Exhibit No.:
Issue: Revenue Requirement
Witness: Greg R. Meyer
Type of Exhibit: Direct Testimony
Sponsoring Parties: Industrials
Case No.: ER-2010-0356
Date Testimony Prepared: November 17, 2010

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service	)))))))	**Case No. ER-2010-0356**

Direct Testimony and Schedule of

Greg R. Meyer

On behalf of

Ag Processing, Inc.
Sedalia Industrial Energy Users Association
Federal Executive Agencies

November 17, 2010

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Project 9216

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service	)	**Case No. ER-2010-0356**

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

Affidavit of Greg R. Meyer

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

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Ag Processing, Inc., Sedalia Industrial Energy Users Association and Federal Executive Agencies 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-2010-0356.

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

Subscribed and sworn to before me this 16th 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

Notary Public

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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 Ag Processing, Inc., Sedalia Industrial Energy Users Association and Federal Executive Agencies (collectively "Industrials"). These customers purchase substantial amounts of electricity from KCP&L Greater Missouri Operations Company ("GMO") and the outcome of this proceeding will have an impact on their cost of electricity.

Q PLEASE DESCRIBE THE GMO OPERATIONS.

A GMO operates two electric territories in Missouri: MPS and L&P. I will refer to the MPS electric territory as MPS and the L&P electric territory as L&P.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I am providing testimony regarding several adjustments to GMO's revenue requirement. I am proposing:

- An adjustment to the operating life to be used in establishing depreciation rates for Iatan 2;
- The disallowance of GMO's unrecovered depreciation reserve adjustment for general plant;
- Certain adjustments to GMO's lead-lag study used in calculating an appropriate level of cash working capital ("CWC") to be reflected in rate base; and
- An adjustment to the recorded price of the Crossroads units.

I have prepared a table which lists each of the revenue requirement adjustments I am proposing to GMO's filed case and the value of each adjustment. Following Table 1 is a short description of the adjustments that the Industrials are proposing.

Finally, I am proposing that the Missouri Public Service Commission ("Commission") reject GMO's request to include transmission costs in its fuel adjustment clause ("FAC") or, in the alternative, to include those transmission costs in a transmission tracker.

TABLE 1

Revenue Requirement Adjustments
(Missouri Jurisdictional)
($000)

Issue	MPS	L&P
1. Iatan 2 Life Projection for Depreciation	$ 116	$ 42
2. Unrecovered Depreciation Reserve	$ 700	$ 237
3. Crossroads Deferred Taxes	$ 1,658	---
4. Cash Working Capital	$ 50	$ 75
5. Cost of Capital (Michael Gorman)	$16,505	$4,742

1. 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 GMO.

2. Unrecovered Deprecation Reserve – I am proposing to disallow the adjustment to GMO's depreciation reserve for under-recovery of general plant.

3. Crossroads Deferred Taxes – I am proposing that MPS recognize the transfer of deferred taxes associated with the Crossroads units.

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

Including Mr. Michael Gorman's recommended cost of capital, we are recommending that MPS's revenue requirement be reduced by not less than $19.1 million and that L&P's revenue requirement be reduced by not less than $5.1 million. Of course, adjustments prepared by other parties may also be added to these amounts. The fact that I do not address an issue should not be interpreted as approval or acceptance by the Industrials of any position taken by GMO unless I state otherwise in my testimony.

In addition to the above adjustments, I will explain why the proposal by GMO to include transmission expenses in the FAC or to establish a transmission tracker should not be accepted.

1. Iatan 2 Life Projection For Depreciation

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

A GMO 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 GMO's proposed operating life estimate for Iatan 2 is too short. I recommend that Iatan 2's depreciation rate be calculated using a life span 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, GMO 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 2

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 totals 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 approved life spans that ranged from 65 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. Interestingly, Mr. Wiedmayer, who sponsored the assumptions from Table 2 above, is also 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 approximately 69 years for 12 coal-fired steam generating units.

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 supercritical 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. Also, Mr. Spanos did not address why the 50-year operating life that he is proposing for Iatan 2 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 for coal-burning generating stations 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 GMO'S DEPRECIATION EXPENSE USING AN OPERATING LIFE OF 60 YEARS FOR IATAN 2?

A MPS's annualized depreciation expense is reduced by approximately $116,000 on a Missouri jurisdictional basis.

L&P's annualized depreciation expense is reduced by approximately $42,000 on a Missouri jurisdictional basis.

2. Unrecovered Depreciation Reserve

Q HAS GMO REQUESTED RATEMAKING TREATMENT FOR SOME UNRECOVERED RESERVE FOR COMMON GENERAL PLANT?

A Yes. GMO has requested ratemaking treatment for unrecovered depreciation reserve for common general plant. GMO has requested a 20-year amortization to recover the shortfall in the depreciation reserve for common general plant.

Q PLEASE EXPLAIN HOW THE UNDER-RECOVERY OF DEPRECIATION RESERVE OCCURRED.

A Prior to the Great Plains Energy acquisition of the MPS and L&P service territories, Aquila, Inc. owned the MPS and L&P electric territories. In addition to the MPS and L&P service territories, Aquila also operated gas and electric utilities in Colorado, Kansas, Michigan, Minnesota and Nebraska as well as certain international operations. Aquila owned various corporate assets or common plant which were used to provide corporate services to each of these jurisdictions. General Office Furniture, Computer and Software Investment were the vast majority of these corporate assets. For tax purposes, Aquila Corporate depreciated those common

assets utilizing depreciation rates which were greater than the Commission authorized depreciation rates.

As a result of the acquisition by Great Plains Energy of the MPS and L&P electric territories, GMO is now claiming that MPS and L&P operations have under-recovered depreciation expense in rates and the depreciation reserve for MPS is overstated by $14.1 million and the depreciation reserve for L&P is overstated by $4.7 million.

These amounts are purported to represent the differences in depreciation expense charged by Aquila Corporate and the level authorized by the Commission for the Aquila MPS and L&P operations.

Q DO YOU AGREE WITH THE CALCULATION PROPOSED BY GMO AS IT PERTAINS TO THE UNRECOVERED DEPRECIATION RESERVES OF $14.1 MILLION FOR MPS AND $4.7 MILLION FOR L&P?

A No. I have concerns with the adjustments proposed by GMO to the various accounts of MPS and L&P.

For MPS and L&P, GMO has proposed adjustments to the depreciation reserves for the following Federal Energy Regulatory Commission ("FERC") plant accounts which had no depreciation reserve balance and plant-in-service balance to adjust.

TABLE 3

Plant Accounts With No Starting Balances @ 6/30/10

FERC Account	Description
390.05	General Structures – Leasehold Improvements – General
392.02	General Transportation Equipment – Heavy Trucks
392.04	General Transportation Equipment – Trailers Electric
395.00	General Laboratory Equipment – Electric

Given the rationale provided by GMO, I am questioning why these accounts are proposed for adjustments when there is no balance in these accounts to adjust. Given GMO's argument that the depreciation reserves for those accounts are overstated, one would expect that the accounts shown in Table 3 above would have depreciation reserve balances and plant-in-service balances to adjust. Since there are no balances, adjustments to depreciation reserve accounts raises questions regarding these proposed adjustments.

In addition, for MPS and L&P, GMO has proposed adjustments to the depreciation reserves for the following FERC plant accounts.

TABLE 4

Plant Accounts With Large Reserve Adjustments

FERC Account	Description
390.00	General Structures & Improvements
391.00	General Office Furniture & Equipment Electric
391.02	General Office Furniture Computer
391.04	General Office Furniture Software
394.00*	General Tools Electric – Raytown
397.00	General Communication Equipment
398.00	General Miscellaneous Equipment

*L&P only.

Again, GMO's argument is that the depreciation reserve is overstated due to higher corporate depreciation rates that were not reflected in electric rates. For some of these accounts, the proposed adjustment to the depreciation reserve is larger than the allocated book depreciation reserve and the plant balance. These differences clearly call into question the reasonableness of these proposed adjustments.

Q HAVE YOU SUBMITTED DATA REQUESTS TO GMO TO ADDRESS THESE CONCERNS?

A Yes, I have submitted data requests to address these concerns. I have not yet received responses to those requests.

Q PLEASE SUMMARIZE YOUR TESTIMONY AS IT RELATES TO THIS ISSUE.

A GMO has proposed specific adjustments to depreciation reserve associated with certain general plant accounts to address unrecovered depreciation reserve balances. This unrecovered depreciation reserve arose due to higher depreciation rates being applied to plant balances than the depreciation rates authorized by the Commission. I have identified several FERC accounts where GMO has proposed an adjustment where there are zero depreciation reserve balances. There are also several FERC accounts where the adjustments proposed by GMO are greater than the depreciation reserve balance and/or plant balances. Both of these circumstances raise questions about GMO's proposed adjustments. GMO has not presented any rationale why these adjustments should be accepted. I am therefore opposing the inclusion of these adjustments in GMO's cost of service.

Q WHAT IS THE REVENUE REQUIREMENT EFFECT OF DISALLOWANCE OF THESE ADJUSTMENTS?

A My proposal would reduce MPS and L&P revenue requirements by approximately $700,000 and $237,000, respectively.

3. Crossroads Deferred Taxes

Q PLEASE DESCRIBE THE ADJUSTMENT YOU ARE PROPOSING FOR THE CROSSROADS GENERATING UNITS.

A I am proposing that GMO recognize on its regulatory books the transfer of the deferred taxes associated with the Crossroads units.

Q WHAT IS THE VALUE OF THIS ISSUE?

A The accumulated deferred taxes associated with depreciation and amortization expense for the Crossroads units amounts to an incremental $15 million in rate base. The recognition of these taxes would reduce MPS's rate base for purposes of this rate case.

Q WHAT DEFERRED TAXES ARE YOU PROPOSING TO INCLUDE?

A I have included the deferred taxes associated with amortization and depreciation.

Q HOW WERE THESE DEFERRED TAXES CREATED?

A These taxes were generated due to the fact that the Internal Revenue Service ("IRS") allows an investment to be amortized or depreciated over a shorter time than GMO's expenses on its books. Therefore, the IRS allows for a higher depreciation rate. This

creates a timing difference between the tax basis and book basis of the property. These differences create deferred taxes which are used to offset rate base.

Q PLEASE PROVIDE A BRIEF EXPLANATION OF THE CIRCUMSTANCES SURROUNDING THE DECISION TO PURCHASE THE CROSSROADS UNITS.

A GMO was interested in procuring capacity and energy. To address this need, GMO issued a Request for Proposals ("RFP") on March 19, 2007. It received 18 responses to the RFP. After evaluating all of the RFP responses, GMO chose to buy the Crossroads units from its affiliate, Aquila Crossroads Energy Center. GMO claimed that this option was the least expensive of all the options. At the time of transfer of the Crossroads units to the regulated operations of MPS, Aquila Corporate retained the deferred taxes associated with Crossroads while in the ownership of Aquila Crossroads Energy Center.

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

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

There is also the issue concerning the Commission's affiliate transaction rules. In transactions involving purchases from affiliates, utilities are required to buy from affiliates at the ***lesser*** of market value or cost. Deferred taxes are part and parcel of the "cost" of the transaction with the affiliate. Therefore, merely recording the asset at

its net book cost without the consideration of deferred taxes does not comply with the affiliate transaction rules.

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

For these reasons, I propose that MPS be ordered, as part of the Commission's decision to reflect Crossroads in rate base, to include on its regulated books the deferred taxes accumulated while in the ownership of Aquila Crossroads Energy Center.

4. Cash Working Capital

Q HAS GMO INCLUDED CWC IN ITS COST OF SERVICE?

A Yes. GMO is proposing a $1.153 million Missouri jurisdictional reduction to rate base for CWC for the MPS territory and a $8,050 Missouri jurisdictional addition to rate base for CWC for the L&P territory. In contrast, I am proposing that GMO's CWC should be a $1.608 million Missouri jurisdictional reduction to rate base for the MPS territory and $671,992 Missouri jurisdictional reduction to rate base for the L&P territory.

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 electric 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 GMO APPLY IN DETERMINING ITS CWC REQUIREMENT?

A GMO's CWC requirement was based upon two lead-lag studies. 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 GMO?

A Yes. I reviewed the lead-lag schedules prepared by GMO. 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 GMO.

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

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

1. The expense lag for city franchise taxes;
2. The expense lags for Missouri Sales and Use Tax; and

3. The revenue lags for the city franchise taxes and Missouri Sales and Use Tax.

Q WHAT EXPENSE LAG DID GMO PROPOSE FOR THE CITY FRANCHISE TAXES?

A For the MPS territory, GMO proposed an expense lag of 98.4956 days. For the L&P territory, GMO proposed an expense lag of 40.2083 days.

Q WHAT DO YOU PROPOSE FOR THIS LAG?

A I am proposing a combined expense lag of 57.84 days.

Q WHAT IS THE BASIS FOR YOUR PROPOSED LAG OF 57.84 DAYS?

A I obtained copies of the Municipal Codes or Ordinances for many of the cities served by GMO. 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. Using the information provided in the city codes, ordinances or from city officials, I calculated a lag on an individual city basis. I then dollar weighted each lag to calculate a weighted average expense lag for the city franchise taxes.

Q PLEASE PROVIDE AN EXAMPLE OF THE MUNICIPAL CODES OR ORDINANCES YOU EXAMINED TO CALCULATE YOUR EXPENSE LAG FOR THE CITY FRANCHISE TAXES.

A Below is an excerpt from The Municipal Code of the City of Richmond, Title VI, Chapter 620, Article II. Gas and Electricity, Section 620.060:

> C. Energy providers shall report and pay any amount payable under this Section on a monthly basis. Such payment shall be made no more than thirty (30) days following the close of the period for which payment is due…

Q HOW DID YOU CALCULATE THE EXPENSE LAG ASSOCIATED WITH THE CITY FRANCHISE TAX DUE TO RICHMOND?

A I took the entire year (365 days) and divided that into 12 monthly periods of 30.42 days. I then divided these monthly periods in half to establish the midpoint of the monthly periods (15.21 days). I then added 30 days which is the time for payment in the month succeeding the assessed month. This produces a 45.21 day lag.

Q HOW DID YOU TREAT THE CITY FRANCHISE TAXES DUE TO KANSAS CITY, MISSOURI?

A Kansas City, Missouri, has two different taxes related to the provision of electricity service: a 6% tax (due quarterly on gross receipts) and a 4% tax (due monthly on gross receipts). I am not aware of a breakout of the franchise taxes between the monthly and quarterly gross receipts taxes. Therefore, I assumed that equal shares of the taxes due to Kansas City, Missouri, were monthly and quarterly.

Q WHAT PERCENT OF FRANCHISE TAXES DID YOUR REVIEW COVER?

A My review of the Municipal Codes or Ordinances covered 89% of GMO's franchise taxes payable to cities.

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

A GMO 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 an expense lag of 10.90 days for Missouri Sales and Use Tax.

Q WHAT IS THE BASIS FOR YOUR PROPOSED LAG OF 10.90 DAYS?

A I have reviewed the Missouri Revised Statutes, Chapter 144, Sales and Use Tax, Section 144.081, Paragraphs 5 and 6, to develop my proposed lag. Paragraphs 5 and 6 state the following:

> 5. For purposes of this section, "quarter-monthly period" means:
> (1) The first seven days of a calendar month;
> (2) The eighth to fifteenth day of a calendar month;
> (3) The sixteenth to twenty-second day of a calendar month; and
> (4) The portion following the twenty-second of a calendar month.
>
> 6. (1) In the case of an underpayment of any amount required to be paid pursuant to this section, a seller shall be liable for a penalty in lieu of all other penalties, interest or additions to tax imposed by this chapter for violating this section. The penalty shall be five percent of the amount of the underpayment determined under subdivision (2) of this subsection.
> (2) The amount of the underpayment shall be the excess of:
> (a) Ninety percent of the unpaid amount at the end of a quarter--monthly period, over
> (b) The amount, if any, of the timely remittance for the quarter-monthly period.

Q PLEASE DESCRIBE HOW YOU CALCULATED YOUR 10.90 DAY LAG FOR MISSOURI SALES AND USE TAX.

A The tax is assessed on quarter monthly periods and is payable on the fourth banking day following the quarter monthly period. Ninety percent of the tax must be paid within those quarter monthly periods. The remaining 10% of the tax can be submitted on the 20th day of the following month, except the quarter months when the tax is payable at month end. I calculated the individual lags for each quarter monthly period

and the lag for the payments in the succeeding months. I then weighted these lags according to the percentage of payments due for each period to produce the 10.90 day lag.

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

A I have developed the tax expense lags I described earlier in my testimony based on the Missouri Revised Statutes, Municipal Codes or Ordinances, and contacts with Mayors, City Administrators and City Clerks. The expense lags I am proposing are based on those sources. I contend my calculations of these expense lags are correct and should be incorporated into GMO's lead-lag study.

Q WHAT REVENUE LAG DID GMO PROPOSE FOR CITY FRANCHISE TAXES AND MISSOURI SALES AND USE TAX?

A GMO proposed using its 43.9370 day revenue lag for these taxes.

Q WHAT REVENUE LAG ARE YOU PROPOSING FOR THE CITY FRANCHISE TAXES?

A I am proposing a zero day revenue lag for the city franchise taxes.

Q WHY ARE YOU PROPOSING A ZERO DAY REVENUE LAG?

A After reviewing the various Municipal Codes or Ordinances, the language contained in those documents clearly defines that the franchise 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 franchise tax rate to those collected revenues.

As an example, 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 franchise taxes due to 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 REVENUE LAG ARE YOU PROPOSING FOR THE MISSOURI SALES AND USE TAX?

A I am proposing a revenue lag of 26.48, which is GMO's collection lag.

Q WHY ARE YOU USING THE COLLECTION LAG FOR THE MISSOURI SALES AND USE TAX?

A I have reviewed the Missouri Revised Statutes, Chapter 144, Sales and Use Tax, Section 144.020, which describes the Missouri Sales and Use tax. Within this section, Paragraph 3, which states:

> 3. A tax equivalent to four percent of the basic rate paid or charged on all sales of electricity or electrical current, water and gas,

natural or artificial, to domestic, commercial or industrial consumers;

As this tax is calculated on the amount "charged" or billed, it is appropriate to use GMO's collection lag, rather than the full revenue lag as proposed by GMO.

Q HAVE YOU PREPARED A CWC CALCULATION WHICH SHOWS THE RESULTS OF YOUR PROPOSED CHANGES TO GMO'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. Page 1 of this Schedule details my calculations for the MPS territory, and page 2 of this Schedule details my calculations for the L&P territory.

6. Transmission Tracker

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

A Yes. GMO witness Tim Rush has filed direct testimony which seeks approval of a transmission tracker if transmission costs are not included as part of GMO's FAC.

Q SHOULD TRANSMISSION COSTS BE INCLUDED IN GMO'S FAC?

A No. Transmission costs obviously are not fuel costs. When the Commission was granted authority under Senate Bill 179 to establish FACs, transmission costs were not included. GMO is attempting to expand the parameters of the FAC to include transmission costs and this proposal should be rejected.

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

A If the Commission does not allow GMO to collect their transmission costs through the FAC, GMO witness Rush is requesting that a transmission tracker be established. GMO has requested that the transmission tracker include funds related to base plan funding. GMO explains that base plan funding relates to transmission projects which produce reliability and transmission service benefits across the Southwest Power Pool ("SPP") region. GMO 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 $1.56 million (combined MPS and L&P) of the requested transmission tracker. This portion of SPP charges represents payments for construction projects.

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

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

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

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

I propose that the Commission not allow GMO to include transmission costs in the FAC and also to reject GMO's request to establish a transmission tracker.

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.

KCP&L Greater Missouri Operations Company
For All Territories Served As MPS
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Cash Working Capital
Test Year Expenses as Reflected in Company Model

Line No.	Account Description (A)	W/P Ref	(Elec-Juris) Test Year Expenses (B)	Revenue Lag (C)	Expense Lead (D)	Net (Lead)/Lag (C) - (D) (E)	Factor (Col E/365) (F)	CWC Req (B) X (F) (G)
	Operations & Maintenance Expense							
1	Cash Vouchers	diff	133,257,041	43.9370	30.0000	13.9370	0.0382	5,088,228
2	Federal Income Tax Withheld		6,285,311	43.9370	13.6300	30.3070	0.0830	521,887
3	State Income Tax Withheld		1,782,537	43.9370	13.6300	30.3070	0.0830	148,009
4	FICA Taxes Withheld - Employee		2,117,990	43.9370	13.7700	30.1670	0.0826	175,050
5	Net Payroll	CS-50	28,950,285	43.9370	13.8540	30.0830	0.0824	2,386,059
6	Accrued Vacation		2,662,458	43.9370	344.8300	(300.8930)	(0.8244)	(2,194,836)
7	Purchased Gas & Oil	CS-24	6,542,569	43.9370	39.8343	4.1027	0.0112	73,540
8	Purchased Power	Sch 7, AC 555	74,560,985	43.9370	34.5000	9.4370	0.0259	1,927,759
9	Sibley - Coal & Freight	CS-24	55,585,510	43.9370	17.3909	26.5461	0.0727	4,042,681
10	Jeffrey - Coal	CS-24	24,945,963	43.9370	16.6431	27.2939	0.0748	1,865,404
11	Iatan 2 - Coal	CS-24	14,013,204	43.9370	43.6866	0.2504	0.0007	9,613
	Total Operation & Maintenance Expense		350,703,853					14,043,397
12	Interest Expense	Sch 8	55,170,127	43.9370	92.0000	(48.0630)	(0.1317)	(7,264,772)
	Taxes other than Income Taxes							
13	Ad Valorem/Property Taxes	Sch 7, AC 408.1	13,058,607	43.9370	187.4321	(143.4951)	(0.3931)	(5,133,825)
14	FICA Taxes - Employer's		2,117,990	43.9370	13.6300	30.3070	0.0830	175,863
15	Corporate Franchise Taxes		822,703	43.9370	(76.0000)	119.9370	0.3286	270,336
16	City Franchise Taxes		26,503,514	0.0000	57.8398	(57.8398)	(0.1585)	(4,199,888)
17	Sales Taxes		12,456,941	26.4800	10.9000	15.5800	0.0427	531,724
	Total Taxes other than Income Taxes		54,959,755					(8,355,791)
18	Current Income Taxes-Federal	Sch 8	5,771,621	43.9370	45.6300	(1.6930)	(0.0046)	(26,771)
19	Current Income Taxes-State	Sch 8	906,969	43.9370	45.6300	(1.6930)	(0.0046)	(4,207)
	Total Income Taxes		6,678,590					(30,978)
	Total Cash Working Capital Requirement		467,512,325					(1,608,144)
	Company Proposed Cash Working Capital							(1,152,930)
	Difference							(455,214)
	Pre-Tax Rate of Return							11.04%
	Revenue Requirement Impact							(50,241)

KCP&L Greater Missouri Operations Company
For All Territories Served As L&P Electric
Test Year 12-2009 with Known & Measurable Changes to 12-31-2010
Cash Working Capital
Test Year Expenses as Reflected in Company Model

Line No.	Account Description (A)	W/P Ref	(Elec-Juris) Test Year Expenses (B)	Revenue Lag (C)	Expense Lead (D)	Net (Lead)/Lag (C) - (D) (E)	Factor (Col E/365) (F)	CWC Req (B) X (F) (G)
	Operations & Maintenance Expense							
1	Cash Vouchers	diff	32,152,760	43.9370	30.0000	13.9370	0.0382	1,227,707
2	Federal Income Tax Withheld		2,172,522	43.9370	13.6300	30.3070	0.0830	180,391
3	State Income Tax Withheld		616,135	43.9370	13.6300	30.3070	0.0830	51,159
4	FICA Taxes Withheld - Employee		911,689	43.9370	13.7700	30.1670	0.0826	75,350
5	Net Payroll	CS-50	11,264,299	43.9370	13.8540	30.0830	0.0824	928,394
6	Accrued Vacation		920,434	43.9370	344.8300	(300.8930)	(0.8244)	(758,773)
7	Purchased Gas and Oil	CS-24	1,194,216	43.9370	39.8343	4.1027	0.0112	13,423
8	Purchased Power	Sch 7, AC 555	25,037,394	43.9370	34.5000	9.4370	0.0259	647,337
9	Lake Road - Coal & Freight	CS-24	15,809,779	43.9370	20.3725	23.5645	0.0646	1,020,684
10	Iatan - Coal	CS-24	22,090,060	43.9370	43.6866	0.2504	0.0007	15,154
	Total Operation & Maintenance Expense		**112,169,288**					**3,400,827**
11	**Interest Expense**	Sch 8	15,851,385	43.9370	92.0000	(48.0630)	(0.1317)	(2,087,302)
	Taxes other than Income Taxes							
12	Ad Valorem/Property Taxes	Sch 7, AC 408.1	4,322,656	43.9370	182.0742	(138.1372)	(0.3785)	(1,635,944)
13	FICA Taxes - Employer's		911,689	43.9370	13.6300	30.3070	0.0830	75,700
14	Corporate Franchise Taxes		112,732	43.9370	(76.000)	119.9370	0.3286	37,043
15	City Franchise Taxes		3,701,301	0.0000	57.8398	(57.8398)	(0.1585)	(586,528)
16	Sales Taxes		3,198,288	26.4800	10.9000	15.5800	0.0427	136,519
	Total Taxes other than Income Taxes		**12,246,666**					**(1,973,210)**
	Income Taxes							
17	Current Income Taxes-Federal	Sch 8	2,293,022	43.9370	45.6300	(1.6930)	(0.0046)	(10,636)
18	Current Income Taxes-State	Sch 8	360,332	43.9370	45.6300	(1.6930)	(0.0046)	(1,671)
	Total Income Taxes		2,653,354					(12,307)
	Total Cash Working Capital Requirement		**142,920,693**					**(671,992)**
	Company Proposed Cash Working Capital							8,050
	Difference							(680,042)
	Pre-Tax Rate of Return							11.04%
	Revenue Requirement Impact							(75,055)