is common to all rate cases and common to how the
10 Commission has established rates using all material and relevant cost component to develop
11 the revenue requirement calculation. The March 31, 2012 date for the known and
12 measurable period was chosen to enable the parties and Staff an update period that provides
13 sufficient time to obtain actual information from KCPL and GMO upon which to perform
14 analyses and make calculations regarding various components to the revenue requirement
15 and still base the revenue requirement recommendation used for proposing new prospective
16 rates on very recent information.

17 In Case No. ER-83-49, regarding the need for a true-up, the Commission stated that it
18 would not “consider a true-up of isolated adjustments, but will examine only a package of
19 adjustments designed to maintain the proper revenue-expense-rate base match at a proper
20 point in time.” [26 Mo P.S.C. (N.S.) 104, 110 (1983)] This concept of developing a revenue
21 requirement calculation based on a consideration of all relevant factors has been a
22 long-standing approach to ratemaking in this state, and is the approach Staff is following in
23 both the KCPL and GMO rate cases.

1 The update cutoff date of March 31, 2012, is as close to the Staff's direct filing date
2 of August 9, 2012 that is reasonable to allow Staff to file a direct case based on information
3 as near to Staff's direct filing date as possible. Because it is known and measurable now,
4 Staff is using Great Plains' capital structure after June 2012, for KCPL and GMO's capital
5 structure in its direct filing.

6 Q. Has GMO recently filed an application seeking approval of certain demand-
7 side management programs from the Commission, and ratemaking treatment of the costs
8 associated with those programs?

9 A. Yes. In December 2011, GMO filed an application docketed as Case No. EO-
10 2012-0009, seeking approval of demand-side management programs and ratemaking
11 treatment of the costs associated with those programs, as authorized under the Missouri
12 Energy Efficiency Investment Act (MEEIA). The procedural schedule for GMO's MEEIA
13 application is currently suspended to allow the parties to attempt to reach a settlement of the
14 case. As of the date of this testimony, no settlement of Case No. EO-2012-0009 has been
15 filed with the Commission. If such a settlement is reached, it is possible, but not certain, that
16 the agreement in Case No. EO-2012-0009 could call for a dollar amount to be included in the
17 rates to be ordered in this proceeding (Case No. ER-2012-0175) to provide the Company cost
18 recovery of its approved MEEIA investments. In the event that the Commission would
19 approve such an agreement, Staff's cost of service in this rate proceeding will be updated to
20 reflect the inclusion of MEEIA investment costs. Given the uncertainty over the ultimate
21 outcome of Case No. EO-2012-0009, however, Staff has not included at this time any
22 amount in its revenue requirement recommendation in Case No. ER-2012-0175 related to
23 MEEIA investment costs at issue in Case No. EO-2012-0009.

1 **Revenue Requirement Ratemaking Adjustments**

2 Q. Does Staff make any adjustments to a utility's accounting information to
3 determine its revenue requirement for setting rates?

4 A. Yes. The ratemaking process includes making adjustments to that information
5 so that it reflects the normal, on-going operations of the utility. This process generally uses
6 four approaches to reflect changes determined to be reasonable and appropriate. Staff
7 makes annualization, normalization, disallowances, and *pro forma* adjustments to base its
8 recommendation regarding the revenue requirement recommendation.

9 Q. What is an annualization adjustment?

10 A. An annualization adjustment is made to a cost or revenue shown on the
11 utility's books to reflect a full year's impact of that cost or revenue. Examples are employee
12 pay raises during the test year and employees starting the employment during the updated test
13 year. Both require annualization adjustments so that the full annual salary of that employee
14 is reflected in the updated test year. If not annualized the utility's payroll would be
15 understated since the increased payroll cost to the utility due to such employees will continue
16 into the future. Another example is new customers that start taking service during or at the
17 end of the updated or trued-up test year. Their usage needs to be annualized to reflect a full
18 12-months of revenues from them. If the utility's revenues from these customers are not
19 normalized, then the utility's revenues will be understated causing its revenue requirement to
20 be overstated and its new rates to be too high.

21 In this case Staff annualized revenues, payroll costs, fuel costs and other accounting
22 information.

23 Q. What is a normalization adjustment?

1 A. A normalization adjustment is made to revise an actual cost to reflect the cost
2 at a normal, on-going level. Utility revenues and costs that were incurred in the test year that
3 are determined not to be typical or abnormal generally are adjusted to remove the affects of
4 those abnormal or unusual events. For example, some utility revenues and costs vary with
5 raising weather temperatures; therefore, adjustments are made to normalize them. Unusually
6 hot or cold weather significantly impact revenues for those customers that are weather
7 sensitive, impacting revenues that may result in a distortion to the level of test year revenues
8 and costs. Because utility rates are set using normalized inputs, adjustments to test-year
9 input levels must be made when it is determined that unusual or abnormal events cause
10 unusually high or low results. To adjust them, temperatures during the test year are
11 compared to normal annual daily temperatures that are based on actual temperature
12 measurements taken over a substantial period of time, many times a 30-year time horizon.
13 Weather-sensitive revenues are adjusted in the test year to reflect normal weather
14 temperatures. The resulting weather-normalized sales volumes are also used as the basis for
15 the utility's fuel and purchased power costs, so that they too reflect normal weather
16 temperatures.

17 Maintenance and operation costs relating to production equipment, such as coal-fired
18 generating units may also be normalized. If unusual events like major maintenance on
19 turbines have occurred during the test year, then accounts where the costs associated with
20 them may be adjusted to reflect a normal level. If normalization adjustments are not made,
21 the utility revenues and costs, which both directly impact earnings, would be either too high
22 or too low to reflect the utility's future ongoing revenues and costs. For example, cooler than
23 normal weather in the summer will negatively impact an electric utility's revenues since the

1 demand for electricity for air conditioning is decreased relative to a “normal” year. Staff
2 proposes adjustments to normalize the costs and revenues of events that are expected to vary
3 from the “normal” year.

4 In this case, Staff based on an examination of actual historical events, has made both
5 a weather adjustment for revenues and normalized non-payroll operation and maintenance
6 expenses.

7 Q. What is a disallowance?

8 A. A disallowance is an adjustment to remove an item from the utility’s revenue
9 requirement. Typically a disallowance is made to remove a cost because the cost is not
10 expected to recur, it was not necessary for providing utility service, it provided no benefit to
11 ratepayers or it was imprudent. One example of costs that are disallowed are certain
12 advertising costs. While some advertising costs benefit ratepayers and should be included in
13 rates, others do not and should be disallowed. In this case Staff disallowed certain
14 advertising costs.

15 Q. What is a *pro forma* adjustment?

16 A. This type of adjustment is made to reflect increases and decreases to a utility’s
17 revenue requirement that is caused by the implementation of a rate increase or decrease.
18 *Pro forma* adjustments are made because of the need to reflect the impact of items and events
19 that occur subsequent to the test year. These items and events may significantly impact the
20 revenue, expense and the rate base relationship, and should be recognized to address the
21 objective of forward-looking rates. Caution must be taken when making *pro forma*
22 adjustments to ensure that all material items and events subsequent to the test year are
23 examined to avoid failing to recognize offsetting adjustments. In addition, some post-test

1 year items and events may not have occurred yet—be known— and / or may not have been
2 sufficiently measured—be measurable. As a result, quantification of some *pro forma*
3 adjustments may be more difficult than others. A true-up audit that considers a full range of
4 items and events that occur subsequent to the test year and update period attempts to address
5 the maintenance of a proper relationship between revenues, expenses and investment, as well
6 as address the difficulty in making *pro forma* adjustments.

7 The most common example of a *pro forma* adjustment is the grossing up of a net
8 income deficiency for income tax purposes. This involves calculating the revenue
9 requirement before income taxes. If rates need to be adjusted to increase utility revenues,
10 then those revenues need to be factored up for income taxes. This is necessary because every
11 additional revenue dollar collected in rates is subject to income tax.

12 As an illustration, if the utility needs to increase rates by \$1 million, then it must
13 increase rates by a significantly more than \$1 million to realize the full \$1 million increase
14 because of the associated income taxes. Using the dollar amounts shown following only for
15 illustrative purposes, the revenue requirement model (Accounting Schedule 1) that Staff uses
16 would calculate the revenue requirement as follows:

17	Net Income Required	\$ 1,000,000
18	Net Income Available	<u>600,000</u>
19	Additional Net Income Required	\$400,000
20	Income Tax Gross Up Factor	
21	(using a 38.39% effective tax rate)	<u>x 1.6231</u>
22	Recommended Revenue Requirement Increase	\$649,240

23 For the utility in this example to have an opportunity to recover the full \$400,000 of
24 additional revenues on an after-tax basis, rates would have to be increased to recover an
25 additional \$249,240, for income taxes because of the additional \$400,000 of revenues. This

1 results in the total revenue requirement of \$649,240 [additional revenues of \$400,000 plus
2 the taxes of \$269,240]. And rates would have to be increased so the company would be left
3 with the \$400,000 in additional revenues after taxes that is needed for the utility to have an
4 opportunity to earn an appropriate return and recover its allowed costs.

5 Another way of considering the effects of income taxes in the ratemaking process is:

6	Additional Revenue Collected in Rates from Rate Increase	\$649,240
7	Less: Income Tax Based on 38.39% Effective Tax Rate	<u>(249,240)</u>
8	Additional Net Income from Rate Increase	\$400,000

9 **Revenue Requirement Calculation**

10 Q. In the context of determining rates for public utilities, what is “revenue
11 requirement”?

12 A. “Revenue requirement” is the amount of the annual revenues that a utility’s
13 rates should be designed to allow it to collect each year. General electric rates in Missouri
14 are based on actual historical information. The revenue requirement is calculated using the
15 key elements decided by the Commission such as rate of return and capital structure on the
16 investment together with the costs to provide a particular utility service. This difference
17 between the revenue requirement from a cost of service calculation and revenues based on
18 existing rates identifies any revenue shortfall (need to increase rates) or excess (need to
19 decrease rates).

20 Q. How did Staff determine KCPL's and GMO's revenue requirements?

21 A. Staff reviewed all the material and relevant components making up the
22 revenue requirements of KCPL and each of GMO's rate districts. They are: rate of return
23 and capital structure, rate base investment, and revenues and expenses, maintaining the

1 relationship between each of these components through the update period through March 31,
2 2012. Staff will continue to do so through the true-up period ending August 31, 2012.

3 Q. How do each of these components interrelate?

4 A. The ratemaking process for regulated utilities is a process whereby the
5 Commission makes rate decisions regarding how utilities charge customers for utility
6 services using a prescribed formula. This interrelationship may be seen through the
7 following formula:

8 **Revenue Requirement = Cost of Providing Utility Service**

9 **Or**

10 **RR = O + (V-D)R; where,**

11 **RR** = Revenue Requirement

12 **O** = Operating Costs (Payroll, Maintenance, etc.) Depreciation and
13 Taxes

14 **V** = Gross Valuation of Property Required for Providing Service
15 (including plant and additions or subtractions of other rate base
16 items)

17 **D** = Accumulated Depreciation Representing Recovery of Gross
18 Depreciable Plant Investment.

19 **V-D** = Rate Base (Gross Property Investment less Accumulated
20 Depreciation = Net Property Investment)

21 **R** = Rate of Return Percentage

22 **(V-D)R** = Return Allowed on Rate Base (Net Property Investment)

23 This formula is the traditional rate of return calculation this Commission relies on to set just
24 and reasonable rates. The result is the total revenue requirement for a utility. The difference
25 between that total amount and the total revenues the utility would bill annualized, normalized
26 test year customers under existing rates is the incremental change in revenues that rates need

1 to be adjusted to allow the utility the opportunity to earn the revenue requirement the
2 Commission authorizes, including the Commission-authorized return on rate base
3 investment. The revenue requirement calculation allows for the recovery of the proper level
4 of utility costs, including income taxes.

5 **ORGANIZATION OF STAFF'S COST OF SERVICE REPORT**

6 Q. How is Staff's Cost of Service Report organized?

7 A. It is organized by each major revenue requirement category as follows:

- 8 I. Background of Great Plains Energy and Kansas City Power & Light Company
- 9 II. Executive Summary
- 10 III. KCP&L Greater Missouri Operations Company's Rate Case Filing
- 11 IV. GMO has filed for the following rate increases for MPS and L&P
- 12 V. Economic Considerations
- 13 VI. Rate of Return
- 14 VII. Rate Base
- 15 VIII. Income Statement – Revenues
- 16 IX. Income Statement – Expenses
- 17 X. Depreciation
- 18 XII. Qualifying Advanced Coal Project credit for Iatan Unit 2 Facility
- 19 XIII. Jurisdictional Allocations
- 20 XIV. Other Miscellaneous Items
- 21 XV. Transition Cost Recovery Mechanism
- 22 XVI. Fuel Adjustment Clause
- 23 XVII. Appendices

24 These categories have several subsections which identify in detail the specific
25 elements of Staff's revenue requirement recommendation for KCPL and GMO.

1 **OVERVIEW OF STAFF'S FILING, FINDINGS AND RECOMMENDATIONS**

2 Q. Please identify the findings of Staff's review of GMO's rate increase requests.

3 A. Staff conducted a review of GMO's February 27, 2012 rate increase filing and
4 has identified the following areas in its findings and recommendations.

5 **Overall Revenue Requirement**

6 Q. How did Staff determine its revenue requirements for GMO?

7 A. Staff identified many areas impacting GMO's revenue requirements for MPS
8 and L&P. Because of plant additions and other cost increases, the initial revenue
9 requirement developed as of the March 31, 2012 update case will change for the August 31,
10 2012 true-up.

11 The August 31, 2012 true-up in these rate cases will include various cost increases.
12 Staff will perform the true-up audit and make a new recommendation regarding the revenue
13 requirement at that time based on actual costs.

14 There are other costs that will likely change and, therefore, materially affect Staff's
15 current calculation of GMO's revenue requirement. Those other costs include payroll;
16 payroll-related benefits, such as pensions and medical costs; and fuel costs, including fuel
17 commodity price changes and freight price changes.

18 **Rate of Return**

19 The rate of return Staff used to calculate its revenue requirement recommendation for
20 GMO in this case is based on Great Plains Energy's capital structure and corporate results.
21 David Murray, of the Commission's Financial Analysis Department, determined that the
22 appropriate rate of return on equity is in a range of 8% to 9% with a mid-point of 8.5% which
23 results in an overall rate of return on investment of 7.14% to 7.66% with a mid-point of
24 7.40%. Mr. Murray examined the Company's capital structure and cost of money and

1 provided the Staff's proposed rate of return which it used to calculate its revenue requirement
2 recommendation for GMO in this case.

3 **Rate Base**

4 Plant in Service and Accumulated Depreciation Reserve are reflected in the rate base
5 as of March 31, 2012. All plant additions and retirements were included in the revenue
6 requirement calculation as of March 31, 2012. Staff will add plant additions and retirements
7 through the end of the true-up period, August 31, 2012.

8 Cash Working Capital has been included in rate base using a lead-lag study
9 developed by KCPL, GMO and Staff over the last several rate cases. This has been updated
10 to reflect changes in this case.

11 Fuel Stock (Coal, Oil and Nuclear) Inventories, Material & Supplies and Prepayments
12 were included as of the March 31, 2012. These items will be re-examined in the true-up.

13 Prepaid Pension Asset relates to previous Stipulations and Agreements from the
14 GMO's 2009 rate case, Case No. ER-2009-0090 and GMO's 2010 rate case, Case No.
15 ER-2010-0356.

16 Accumulated Deferred Income Taxes Reserves were included as an offset to rate base
17 as of March 31, 2012 and based on the Commission's Order in Case No. ER-2010-0356.
18 Deferred tax reserves will be updated for the true-up.

19 Other rate base components for customer deposits, customer advances for
20 construction, deferred SO₂, coal premiums, and other regulatory liability for emission
21 allowance sales are included through end of the update period of March 31, 2012.

1 **INCOME STATEMENT**

2 **Revenues**

3 Staff annualized and normalized revenues through March 31, 2012 to reflect an
4 annual level of weather normalized revenues on a Missouri jurisdictional basis. Revenues
5 will be trued-up through August 31, 2012.

6 Off-system sales for firm and non-firm customers have been included in the case
7 Staff will continue to examine the off-system sales for firm and non-firm as the case
8 progresses.

9 **Expenses**

10 Fuel costs in this case are based on using coal and natural gas prices through
11 March 31, 2012. Purchased power costs were also included through March 31, 2012. Other
12 inputs such as fuel mix, and station outages and transmission and distribution line losses
13 were determined using historical information. Fuel and purchased power costs will be trued-
14 up through August 31, 2012.

15 Payroll, payroll related benefits, and payroll taxes were annualized through
16 March 31, 2012. Payroll will be updated in the true-up to as of August 31, 2012.

17 Operations and maintenance costs, other than payroll costs, were included in the case
18 calendar year 2011 levels or at averages for various years.

19 Outside Services Expenses were analyzed, and amounts that were verified and
20 supported related to on-going company operations were included in the case.

21 Depreciation Expense was annualized based on depreciation rates approved by the
22 Commission. The depreciation rates were applied to Staff's recommended plant values as
23 adjusted plant-in-service jurisdictional amounts, resulting in total annualized Missouri

1 jurisdictional depreciation expense. Depreciation will be updated for August 31, 2012 plant
2 levels included in the true-up.

3 Staff calculated Income Taxes based on the results of the revenue requirement
4 calculation as of March 31, 2012. The income tax expense amount will be trued-up as of
5 August 31, 2012. Deferred income tax reserve will also be trued-up as of August 31, 2012
6 from the level reflected as of March 31, 2012.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Request for Authority) Case No. ER-2012-0175
to Implement General Rate Increase for)
Electric Service)

AFFIDAVIT OF CARY G. FEATHERSTONE

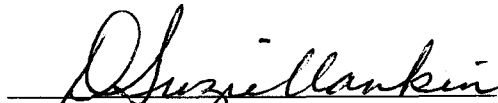
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 33 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


CARY G. FEATHERSTONE

Subscribed and sworn to before me this 9th day of August, 2011.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 08, 2012 Commission Number: 08412071
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Notary Public

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2012	ER-2012-0174	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report	Pending
2010	ER-2010-0355 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report	Pending
2010	SR-2010-0110 and WR-2010-0111 Coordinated	Lake Region Water and Sewer Company (water & sewer rate increase)	Direct- sponsor Utility Services Cost of Service Report Surrebuttal True-up Direct Reports to Commission	Contested
2009	HR-2009-0092 Coordinated	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (industrial steam rate increase)	Direct- sponsor Utility Services Cost of Service Report	Stipulated
2009	ER-2009-0090 Coordinated	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report Surrebuttal- capacity planning	Stipulated
2009	ER-2009-0089 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report, Additional Amortizations and Iatan 1 construction Rebuttal- allocations Surrebuttal- allocations	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2008	HR-2008-0300 Coordinated	Trigen Kansas City Energy (steam rate increase)	Direct - sponsor Utility Services portion of the Cost of Service Report, overview of rate case, plant review and plant additions, fuel and income taxes	Stipulated
2007	HR-2007-0028, HR-2007-0399 and HR-2008-0340 HC-2010-0235	Aquila, Inc., d/b/a Aquila Networks- L&P [Industrial Steam Fuel Clause Review] (industrial steam fuel clause review)		Pending
2007	HO-2007-0419 Coordinated	Trigen Kansas City Energy [sale of coal purchase contract] (steam)	Recommendation Memorandum	Stipulated
2007	ER-2007-0004 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct-fuel clause, fuel, capacity planning Rebuttal Surrebuttal	Contested
2006	WR-2006-0425 Coordinated	Algonquin Water Resources (water & sewer rate increases)	Rebuttal- unrecorded plant; contributions in aid of construction Surrebuttal unrecorded plant; contributions in aid of construction	Contested
2006	ER-2006-0314 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct-construction audits Rebuttal- allocations Surrebuttal- allocations	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2005	HR-2005-0450 Coordinated	Aquila, Inc., d/b/a Aquila Networks- L&P (industrial steam rate increase)	Direct	Stipulated
2005	ER-2005-0436 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct- interim energy charge; fuel; plant construction; capacity planning Rebuttal Surrebuttal	Stipulated
2005	EO-2005-0156 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS (electric- South Harper Generating Station asset valuation case)	Rebuttal- plant valuation Surrebuttal	Stipulated
2005	HC-2005-0331 Coordinated	Trigen Kansas City Energy [Jackson County Complaint relocation of plant for Sprint Arena] (steam complaint case)	Cross examination- relocation of plant assets	Contested
2004	GR-2004-0072 Coordinated	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (natural gas rate increase)	Direct- acquisition adjustment; merger savings tracking Rebuttal	Stipulated
2003	ER-2004-0034 and HR-2004-0024 (Consolidated) Coordinated	Aquila, Inc., (formerly UtiliCorp United Inc) d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam rate increases)	Direct- acquisition adjustment; merger savings tracking Rebuttal Surrebuttal	Stipulated
2002	ER-2002-424 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel-interim energy charge Surrebuttal	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2001	ER-2001-672 and EC-2002-265 Coordinated	UtiliCorp United Inc./Missouri Public Service Company (electric rate increase)	Verified Statement Direct- capacity purchased power agreement; plant recovery Rebuttal Surrebuttal	Stipulated
2001	ER-2001-299 Coordinated	Empire District Electric Company (electric rate increase)	Direct- income taxes; cost of removal; plant construction costs; fuel- interim energy charge Surrebuttal True-Up Direct	Contested
2000	EM-2000-369 Coordinated	UtiliCorp United Inc. merger with Empire District Electric Company (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger eventually terminated)
2000	EM-2000-292 Coordinated	UtiliCorp United Inc. merger with St. Joseph Light & Power Company (electric, natural gas and industrial steam acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger closed)
1999	EM-97-515 Coordinated	Kansas City Power & Light Company merger with Western Resources, Inc. (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated (Merger eventually terminated)

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1998	GR-98-140 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Testimony in Support of Stipulation And Agreement	Contested
1997	EM-97-395	UtiliCorp United Inc./Missouri Public Service (electric-application to spin-off generating assets to EWG subsidiary)	Rebuttal- plant assets & purchased power agreements	Withdrawn
1997	ER-97-394 and EC-98-126 Coordinated	UtiliCorp United Inc./Missouri Public Service (electric rate increase and rate complaint case)	Direct- fuel & purchased power; fuel inventories; re-organizational costs Rebuttal Surrebuttal	Contested
1997	EC-97-362 and EO-97-144	UtiliCorp United Inc./Missouri Public Service (electric rate complaint case)	Direct- - fuel & purchased power; fuel inventories Verified Statement	Contested Commission Denied Motion
1997	GA-97-133	Missouri Gas Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1997	GA-97-132	UtiliCorp United Inc./Missouri Public Service Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1996	ER-97-82	Empire District Electric Company (electric-- interim rate increase case)	Rebuttal- fuel & purchased power	Contested
1996	GR-96-285 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Direct- merger savings recovery; property taxes Rebuttal Surrebuttal	Contested
1996	EM-96-149 Coordinated	Union Electric Company merger with CIPSCO Incorporated (electric and natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated

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SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1996	GA-96-130	UtiliCorp United, Inc./Missouri Pipeline Company (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1995	ER-95-279 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel & purchased power; fuel inventories	Stipulated
1995	GR-95-160 Coordinated	United Cities Gas Company (natural gas rate increase)	Direct- affiliated transactions; plant	Contested
1994	GA-94-325 Coordinated	UtiliCorp United Inc., expansion of natural gas to City of Rolla, MO (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1994	GM-94-252 Coordinated	UtiliCorp United Inc., acquisition of Missouri Gas Company and Missouri Pipeline Company (natural gas--acquisition case)	Rebuttal- acquisition of assets case	Contested
1993	GM-94-40	Western Resources, Inc. and Southern Union Company (natural gas-- sale of Missouri property)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated
1993	TR-93-181	United Telephone Company of Missouri (telephone rate increase)	Direct- directory advertising Surrebuttal	Contested
1993	TC-93-224 and TO-93-192 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Rebuttal Surrebuttal	Contested
1991	GO-91-359 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (natural gas-- accounting authority order)	Memorandum Recommendation- Service Line Replacement Program cost recovery deferral	Stipulated

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SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1991	EO-91-358 and EO-91-360 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric-- accounting authority orders)	Rebuttal- plant construction cost deferral recovery; purchased power cost recovery deferral	Contested
1991	EM-91-213	Kansas Power & Light - Gas Service Division (natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested
1990	GR-90-152	Associated Natural Gas Company (natural gas rate increase)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1990	GR-90-198 Coordinated	UtiliCorp United, Inc., Missouri Public Service Division (natural gas rate increase)	Direct- Corporate Costs and Merger & Acquisition Costs	Stipulated
1990	ER-90-101 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric rate increase- Sibley Generating Station Life Extension Case)	Direct- Corporate Costs and Merger & Acquisition Costs Surrebuttal	Contested
1990	GR-90-50 Coordinated	Kansas Power & Light - Gas Service Division (natural gas rate increase)	Direct- prudency review of natural gas explosions	Stipulated
1989	TR-89-182 and TC-90-75	GTE North, Incorporated (telephone rate increase)	Direct- directory advertising Rebuttal Surrebuttal	Contested Decided Feb 9, 1990
1988	TC-89-14 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Surrebuttal	Contested

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SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1987	HO-86-139 Coordinated	Kansas City Power & Light Company (district steam heating-- discontinuance of public utility and rate increase)	Direct- policy testimony on abandonment of steam service Rebuttal Surrebuttal	Contested
1985	ER-85-128 and EO-85-185 Coordinated	Kansas City Power & Light Company (electric rate increase- Wolf Creek Nuclear Generating Unit Case)	Direct- fuel inventories; coordinated construction audit	Contested
1984	EO-84-4	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1983	TR-83-253	Southwestern Bell Telephone Company (telephone rate increase - ATT Divesture Case)	Direct- revenues & directory advertising	Contested
1983	ER-83-49	Kansas City Power & Light Company (electric rate increase)	Direct- fuel & fuel inventories Rebuttal Surrebuttal	Contested
1983	EO-83-9	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1982	TR-82-199	Southwestern Bell Telephone Company (telephone rate increase)	Direct- revenues & directory advertising	Contested
1982	ER-82-66 and HR-82-67	Kansas City Power & Light Company (electric & district steam heating rate increase)	Direct- fuel & purchased power; fuel inventories Rebuttal Surrebuttal	Contested

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SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1981	TO-82-3	Investigation of Equal Life Group and Remaining Life Depreciation Rates (telephone-- depreciation case)	Direct- construction work in progress	Contested
1981	TR-81-302	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress	Stipulated
1981	TR-81-208	Southwestern Bell Telephone Company (telephone rate increase)	Direct-cash working capital; construction work in progress; income taxes-flow-through Rebuttal Surrebuttal	Contested
1981	ER-81-42	Kansas City Power & Light Company (electric rate increase)	Direct-payroll & payroll related benefits; cash working capital Rebuttal	Contested
1980	TR-80-235	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress Rebuttal	Contested
1980	GR-80-249 Coordinated	Rich Hill-Hume Gas Company (natural gas rate increase)	No Testimony filed- revenues & rate base	Stipulated
1980	GR-80-173	The Gas Service Company (natural gas rate increase)	Direct	Stipulated
1980	HR-80-55	St. Joseph Light & Power Company (industrial steam rate increase)	Direct	Stipulated
1980	OR-80-54	St. Joseph Light & Power Company (transit rate increase)	Direct	Stipulated
1980	ER-80-53	St. Joseph Light & Power Company (electric rate increase)	Direct	Stipulated

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SUMMARY OF RATE CASE INVOLVEMENT

CASES SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
1986	TR-86-14 Coordinated	ALLTEL Missouri, Inc. (telephone rate increase)		Stipulated
1986	TR-86-55 Coordinated	Continental Telephone Company of Missouri (telephone rate increase)		Stipulated
1986	TR-86-55 Coordinated	Continental Telephone Company of Missouri (telephone rate increase)		Stipulated
1986	TR-86-63 Coordinated	Webster County Telephone Company (telephone rate increase)		Stipulated
1986	GR-86-76 Coordinated	KPL-Gas Service Company (natural gas rate increase)		Withdrawn
1986	TR-86-117 Coordinated	United Telephone Company of Missouri (telephone rate increase)	Withdrawn prior to filing	Withdrawn
1988	GR-88-115 Coordinated	St. Joseph Light & Power Company (natural gas rate increase)	Deposition	Stipulated
1988	HR-88-116	St. Joseph Light & Power Company (industrial steam rate increase)	Deposition	Stipulated

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SUMMARY OF RATE CASE INVOLVEMENT

CASES SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
2010	SR-2010-0320	Timber Creek Sewer Company	Testimony	Pending
2010	SA-2010-219	Canyon Treatment company Certificate	Recommendation Case Memorandum	Pending
2010	WR-2010-0202	Stockton Water Company	Recommendation Memorandum	Stipulated
2010	EO-2010-0211	KCPL Greater Missouri Operations---- Liberty service center sale	Recommendation Memorandum	Stipulated
2009	EO-2010-0060	KCMP Greater Missouri Operations----- Blue Springs service center sale	Recommendation Memorandum	Withdrawn
2009	WR-2010-0139 SR-2010-0140	Valley Woods Water Company	Recommendation Memorandum	Stipulated
2008	QW-2008-0003	Spokane Highlands Water Company (water- informal rate increase)	Recommendation Memorandum	Stipulated
2007	SR-2008-0080 QS-2007-0008	Timber Creek (sewer- informal rate increase)	Recommendation Memorandum	Stipulated
2006	HA-2006-0294 Coordinated	Trigen Kansas City Energy (steam- expansion of service area)	Recommendation Memorandum & Testimony	Contested
1994	ER-94-194	Empire District Electric Company (electric rate increase)		

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SUMMARY OF RATE CASE INVOLVEMENT

CASES SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
2005	Case No. WO-2005-0206 Coordinated	Silverleaf sale to Algonquin (water & sewer- sale of assets)		Stipulated
2005	GM-2005-0136 Coordinated	Partnership interest of DTE Enterprises, Inc. and DTE Ozark, Inc in Southern Gas Company purchase by Sendero SMGC LP (natural gas -- sale of assets)	Recommendation Memorandum	Stipulated
2004	HM-2004-0618 Coordinated	Trigen- Kansas City Energy purchase by Thermal North America (steam - sale of assets)		Stipulated
2003	QW-2003-016 QS-2003-015	Tandy County (water & sewer informal rate increase)	Recommendation Memorandum	Stipulated