Exhibit No.: Witness: Type of Exhibit: Issue: Sponsoring Parties: Case No.:

Greg Meyer Surrebuttal Testimony Revenue Requirement Industrials ER-2009-0090

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc. d/b/a KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service.

Case No. ER-2009-0090

Surrebuttal Testimony of

Greg Meyer on Revenue Requirement Issues

On behalf of

Ag Processing, Inc. Sedalia Industrial Energy Users Association Wal-Mart Stores, Inc. Whiteman Air Force Base

April 9, 2009



CHESTERFIELD, MO 63017

Project 9051

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc. d/b/a KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service.

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Case No. ER-2009-0090

STATE OF MISSOURI

COUNTY OF ST. LOUIS

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Affidavit of Greg Meyer

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

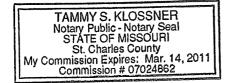
1. My name is Greg Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Ag Processing, Inc., the Sedalia Industrial Energy Users Association, Wal-Mart Stores, Inc., and Whiteman Air Force Base in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in the Missouri Public Service Commission Case No. ER-2009-0090.

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

<u>Skez Ma</u> Greg Mever

Subscribed and sworn to before me this 8th day of April, 2009.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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In the Matter of the Application of Aquila, Inc. d/b/a KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service.

Case No. ER-2009-0090

Surrebuttal Testimony of Greg Meyer

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

4 Q WHAT IS YOUR OCCUPATION?

- 5 A I am a consultant in the field of public utility regulation with the firm of Brubaker &
- 6 Associates, Inc. (BAI), energy, economic and regulatory consultants.

7 Q ARE YOU THE SAME GREG MEYER WHO HAS PREVIOUSLY FILED

8 **TESTIMONY IN THIS PROCEEDING**?

9 A Yes. I have previously filed direct and rebuttal testimony on revenue requirement
10 issues.

1 Q IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN 2 THAT TESTIMONY?

A Yes. This information is included in Appendix A to my direct testimony on revenue
 requirement issues.

A This testimony is presented on behalf of Ag Processing, Inc., the Sedalia Industrial
Energy Users Association, Wal-Mart Stores, Inc., and Whiteman Air Force Base
(collectively "Industrials").

- 9 Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?
- A To respond to the rebuttal testimony of KCPL-GMO witness Melissa K. Hardesty
 regarding the deferred taxes associated with the Crossroads units.

12 Q DO YOU AGREE WITH MS. HARDESTY'S ARGUMENT FOR NOT REFLECTING

13 14

THE FULL AMOUNT OF DEFERRED TAXES ASSOCIATED WITH THE CROSSROADS UNITS?

15 Α No. In Ms. Hardesty's rebuttal testimony she attempts to make a distinction between 16 a regulated and non-regulated subsidiary. Her testimony seems to suggest that if the 17 sale of the Crossroads units were from a regulated entity to GMO, then the deferred 18 taxes at issue here would have already been reflected in the purchase price. 19 However, because the purchase of the Crossroads units was from a non-regulated 20 entity to GMO, Ms. Hardesty argues that no deferred taxes should be recognized in 21 the purchase price. If Ms. Hardesty's proposed theory is adopted, an incentive and 22 motivation would be created for utilities to transfer assets to a non-regulated

subsidiary prior to the sale of those assets to another regulated entity. The decision
to include the deferred taxes in the purchase price should not be determined by an
investigation into whether the customers are regulated or non-regulated. Ultimately,
ratepayers would be affected even through a non-regulated subsidiary ownership.
Ms. Hardesty is arguing a distinction here without a purpose.

6 In addition, Ms. Hardesty is inconsistent in her arguments since GMO's 7 purchase price for the Crossroads units was at net book value. Net book value 8 equals the gross asset value less the accumulated depreciation of that unit while it 9 was in service. The purchase price that GMO paid recognized the accumulated 10 depreciation reserve associated with that unit during the time it was in the ownership 11 of the non-regulated subsidiary. Accumulated depreciation is the sum of monthly 12 depreciation charges on the asset. Given Ms. Hardesty's argument, the accumulated 13 depreciation balance should not be reflected in the sale price as non-regulated 14 customers paid the depreciation expense. However, this is not part of Ms. Hardesty's 15 argument. This is clearly an inconsistent approach.

16 Q IS THERE ANY COMMISSION DIRECTIVES REGARDING COST 17 DETERMINATION?

A Yes. Commission Rule 4 CSR 240-20.010 prescribes the guidelines for utilities
 engaged in Affiliate Transactions. Within those rules, fully distributed cost is defined

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as:

21 "(F) Fully distributed cost (FDC) means a methodology that examines all costs of an enterprise in relation to all the goods and services that 22 are produced. FDC requires recognition of all costs incurred directly or 23 24 indirectly used to produce a good or service. Costs are assigned 25 either through a direct or allocated approach. Costs that cannot be assigned or indirectly allocated (e.g., general 26 directlv and 27 administrative) must also be included in the FDC calculation through a 28 general allocation."

1 Clearly from this definition, the inclusion of deferred taxes can be considered for 2 purposes of asset sales. The Company has failed to adhere to the Commission's 3 affiliate transaction rules in this instance.

4 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

5 A Yes, it does.

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