

Exhibit No.:  
 Issue: Revenue Requirement  
 Witness: Greg R. Meyer  
 Type of Exhibit: Direct Testimony  
 Sponsoring Parties: Missouri Energy Consumers Group  
 Case No.: ER-2018-0146  
 Date Testimony Prepared: June 19, 2018

**BEFORE THE PUBLIC SERVICE COMMISSION  
 OF THE STATE OF MISSOURI**

FILED  
 October 24, 2018  
 Data Center  
 Missouri Public  
 Service Commission

\_\_\_\_\_  
 )  
**In the Matter of Kansas City Power &**  
**Light Company's Request for Authority**  
**to Implement a General Rate Increase**  
**for Electric Service**  
 \_\_\_\_\_

)  
 )  
 ) **Case No. ER-2018-0145**  
 )  
 )

\_\_\_\_\_  
 )  
**In the Matter of KCP&L Greater Missouri**  
**Operations Company's Request for**  
**Authority to Implement a General Rate**  
**Increase for Electric Service**  
 \_\_\_\_\_

)  
 )  
 ) **Case No. ER-2018-0146**  
 )  
 )

Direct Testimony of

**Greg R. Meyer**

On behalf of

**Missouri Energy Consumers Group**

June 19, 2018



*MCGG* Exhibit No. 505  
 Date 9-28-18 Reporter JM  
 File No. ER-2018-0145 0146

Project 10552



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

---

In the Matter of Kansas City Power &  
Light Company's Request for Authority  
to Implement a General Rate Increase  
for Electric Service

---

)  
)  
) **Case No. ER-2018-0145**  
)  
)

In the Matter of KCP&L Greater Missouri  
Operations Company's Request for  
Authority to Implement a General Rate  
Increase for Electric Service

---

)  
)  
) **Case No. ER-2018-0146**  
)  
)  
)

**Direct Testimony of Greg R. Meyer**

1    **Q    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

4    **Q    WHAT IS YOUR OCCUPATION?**

5    **A    I am a consultant in the field of public utility regulation and a Principal with Brubaker &**  
6    **Associates, Inc., energy, economic and regulatory consultants.**

7    **Q    PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

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

9    **Q    ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10  **A    I am testifying on behalf of the Missouri Energy Consumers Group ("MECG").**

**Greg R. Meyer  
Page 1**

1 Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

2 A My testimony will address the historic change in Kansas City Power & Light Company's  
3 ("KCPL") and Greater Missouri Operations Company's ("GMO") overall rates as well as  
4 how those rates compare to the national average electric rates. Additionally, I will  
5 address GMO's request to recover certain transmission costs associated with the  
6 Crossroads unit in Mississippi.

7 The fact that I do not address a particular issue in this testimony should not be  
8 interpreted as a tacit approval of a position taken by the Companies on that issue

9 **I. KCPL and GMO Rates**

10 Q HOW HAVE KCPL RATES CHANGED OVER THE PAST 12 YEARS?

11 A KCPL has had seven rate increases since January 1, 2007. The date of those  
12 increases and the magnitude of the increases are reflected in the following table:

<b>Kansas City Power &amp; Light Company</b>						
<b><u>Rate Case History</u></b>						
Dollars in Thousands						
<u>Case No.</u>	<u>Requested Base Rate Increase</u>	<u>Granted Base Rate Increase</u>	<u>Difference</u>	<u>Percent of Request Rejected</u>	<u>Date of Increase</u>	<u>Base Rate Percent Increase</u>
ER-2006-0314	\$ 55,800	\$ 50,600	\$ 5,200	9.3%	January 2007	10.3%
ER-2007-0291	\$ 45,400	\$ 35,309	\$ 10,091	22.2%	January 2008	6.4%
ER-2009-0089	\$ 101,500	\$ 95,000	\$ 6,500	6.4%	July 2009	16.4%
ER-2010-0355	\$ 92,100	\$ 34,817	\$ 57,283	62.2%	May 2011	5.2%
ER-2012-0174	\$ 105,700	\$ 67,391	\$ 38,309	36.2%	February 2013	9.6%
ER-2014-0370	\$ 120,900	\$ 89,700	\$ 31,200	25.8%	September 2015	11.7%
ER-2016-0285	\$ 90,100	\$ 32,500	\$ 57,600	63.9%	May 2017	3.9%

Greg R. Meyer  
Page 2

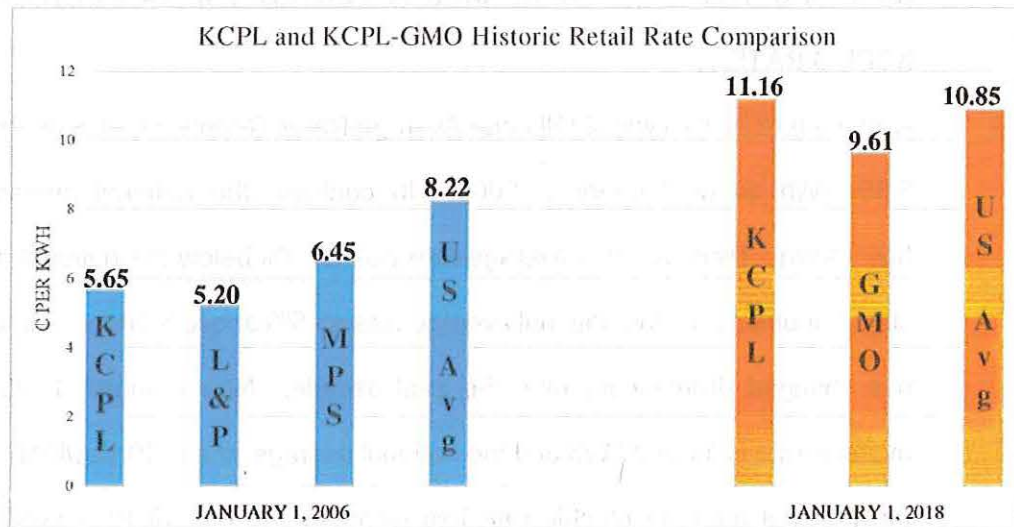
1 Q HOW HAS THE RATE INCREASES AFFECTED THE COMPETITIVENESS OF  
2 KCPL'S RATES?

3 A According to EEI's Typical Bills and Average Rates Report, KCPL's average rate was  
4 5.65¢/kWh as of January 1, 2006. In contrast, the national average rate was  
5 8.22¢/kWh. Thus, KCPL's average rate was 31.3% below the national average. Or,  
6 stated another way, the national average was 45.5% above KCPL's average rate. This  
7 has changed dramatically over the past decade. Now (January 1, 2018), KCPL's  
8 average rate is 11.16¢/kWh and the national average rate is 10.85¢/kWh. Thus, while  
9 the national average electric rate has increased 32.0%, KCPL's average rate has  
10 increased over 97%. Therefore, KCPL's rates have gone from 31% below the national  
11 average to 3% above the national average.

12 Q DO YOU HAVE SIMILAR INFORMATION FOR GMO?

13 A Yes, though the information is not so readily straightforward because of the recent  
14 consolidation of the MPS and L&P rate districts. On January 1, 2006, GMO-MPS'  
15 average rate was 6.45¢/kWh and the GMO-L&P average rate was 5.20¢/kWh. Now  
16 (January 1, 2018), the combined average rate for GMO is 9.61¢/kWh.

17 I have developed the following table for ease of comparison:



1    **Q    CAN YOU EXPLAIN WHY KCPL'S RATES HAVE GROWN FASTER THAN GMO'S**  
 2    **RATES?**

3    **A    Yes.** The 2009 rate increase reflected costs associated with KCPL's implementation  
 4    of environmental upgrades to the latan 1 unit; the 2010 case reflected costs associated  
 5    with the construction of the latan 2 generating station; and the 2014 case reflected  
 6    costs associated with environmental improvements at the LaCygne generating  
 7    stations. Recognizing that the L&P rate district had a financial interest in the latan  
 8    stations, its rates have increased dramatically as well. In contrast, MPS was not  
 9    exposed to the costs associated with either the latan units or the LaCygne units.

10    **II. Crossroads Transmission Costs**

11    **Q    HAVE YOU PREVIOUSLY TESTIFIED ON THE CROSSROADS ISSUE?**

12    **A    Yes.** I previously filed testimony on matters involving Crossroads in Case  
 13    Nos. ER-2010-0356 and ER-2012-0175.

1 Q PLEASE DESCRIBE THE CROSSROADS ENERGY CENTER (“CROSSROADS”).

2 A Crossroads is a generating station located in Clarksdale, Mississippi over 500 miles  
3 away from the GMO service area. Crossroads is a peaking unit consisting of four  
4 combustion turbines. Relevant to the issue pending before the Commission,  
5 Crossroads is located in the Midcontinent Independent System Operator (“MISO”)  
6 footprint while the GMO service area is located in the Southwest Power Pool (“SPP”)   
7 footprint. Thus, the Crossroads facility is located in a different Regional Transmission  
8 Operator (“RTO”) than the RTO that GMO is a member.

9 Q WHY WAS CROSSROADS BUILT IN CLARKSDALE?

10 A In its search for unregulated profits that were greater than could be earned from  
11 regulated operations, Aquila built Crossroads as a non-regulated facility. Taking  
12 advantage of transmission constraints that made the transmission of power into that  
13 service area difficult, Crossroads was designed to take advantage of the inflated  
14 marginal costs that resulted from the transmission constraints.

15 Q HOW DID GREAT PLAINS ENERGY ACQUIRE CROSSROADS FROM AQUILA  
16 MERCHANT?

17 A In 2001, Enron collapsed and sent the unregulated electric industry into a spiral. Given  
18 its exposure to the unregulated electric marketplace, Aquila saw its stock price  
19 collapse. Ultimately, Aquila began to sell its various non-regulated facilities as well as  
20 its regulated utility operations. In 2005, Aquila sold its gas operations in Michigan,  
21 Minnesota and Missouri. Later in the same year, Aquila sold its electric operations in  
22 Kansas. Finally, in February 2007, Aquila entered into an agreement by which it would  
23 sell its gas assets in Iowa, Nebraska, Kansas and Colorado. While Aquila attempted

Greg R. Meyer  
Page 5

1 repeatedly to sell Crossroads, it never received any bids. Finally, in 2007, Great Plains  
2 Energy agreed to acquire the remainder of Aquila which consisted of nothing more than  
3 the Missouri electric service operations and the one remaining non-regulated unit –  
4 Crossroads.

5 **Q HOW DID CROSSROADS BECOME A REGULATED GENERATING FACILITY?**

6 A As indicated, Aquila tried repeatedly to sell the Crossroads facility without receiving any  
7 bids. While Great Plains Energy was working through the process to acquire the  
8 remainder of its Missouri operations, Aquila made a filing with the SEC indicating that  
9 the fair market value of Crossroads was essentially nothing more than the salvage  
10 value of the facility. Following the acquisition by Great Plains Energy, and faced with  
11 the realization that it would be unable to sell Crossroads to any buyer, Great Plains  
12 decided to use the facility to meet capacity needs in the GMO-MPS service area. Thus,  
13 for all intents and purposes, Crossroads was a leftover from the Aquila acquisition that  
14 was simply assigned to regulated customers when a purchaser could not be located.

15 **Q WHAT IS THE RELEVANCE OF CROSSROADS BEING LOCATED IN A**  
16 **DIFFERENT RTO THAN THE GMO SERVICE AREA?**

17 A RTOs typically provide two types of transmission service: (1) network service, or  
18 (2) point to point service. Network service allows the purchaser to transmit energy  
19 anywhere within the RTO. Thus, if Crossroads was located in SPP, that energy could  
20 be delivered to the GMO service area within SPP through network service. Since  
21 Crossroads is located in MISO, however, GMO is required to purchase point to point  
22 service from MISO to get the energy from Crossroads to the SPP footprint.

Greg R. Meyer  
Page 6



1 Q HAS THE COMMISSION PREVIOUSLY ADDRESSED THE RECOVERY OF  
2 TRANSMISSION COSTS ASSOCIATED WITH CROSSROADS?

3 A Yes. GMO first sought to include Crossroads in GMO rates in the 2010 rate case. In  
4 Case No. ER-2010-0356, the Commission addressed both the valuation of Crossroads  
5 for purposes of its rate base value as well as the recovery of Crossroads transmission  
6 costs. In that case, GMO sought a rate base valuation that was based upon original  
7 book value less accumulated depreciation costs. In addition, GMO sought full recovery  
8 of its transmission costs. In its Report and Order, the Commission ordered a valuation  
9 that was consistent with the valuation provided by Aquila selling sister units of identical  
10 turbines and comparable age (Raccoon Creek and Goose Creek units) to Ameren.  
11 Moreover, the Commission disallowed all transmission costs related to the Crossroads  
12 facility. The Commission held that, "It is not just and reasonable to require ratepayers  
13 to pay for the added transmission costs of electricity generated so far away in a  
14 transmission constricted location. Thus, the Commission will exclude the excessive  
15 transmission costs from recovery in rates." (Report and Order, Case No. ER-2010-  
16 0356, page 87).

17 Q DID GMO SEEK RECOVERY FOR CROSSROADS TRANSMISSION COSTS  
18 ANY OTHER TIME?

19 A Yes. GMO sought recovery for Crossroads transmission costs in both Case Nos.  
20 ER-2012-0175 and ER-2016-0156.

21 Q PLEASE DISCUSS THE 2012 GMO RATE CASE.

22 A In the 2012 case, GMO again sought to recover an increased valuation of the  
23 Crossroads unit as well as recovery of the costs to transmit energy from the Crossroads

1 unit to the MPS service area. In that case, the Commission explicitly recognized that  
2 the value of the plant is directly tied to its decision not to allow recovery of the  
3 transmission costs. "Therefore, the Commission will order that the value of Crossroads  
4 for GMO's MPS rate base shall be \$62,609,430 without transmission cost." (Report  
5 and Order, Case No. ER-2012-0175, page 57).

6 GMO asks the Commission to depart from the previous rulings and include  
7 in MPS rates the costs of transmitting power from Crossroads to MPS  
8 territory but it has not carried its burden of proof on that claim. . . . The high  
9 cost of transmission is not outweighed by lower fuel costs in Mississippi. .  
10 . . . Therefore, the Commission concludes that including the Crossroads  
11 transmission costs does not support safe and adequate service at just and  
12 reasonable rates, and the Commission will deny those costs. (Id. at pages  
13 58 and 59).

14 **Q PLEASE DISCUSS THE 2016 RATE CASE.**

15 **A** In Case No. ER-2016-0156, GMO again initially sought to recover the Crossroads  
16 transmission costs. Unlike the previous two cases, in which the matter was litigated  
17 and the Commission decided to disallow all transmission costs, in the 2016 case, GMO  
18 entered into a settlement that explicitly disallowed all transmission costs associated  
19 with Crossroads.

20 "The costs and revenues in GMO's FAC will not include transmission  
21 costs associated with Crossroads Energy Center and will be consistent  
22 with those in Kansas City Power & Light Company's current FAC, with  
23 two exceptions." (Non-Unanimous Stipulation and Agreement, Case  
24 No. ER-2016-0156, page 13).

25 **Q WERE ANY OF THE COMMISSION ORDERS ON RECOVERY OF TRANSMISSION**  
26 **COSTS APPEALED?**

27 **A** Yes. GMO appealed the Commission Order in Case No. ER-2010-0356. The Appeals  
28 Court upheld the Commission's decisions relating to the recovery of transmission costs  
29 as lawful and reasonable.

1                   The Missouri Court of Appeals Western District had the following findings as it  
2 related to recovery of Crossroads transmission costs:

3                   "We have no difficulty understanding the basis for the PSC's decision to  
4 disallow the excessive transmission costs from recovery in rates. Those  
5 findings include the following. The PSC found that the estimated  
6 monthly cost of transmission to move energy from Crossroads to  
7 customers served by MPS was \$406,000, which is far greater than the  
8 transmission costs for power plants located in the MPS district. The  
9 PSC noted that while this higher transmission cost is ongoing and will  
10 be paid every year that Crossroads is operating to provide electricity to  
11 customers located in and around Kansas City, Missouri, KCP&L-GMO  
12 does not incur any transmission costs for its other production facilities  
13 located in the MPS district that provide service in the district. The PSC  
14 excluded the excessive transmission costs from recovery in rates  
15 because "[i]t is not just and reasonable to require ratepayers to pay for  
16 the added transmission costs of electricity generated so far away in a  
17 transmission constricted location." (408 S.W.3d 153, 162 (Mo.App.  
18 2013)

19                   "In its decision, the PSC explains how the presumption of prudence was  
20 overcome by the fact that the cost of transmission to move energy from  
21 Crossroads to customers served by MPS was far greater than the  
22 transmission costs for power plants located in the MPS rate district. The  
23 PSC also determined that the estimated annual transmission cost of  
24 \$406,000 per month would be an ongoing cost paid every year that  
25 Crossroads operates to provide electricity to customers located in and  
26 around Kansas City, Missouri. In contrast, KCP&L-GMO does not incur  
27 any transmission costs for its other production facilities located in its  
28 MPS rate district that are used to serve customers in that district. The  
29 PSC found that it would not be just and reasonable to require ratepayers  
30 to pay for the added transmission costs of the electricity generated at  
31 Crossroads. Because the PSC made the decision on the recoverability  
32 of transmission costs based on a prudency analysis that considered both  
33 the prudence of including the transmission costs and the resulting harm  
34 to the ratepayers if such costs were included, the PSC's decision  
35 denying recovery was lawful. We also conclude that the PSC's decision  
36 to deny KCP&L-GMO recovery of transmission costs was reasonable."  
37 (Id. at 163)

1 Q HAS GMO PROPOSED ANY COST ADJUSTMENTS IN THIS CASE FOR THE  
2 CROSSROADS TRANSMISSION COSTS?

3 A Yes, GMO is proposing to recover the incremental transmission costs above those that  
4 were disallowed by this Commission in ER-2012-0175 (approximately \$6.4 million).<sup>1</sup> In  
5 other words, while GMO is willing to accept the small level of transmission disallowance  
6 from the previous case, GMO wishes to recover all increase in transmission costs  
7 above that level.

8 Q IS GMO REQUESTING A NEW VALUATION OF THE CROSSROADS  
9 INVESTMENT?

10 A No, while the Commission has, in the past, directly linked its valuation of Crossroads  
11 to the decision to disallow the transmission costs, GMO has not sought to reduce the  
12 valuation to reflect its request to recover transmission costs. Instead, GMO seeks to  
13 maintain the current valuation as well as to recover the transmission costs.

14 Q DOES IT MAKE SENSE FOR THE COMMISSION TO TIE THE VALUATION OF  
15 CROSSROADS TO ITS DECISION TO EXCLUDE TRANSMISSION COSTS?

16 A Yes. As indicated, since Aquila/Great Plains Energy could not find a willing buyer for  
17 Crossroads, it was difficult to set a valuation for Crossroads. Instead, the Commission  
18 used the sale of Raccoon Creek and Goose Creek to Ameren as a surrogate to  
19 establish the Crossroads valuation. The sale of these units was a good surrogate since  
20 it was of the same vintage of combustion turbines and was a sale to a third-party. That  
21 said, Raccoon Creek and Goose Creek were located in the same RTO as the Ameren

---

<sup>1</sup>Forecasted (July 2017-June 2018) Crossroads' transmission expense (\$11,345,896) less transmission costs disallowed in Case No. ER-2012-0175 (\$4,905,609) results in incremental transmission costs of \$6,430,287.

1 service area. To place Crossroads on an apples-to-apples basis, the Commission  
2 correctly tied valuation and transmission costs on the same basis as it was in the  
3 Raccoon Creek/Goose Creek sale. Specifically, both plants received the same  
4 valuation and neither plant incurred additional transmission costs. Therefore, if the  
5 Commission allows for transmission costs, then the valuation for Crossroads must be  
6 reduced significantly.

7 **Q DOES THE MECG SUPPORT THE TRANSMISSION COST ADJUSTMENT**  
8 **PROPOSED BY GMO?**

9 A No, MECG continues to support the Commission's prior decisions to disallow all  
10 Crossroads transmission costs from customer rates. Nothing has changed to indicate  
11 that the incurrence of transmission costs associated with a generating unit that is  
12 located 500 miles away in a different RTO is now prudent. Given the significant  
13 increase in these costs, the necessity for the Commission to remain consistent with its  
14 prior Orders is now even more imperative.

15 **Q WHICH GMO WITNESSES FILED TESTIMONY ADDRESSING CROSSROADS**  
16 **TRANSMISSION COSTS?**

17 A GMO witnesses Ronald Klote and Tim Rush filed testimony addressing the Crossroads  
18 transmission issue. Mr. Klote's testimony simply discussed the adjustment to the  
19 GMO's cost of service to recognize the incremental cost of transmission above those  
20 levels previously disallowed by this Commission. Mr. Rush provides arguments why  
21 those incremental transmission costs should be allowed in GMO's cost of service.

1 Q PLEASE SUMMARIZE MR. RUSH'S REASONS FOR ALLOWING THE  
2 INCREMENTAL TRANSMISSION COSTS IN GMO'S COST OF SERVICE.

3 A Mr. Rush has several reasons why the Commission should allow the incremental  
4 increase in transmission costs to deliver power from Crossroads to the GMO service  
5 territory. I will discuss each argument that Mr. Rush presents in the following sections  
6 of my testimony.

7 Q MR. RUSH ARGUES THAT CROSSROADS WAS THE LOWEST COST SUPPLY  
8 OPTION FOR GMO CUSTOMERS IN 2007 WHEN THE UNIT WAS ADDED TO ITS  
9 GENERATION SUPPLY PORTFOLIO. DID THE COMMISSION ACCEPT THIS  
10 ARGUMENT?

11 A No. GMO raised this argument in both the 2010 and the 2012 rate cases. Despite that  
12 argument, the Commission determined that the original cost of Crossroads should be  
13 significantly reduced. The Commission also concluded that customers should not pay  
14 any transmission costs to transport the power from Crossroads in excess of 500 miles  
15 back to the GMO service territory. This Commission conclusion came as the result of  
16 extensive analysis performed by Staff witness Cary Featherstone. Given that the  
17 Commission reduced the investment level of Crossroads and denied recovery of  
18 transmission costs, it is apparent that the Commission was not persuaded by those  
19 arguments. Moreover, in a closely related argument, the Commission explicitly noted  
20 that, "The high cost of transmission is not outweighed by lower fuel costs in  
21 Mississippi."

1 Q MR. RUSH EXPLAINS THAT SINCE THE 2012 GMO RATE CASE, SOME OTHER  
2 EVENTS HAVE TRANSPIRED THAT NOW MAKES THE COMPANY'S REQUEST  
3 REASONABLE. SPECIFICALLY, MR. RUSH EXPLAINS THAT ENTERGY JOINED  
4 MISO WHICH RESULTED IN THE CONTINUANCE OF TRANSMISSION CHARGES  
5 TO DELIVER POWER TO GMO'S SERVICE TERRITORY. MR. RUSH SEEMS TO  
6 INDICATE THAT ENTERGY JOINING MISO CAME AS A SURPRISE TO GMO. DO  
7 YOU BELIEVE THAT GMO SHOULD HAVE KNOWN ABOUT ENTERGY JOINING  
8 MISO SOONER THAN WHAT IS SUGGESTED IN THE TESTIMONY?

9 A Yes. In cross-examination of Staff witness Featherstone on October 29, 2012, Mr.  
10 Featherstone testified as follows:

11 Q Are you aware of the fact that GMO pays Entergy costs associated  
12 with transmitting energy from Crossroads to the Southwest Power  
13 Pool?

14 A Yes

15 Q Okay, and are you – do you know whether GMO or excuse me. Are  
16 you familiar with the fact that Entergy has made a request to join  
17 MISO?

18 A There's been discussion about that the last several weeks.

19 Q Do you know, if Entergy is allowed to join MISO, can you provide a  
20 comparison of MISO transmission costs versus Entergy  
21 transmission costs?

22 A I've seen some information that the amount would go from \$1.50 to  
23 like \$3 and some change in terms of it would double.

24 I believe it is clear from the above transcript that GMO should have known about  
25 Entergy joining MISO even before the Commission released its Final Order in Case  
26 NO. ER-2012-0175. The transcript clearly shows that the Staff was aware of such an  
27 event and one would hope that the consequences to GMO from having Entergy joining  
28 MISO would be something which would have been very closely monitored by GMO.

1 For Mr. Rush to now claim that Entergy joining MISO in 2013 was not expected is very  
2 questionable.

3 **Q FINALLY, MR. RUSH MAKES THE ARGUMENT THAT EMPIRE HAS A**  
4 **GENERATING UNIT (PLUM POINT) LOCATED IN THE MISO FOOTPRINT THAT**  
5 **INCURS TRANSMISSION EXPENSES TO DELIVER THAT GENERATION. DO YOU**  
6 **BELIEVE THIS IS A FAIR ARGUMENT FOR INCLUDING CROSSROADS**  
7 **TRANSMISSION EXPENSE IN THIS CASE?**

8 **A** No. It is important to realize the different financial situations facing Empire and GMO.  
9 It is unquestioned that, instead of imposing an unwanted peaking unit from Clarksdale,  
10 Mississippi on to ratepayers, GMO clearly had the option to construct a peaking unit in  
11 its service area. Instead, given no other option to dispose of the unit, GMO ignored the  
12 opportunity to build a peaking facility in its service area and instead sought to impose  
13 on its ratepayers the costs of the Crossroads unit.

14 Plum Point is a 665 MW baseload generating unit. Plum Point is a coal burning  
15 generating facility. Empire's ownership share is 7.52%, which represents some of the  
16 smallest ownership percentages of the ownership group.<sup>2</sup> Given its small ownership  
17 percentage, it is questionable how much influence Empire actually would have had on  
18 the location of the unit. Empire was able to join a group of investors and receive a  
19 share of baseload generation. It would not have been practical for Empire to construct  
20 a 50 MW baseload coal unit in its service territory, since it most likely would not have  
21 been able to build that plant for the same cost per MW.

---

<sup>2</sup>Plum Point Ownership Group consists of: East Texas Electric Cooperative (7.52%), Missouri Joint Municipal Power Electric (22.11%), Municipal Energy Agency of Mississippi (6%), Plum Point Energy Associates, LLC (56.85%), and Empire District Electric Company (7.52%)



1           Crossroads, on the other hand, is a peaking unit that does not operate full time  
2 and, as the Commission has recognized, was built in a transmission constricted area.  
3 Hardly a good location for serving customers some 500 miles away. Trying to compare  
4 Plum Point to Crossroads and make an argument that transmission costs should be  
5 included in cost of service is unrealistic.

6   **Q   HAS GMO PREVIOUSLY RAISED ITS ARGUMENT THAT IT SHOULD BE**  
7       **ALLOWED TO RECOVER CROSSROADS TRANSMISSION COSTS BECAUSE**  
8       **EMPIRE RECOVERS PLUM POINT TRANSMISSION COSTS?**

9   **A   Yes.** In its last rate case, GMO raised this identical argument. As indicated, GMO  
10 voluntarily settled that case with no recovery of Crossroads transmission costs.

11   **Q   DOES THE FACT THAT PLUM POINT IS A BASELOAD UNIT AND CROSSROADS**  
12       **IS A PEAKING UNIT ALSO AFFECT THE ECONOMICS OF THIS ISSUE?**

13   **A   Yes.** Given that Plum Point is a baseload unit, it provides a much higher amount of  
14 energy (load factor) compared to the capacity it pays for point to point delivery of  
15 generation. The higher load factor of energy delivered significantly reduces the cost  
16 per MWh for transmission service. Thus, the cost per MWh for transmission service  
17 from Crossroads will be significantly higher than the per MWh cost for transmission  
18 service from Plum Point.

1 Q MR. RUSH CLAIMS THAT GMO IS NOT ASKING THE COMMISSION TO REVERSE  
2 ANY OF ITS PRIOR DECISIONS. GMO SIMPLY WANTS THE COMMISSION TO  
3 ALLOW RECOVERY OF THE INCREMENTAL INCREASE IN CROSSROADS  
4 TRANSMISSION COSTS ABOVE THE \$4.9 MILLION PREVIOUSLY DISALLOWED.  
5 DO YOU AGREE WITH MR. RUSH'S PROPOSAL?

6 A No. I find Mr. Rush's proposal as an attempt to circumvent the Commission's and the  
7 Western District's prior findings on this issue. No one could possibly interpret the prior  
8 Commission decisions to disallow recovery of transmission costs from Crossroads as  
9 being predicated on a certain level of transmission costs. The Commission clearly  
10 found that any level of transmission cost recovery would be harmful to ratepayers. In  
11 fact, the Commission recognized this in Case No. ER-2010-0356 and made the  
12 following findings:

13 245. The cost of transmission to move energy from Crossroads to  
14 customers served by MPS is a very significant cost that is far  
15 greater than the transmission costs for power plants located in the  
16 MPS district. The annual energy transmission cost was estimated  
17 as \$406,000 per month. This is also substantially higher on an  
18 annual basis than the transmission plant costs for the Aries site  
19 where the three South Harper Turbines were originally planned to  
20 be installed.

21 246. This higher transmission cost is an **ongoing cost** that will be paid  
22 every year that Crossroads is operating to provide electricity to  
23 customers located in and about Kansas City , Missouri. GMO  
24 does not incur any transmission costs for its other production  
25 facilities that are located in its MPS district that are used to serve  
26 its native load customers in that district. This **ongoing**  
27 **transmission cost** GMO incurs for Crossroads is a cost that it  
28 does not incur for South Harper, and is the cause of one of the  
29 biggest differences in the on-going operating costs between the  
30 two facilities.

31 247. It is not just and reasonable to require ratepayers to pay for the  
32 added transmission costs of electricity generated so far away in a  
33 transmission constricted location. Thus, the Commission will  
34 exclude the excessive transmission costs from recovery in rates.

1           It is clear in those paragraphs from the Commission Order, that the Commission  
2 recognized that GMO would continue to incur transmission costs for Crossroads  
3 generation. There is no indication that the Commission would reverse itself in the future  
4 given a new even higher level of transmission costs. If recovery of \$4.9 million of  
5 Crossroads transmission costs in Case No. ER-2010-0356 and \$5.2 million in Case  
6 No. ER-2012-0175 rate cases were excessive, how does requesting the recovery of an  
7 incremental level of \$6.4 million represent a just and reasonable expense level? It  
8 simply defies logic.

9           A review of the Western District's Order outlined above shows that many of the  
10 same conclusions were relied on for that Court to find the disallowance of transmission  
11 costs was reasonable.

12 **Q    ARE YOU AWARE OF ANY COMMISSION DISCUSSIONS WHICH SUGGEST THAT**  
13 **THE COMMISSION DOES NOT WANT TO REARGUE THE ISSUES**  
14 **SURROUNDING CROSSROADS?**

15 **A    Yes. In the Commission Order in Case No. ER-2012-0175 on page 57, the**  
16 **Commission stated the following:**

17           "Crossroads is a relic of the failed utility Aquila. A full recital of Aquila's  
18 tortured history is unnecessary to the Commission's rulings, because it  
19 only raises the issue of how long the Commission will visit the sins of  
20 the predecessor on the successor. It is true that GMO is the same legal  
21 entity as Aquila, but it is also true that management is different."

22           I think from the above quote it is obvious that the Commission is confident in its  
23 previous rulings regarding Crossroads and does not want to spend any more resources  
24 revisiting these issues. GMO's attempt to masquerade the recovery of Crossroads  
25 transmission costs should be denied by this Commission. The Commission got it right  
26 in Case Nos. ER-2010-0356 and ER-2012-0175 by recognizing the ongoing nature of

1           these costs and should not now fall victim to a scheme to recover incremental  
2           Crossroads transmission costs. The recovery of Crossroads transmission costs should  
3           remain at zero.

4    **Q    IS THERE ANOTHER POLICY REASON FOR THE COMMISSION TO CONTINUE**  
5           **TO DISALLOW THE RECOVERY OF THESE “EXCESSIVE” TRANSMISSION**  
6           **COSTS?**

7    **A**Yes, clearly it makes little sense for GMO to serve its customers with a peaking unit  
8           that is located over 500 miles away in a different RTO. Eventually, this matter will need  
9           to be resolved by either selling the Crossroads unit and building a new peaking unit or  
10          moving the Crossroads unit within the GMO service territory. In the event that the  
11          Commission allows GMO to recovery any level of transmission costs, then it minimizes  
12          the incentive that GMO has to make this decision. Eventually, with the continued  
13          disallowance of these costs, GMO will realize that it must seek this long-term solution  
14          instead of continuing to attempt to saddle Missouri ratepayers with this peaking station  
15          in Mississippi.

16   **Q    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17   **A**Yes, it does.

1 Qualifications of Greg R. Meyer

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

5 Q PLEASE STATE YOUR OCCUPATION.

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

8 Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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

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

17 As an Auditor V, I conducted audits and examinations of the accounts, books,  
18 records and reports of jurisdictional utilities. I also aided in the planning of audits and  
19 investigations, including staffing decisions, and in the development of staff positions in  
20 which the Auditing Department was assigned. I served as Lead Auditor and/or Case  
21 Supervisor as assigned. I assisted in the technical training of other auditors, which  
22 included the preparation of auditors' workpapers, oral and written testimony.

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

8           In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant.  
9 Since joining the firm, I have presented testimony and/or testified in the state  
10 jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri and Washington. I  
11 have also appeared and presented testimony in Alberta and Nova Scotia, Canada.  
12 These cases involved addressing conventional ratemaking principles focusing on the  
13 utility's revenue requirement. The firm Brubaker & Associates, Inc. provides consulting  
14 services in the field of energy procurement and public utility regulation to many clients  
15 including industrial and institutional customers, some utilities and, on occasion, state  
16 regulatory agencies.

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

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