Exhibit No.:	
Issue:	Revenue Requirement
Witness:	Greg R. Meyer
Type of Exhibit:	Direct Testimony
Sponsoring Parties:	Industrials
Case No.:	ER-2010-0355
Date Testimony Prepared:	November 10, 2010

BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of Its Regulatory Plan	)	**Case No. ER-2010-0355**

Direct Testimony and Schedule of

Greg R. Meyer

On behalf of

Midwest Energy Users Association
Missouri Industrial Energy Consumers
Praxair, Inc.

REDACTED VERSION

November 10, 2010

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Project 9215

BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of Its Regulatory Plan	)	**Case No. ER-2010-0355**

STATE OF MISSOURI	)	
	)	**SS**
COUNTY OF ST. LOUIS	)	

Affidavit of Greg R. Meyer

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

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Midwest Energy Users Association, Missouri Industrial Energy Consumers and Praxair, Inc. in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in the Missouri Public Service Commission's Case No. ER-2010-0355.

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.

Greg R Meyer

Greg R. Meyer

Subscribed and sworn to before me this 9th day of November, 2010.

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 14, 2011
Commission # 07024862

Tammy S Klossner

Notary Public

BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of Its Regulatory Plan	**)**	**Case No. ER-2010-0355**

Direct Testimony of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q WHAT IS YOUR OCCUPATION?

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

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of Midwest Energy Users Association, Missouri Industrial Energy Consumers and Praxair, Inc. (collectively "Industrials"). The companies purchase substantial amounts of electricity from Kansas City Power and Light Company ("KCPL") and the outcome of this proceeding will have an impact on their cost of electricity.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I am providing testimony regarding several adjustments to KCPL's revenue requirement. Several of these adjustments concern the appropriate level of off-system sales ("OSS") margins to be reflected in rates in this case. In addition, I have proposed adjustments associated with the operating life to be used in establishing depreciation rates for Iatan 2. I also have proposed certain adjustments to KCPL's lead-lag study used in calculating an appropriate level of cash working capital ("CWC") to be reflected in rate base. I have prepared a table which lists each of the revenue requirement adjustments I am proposing to the Company's filed case and the value of each adjustment. Finally, I am proposing that the Missouri Public Service Commission ("Commission") reject KCPL's proposed transmission tracker.

Following the table is a short description of the adjustments that the Industrials are proposing.

TABLE 1

Revenue Requirement Adjustments
(Missouri Jurisdicational)

Issue	Effect ($/Thousands)
I. Adjustments to Off-System Sales	
1. OSS Margins at 40th Percentile	******
2. SPP Line Loss Charges	$ 574
3. Adjustment for Purchase for Resale	******
4. SPP Revenue Neutrality Uplift Charges	$ -0-
5. Allocation of Off-System Sales Margins	******
II. Iatan 2 Life Projection for Depreciation	$ 2,516
III. Cash Working Capital	$ 1,857
IV. Amortization of Regulatory Liabilities	$14,473
V. Cost of Capital (Michael Gorman)	$21,731

I. Adjustments to Off-System Sales

1. OSS Margins at 40th Percentile – I am proposing, given the completion of the capital projects in the KCPL Regulatory Plan and the recently reduced earnings from OSS margins, that the Commission return to calculating OSS margins in a more normalized fashion.

2. SPP Line Loss Charges – I am proposing that the Commission reject this KCPL adjustment to the OSS margins because the increased margin from these types of OSS are not considered in KCPL witness Michael M. Schnitzer's model.

3. Adjustment for Purchase for Resale – Again, I am proposing that the Commission disallow KCPL's proposed adjustment to the OSS margins because KCPL has failed to coordinate this adjustment with the annualization of fuel expense.

4. SPP Revenue Neutrality Uplift Charges – I am proposing that the Commission reject KCPL's adjustment to the OSS margins because it has not been established that these costs are directly related to OSS. I am proposing that these costs be included in annualized fuel expense.

5. Allocation of Off-System Sales Margins – I am proposing that OSS margins be allocated between Missouri and Kansas using the energy allocator consistent with this Commission's decision in the last KCPL rate case and AmerenUE's previous rate case. KCPL's proposed methodology inappropriately benefits Kansas ratepayers at the expense of Missouri ratepayers.

II. Iatan 2 Life Projection for Depreciation – I am proposing that the operating life for Iatan 2 be established at 60 years, rather than 50 years as proposed by KCPL.

III. Cash Working Capital – I am proposing certain changes to the lags contained in KCPL's CWC study.

IV. Amortization of Regulatory Liabilities – I am proposing a 15-year amortization of the regulatory liabilities funded by KCPL ratepayers.

V. Cost of Capital – Including Mr. Michael Gorman's recommended cost of capital, we are recommending that KCPL's proposed revenue requirement be reduced by not less than $58 million. Of course, adjustments prepared by other parties should be added to this amount.

In addition to the above adjustments, I will explain why the proposal by KCPL to establish a transmission tracker should not be accepted.

I. ADJUSTMENTS TO OFF-SYSTEM SALES

1. OSS Margins at the 40th Percentile

Q HOW DOES KCPL PROPOSE TO CALCULATE THE APPROPRIATE LEVEL OF OSS MARGINS TO INCLUDE IN COST OF SERVICE?

A KCPL witness Schnitzer attempts to forecast a level of OSS margins. Mr. Schnitzer's model outputs reflect the level of OSS margins that result from 1,000 different simulations. KCPL witness Tim M. Rush then proposes that the Commission utilize that level of OSS margins that correspond to the 25th percentile in Mr. Schnitzer's model. Effectively, KCPL recommends that the Commission set OSS margins at a level that provides KCPL a 75% probability of exceeding those OSS margins included in base rates.

Q DO YOU AGREE THAT KCPL'S COST OF SERVICE SHOULD REFLECT OSS MARGINS AT THE 25TH PERCENTILE?

A No. I would propose that the level of OSS margins as calculated by Mr. Schnitzer be increased from the 25th percentile to the 40th percentile.

Q WHEN DID OSS MARGINS FIRST GET SET AT THE 25TH PERCENTILE?

A In the 2006 rate case, the Commission, at KCPL's request, set OSS margins based upon the 25th percentile of Mr. Schnitzer's model. At the time, the Commission gave two reasons for this departure from traditional ratemaking. First, the Commission was concerned that OSS was such a large portion of KCPL's overall earnings. Second, the Commission recognized that KCPL was commencing several large capital projects as part of the Regulatory Plan.

Q DO THESE SAME FACTORS EXIST TODAY?

A No.

Q WHAT IS THE BASIS FOR PROPOSING TO INCREASE THE LEVELS OF OSS MARGINS FROM THE 25TH PERCENTILE TO THE 40TH PERCENTILE?

A KCPL has finished the construction of Iatan 2. The inclusion of Iatan 2 should generate greater levels of OSS. The increase in the availability to make OSS should also increase the likelihood that a higher percentile level of OSS can be achieved. By establishing base rates using the 40th percentile, KCPL will still have a 60% chance of exceeding the level built into cost of service

Q WHY DID YOU CHOOSE THE 4OTH PERCENTILE?

A I believe the level of OSS included in base rates should be increased. I recognize that OSS prices have fluctuated. I chose the 40th percentile in order to still allow KCPL a greater than average probability of exceeding the level established in this rate case. The 40th percentile will also provide a greater incentive for KCPL to make OSS. If the level of OSS included in base rates is increased, KCPL will have a greater incentive to make OSS than if the level were set at a lower amount.

Q WHAT IS THE INCREASE IN OSS MARGINS FROM MOVING FROM THE 25TH PERCENTILE TO THE 40TH PERCENTILE?

A Using the Company's workpapers, I have estimated that the increase in OSS margins is ******************** (on a total Company basis).

2. SPP Line Loss Charges

Q PLEASE EXPLAIN THE ISSUE AS IT RELATES TO THE TRANSMISSION LINE LOSSES FROM OSS.

A When KCPL makes OSS outside of the Southwest Power Pool ("SPP") Energy Imbalance Service ("EIS") market footprint, KCPL incurs a line loss charge from SPP (SPP loss charges) which compensates transmission owners for system energy losses. SPP collects these charges and then distributes them back (SPP loss revenues) to SPP transmission owners according to a specific formula.

Q DURING 2009, WHAT AMOUNTS DID KCPL RECORD AS SPP LOSS CHARGES AND SPP LOSS REVENUES?

A KCPL recorded SPP loss charges of $1.061 million and recorded SPP loss revenues of $0.796 million (both on a total Company basis).

Q WHY ARE YOU PROPOSING TO DISALLOW THE $1.061 MILLION OF SPP LOSS CHARGES?

A As KCPL witness Burton L. Crawford explains in his direct testimony, SPP loss charges are incurred when KCPL makes an OSS outside of the SPP footprint. However, KCPL witness Schnitzer determines the level of OSS for KCPL through sales at a regional SPP-North market price. In essence, by forecasting OSS margins using the SPP-North market price, Mr. Schnitzer is assuming that all OSS are made within SPP-North.

In reality, however, KCPL makes OSS in markets other than SPP-North and at prices other than the SPP-North price. To the extent that KCPL makes an OSS outside of the SPP footprint, KCPL should receive a premium above the SPP-North market prices to offset the additional transmission charge that will be charged to KCPL. If KCPL didn't receive such a premium, then it would not make the sale and would avoid the associated loss charge.

KCPL is reducing margins which originate in the SPP footprint for sales outside the SPP footprint but fails to recognize the higher sales price for those sales. As a result, it is inappropriately lowering the margins from OSS.

Q ARE YOU DISPUTING THAT KCPL INCURRED THOSE COSTS DURING THE TEST YEAR?

A No. I am disputing whether those costs should be deducted from Mr. Schnitzer's forecasted level of OSS margins which does not include sales outside the SPP footprint.

Q ARE YOU PROPOSING TO DISALLOW THE SPP LOSS REVENUES RECEIVED BY KCPL?

A No. Those revenues represent a distribution back to SPP members of the SPP loss charges collected from OSS outside the SPP footprint. Including those revenues in KCPL's revenue requirement is the proper ratemaking concept and is not inconsistent with my position on SPP loss expenses.

Q PLEASE SUMMARIZE YOUR POSITION.

A I propose to disallow the SPP loss charge of $1.061 million (on a total Company basis). Those charges are for OSS made outside the SPP footprint that should be made at a price greater than one would get within the SPP footprint. KCPL is attempting to unjustifiably lower the OSS margins proposed by Mr. Schnitzer to account for this expense. I propose that this expense be disallowed.

3. Adjustment for Purchase for Resale

Q PLEASE DESCRIBE THE PURCHASE FOR RESALE ADJUSTMENT TO OSS.

A KCPL has proposed that the level of OSS margins determined by KCPL witness Schnitzer be reduced by *************** (on a total Company basis) to reflect net losses KCPL claims it experiences on Purchase for Resale transactions during the test year.

Q HAS KCPL DEVELOPED CATEGORIES FOR DIFFERENT PURCHASE FOR RESALE TRANSACTIONS?

A Yes. KCPL has created four categories of Purchase for Resale transactions. These categories reflect the fact that the purchases can be made from two different sources: (1) bilateral purchases, and (2) SPP market purchases; and can be resold to two different purchasers: (1) SPP market participants, and (2) bilateral sales with specific entities. Therefore, the four categories of Purchase for Resale are:

1. Sales into SPP from bilateral purchases;
2. Bilateral sales from bilateral purchases;
3. Sales into SPP from SPP purchases; and
4. Bilateral sales from SPP purchases.

****
****
****
***.

Q CAN YOU DESCRIBE THOSE TYPES OF TRANSACTIONS?

A Generally, these transactions arise from differences in: (1) generation and purchases, and (2) KCPL's native load and OSS. In this instance, during 2009, KCPL claims that the difference between the prices paid for purchased power and revenues received from sales into SPP or on a bilateral basis produces a net loss of ************ ********** (on a total Company basis).

Q WHAT ARE YOUR GENERAL CONCLUSIONS REGARDING THE APPROPRIATE TREATMENT FOR THESE TYPES OF PURCHASE FOR RESALE TRANSACTIONS?

A I recommend that the Commission not recognize any losses associated with these transactions until the Company has performed a thorough analysis of the cause for these specific losses. I believe it will be discovered that customer rates, through the fuel cost annualization, already address many of the circumstances which contribute to these losses. Therefore, it is possible that customer rates already encompass some reflection of the losses contemplated by KCPL's adjustment.

Q PLEASE DESCRIBE YOUR CONCERNS WITH THE ADJUSTMENT AND THE ANNUALIZATION OF FUEL EXPENSE.

A I attended (via telephone) a meeting with KCPL and the Missouri Public Service Commission Staff ("Staff") on October 21, 2010 to discuss OSS. During the meeting, KCPL stated that it has continued to purchase strip amounts of power to meet its peak requirements and experienced losses during those off-peak periods when the strip of power is sold into the SPP market or through a bilateral transaction.

Q CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THIS SITUATION?

A Yes. Assume that KCPL needed to purchase 100 MWs of power to meet its peak load requirements from 2 p.m. to 6 p.m., and that KCPL could buy that power at $90 a MW (total cost = $36,000).

Also assume, however, KCPL power traders discovered that they could buy an eight-hour strip of power from 2 p.m. to 10 p.m. for $40 a MW (total cost = $32,000). During the period from 2 p.m. to 6 p.m., the eight-hour strip of power produced substantial savings from the peak purchase price ($90 - $40). However, from 6 p.m. to 10 p.m. the price of power dropped to $35 per MW. KCPL sold the excess energy back to SPP at $35 per MW and lost $5 per MW for each MW per hour (loss = $2,000).

Through its adjustment, KCPL is attempting to separate the loss from the gain. KCPL's effectively proposes that the gain remain with shareholders, but that it be allowed to recover the loss (in this example, $2,000 from ratepayers) by reducing Mr. Schnitzer's OSS margin levels. This adjustment should not be recognized because there is no consideration given to the savings generated by the purchase during the peak hours. Since KCPL does not operate under a fuel adjustment clause, any savings that it recognizes in fuel and purchased power expense, relative to the cost built into base rates, will inure directly to the benefit of its shareholders. Historically, KCPL shareholders would receive the net benefit (i.e., the gain portion less the loss portion). By this adjustment, however, KCPL wants to separate the gain portion of the transaction from the loss portion of the transaction. Once separated, KCPL proposes that its shareholders receive the entirety of that gain while customers bear the burden of any loss. The equitable treatment would be that KCPL's shareholders, as the recipients of the gain, also bear the associated loss.

Q WHY DO YOU SAY THAT NO CONSIDERATION WAS GIVEN TO SAVINGS DURING THE PEAK HOURS?

A In my example, the production cost model, as used by KCPL to calculate annual fuel expense, would have bought the power for those four hours at $90 per MW for a fuel expense of $36,000. In this instance, KCPL would have saved $20,000 of fuel expense from that which was included in the revenue requirement during the peak hours, but would have lost $2,000 during the non-peak hours. At the conclusion of the transaction, KCPL would have saved fuel expense from the level built into the revenue requirement.

Q DO YOU HAVE ANY OTHER SITUATIONS WHICH SHOULD BE CONSIDERED REGARDING THESE LOSSES?

A Yes. In response to Staff Data Request No. 506 from Case No. ER-2009-0089, KCPL listed several reasons why the Company proposed an adjustment for the claimed Purchase for Resale losses. Included in the list were the following:

- Purchased energy to fulfill a sale during transmission constraints;
- Purchased energy to fulfill a sale during loss of generation;
- Purchased energy to fulfill a sale during unexpected generation derates;
- Purchased energy to fulfill a sale during higher than expected retail loads; and
- Purchased energy for a few peak hours to fulfill a 16-hour day-ahead sales commitment.

The situations listed above are events which are not modeled by either KCPL in determining annualized fuel expense or Mr. Schnitzer in determining the level of OSS margins. Neither KCPL's fuel model nor Mr. Schnitzer's determinations of OSS margins can model simultaneous sales and purchases of energy.

However, KCPL has modeled generation derates and forced outages of its power plants in its production cost model. These events are included in the annualization of fuel expense. KCPL has failed to demonstrate that the generation derates and forced outages included in its fuel expense annualization have not already accounted for the expenses being proposed in the Purchase for Resale adjustment.

4. SPP Revenue Neutrality Uplift ("RNU") Charges

Q DOES KCPL PROPOSE TO REDUCE OSS MARGINS FOR THE NET EFFECT OF RNU CHARGES?

A Yes. KCPL witness Crawford proposes to reduce OSS margins by approximately $686,000 (on a total Company basis) for the effect of RNU charges.

Q WHAT ARE SPP RNU CHARGES?

A When SPP settles the energy imbalance market, SPP does not always collect the exact amount of revenues needed to disburse back to its market participants. If SPP is short, then a charge is imposed on market participants. If SPP has collected too much, a credit is given to market participants.

KCPL records any charge as purchased power expense and any credit as OSS revenue.

Q HAS KCPL SHOWN THAT THESE COSTS/REVENUES ARE ATTRIBUTABLE TO OSS?

A No. KCPL has not provided any information which shows that these net charges are related to OSS.

Q ARE YOU PROPOSING TO DISALLOW THESE NET COSTS FROM KCPL'S COST OF SERVICE?

A No. I recognize that these net costs are a component of cost of service. KCPL could be susceptible to these costs/revenues whether they make OSS or not. I am proposing that these net costs be included in annualized fuel expense and not reflected as a reduction to KCPL's OSS margins.

Q WHAT ANNUALIZED LEVEL OF OSS MARGINS DO YOU BELIEVE SHOULD BE INCLUDED IN COST OF SERVICE?

A I recommend the level of OSS margins be set at ******************* (on a total Company basis).

I have prepared a table which shows how that level was determined.

TABLE 2

Industrials' OSS Margins
(on a Total Company Basis)

Description	Amount
40th Percentile Level of OSS Margins	******
Add SPP Line Loss Revenues	$ 796,412
Total OSS Margins	******

5. Allocation of Off-System Sales Margins

Q PLEASE DESCRIBE YOUR ADJUSTMENT AS IT RELATES TO THE ALLOCATION OF OSS MARGINS.

A I am proposing that OSS margins be allocated based on the energy allocator.

Q WHAT ALLOCATOR DID KCPL PROPOSE BE USED TO ALLOCATE OSS MARGINS?

A KCPL witness Larry W. Loos proposes that OSS margins be based on the allocation of production plant.

Q WHAT ARE THE MISSOURI JURISDICTIONAL ENERGY AND PRODUCTION PLANT ALLOCATORS?

A As calculated by KCPL, the energy allocator is 57.0811% and the production plant allocator is 54.0767%.

Q HAS THE COMMISSION RULED ON THIS ISSUE IN PRIOR CASES?

A Yes. In KCPL's Case No. ER-2006-0314, the Commission decided that the energy allocator was the proper method for allocating OSS margins. In that Order, the Commission made the following conclusions:

> The only costs assigned to non-firm off-system sales is the fuel and purchased power costs – the variable costs – hence the appropriateness of using the energy allocator. This is consistent with the way KCPL itself allocates the costs relating to the energy portion of firm capacity contracts – using the energy allocator. The reason is simple – the energy allocator is used to allocate variable costs of fuel and purchased power costs relating to retail sales. Using the same rationale, the energy allocator is equally appropriate to use as the allocation factor for both energy of firm (as KCPL does) and non-firm off-system sales.
>
> The demand based unused energy allocator should not be used to allocate off-system sales – either energy from firm capacity sale contracts or non-firm off-system sales. Because plant is not dedicated to support non-firm off-system sales, there is no associated demand charge.[80] (Missouri Public Service Commission, Report and Order, December 21, 2006, pp. 39-40, footnote omitted.)

In addition, in AmerenUE's Case No. ER-2010-0036, the Commission reaffirmed this KCPL ruling. The Commission stated that the energy allocator should be used to allocate OSS. In that case, the Commission noted:

> 18. However, AmerenUE's witness agrees that one of the adjustments proposed by MIEC's witness is credible. In his class cost of service study, MIEC's witness, Maurice Brubaker allocated revenues from off-system sales to customer classes on the basis of class energy (kWh) requirements.[283] Staff made a similar allocation of revenues in its class cost of service study, and AmerenUE's witness concedes that such an allocation could be appropriate.[284] In addition, Brubaker's allocation is consistent with the methodology the Commission approved in a slightly different context in a recent Kansas City Power & Light rate case, ER-2006-0314.[285] (Missouri Public Service Commission, Report and Order, May 28, 2010, pp. 86-87, footnotes omitted.)

Therefore, I am proposing that OSS margins in this case be allocated using the energy allocator which is consistent with recent Commission Orders.

Q WHAT IS THE VALUE OF THIS ADJUSTMENT?

A As indicated, the difference between the energy allocator (57.0811%) and the production plant allocator (54.0767%) is 3.0044%. Under KCPL's proposal, Kansas ratepayers would receive credit for an additional $2,541,615 (3.0044% of $84,596,412). Such a proposal is clearly detrimental to the Missouri ratepayers.

II. IATAN 2 LIFE PROJECTION FOR DEPRECIATION

Q WHAT OPERATING LIFE DID KCPL PROPOSE FOR IATAN 2 FOR BOOK DEPRECIATION PURPOSES?

A KCPL witness John J. Spanos has proposed an operating life or life span of 50 years for Iatan 2.

Q DO YOU AGREE WITH MR. SPANOS'S OPERATING LIFE ESTIMATE?

A No. I believe KCPL's proposed operating life estimate for Iatan 2 is too short. I recommend that Iatan 2's depreciation rate be calculated using a life estimate of 60 years.

Q WHAT SUPPORT DO YOU HAVE FOR PROPOSING A 60-YEAR LIFE ESTIMATE?

I have several reasons why a 60-year life estimate should be used for Iatan 2. First, KCPL witness Spanos proposed in a depreciation study titled "Calculated Annual Depreciation Accruals Related to Electric Plant as of December 31, 2008" that Iatan Unit 1 should have a life span of 60 years.

Second, in the recent AmerenUE rate case, Case No. ER-2010-0036, AmerenUE witness John F. Wiedmayer sponsored a deprecation study which had the following life spans for the AmerenUE steam generators.

TABLE 3

Life Spans for AmerenUE Steam Generators

Plant	Installation Years	Probable Retirement Date	Life Span (Years)
Meramec Unit 1	1953	January 31, 2022	69
Meramec Unit 2	1954	January 31, 2022	68
Meramec Unit 3	1959	January 31, 2022	63
Meramec Unit 4	1961	January 31, 2022	61
Sioux Unit 1	1967	September 30, 2033	66
Sioux Unit 2	1968	September 30, 2033	65
Labadie Unit 1	1970	September 30, 2042	72
Labadie Unit 2	1971	September 30, 2042	71
Labadie Unit 3	1972	September 30, 2042	70
Labadie Unit 4	1973	September 30, 2042	69
Rush Island Unit 1	1976	September 30, 2046	70
Rush Island Unit 2	1977	September 30, 2046	69

It should be noted that as a result of the Commission Order in Case No. ER-2010-0036, the lives of Meramec Units 3 and 4 were lengthened by five years from the total listed above. As a result, the life span for those units was increased to 68 years and 66 years, respectively. The Commission in Case No. ER-2010-0036 used life spans that ranged from 66 years to 72 years to depreciate AmerenUE's coal-fired units.

Mr. Spanos is employed by Gannett Fleming as Vice President of the Valuation and Rate Division. Mr. Wiedmayer, who sponsored the assumptions from Table 3 above, is employed by Gannett Fleming as a Project Manager, Depreciation Studies of the Valuation and Rate Division.

Mr. Spanos and Mr. Wiedmayer, both from Gannett Fleming, have recently sponsored depreciation studies which proposed life spans of at least 60 years or longer. In Mr. Spanos's case, he sponsored a depreciation study which supported a 60-year life span for Iatan 1. In Mr. Wiedmayer's case, he sponsored a depreciation study which proposed a life span average of 69 years for 12 steam generating units. It should also be noted that currently both Callaway and Wolf Creek nuclear generating units are being depreciated over 60 years.

Finally, it should be noted that other generating stations that are only recently coming into operation are also being depreciated over 60 years. For instance, Xcel Energy recently completed the construction of the Comanche 3 generating station. Like Iatan 2, that generating unit is a coal-burning generating station. In a recent Colorado docket, Xcel Energy executed a stipulation in which the life span for the Comanche 3 unit was set at 60 years.

Q DID MR. SPANOS PROVIDE ANY TESTIMONY WHICH DESCRIBED WHY A 50-YEAR OPERATING LIFE WAS REASONABLE?

A No. Mr. Spanos discussed the depreciation rates for Iatan 2 in one question and answered that question with seven lines of testimony. There was no discussion as to why Iatan 2 should have a 50-year operating life as compared to Iatan 1's 60-year operating life. The 50-year operating life is significantly shorter than the proposed operating life of other Missouri coal-fired units.

Q PLEASE SUMMARIZE YOUR POSITION.

A I recommend that the Iatan 2 unit have an operating life of 60 years. I have provided life estimates from two Gannett Fleming employees who have sponsored depreciation studies in Missouri that propose lives equal to or in excess of 60 years. The Missouri Commission has found reasonable life estimates which average approximately 69 years for the AmerenUE steam operating units. Iatan 2's operating life should initially be set at 60 years.

Q WHAT IS THE EFFECT ON KCPL'S DEPRECIATION EXPENSE USING AN OPERATING LIFE OF 60 YEARS FOR IATAN 2?

A KCPL's annualized depreciation expense is reduced by $2.516 million on a Missouri jurisdictional basis.

III. CASH WORKING CAPITAL

Q HAS KCPL INCLUDED AN ALLOWANCE FOR CWC IN ITS COST OF SERVICE?

A Yes. KCPL is proposing a $32.657 million Missouri jurisdictional reduction to rate base for CWC. I am proposing that KCPL's CWC allowance should be a $49.099 million Missouri jurisdictional reduction to rate base.

Q WHAT IS CWC?

A CWC is the amount of cash necessary for a utility to pay the day-to-day expenses it incurs in providing service to the ratepayer.

Q WHAT ARE THE SOURCES OF CWC?

A Ratepayers and shareholders are the sources of CWC.

Q HOW DO RATEPAYERS SUPPLY CWC?

A The ratepayers supply CWC when the Company receives payment for service before the Company pays for the expenses it incurred to provide that service. The ratepayer is compensated for the CWC provided through a reduction to rate base.

Q HOW DO SHAREHOLDERS SUPPLY CWC?

A When the Company must pay for an expense incurred to provide service before the ratepayer has paid for the related usage, shareholders provide cash to cover that expense. This cash outlay represents a portion of the shareholder's total investment in the Company. The shareholder is compensated for the CWC provided through an increase in rate base.

Q WHAT METHODOLOGY DID KCPL APPLY IN DETERMINING THE COMPANY'S CWC REQUIREMENT?

A KCPL's CWC requirement was based upon a lead-lag study. A lead-lag study analyzes the cash inflows and outflows of payments the Company receives from its customers for the service it provides and the disbursements it makes to vendors to provide that service. These cash flows are measured in numbers of days. A lead-lag analysis compares the number of days the Company is allowed to take or actually takes to make payments after receiving service from a vendor, with the number of days it takes the Company to receive payment for the service provided to customers. The lead-lag study also determines who provides CWC.

Q HOW ARE THE RESULTS FROM A LEAD-LAG STUDY INTERPRETED?

A A negative CWC requirement indicates that ratepayers provided the working capital in the aggregate during the test year. This means that ratepayers provided the necessary cash, on average, before the Company must pay for expenses incurred to provide that service. A positive CWC requirement indicates, in the aggregate, that shareholders provided the cash necessary during the year. This means that the Company must pay, on average, for the expenses incurred in providing service before ratepayers pay for that service.

Q HAVE YOU REVIEWED THE LEAD-LAG STUDY PREPARED BY KCPL?

A Yes. I reviewed the lead-lag schedule prepared by KCPL. I reviewed the revenue lag and the various expense lags to determine if the lags represented reasonable estimates for lead-lag intervals for the different cash expenses of KCPL.

Q DID YOU AGREE WITH ALL OF THE REVENUE AND EXPENSE LAGS THAT KCPL IS PROPOSING IN THIS CASE?

A No. There are several lags which I dispute. The following lists the disagreements I have with KCPL's lead-lag study:

1. The expense lag for Kansas City, Missouri's 6% Gross Receipts Tax;
2. The expense lag for Kansas City, Missouri's 4% Gross Receipts Tax;
3. The expense lag for Other Cities' Gross Receipts Tax;
4. The expense lag for Missouri Sales and Use Tax;
5. The revenue lag for all of the Gross Receipts Taxes; and
6. The expense lag for Wolf Creek Nuclear Operating Company ("WCNOC") production operations and maintenance ("O&M") expenses.

Q WHAT EXPENSE LAG DID KCPL PROPOSE FOR THE KANSAS CITY, MISSOURI ("KCMO") GROSS RECEIPTS TAXES?

A For the 6% portion of the KCMO Gross Receipts Tax, KCPL proposed a prepayment or negative expense lag of 57.56 days. For the 4% portion of the KCMO Gross Receipts Tax, KCPL proposed a positive 34.00 day lag.

Q WHAT DO YOU PROPOSE FOR THESE LAGS?

A I am proposing that the 6% KCMO Gross Receipts Tax lag be 75.63 days and that the 4% KCMO Gross Receipts Tax lag be 45.63 days.

Q WHAT IS THE BASIS FOR YOUR ARGUMENT REGARDING THE 6% KCMO GROSS RECEIPTS TAX LAG?

A I reviewed the Code of Ordinances of Kansas City, Missouri, Chapter 40, Article VI. Miscellaneous Business Regulations. Specifically, I reviewed Sec. 40-344. Electric light or power businesses--Generally. Section (a) contains the following language:

> **Sec. 40-344. Electric light or power businesses--Generally.**
> (a) *Quarterly license fee imposed.* Every electric light or power company, and every corporation, company, association, joint stock company or association, partnership and person, and their lessees, trustees or receivers appointed by any court whatsoever, owning, operating, controlling, leasing or manufacturing, selling, distributing or transmitting electricity for light, heat or power, shall, in addition to all other taxes, payments or requirements now or hereafter required by law or city ordinance, pay to the city a quarter-annual license fee to be due and payable to the city treasurer on or before January 30, April 30, July 30 and October 30, respectively, of each year, based upon the business done during the preceding period of three calendar months ending, respectively, on December 31, March 31, June 30 and September 30. The amount of such quarterly license fee (referred to in this section as the "fee") shall be a sum equal to six percent of the gross receipts derived from the sale of electrical energy within the city during the same preceding period of three months ending as stated in this subsection, for consumption and not for resale; …

As can be seen from the above description, the KCMO 6% Gross Receipts Tax is clearly meant to be paid in arrears and is not a prepayment as proposed by KCPL.

Q WHAT IS THE SIGNIFICANCE IN THE LEAD-LAG STUDY FROM DETERMINING WHETHER AN EXPENSE (TAX) PAYMENT IS A PREPAYMENT OR A PAYMENT IN ARREARS?

A If an expense is a prepayment, it signifies that KCPL had to pay the expense before KCPL received the service or product. A prepayment of an expense will always be funded by the utility's shareholders because the expense is payable prior to the service provision or product receipt.

If an expense is paid in arrears, KCPL paid the expense after the service was provided or product received.

In the context of the tax issue, a prepayment would signify that KCPL paid the tax before it was actually calculated. A tax payment in arrears would signify that the tax was paid after it was calculated and due to the taxing authority.

Q PLEASE DESCRIBE HOW YOU DERIVED THE 75.63 DAY LAG FOR THE KCMO 6% GROSS RECEIPTS TAX.

A The tax is assessed quarterly and is generally paid on the 30th of the month following the quarterly period. I took the entire year (365 days) and divided that into quarter periods or 91.25 days. I then divided the quarter periods in half to establish the midpoint of the quarter or 45.63 days (91.25 ÷ 2). I then added 30 days onto the 45.63 to obtain the 75.63 day lag. The 30 day addition recognizes the additional 30 days KCPL has to pay the Gross Receipts Tax from the quarter periods. Thus, my expense lag for the 6% Gross Receipts Tax reflects that KCPL has 75.63 days from the midpoint of the quarter until it must actually pay the expense (30 days after the end of the quarter).

Q WHAT IS THE BASIS FOR YOUR ARGUMENT REGARDING THE 4% KCMO GROSS RECEIPTS TAX LAG?

A I reviewed the actual tax returns that KCPL filed with KCMO during calendar year 2009 as well as the Code of Ordinances of Kansas City, Missouri, Chapter 40, Article VI. Miscellaneous Business Regulations, Sec. 40-345. Same--Emergency license tax. I have included that portion of the Code below:

> **Sec. 40-345. Same--Emergency license tax.**
> (a) *Imposition; amount.* Every electric light or power company, and every corporation, company, association, joint stock company or association, partnership and person, and their lessees, trustees or receivers appointed by any court whatsoever, owning, operating, controlling, leasing or managing any electric plant or system generating, manufacturing, selling, distributing or transmitting electricity for light, heat or power shall, in addition to all other taxes, payments or requirements now or hereafter required by law or city ordinances, pay an additional emergency license tax in a sum equal to three percent of the gross receipts derived from all residential sales per month in excess of $10.00 per month each residence, four percent of the gross receipts derived from commercial sales, and four percent of the first $4,200.00 of the gross receipts per month derived from sales to each industrial user where the major use of such industrial user is to change raw or unfinished materials into other forms or products and not for space heating and lighting purposes within the city, such license tax to be payable monthly, the first such payment being due and payable no later than June 30, 1981, and no later than the last day of the month thereafter, based on the prior month's gross receipts, but otherwise based on the same computations and subject to the same penalties as provided in section 40-344, so long as this section remains in effect.

Q WHAT ARE YOUR CONCLUSIONS REGARDING YOUR REVIEW?

A It is clear from the review that this tax is also paid in arrears. KCPL has recognized this fact with the lag they have proposed.

Q PLEASE DESCRIBE HOW YOU DERIVED THE 45.63 DAY LAG FOR THE KCMO 4% GROSS RECEIPTS TAX.

A The tax is assessed monthly and is generally paid on the last day of the month following the monthly period. I took the entire year (365 days) and divided that into monthly periods or 30.42 days. I then divided the monthly periods in half to establish the midpoint of the monthly periods (15.21 days). I then added 30.42 days which represents the average number of days for payment at the end of the month. This produces a 45.63 day lag.

Q WHAT GROSS RECEIPTS LAG DID KCPL PROPOSE FOR THE OTHER CITIES IT SERVES?

A KCPL proposed a prepayment or negative expense lag of 38.93 days.

Q WHAT DO YOU PROPOSE FOR THIS LAG?

A I am proposing a 53.47 day expense lag for Gross Receipts Taxes for other cities besides KCMO.

Q WHAT IS THE BASIS FOR YOUR PROPOSED LAG OF 53.47 DAYS?

A I obtained copies of the Municipal Codes or Ordinances for a majority of the cities served by KCPL. I developed my expense lag based on the payment dates established in the Municipal Codes or Ordinances. I also contacted Mayors, City Administrators and City Clerks of some of the cities to obtain this information. In developing my expense lag, I found no instance where the Gross Receipts Taxes would be considered a prepayment as proposed by KCPL.

Q WHAT PERCENT OF GROSS RECEIPTS TAXES DID YOUR REVIEW COVER?

A My review of the Municipal Codes or Ordinances covered 85% of KCPL's Gross Receipts Taxes payable to cities other than KCMO.

Q WHAT EXPENSE LAG DID KCPL PROPOSE FOR MISSOURI SALES AND USE TAX?

A KCPL proposed an expense lag of 22 days for Missouri Sales and Use Tax.

Q WHAT EXPENSE LAG DO YOU PROPOSE FOR MISSOURI SALES AND USE TAX?

A I am proposing a lag of 35.21 days for Missouri Sales and Use Tax.

Q WHAT IS THE BASIS FOR YOUR PROPOSED LAG OF 35.21 DAYS?

A I have reviewed the Missouri Revised Statutes, Chapter 144, Sales and Use Tax, Section 144.080, Paragraph 2, to develop my proposed lag. Paragraph 2 states the following:

> 2. Where the aggregate the aggregate amount levied and imposed upon a seller by section 144.020 is in excess of two hundred and fifty dollars for either the first or second month of a calendar quarter, the seller shall file a return and pay such aggregate amount for such months to the director of revenue by the twentieth day of the succeeding month.

Q PLEASE DESCRIBE HOW YOU CALCULATED YOUR 35.21 DAY LAG FOR MISSOURI SALES AND USE TAX.

A The tax is assessed monthly and is payable on the 20th of the month following the monthly period. I took the entire year (365 days) and divided that into monthly periods or 30.42 days. I then divided the monthly periods in half to establish the midpoint of the monthly periods (15.21 days). I then added 20 days which is the time for payment in the month succeeding the assessed month. This produces a 35.21 day lag.

Q PLEASE SUMMARIZE YOUR CWC TESTIMONY AS IT RELATES TO THE TAX EXPENSE LAGS OF KCPL.

A I have developed the tax lags I described earlier in my testimony based on the Missouri Statutes, Municipal Codes or Ordinances, Miscellaneous Business

Regulations, and contacts with Mayors, City Administrators and City Clerks. The expense lags I am proposing are based on those sources. I found no instance where these taxes could be interpreted to represent prepayments. I contend my calculations of these lags are correct and should be incorporated into KCPL's lead-lag study.

Q WHAT REVENUE LAG DID KCPL PROPOSE FOR THE GROSS RECEIPTS TAXES?

A KCPL proposed a 10 day revenue lag, which is KCPL's collection lag.

Q WHAT REVENUE LAG ARE YOU PROPOSING FOR GROSS RECEIPTS TAXES?

A I am proposing a zero day revenue lag for the Gross Receipts Taxes.

Q WHY ARE YOU PROPOSING A ZERO DAY REVENUE LAG?

A After reviewing the Kansas City, Missouri, Miscellaneous Business Regulations and the Municipal Codes or Ordinances, the language contained in those documents clearly defines that the Gross Receipts Tax rate should be applied to electric gross receipts for the specified period. Electric gross receipts for electric service means the utility has already collected the revenue and thus is required to apply the Gross Receipts Tax rate to those collected revenues.

I have included the excerpt from the Code of Ordinances of Kansas City, Missouri, Chapter 40, Article VI. Miscellaneous Business Regulations, Sec. 40-344. Electric light or power businesses--Generally, which delineates that the tax is based on the receipt of revenues.

> The amount of such quarterly license fee (referred to in this section as the "fee") shall be a sum equal to six percent of the gross receipts

> derived from the sale of electrical energy within the city during the same preceding period of three months ending as stated in this subsection, for consumption and not for resale;…

The language in the Municipal Codes or Ordinances is generally similar to the above passage except that the time frame for calculating the tax may be different.

These contracts with the various cities are not based on billed revenues but are instead based on revenues collected. Therefore, I have included a zero day revenue lag.

Q WHAT EXPENSE LAG DID KCPL PROPOSE FOR WCNOC PRODUCTION O&M EXPENSES, EXCLUDING FUEL AND PAYROLL?

A KCPL proposed a lag of 13.81 days.

Q WHAT LAG DO YOU PROPOSE FOR THIS EXPENSE?

A I am proposing an expense lag of 30 days.

Q WHY ARE YOU PROPOSING AN EXPENSE LAG OF 30 DAYS?

A I am proposing an expense lag of 30 days because that is the lag KCPL has included in its lead-lag study to address other O&M expenses. I contend that Wolf Creek's production O&M expenses are not paid any sooner than KCPL's O&M expenses. WCNOC is merely requiring the early payment of these expenses and therefore gets the use of those funds until they are due to be paid to outside vendors. I am opposed to requiring KCPL's ratepayers to pay for normal O&M expenses before they are actually due. I therefore am proposing that the WCNOC production O&M expense lag be set equal to KCPL's own O&M expense lag of 30 days.

Q HAVE YOU PREPARED A CWC CALCULATION WHICH SHOWS THE RESULTS OF YOUR PROPOSED CHANGES TO KCPL'S REVENUE AND EXPENSE LAGS?

A Yes. Attached as Schedule GRM-1 is a CWC calculation which incorporates my proposed changes to the revenue and expense lags. The revenue requirement effect of my proposed changes is a $1.857 million Missouri jurisdictional reduction to KCPL's revenue requirement.

IV. AMORTIZATION OF REGULATORY LIABILITIES

Q AS A RESULT OF THE EXPIRATION OF THE REGULATORY PLAN, ARE THERE REGULATORY LIABILITIES OF PRIOR RATEPAYER-SUPPLIED FUNDS WHICH NEED TO BE ADDRESSED IN THIS RATE CASE?

A Yes. There are two regulatory liabilities which were funded by ratepayers that need to be addressed for ratemaking purposes. The first regulatory liability amounts to $36.7 million (Missouri jurisdictional). This liability was established in KCPL Case No. EO-94-199. In that case, KCPL was authorized to accrue $3.5 million per year on a Missouri jurisdictional basis. This accrual ceased with the approval of the Stipulation and Agreement in Case No. ER-2006-0314, which established the Regulatory Plan. Thus, KCPL recovered this $3.5 million in rates for a period of approximately 10.5 years.

The second ratepayer-funded regulatory liability was established as a result of the Regulatory Plan. This regulatory liability was created in order to help KCPL maintain adequate credit ratios during the construction of Iatan 2. The balance of this ratepayer-funded regulatory liability is $132.2 million (Missouri jurisdictional).

Q WHAT HAS KCPL PROPOSED WITH REGARD TO THESE LIABILITIES?

A KCPL has proposed that these regulatory liabilities be spread over the book accounts of KCPL's depreciation reserve.

Q DO YOU AGREE WITH THIS PROPOSAL?

A No. I am opposed to a method which would essentially mingle those ratepayer provided funds into KCPL's depreciation reserve. Those funds, supplied through customer rates, would lose their identity and would make it very difficult to validate that those funds were properly accounted. Furthermore, by spreading those funds back to the depreciation reserve, those Missouri funds may be affected or lost in the future with changes in jurisdictional allocation factors.

Q HOW DO YOU PROPOSE TO TREAT THE TWO LIABILITIES?

A I propose to amortize these balances over 15 years.

Q WHAT IS THE BASIS FOR YOUR 15-YEAR AMORTIZATION?

A Since July 1996, customers have been paying in rates additional monies into these liabilities. I contend that the ratepayers should receive credit for those contributions over a shorter time frame than that proposed by the Company. Fifteen years is a reasonable time frame and approximates the period of time over which the liabilities were created. In contrast, KCPL's proposal would return those funds to ratepayers over an approximately 40-year period. That is entirely too long for customers to wait for the return of their funds.

Q WHAT IS THE REVENUE REQUIREMENT EFFECT FROM YOUR PROPOSAL?

A A 15-year amortization of the $168.9 million (Missouri jurisdictional) of regulatory liabilities amounts to an annual amortization of $11.26 million. However, the $11.26 million needs to be factored up for income taxes as ratepayers were required to pay income taxes on those regulatory liabilities. Factoring the $11.26 million up for income taxes, results in a $18.5 million reduction to KCPL's annualized expense.

It should be noted that the unamortized portion of the regulatory liabilities would continue to be reflected as a separate offset to rate base. This balance would be reduced in subsequent years for the amortization. The tax factor up should be treated as an addition to the amortization and should not reduce the unamortized balance of the regulatory liabilities.

Netting the $18.5 million against KCPL's proposed treatment ($4 million) of the regulatory liabilities, results in a reduction of $14.5 million to KCPL's revenue requirement.

VI. TRANSMISSION TRACKER

Q HAS KCPL PROPOSED TO ESTABLISH A TRANSMISSION EXPENSE TRACKER FOR THIS RATE CASE?

A Yes. KCPL witness Rush has filed direct testimony which seeks approval of a transmission tracker.

Q PLEASE EXPLAIN KCPL'S PROPOSAL FOR A TRANSMISSION TRACKER.

A KCPL has requested that the transmission tracker include funds related to base plan funding. KCPL explains that base plan funding relates to transmission projects which produce reliability and transmission service benefits across the SPP region. KCPL witness Rush explains that a portion of those costs are allocated directly to utilities that demonstrate direct benefits.

These base plan funding transmission project costs represent the largest portion of the requested transmission tracker ($18.3 million, on a total Company basis). This portion of SPP charges represent payments for construction projects.

Q DO YOU SUPPORT THE COMPANY'S PROPOSAL TO IMPLEMENT A TRANSMISSION TRACKER?

A No. KCPL should not be granted a transmission tracker in this rate case as the vast majority of the SPP expense to be tracked relates to the construction of transmission projects. Although these charges are a cost to KCPL, they are no different than the capital additions KCPL puts into service between rate cases.

Furthermore, KCPL's transmission tracker requests the tracking of SPP's administrative and general expenses. For instance, KCPL is requesting the transmission tracker to include the membership fees KCPL pays to SPP to operate in the Regional Transmission Organization ("RTO"). These are normal operating expenses of SPP. If KCPL were given authority to track the administrative and general expenses of SPP, KCPL's incentive to manage these costs would be significantly reduced, if not eliminated, completely.

Finally, both KCPL witnesses John P. Weinsensee and Mr. Rush describe benefits which will occur as a result of these transmission projects, yet KCPL does not propose to offset the expenses charged by SPP for any benefits realized. KCPL requests that the costs of these projects be captured in the transmission tracker, but is silent about the claimed benefits from these projects.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q PLEASE STATE YOUR OCCUPATION.

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

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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

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

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

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

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

In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant. The firm Brubaker & Associates, Inc. provides consulting services in the field of energy procurement and public utility regulation to many clients including industrial and institutional customers, some utilities and, on occasion, state regulatory agencies.

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

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

Kansas City Power & Light Company

Calculation of CWC

Line	Description	MO Jurisdictional Expense	Revenue Lag	Expense Lag	Net Lag	CWC Factor	CWC Requirement
	Payroll-Related CWC						
1	FED, State, & City Income Tax W/Holding	$ 13,895,809	25.21	13.63	11.58	3.1726%	$ 440,859
2	FICA W/Holding - Employee	5,007,682	25.21	13.77	11.44	3.1342%	156,953
3	Other Employee W/Holdings	11,735,939	25.21	13.63	11.58	3.1726%	372,335
4	Net Payroll	33,081,037	25.21	13.85	11.36	3.1112%	1,029,228
5	Accrued Vacation	5,802,664	25.21	344.83	(319.62)	-87.5671%	(5,081,226)
	Fuel & Purchased Power-Related CWC						
6	Coal & Freight	132,312,504	25.21	20.88	4.33	1.1863%	1,569,625
7	Gas (Accounts 501 & 547)	3,915,874	25.21	28.62	(3.41)	-0.9342%	(36,584)
8	Oil (Accounts 501, 518, & 548)	4,019,590	25.21	8.50	16.71	4.5781%	184,020
9	Purchase Power	17,930,093	25.21	30.72	(5.51)	-1.5096%	(270,671)
	Wolf Creek Related CWC						
10	Wolf Creek Production Payroll	18,868,153	25.21	13.81	11.40	3.1233%	589,307
11	WCNOC A&G Payroll	1,956,759	25.21	13.81	11.40	3.1233%	61,115
12	Nuclear Fuel Less Oil - Non-Labor	15,957,089	25.21	13.81	11.40	3.1233%	498,386
13	Nuclear Production O&M Excl. Fuel & Payroll	15,868,154	25.21	30.00	(4.79)	-1.3123%	(208,242)
14	Wolf Creek Payroll Tax	1,592,378	25.21	13.81	11.40	3.1233%	49,735
	Other O&M-Related CWC						
15	Pensions	22,997,847	25.21	51.74	(26.53)	-7.2685%	(1,671,597)
16	Other Post Employment Benefits	4,572,590	25.21	178.44	(153.23)	-41.9808%	(1,919,611)
17	All Other O&M	125,480,778	25.21	30.00	(4.79)	-1.3123%	(1,646,720)
	Interest & Taxes-Related CWC						
18	Interest Expense	80,667,046	25.21	86.55	(61.34)	-16.8055%	(13,556,484)
19	Currently Payable Taxes	8,519,989	25.21	45.63	(20.42)	-5.5945%	(476,653)
20	Property Taxes	35,564,884	25.21	208.84	(183.63)	-50.3096%	(17,892,547)
21	KCP&L Payroll & Other Misc. Taxes	6,209,276	25.21	13.77	11.44	3.1342%	194,614
22	KCMO Gross Receipts Tax - 6% Qrtrly	32,235,719	-	75.63	(75.63)	-20.7192%	(6,678,976)
23	KCMO Gross Receipts Tax - 4% Mnthly	19,874,011	-	45.63	(45.63)	-12.5000%	(2,484,251)
24	Other MO Gross Receipts Tax	7,163,866	-	53.47	(53.47)	-14.6482%	(1,049,374)
25	Missouri Sales Tax	17,775,078	10.00	35.21	(25.21)	-6.9064%	(1,227,617)
26	Missouri Use Tax	643,951	10.00	35.21	(25.21)	-6.9064%	(44,474)
27	**Total CWC Requirement**						**$ (49,098,850)**
28	Company CWC Requirement						(32,656,571)
29	Difference in CWC Requirements						$ (16,442,279)
30	Pre-Tax Rate of Return						11.28%
31	**Revenue Requirement Value of CWC Adjustments**						**$ (1,855,451)**