

*Exhibit No.:*  
*Issues: Overview*  
*Revenue Requirement*  
*True-up Allowance for Changes*  
*Additional Amortizations*  
*Witness: Cary G. Featherstone*  
*Sponsoring Party: MoPSC Staff*  
*Type of Exhibit: Direct Testimony*  
*Case No.: ER-2012-0174*  
*Date Testimony Prepared: August 2, 2012*

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION  
UTILITY SERVICES - AUDITING**

**DIRECT TESTIMONY**

**OF**

**CARY G. FEATHERSTONE**

**KANSAS CITY POWER & LIGHT COMPANY  
GREAT PLAINS ENERGY, INC  
CASE NO. ER-2012-0174**

**Jefferson City, Missouri  
August 2012**

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**KANSAS CITY POWER & LIGHT COMPANY**  
**CASE NO. ER-2012-0174**

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**DIRECT TESTIMONY**  
**OF**  
**CARY G. FEATHERSTONE**  
**KANSAS CITY POWER & LIGHT COMPANY**  
**CASE NO. ER-2012-0174**

Q. Please state your name and business address.

A. Cary G. Featherstone, Fletcher Daniels State Office Building, 615 East 13<sup>th</sup> 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.

1 Q. Have you previously testified before this Commission?

2 A. Yes. Schedule 1 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-2012-0174, have you examined and studied  
7 the books and records of Kansas City Power & Light 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 Kansas City Power & Light Company's general rate increase tariff filing that is the  
12 subject of Case No. ER-2012-0174?

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 Kansas City Power & Light Company  
18 ("KCPL," which may also refer to as "Company") and its electric operations. I have  
19 previously examined generation and generation-related topics; conducted and participated in  
20 several construction audits involving plant and construction records, specifically the costs of  
21 construction projects relating to power plants. I have also been involved in the fuel and  
22 fuel-related areas for power plant production, purchased power and off-system sales on  
23 numerous occasions.

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

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

19           Since GMO became an affiliate of KCPL, they have consolidated their operations;  
20 operationally, KCPL runs GMO. Therefore, for this rate case, I reviewed testimony, work  
21 papers and responses to data requests from both KCPL and GMO, along with documents  
22 such as data request responses and work papers in prior cases involving rates, electric and  
23 steam, for what are now referred to as the MPS and L&P rate districts. I conducted and

1 participated in interviews of Company personnel relating to this rate case, and I performed  
2 extensive discovery concerning aspects of the construction and operation of KCPL's electric  
3 operations. Over the years I have had many discussions with the Company regarding a  
4 variety of regulatory topics, including KCPL's rate case & regulatory activities, earnings  
5 reviews, regulatory plans, depreciation, de-commissioning trust funds for Wolf Creek, and  
6 merger, acquisition and sale transactions.

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

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

20 **EXECUTIVE SUMMARY**

21 Q. Please summarize your testimony.

22 A. Staff witness Dan Beck and I sponsor Staff's Cost of Service Report and  
23 Accounting Schedules in this rate proceeding that are being filed concurrently with this and  
24 Mr. Beck's testimony. Staff's Cost of Service Report supports Staff's recommendation of the

1 amount of the rate revenue increase for KCPL based on information through the period  
2 ending March 31, 2012 using actual historical information, and the rate revenue increase  
3 recommendation that Staff expects it will find after true-up to be appropriate for KCPL and  
4 GMO in these rate cases. Staff prepared its revenue requirement results based on actual  
5 results through the March 31, 2012 update period. Staff will further update the cases for  
6 KCPL and GMO to include actual results for the true-up period ending August 31, 2012.  
7 The rate revenue recommendation being filed for March 31, 2012 period is found in Staff's  
8 separately filed Accounting Schedules.

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

18 Q. Based on its review of the test year ending September 30, 2011 updated  
19 through March 31, 2012, what is Staff's recommendation concerning KCPL's revenue  
20 requirement?

21 A. Staff recommends a return on equity ("ROE") range of 8.00% to 9.00%, with  
22 a mid-point of 8.5%, which yields the rate of return range of 7.14% to 7.66%. Staff's KCPL  
23 revenue requirement calculation, which is based on KCPL actual costs through March 31,

1 2012, indicates a shortfall of between \$16.5 million to \$33.7 million based on current KPCL  
2 rates, which generate approximately \$693.8 million. With the increase of between \$16.5 to  
3 \$33.7 million (2.4% to 4.8%), the Staff's total KCPL revenue requirement recommendation  
4 is approximately \$710.3 to \$727.5 million. Because of cost increases related to plant  
5 additions, such as new wind generation through a new purchased power agreement, and other  
6 changes to plant investment, revenues and costs, expected to occur through the true-up period  
7 through August 31, 2012, that are not known and measurable at this time, the Staff's revenue  
8 requirement for KCPL will change when the true-up is completed in this case.

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

12 Q. What are the major drivers for Staff's estimate of KCPL's revenue  
13 requirement in this case?

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

- 15 • Rate of Return
- 16 • Reversing the Additional Amortizations KCPL obtained through its  
17 Regulatory Plan the Commission approved in Case EO-2005-0329 and  
18 which were reflected in the test year ending September 30, 2011 rates in  
19 KCPL's 2009 rate case (Case No. ER-2009-0089), 2007 rate case  
20 (Case No. ER-2007-0291 and 2006 rate case (Case No. ER-2006-0314)
- 21 • KCPL's costs for new wind generation as a purchased power agreement  
22 expected to be completed by the end of the true-up August 31, 2012
- 23 • Remaining costs for the additional plant for KCPL investment in the  
24 Iatan 2 not captured in its last rate case
- 25 • KCPL's investment in Iatan Common Plant not captured in its last rate  
26 case
- 27 • KCPL's fuel costs, including freight rate changes and purchased power  
28 costs

- 1 • KCPL's off-system sales margins from the firm and non-firm bulk power
- 2 markets
- 3 • KCPL's pension and other post-employment benefits (OPEBs) costs
- 4 • Jurisdictional Allocations
- 5 • Acquisition savings and transition costs

6 Q. Did you review any specific components of the revenue requirement  
7 calculation Staff used for determining KCPL's revenue requirement in this case?

8 A. Yes. I examined the additional amortizations KCPL received in  
9 prior rate cases based on KCPL's Regulatory Plan the Commission approved in  
10 Case No. EO-2005-0329. I ensured that the additional amortizations from the Regulatory  
11 Plan were treated as agreed to in the Stipulation and Agreement reached in Case No.  
12 ER-2010-0355.

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

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

20 A. Yes. I sponsor adjustments to remove from accumulated depreciation reserve  
21 the prior years' accumulation of the additional amortizations and to reflect the cumulative  
22 amount of the additional amortizations as an off-set to KCPL's rate base. As agreed in the  
23 Stipulation in the KCPL's last rate case regarding Depreciation and Additional  
24 Amortizations, KCPL transferred the accumulated additional amortizations for each of the

1 three rate cases where they were authorized to Accumulated Depreciation Reserve. To  
2 remove from the test year the additional amortization expenses that have accumulated from  
3 the three prior rate cases Staff made adjustments E-249.1, 250.1 and 252.2 to KCPL's  
4 income statement.

5 **OVERVIEW OF KANSAS CITY POWER & LIGHT COMPANY FILING**

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

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

23 Staff refers to the revenue requirement model it uses as "Exhibit Model System" or  
24 "EMS," and refers to its EMS modeling results based on various inputs as "EMS runs." Staff

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

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

8 A. On February 27, 2012, KCPL filed tariff sheets designed to implement an  
9 increase in its electric retail rate revenues in Missouri, exclusive of gross receipts, sales,  
10 franchise and occupational fees or taxes, of \$105.7 million. The Commission assigned the  
11 filing File No. ER-2012-0174. If implemented on an equal percentage basis, this represents a  
12 15.1% increase in existing KCPL rates. KCPL, in part, based its rate increase request on a  
13 proposed rate of return on equity of 10.4% applied to a 52.5% equity capital structure based  
14 on the capital structure of its parent holding company Great Plains Energy  
15 Incorporated (Great Plains) [source: paragraphs 6 and 7 KCPL's Application- Minimum  
16 Filing Requirements page 3]. Staff reviewed KCPL's books and records, and calculated a  
17 revenue requirement for KCPL, to independently evaluate KCPL's rate increase request.

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

21 A. Yes. It did so on the same day, February 27, 2012. The Commission  
22 designated that case, Case No. ER-2012-0175.

1           GMO has stated that the new tariff sheets it filed for MPS are designed to increase its  
2 revenues from MPS retail customers by \$58.3 million per year, a 10.9% increase and that the  
3 new tariff sheets it filed for L&P are designed to increase its revenues from retail electric  
4 customers by \$25.2 million, a 14.6% increase. Like KCPL's request, the GMO requests for  
5 MPS and L&P are based on a proposed rate of return on equity of 10.4% applied to the  
6 52.5% equity capital structure based on the capital structure of its parent holding company  
7 Great Plains Energy [source: paragraphs 6 and 7 of GMO Application- Minimum Filing  
8 Requirements page 3 and GMO Press Release].

9           Q.     When will Staff file direct testimony in the GMO rate case?

10          A.     Staff will file the MPS and L&P electric rate increase case (Case No.  
11 ER-2012-0175) on August 9, 2012.

12           **BRIEF HISTORY OF GREAT PLAINS ENERGY AND KANSAS CITY**  
13           **POWER & LIGHT COMPANY**

14          Q.     Please provide a brief overview of KCPL's parent, Great Plains Energy.

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

24          Q.     What is KCPL?

1           A.     KCPL is an integrated, regulated electric utility that provides generation,  
2 transmission, distribution and sells electricity to retail customers in Missouri and Kansas. Its  
3 employees also operate GMO under an operating agreement. KCPL, under the jurisdiction  
4 of the Federal Energy Regulatory Commission (FERC), also sells electricity at wholesale to  
5 several municipalities in Kansas and Missouri. KCPL is a Missouri corporation incorporated  
6 in 1922. The Company, and its predecessors, began providing electric service to the public  
7 in the late 19<sup>th</sup> century.

8           Q.     What is GMO?

9           A.     GMO is an integrated, regulated electric utility that provides generation,  
10 transmission, distribution and sells electricity to retail customers in the northwestern, central  
11 western and southern part state of Missouri. As described earlier, it has two districts with  
12 different rates—MPS and L&P. GMO provides electric retail service only in Missouri. In  
13 addition to serving retail customers, MPS, under the jurisdiction of the FERC, sells electricity  
14 at wholesale to several municipalities Missouri. L&P does not. GMO is a Missouri  
15 corporation incorporated in 1987 and most recently renamed in 2008. GMO's most recent  
16 prior name was Aquila, Inc (formerly UtiliCorp United Inc.) The predecessor company to  
17 UtiliCorp United was Missouri Public Service Company which was incorporated in 1926).  
18 The Company, and its predecessors, began providing electric service to the public in the late  
19 19<sup>th</sup> century.

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

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

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 were assigned to this case?

17           A.     Several Staff experts from the Regulatory Review Division were 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 and Additional Amortization relating to the Regulatory Plan.

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, warranty payments.

14          ▪ Keith A. 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           • Alan J. Bax—Losses and Jurisdictional Allocations

20           • Dan Beck-- Overall Revenue Requirement Results

21           • Natelle Dietrich – Energy Independence and Security Act of 2007

22           • Randy Gross – KCPL Smart Grid Update

23           • Thomas M. Imhoff – Tariff Issues

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

26           • Robin Kliethermes – Economic Considerations

27           • Shawn E. Lange - Weather Normalization, 365-Days Adjustment, and Fuel  
28           Modeling and Fuel Model Inputs

- 1           • Erin L. Maloney – Spot Market Prices
- 2           • John A. Rogers – Demand-Side Management Cost Recovery
- 3           • Michael E. Taylor – Renewable Energy Costs
- 4           • Seoung Joun Won - Electric Revenues

5           Each of these Staff experts’ work product was used as a direct input to the various  
6 adjustments contained in Staff’s Accounting Schedules and revenue requirement  
7 recommendation.

8           Q.     Would you provide an overview of how the Staff assigned to this case worked  
9 together to arrive at Staff’s revenue requirement recommendation and true-up estimate?

10          A.     All of the Staff members assigned to this case are, by education, training and  
11 experience, experts at performing their regulatory responsibilities as members of the  
12 Commission Staff. These regulatory experts rely on the work of each other to develop Staff  
13 revenue requirement recommendations regarding filings public utilities make before the  
14 Commission. The work of each Staff member is an integral part of the Staff’s Cost of  
15 Service Report, including Staff’s Accounting Schedules, which contain the results of their  
16 collective efforts in Staff’s findings and recommendations. Mr. Beck and I relied on these  
17 findings and recommendations to develop Staff’s ultimate recommendations in this direct  
18 filing. Many of the individual sections presented include references indicating reliance on  
19 the work of other contributing experts.

20          Mr. Beck and I relied on the work product of every Staff expert assigned to this case.  
21 Each Staff expert provided the results of their review and analysis as inputs to the revenue  
22 requirement calculation, and is identified in the sections of the report submitted by that  
23 expert. An affidavit, credentials, and the qualifications of each Staff expert are included in

1 the Report as attachments. Each Staff expert assigned to the KCPL and GMO rate cases will  
2 provide work papers supporting the findings and recommendations to both Companies and to  
3 other parties as the Commission has ordered in setting the procedural schedule in this case.  
4 Finally, each Staff expert assigned to this rate case will be available to answer Commissioner  
5 questions and to be cross-examined by any party who wishes to conduct cross-examination  
6 regarding information on how Staff's findings and recommendations were developed and  
7 presented in Staff's Cost of Service Report, including Staff's Accounting Schedules.

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

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

15 I have overall responsibility to ensure the revenue requirement calculation using the  
16 Staff's computer model is timely completed. This involves all aspects of the elements  
17 making up the revenue requirement recommendation. To this end, I, along with those under  
18 my direct supervision, either developed directly, or was provided with, the information used  
19 to support the Staff's revenue requirement recommendations for KCPL and GMO.

20 Q. Please provide examples of how information from Staff experts was used to  
21 develop Staff's revenue requirement recommendation for KCPL?

22 A. Staff expert David Murray's recommendations from his capital structure and  
23 rate of return analyses were provided as inputs to the revenue requirement calculation and

1 appear as part of Accounting Schedule 12. His findings are also in Staff's Cost of Service  
2 Report, along with his schedules.

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

5 Staff experts Karen Lyons, Seoungjoun Won and Curt Wells worked closely together  
6 and are sponsoring the revenue adjustment results.

7 Staff experts Shawn E. Lange, Erin L. Maloney, Keith A. Majors and Bret G. Prenger  
8 worked together in developing the Staff's fuel costs for KCPL and GMO in these cases.

9 Staff expert Alan J. Bax developed the energy and demand jurisdictional allocators  
10 used to allocate total company operations to KCPL's Missouri jurisdictional retail operations.

11 Q. Did Staff develop its revenue requirement recommendation for KCPL in this  
12 rate case any differently than it has done so in the past for KCPL and GMO rate cases and for  
13 other utilities?

14 A. No. Based on my extensive experience as a regulatory auditor, my many  
15 years of experience as a project coordinator in numerous rate cases, the effect of the inputs  
16 provided by the various Staff experts assigned to these rate cases, Staff's overall revenue  
17 requirements for KCPL and GMO as presented in this testimony and the Staff's Cost of  
18 Service Report, including the Accounting Schedules, are all reasonable. Staff developed its  
19 revenue requirements for KCPL and GMO consistently with how Staff has developed  
20 revenue requirements for other utilities, and the inputs provided by the various Staff experts  
21 assigned to the KCPL and GMO rate cases are reasonable.

22 Q. Does this August 2, 2012 filing by Staff present all of Staff's direct case?

1           A.     No. Staff is scheduled to file its rate design recommendation for KCPL on  
2 August 16, 2012.

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

4           Q.     What is a test year?

5           A.     A test year is an historical year from which actual information is used as the  
6 starting point for determining an annual revenue requirement to see if any shortfall or excess  
7 of earnings exist. Adjustments are made to that information so that, as adjusted, it reflects  
8 the normal annual revenues and operating costs of the rate-regulated utility. Those normal  
9 annual revenue and operating costs to provide utility service in the future form the basis for  
10 determining what the utility's rates need to be to give it the opportunity to collect in the  
11 future sufficient revenues both to pay for those ongoing costs and to earn a reasonable profit.  
12 In determining ongoing revenues and costs to develop the utility's revenue requirement, the  
13 first step is to identify the test year costs levels, which serve as the starting point for making  
14 all the adjustments to arrive at the revenue requirement recommendation. The Commission  
15 concisely stated the purpose of using a test year in its Order in KCPL's 1983 general rate  
16 case, Case No. ER-83-49:

17                               The purpose of using a test year is to create or construct a  
18 reasonable expected level of earnings, expenses and  
19 investments during the future period in which the rates, to be  
20 determined herein, will be in effect. All of the aspects of the  
21 test year operations may be adjusted upward or downward to  
22 exclude unusual or unreasonable items, or include unusual  
23 items, by amortization or otherwise, in order to arrive at a  
24 proper allowable level of all of the elements of the Company's  
25 operations. The Commission has generally attempted to  
26 establish those levels at a time as close as possible to the period  
27 when the rates in question will be in effect.

1 Q. Is the test year important?

2 A. Yes. It is important to synchronize and capture—“match”—all revenues and  
3 costs in the test year, and more importantly the update period, in order to develop a  
4 relationship between the various components of the ratemaking process and keep those  
5 relationships properly aligned. To determine the proper level of utility rates, Staff examines  
6 the major elements of the utility’s operations. These include rate base items such as plant in  
7 service, accumulated depreciation, deferred income tax reserves, fuel stocks, material and  
8 supplies, and other investment items. Also essential in this process is a review of the utility’s  
9 revenues and expenses, making adjustments through the annualization and normalization  
10 processes. These items include: payroll, payroll related benefits, payroll taxes, fuel and  
11 purchased power costs including the updating of current fuel prices, operation and  
12 maintenance costs for non-payroll related costs such as material and equipment costs, small  
13 tool costs, and outside vendor costs for equipment repairs. Depreciation expense and taxes,  
14 including federal, state, local and property taxes, are all considered in setting rates.

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

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

21 A. The ordered test year is the twelve months that ended September 30, 2011.  
22 The September 30, 2011 test year was chosen by the Company, agreed to by Staff, and  
23 approved by the Commission in its April 19, 2012 *Order Determining Relevant Periods and*

1 *Other Matters.* Staff made annualization, normalization and disallowance adjustments to the  
2 test year results when the unadjusted results did not fairly represent KCPL's most current  
3 annual level of existing revenue and operating costs.

4 Q. What update period did not the Commission order in this case?

5 A. The update period in the KCPL as well as the GMO rate case is the period  
6 ending March 31, 2012.

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

8 A. The update period is critical to the development of new rates. New rates from  
9 general rate cases such as this one normally take about eleven months from the time the case  
10 is filed until the new rates take effect. A utility's revenue requirement based on the historical  
11 test year may change significantly while its case is being processed. To better match new  
12 rates with the utility's ongoing revenue requirement, the Commission orders update and true-  
13 up periods. Test year information is updated to reflect changes through the update cut-off  
14 date—in this case March 31, 2012—and major changes through the true-up date—in this case  
15 August 31, 2012.

16 Selecting a "known and measurable date" or "known and measurable period" is even  
17 more important than test year to synchronize and capture—"match"—all revenues and  
18 expenses as this updated information will, along with the results of the true-up will form the  
19 basis for changing rates. Just as with the test year, a proper determination of revenue  
20 requirement is dependent upon a consideration of all material components of the rate base,  
21 return on investment, current level of revenues, along with operating costs, *at the same point*  
22 *in time.* This ratemaking principle is common to all rate cases and common to how the  
23 Commission has established rates using all material and relevant cost component to develop

1 the revenue requirement calculation. The March 31, 2012 date for the known and  
2 measurable period was chosen to enable the parties and Staff an update period that provides  
3 sufficient time to obtain actual information from KCPL and GMO upon which to perform  
4 analyses and make calculations regarding various components to the revenue requirement  
5 and still base the revenue requirement recommendation used for proposing new prospective  
6 rates on very recent information.

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

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

19 **Revenue Requirement Ratemaking Adjustments**

20 Q. Does Staff make any adjustments to the utility's accounting information to  
21 determine its revenue requirement for setting rates?

22 A. Yes. The ratemaking process includes making adjustments to that information  
23 so that it reflects the normal, on-going operations of the utility. This process generally uses

1 four approaches to reflect changes determined to be reasonable and appropriate. Staff  
2 makes annualization, normalization, disallowances, and *pro forma* adjustments to base its  
3 recommendation regarding the revenue requirement recommendation.

4 Q. What is an annualization adjustment?

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

16 In this case Staff annualized revenues, payroll costs, fuel costs and other accounting  
17 information.

18 Q. What is a normalization adjustment?

19 A. A normalization adjustment is made to revise an actual cost to reflect the cost  
20 at a normal, on-going level. Utility revenues and costs that were incurred in the test year that  
21 are determined not to be typical or abnormal generally are adjusted to remove the affects of  
22 those abnormal or unusual events. For example, some utility revenues and costs vary with  
23 raising weather temperatures; therefore, adjustments are made to normalize them. Unusually

1 hot or cold weather significantly impact revenues for those customers that are weather  
2 sensitive, impacting revenues that may result in a distortion to the level of test year revenues  
3 and costs. Because utility rates are set using normalized inputs, adjustments to test-year  
4 input levels must be made when it is determined that unusual or abnormal events cause  
5 unusually high or low results. To adjust them, temperatures during the test year are  
6 compared to normal annual daily temperatures that are based on actual temperature  
7 measurements taken over a substantial period of time, many times a 30-year time horizon.  
8 Weather-sensitive revenues are adjusted in the test year to reflect normal weather  
9 temperatures. The resulting weather-normalized sales volumes are also used as the basis for  
10 the utility's fuel and purchased power costs, so that they too reflect normal weather  
11 temperatures.

12 Maintenance and operation costs relating to production equipment, such as coal-fired  
13 generating units may also be normalized. If unusual events like major maintenance on  
14 turbines have occurred during the test year, then accounts where the costs associated with  
15 them may be adjusted to reflect a normal level. If normalization adjustments are not made,  
16 the utility revenues and costs, which both directly impact earnings, would be either too high  
17 or too low to reflect the utility's future ongoing revenues and costs. For example, cooler than  
18 normal weather in the summer will negatively impact an electric utility's revenues since the  
19 demand for electricity for air conditioning is decreased relative to a "normal" year. Staff  
20 proposes adjustments to normalize the costs and revenues of events that are expected to vary  
21 from the "normal" year.

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

4           Q.     What is a disallowance?

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

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

13          A.     This type of adjustment is made to reflect increases and decreases to a utility's  
14 revenue requirement that are caused by the implementation of a rate increase or decrease.  
15 *Pro forma* adjustments are made because of the need to reflect the impact of items and events  
16 that occur subsequent to the test year. These items and events may significantly impact the  
17 revenue, expense and the rate base relationship, and should be recognized to address the  
18 objective of forward-looking rates. Caution must be taken when making *pro forma*  
19 adjustments to ensure that all material items and events subsequent to the test year are  
20 examined to avoid failing to recognize offsetting adjustments. In addition, some post-test  
21 year items and events may not have occurred yet—be known— and / or may not have been  
22 sufficiently measured—be measurable. As a result, quantification of some *pro forma*  
23 adjustments may be more difficult than others. A true-up audit that considers a full range of

1 items and events that occur subsequent to the test year and update period attempts to address  
2 the maintenance of a proper relationship between revenues, expenses and investment, as well  
3 as address the difficulty in making *pro forma* adjustments.

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

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

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

19 For the utility in this example to have an opportunity to recover the full \$400,000 of  
20 additional revenues on an after-tax basis, rates would have to be increased to recover an  
21 additional \$249,240, for income taxes because of the additional \$400,000 of revenues. This  
22 results in the total revenue requirement of \$649,240 [additional revenues of \$400,000 plus  
23 the taxes of \$249,240]. And rates would have to be increased so the company would be left

1 with the \$400,000 in additional revenues after taxes that is needed for the utility to have an  
2 opportunity to earn an appropriate return and recover its allowed costs.

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

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

7 **Revenue Requirement Calculation**

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

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

18 Q. How did Staff determine KCPL's and GMO's revenue requirement?

19 A. Staff reviewed all the material and relevant components making up the  
20 revenue requirements of KCPL and each of GMO's rate districts, which are: rate of return  
21 and capital structure, rate base investment, and revenues and expenses, maintaining the  
22 relationship between each of these components through the update period through March 31,  
23 2012. It will continue to do so through the true-up period ending August 31, 2012.

1 Q. How does each of these components interrelate?

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

$$6 \quad \text{Revenue Requirement} = \text{Cost of Providing Utility Service}$$

7 Or

$$8 \quad \text{RR} = \text{O} + (\text{V-D})\text{R}; \text{ where,}$$

9 **RR** = Revenue Requirement

10 **O** = Operating Costs (Payroll, Maintenance, etc.) Depreciation and  
11 Taxes

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

15 **D** = Accumulated Depreciation Representing Recovery of Gross  
16 Depreciable Plant Investment.

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

19 **R** = Rate of Return Percentage

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

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

1 base investment. The revenue requirement calculation allows for the recovery of the proper  
2 level of utility costs, including income taxes.

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

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

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

6 I. Background of Great Plains Energy and Kansas City Power & Light Company

7 II. Executive Summary

8 III. Kansas City Power and Light Company's Rate Case Filing

9 IV. Economic Considerations

10 V. Kansas City Power & Light Company Electric Rates

11 VI. Rate of Return

12 VII. Rate Base

13 VIII. Income Statement – Revenues

14 IX. Income Statement – Expenses

15 X. Depreciation

16 XI. Regulatory Plan Additional Amortizations

17 XII. Current and Deferred Income Tax

18 XIII. Qualifying Advanced Coal Project Credit for Iatan Unit 2 Facility

19 XIV. Jurisdictional Allocations

20 XV. Other Miscellaneous Items

21 XVI. Transition Cost Recovery Mechanism

22 XVII. Appendices

23 These categories have several subsections which identify in detail the specific  
24 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 KCPL's rate increase request.

3 A. Staff conducted a review of KCPL 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 requirement for KCPL?

7 A. Staff identified many areas impacting KCPL's revenue requirement. Because  
8 of higher expected cost increases purchased power contract for wind energy, plant additions  
9 and other cost increases, the initial revenue requirement developed as of the March 31, 2012  
10 update case will change for the August 31, 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 KCPL'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 KCPL 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 KCPL 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 and Staff over the last several rate cases. This has been updated to  
10 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 Regulatory Plan approved in Case No. EO-2005-0329 and KCPL's 2006 rate case,  
15 Case No. ER-2006-0314, KCPL's 2007 rate case, Case No. ER-2007-0291 and KCPL's 2009  
16 rate case, Case No. ER-2009-0089.

17 Accumulated Deferred Income Taxes Reserves were included as an offset to rate base  
18 as of March 31, 2012. Deferred tax reserves will be updated for the true-up.

19 "Regulatory Plan Amortization Case ER-2006-0314" reflects the additional  
20 amortization amounts that have accumulated since the date the 2006 rate case rates went into  
21 effect on January 1, 2007 as a result of the Commission's Order in Case No. ER-2006-0314.

1           “Regulatory Plan Amortization Case No. ER-2007-0291” reflects the additional  
2 amortization amounts that have accumulated since the date the 2007 rate case rates went into  
3 effect on January 1, 2008 as a result of the Commission's Order in Case No. ER-2007-0291.

4           “Regulatory Plan Amortization Case No. ER-2009-0089” reflects the additional  
5 amortization amounts that have accumulated since the date the 2009 rate case rates  
6 went into effect on September 1, 2009 as a result of the Commission's Order in  
7 Case No. ER-2009-0089.

8           Staff ensured that the three regulatory plan amortizations were included in the  
9 accumulated depreciation reserve, the treatment agreed to in a Stipulation and Agreement  
10 approved by the Commission in Case No. ER-2010-0355. Staff has made adjustments to  
11 remove any amounts from the test year relating to the additional regulatory amortizations.

12           Other rate base components for customer deposits, customer advances for  
13 construction, deferred SO<sub>2</sub>, coal premiums, and other regulatory liability for emission  
14 allowance sales are included through end of the update period of March 31, 2012.

## 15           **INCOME STATEMENT**

### 16           **Revenues**

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

20           Off-system sales for firm and non-firm customers have been included in the case  
21 using the approach taken in the last four KCPL rate cases. KCPL uses a model to develop  
22 level for non-firm off-system sales margins and reflected an amount in its February 27, 2012  
23 original filing. Staff has reflected this amount in its direct filing. Staff will continue to  
24 examine the off-system sales for firm and non-firm as the case progresses.

1                                    **Expenses**

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

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

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

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

13                    Depreciation Expense was annualized based on depreciation rates approved by the  
14 Commission. The depreciation rates were applied to Staff's recommended plant values as  
15 adjusted plant-in-service jurisdictional amounts, resulting in total annualized Missouri  
16 jurisdictional depreciation expense. Depreciation will be updated for August 31, 2012 plant  
17 levels included in the true-up.

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

22                    Q.        Does this conclude your direct testimony?

23                    A.        Yes, it does.



**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 Disposition</u>
2012	HC-2012-0259	Ag Processing complaint against KCP&L Greater Missouri Operations Company (industrial steam fuel clause review)	Report/ Rebuttal	Pending
2011	HR-2011-0241  Coordinated	Veolia Energy Kansas City Company (former Trigen Kansas City Energy Company) (steam rate increase)	Direct – sponsor Utility Services Cost of Service Report	Stipulated
2010	ER-2010-0356  Coordinated	KCP&L Greater Missouri Operations Company (electric rate increase)  (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy; plant valuation; capacity planning Rebuttal- capacity planning Surrebuttal- plant valuation capacity planning and Hawthorn 5 settlement costs True-up Direct True-up Rebuttal	Contested
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

**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 Disposition</u>
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
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

**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 Disposition</u>
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
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

**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 Disposition</u>
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
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)

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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)
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

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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
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

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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	EM-91-290	UtiliCorp/ Missouri Public Service and Centel acquisition (electric-- acquisition/merger case)	Recommendation Memorandum	Stipulated
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
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

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<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case Disposition</u>
1990	GR-90-50 Coordinated	Kansas Power & Light - Gas Service Division (natural gas rate increase)	Direct- prudence 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
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

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<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case Disposition</u>
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
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- 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

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**SUMMARY OF RATE CASE INVOLVEMENT**

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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 Filings</u>	<u>Case Disposition</u>
2012	WM-2012-0288 Coordinated	Valley Woods acquisition	Recommendation Memorandum	Stipulated
2011	WO-2011-0328 Coordinated	Algonquin Water Resources of Missouri dba Liberty Water Company acquisition of Noel Water Company (water sale case)	Recommendation Memorandum	Stipulated
2011	WR-2012-0163 Coordinated	Taney County Water Company—informal rate case	Recommendation Memorandum	Stipulated
2010	SR-2010-0320	Timber Creek Sewer Company	Unanimous Stipulation of Undisputed Facts Testimony	Stipulated
2010	SA-2010-0219	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
2006	HA-2006-0294 Coordinated	Trigen Kansas City Energy (steam- expansion of service area)	Recommendation Memorandum & Testimony	Contested
2006	WR-2006-0250 Coordinated	Hickory Hills (water & sewer- informal rate increase)	Recommendation Memorandum	Contested

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**CASES SUPERVISED AND ASSISTED:**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Filings</u>	<u>Case Disposition</u>
2005	WO-2005-0206 Coordinated	Silverleaf sale to Algonquin (water & sewer- sale of assets)	Recommendation Memorandum & Testimony	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)	Stipulation and Agreement Testimony	Stipulated
2003	QW-2003-016 QS-2003-015	Tandy County (water & sewer informal rate increase)	Recommendation Memorandum	Stipulated
1994	ER-94-194	Empire District Electric Company (electric rate increase)	Responsible for Overseeing Fuel Area	Stipulated
1988	HR-88-116	St. Joseph Light & Power Company (industrial steam rate increase)	Deposition	Stipulated
1988	GR-88-115 Coordinated	St. Joseph Light & Power Company (natural gas rate increase)	Deposition	Stipulated
1986	TR-86-117 Coordinated	United Telephone Company of Missouri (telephone rate increase)	Withdrawn prior to filing	Withdrawn
1986	GR-86-76 Coordinated	KPL-Gas Service Company (natural gas rate increase)		Withdrawn
1986	TR-86-63 Coordinated	Webster County Telephone Company (telephone rate increase)		Stipulated
1986	TR-86-55 Coordinated	Continental Telephone Company of Missouri (telephone rate increase)		Stipulated

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**CASES SUPERVISED AND ASSISTED:**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Filings</u>	<u>Case Disposition</u>
1986	TR-86-14 Coordinated	ALLTEL Missouri, Inc. (telephone rate increase)		Stipulated