Exhibit No.:	
Issue:	Revenue Requirement
Witness:	Greg R. Meyer
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Parties:	Industrials
Case No.:	ER-2010-0355
Date Testimony Prepared:	January 5, 2011

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**

Surrebuttal Testimony and Schedules of

Greg R. Meyer

On behalf of

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

January 5, 2011

BAI

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Industrials Exhibit No 202
Date 1/18/11 Reporter LMB
File No ER-2010-0355

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, MO 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 surrebuttal testimony and schedules which were 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 and schedules are true and correct and that they show the matters and things that they purport to show.

Greg R. Meyer
Greg R. Meyer

Subscribed and sworn to before me this 4th day of January, 2011.

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**

Surrebuttal 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 **ARE YOU THE SAME GREG R. MEYER WHO HAS PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

A Yes. I previously filed direct testimony in this proceeding on November 10, 2010 regarding revenue requirement issues.

Q **ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN THAT TESTIMONY?**

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

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 SURREBUTTAL TESTIMONY?

A The purpose of my testimony is to address the rebuttal testimonies of KCPL witnesses regarding adjustments to off-system sales ("OSS") margins, Iatan Unit 2's life projection, cash working capital ("CWC") and amortization of regulatory liabilities. In addition, I address the testimony of the Staff regarding the percentile of OSS margins included in the rate case.

Southwest Power Pool ("SPP") Line Loss Charges

Q PLEASE EXPLAIN YOUR POSITION WITH REGARDS TO THIS ISSUE.

A When KCPL makes sales outside the SPP footprint it is charged a line loss cost. In order to properly compensate for this cost, KCPL must demand a price that is greater than the SPP market clearing price any time it makes these sales outside the SPP footprint. Absent this higher price, KCPL would be voluntarily taking decreased margins for these sales outside the SPP footprint.

In modeling OSS, however, KCPL's witness Michael Schnitzer assumed that all sales occurred within the SPP footprint. Therefore, KCPL's proposed level of OSS only reflects margins based upon the SPP market clearing prices. The Schnitzer model would not reflect that a certain percentage of these OSS actually occur outside of the SPP footprint at a higher cost. In order to adjust the Schnitzer model to account for this reality, one would have to assume the higher clearing price as well as the attendant line loss charge.

In its position though, KCPL seeks to account for the line loss charges associated with these sales outside of the SPP footprint. KCPL does not, however, reflect the higher price that KCPL would be receiving for these sales. It is inappropriate to simply reflect the cost for making these sales without also reflecting the higher price that KCPL receives for the sales outside of the SPP footprint.

Q DOES KCPL CONTINUE TO ASSERT THAT LINE LOSS CHARGES SHOULD BE USED AS A REDUCTION TO THE LEVEL OF OSS MARGINS INCLUDED IN THE COST OF SERVICE?

A Yes. KCPL witness Burton Crawford filed rebuttal testimony which continues to support the inclusion of these charges in cost of service.

Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF MR. CRAWFORD?

A Yes, I have.

Q DOES THE ARGUMENTS PRESENTED BY MR. CRAWFORD CHANGE YOUR POSITION REGARDING LINE LOSS CHARGES?

A No. Mr. Crawford failed to address the main criticism which I offered in direct testimony regarding these charges. I do not dispute that SPP charges a utility to make OSS outside the SPP footprint. However, as I stated at pages 6-8 of my direct testimony, in order to compensate for the cost associated with making sales outside the SPP footprint, the price that KCPL receives for these sales must be <u>greater</u> than the price KCPL would receive for a sale within the SPP footprint. Therefore, the increased price from the sale outside the SPP footprint must already recover the SPP line loss charges.

Q WHY MUST THE OSS PRICE FOR A SALE OUTSIDE THE SPP FOOTPRINT ALREADY COVER THE ADDITIONAL SPP LINE LOSS CHARGES?

A If the sale outside the SPP footprint did not cover the additional SPP line loss charges, KCPL would be better to forego these sales and instead sell their excess power within the SPP footprint. In such a situation, the OSS margin generated from a sale inside the SPP footprint would generate greater margins.

Therefore, before KCPL makes an OSS outside the SPP footprint it should verify that the price (revenues) received for the sale will recover the SPP line loss charges which will be assessed to that sale. If KCPL cannot meet that threshold, then KCPL should sell its power inside the SPP footprint as modeled by Mr. Schnitzer.

Q PLEASE SUMMARIZE YOUR POSITION REGARDING SPP LINE LOSS CHARGES.

A KCPL continues to argue that SPP line loss charges are an incurred expense and that KCPL ratepayers receive benefits from OSS. I do not dispute either of these two claims. However, KCPL once again has failed to recognize the fact that sales outside the SPP footprint must generate greater revenues than sales inside the SPP footprint in order to recover SPP line loss charges. KCPL wants to ignore this fact and continues to contend that SPP line loss charges must be deducted from KCPL witness Schnitzer's OSS margins which do not include sales outside the SPP footprint. KCPL has presented no new evidence which would support the adjustment they are proposing. KCPL has not considered all of the relevant factors when addressing this issue and has merely focused on two points which are not in dispute.

Again, it is inappropriate to simply reflect the cost associated with these sales without also reflecting the increased price that KCPL will receive from these sales.

Adjustment for Purchase for Resale

Q PLEASE EXPLAIN YOUR POSITION WITH REGARDS TO THIS ISSUE.

A As indicated at pages 8-12 of my direct testimony, I believe that it is inappropriate to recognize KCPL's proposed adjustment. I maintain that the transactions reflected by this adjustment are already reflected in customer rates through the fuel cost annualization. In fact, an illustration of this fact is reflected in the question and answer at page 10 of my direct testimony.

Q DID KCPL FILE REBUTTAL TESTIMONY ADDRESSING THE ISSUE OF REDUCING OSS MARGINS TO REFLECT NET LOSSES ON PURCHASE FOR RESALE TRANSACTIONS?

A Yes. KCPL witness Crawford also addressed this issue in his rebuttal testimony.

Q DOES KCPL CONTINUE TO BELIEVE THAT THIS ADJUSTMENT SHOULD BE MADE TO OSS MARGINS?

A Yes.

Q WHAT ARGUMENTS DID MR. CRAWFORD OFFER FOR KCPL'S POSITION?

A Mr. Crawford rebutted two points that I addressed in my direct testimony. First, Mr. Crawford stated that KCPL has revised its Post Analysis program to capture the benefits KCPL recognizes in purchasing strip amounts of power and then using those strips to either make OSS or meet native load requirements.

Mr. Crawford also testifies that the purchase for resale costs related to derates and forced outages are not reflected in KCPL's production cost modeling.

Q WHAT IS YOUR POSITION REGARDING MR. CRAWFORD'S REBUTTAL TESTIMONY DISCUSSING KCPL'S POST ANALYSIS PROGRAM?

A I do not have any information to disagree with Mr. Crawford's statement regarding the Post Analysis program. However, as Mr. Crawford notes in his rebuttal testimony, the Post Analysis program is utilized by the Company to calculate KCPL's OSS margins. The savings/benefits that I described in my direct testimony (pages 10-11) are not related to OSS margins. The benefits that I describe in my direct testimony relate to the savings from the purchase of the strip of power to the fuel expense as calculated by the Company's production cost model. Mr. Crawford has failed to demonstrate how these savings have been captured in the rate case.

I continue to believe those savings are flowing directly to the shareholders, while KCPL continues to want to assign the incremental fuel expense associated with purchase for resale to the ratepayers. It is not appropriate to segregate the profits from these types of OSS, and assign them to the shareholders, while leaving the costs behind for the ratepayers. Mr. Crawford has not adequately demonstrated that annualized fuel expense is overstated as a result of these power strip purchases.

Q DO YOU AGREE WITH MR. CRAWFORD CONCERNING THE UNIT DERATES AND FORCED OUTAGE ISSUE?

A Not entirely. I agree with Mr. Crawford that KCPL's production cost model cannot model OSS and purchased power simultaneously. Mr. Crawford testifies that in actual practice there are situations where KCPL has already committed to make an

OSS and then experiences either a unit derate or forced outage. KCPL must still deliver the power associated with the OSS agreement and this requires KCPL to purchase additional power. However, Mr. Crawford fails to demonstrate how this increased cost for purchased power is not already accounted for in the OSS margins that are recorded and tracked.

Mr. Crawford describes the difference in the annualization of fuel expense and actual practice, but fails to address the calculation of OSS margins and why those costs have not been included in the margin calculation based on actual circumstances. If Mr. Crawford's adjustment is adopted by the Commission, then the calculation of actual OSS margins cannot include this component of cost.

SPP Revenue Neutrality Uplift Charges

Q PLEASE DESCRIBE THIS ISSUE.

A As described at pages 12-13 of my direct testimony, 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 while booking any credit as OSS revenue.

Q WHAT IS YOUR POSITION WITH REGARDS TO THIS ISSUE.

A I contend that KCPL will receive these credits or incur these charges whether or not it participates in the OSS market. Therefore, these costs are not properly associated with OSS, but are a component of KCPL's cost of service. Therefore, these costs should be reflected in annualized fuel expense i nstead of as a reduction to OSS.

Q DID KCPL FILE REBUTTAL TESTIMONY REGARDING SPP REVENUE NEUTRALITY UPLIFT ("RNU") CHARGES?

A Yes. KCPL witness Crawford addressed this issue in his rebuttal testimony.

Q WHAT IS KCPL'S PROPOSAL REGARDING RNU CHARGES?

A KCPL continues to propose that RN U charges be used to reduce OSS margins.

Q DO YOU BELIEVE THESE CHARGES SHOULD BE OFFSET AGAINST OSS MARGINS?

A No. In my direct testimony I stated that KCPL has not shown that these charges are a result of OSS. KCPL witness Crawford does not address this argument in his rebuttal testimony, but instead argues that the charges are a result of the Energy Imbalance Service market and these charges are recorded as wholesale purchases and sales.

Mr. Crawford's arguments are incomplete. Mr. Crawford fails to show how these charges are related to OSS, my central argument.

KCPL has failed to demonstrate how RNU charges are more related to OSS than serving retail load. I contend that the settlement of the Energy Imbalance Service market is more related to native load circumstances and not driven by OSS. Energy to serve native load is clearly greater than energy needed to make OSS, and it is that energy that creates the Energy Imbalance Service market.

Q WHAT IS THE EFFECT OF ADOPTING KCPL'S POSITION?

A By reducing OSS margins for RNU charges, KCPL is seeking to have a component of fuel expense tracked and its fluctuations captured in between rate cases. This is not a proper expense item to offset OSS margins. I continue to support placing this level of expense in base rates and not reduce OSS margins.

Q PLEASE SUMMARIZE YOUR POSITION REGARDING ADJUSTMENTS TO OSS MARGINS.

A I believe my testimony demonstrates the lack of evidence presented by the Company in addressing these issues. I outlined several concerns in my direct testimony concerning KCPL's proposed adjustments.

In their rebuttal testimony, the Company either simply recited their direct position or ignored addressing these concerns. I can only surmise that KCPL has no persuasive arguments against the concerns I addressed in my direct testimony. Therefore, I again recommend that the Commission reject the proposals of KCPL to reduce the OSS margins.

Allocation of OSS Margins

Q PLEASE DESCRIBE THIS ISSUE.

A In order to establish a just and reasonable rate for Missouri ratepayers, it is necessary for this Commission to establish an appropriate methodology for the allocation of KCPL's plant investment, revenues and costs between KCPL's Missouri and Kansas ratepayers. By establishing these appropriate allocations, it is ensured that Missouri ratepayers are only paying for Missouri costs and a return on Missouri investment. While most jurisdictional allocations have been agreed upon, there still remains a difference between the parties regarding the appropriate allocation methodology for OSS margins.

As a result of a 2006 settlement reached between KCPL and the Kansas parties, KCPL has stopped using the energy allocator in Kansas and, instead, has begun using the unused-energy allocator for allocating OSS margins between the two states. As a result of KCPL's voluntary agreement in Kansas, a disconnect has arisen between the two states regarding the appropriate allocation of OSS margins. KCPL has previously attempted to address this disconnect by proposing the same unused-energy allocator in Missouri. That methodology was soundly rejected by this Commission in 2006. Now, KCPL attempts to mitigate this disconnect by proposing the adoption of the capacity allocator for the allocation of OSS margins. In contrast, I propose that the Commission continue to use the energy allocator for OSS margins.

Q DID KCPL FILE REBUTTAL TESTIMONY REGARDING YOUR PROPOSED ALLOCATION OF OSS MARGINS?

A Yes. KCPL witness Larry W. Loos filed rebuttal testimony regarding the allocation of OSS margins. Mr. Loos supports allocating OSS margins using a capacity allocator. Mr. Loos' arguments are confusing and misleading.

Q DO YOU AGREE WITH MR. LOOS THAT THE ABILITY TO MAKE OSS AND THE COSTS ASSOCIATED WITH OSS ARE VARIABLE IN NATURE?

A Yes I do. The <u>costs</u> of making an OSS are definitely variable in nature. If the utility does not make an OSS, it will not incur any additional costs. Conversely, if a utility does make an OSS, its fuel costs or purchased power costs must increase to make the OSS.

The <u>ability</u> to make an OSS is also variable in nature. Generating units are only available to make OSS after serving native load. The requirements to serve native load changes hour by hour and the generating unit's ability to meet those requirements also changes throughout the day. A generating unit's availability and the market price for power will determine if a generating unit is available to make an OSS.

For example, assume both Iatan Unit 1 and a combustion turbine are available in any given hour to make an OSS. However, if the market price was below the variable cost (fuel cost) of the combustion turbine, then the OSS must necessarily come from Iatan Unit 1 and not the combustion turbine

The combination of all these factors determines the ability of the utility to make an OSS. Many experts claim that the ability to make an OSS is an opportunity cost.

Q DOES MR. LOOS AGREE THAT THE FUEL COSTS TO MAKE OSS ARE VARIABLE?

A Yes. On page 3 of his rebuttal testimony, Mr. Loos agrees to this concept. I am also confident Mr. Loos would agree that the ability to make OSS is variable as I discussed above. Yet, Mr. Loos proposes to allocate the margin or profits from those transactions using a fixed production (capacity) allocator. The logic for Mr. Loos' proposal is flawed. The Commission recognized this flaw in its Report and Order on page 39 in Case No. ER-2006-0314, wherein it stated:

> 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.

Q MR. LOOS PRESENTS A TABLE IN HIS REBUTTAL TESTIMONY WHICH ATTEMPTS TO DEPICT THE ISSUE. DO YOU AGREE WITH THE TABLE?

A No. This table is what I referred to earlier as Mr. Loos' attempt to confuse and mislead the reader regarding this issue. Mr. Loos presents a series of costs per MWh which are meant to suggest that crediting OSS margins against the variable cost of fuel produces an unreasonable cost of fuel expense for retail rates.

Mr. Loos proposes instead to credit OSS margins against the fixed costs of production expense. The same argument that Mr. Loos presented for crediting these sales against fuel costs would be applicable to crediting those OSS margins against fixed costs. The resulting cost per MW is too low when compared to existing generators or new generators being constructed today.

In either instance, one can argue that the resulting dollar per MWh (variable cost) or the resulting dollar per MW (fixed cost) is too low. OSS margins are a reduction to a utility's revenue requirement. Attempting to discredit an allocation methodology by focusing on the resultant cost per MWh is unfounded.

Q DO YOU BELIEVE MR. LOOS HAS PROPOSED THE ADOPTION OF THIS ALLOCATION METHODOLOGY FOR ANY OTHER REASON?

A Yes. I believe Mr. Loos (and therefore KCPL) is proposing this allocation methodology in an attempt to more closely match the allocation of OSS margins currently in rates in Kansas as a result of KCPL's settlement. Mr. Loos, on page 7, lines 10-12, of his rebuttal testimony expressly recognizes this fact.

> In KCP&L's case, using different allocation bases in the jurisdictional allocation does prevent KCP&L from earning its rate of return.

I believe the above statement is KCPL's main objective in proposing the current allocation of OSS margins.

Q IN ADDITION TO THE 2006 KCPL DECISION, HAS THE COMMISSION ALSO ADOPTED THE ENERGY ALLOCATOR FOR OSS MARGINS IN OTHER CONTEXTS?

A Yes. In the Commission's recent decision in the 2010 AmerenUE rate case, the Commission expressly adopted the use of the energy allocator for the allocation of OSS margins between the various AmerenUE customer classes. For the same reasons that the energy allocation is appropriate for allocating OSS margins between classes in AmerenUE, that same allocator is appropriate for allocating OSS margins between the Missouri and Kansas KCPL jurisdictions.

Q WHAT IS YOUR POSITION REGARDING KCPL'S ARGUMENT TO COORDINATE THE ALLOCATION OF OSS MARGINS IN THE MISSOURI AND KANSAS JURISDICTIONS?

A I believe the Missouri Commission has adopted the proper allocation method for allocating OSS margins in KCPL's previous rate case and affirmed that methodology in AmerenUE's last rate case. If KCPL desires to have a consistent allocation methodology between Kansas and Missouri, then KCPL should withdraw from using the unused-energy allocator in Kansas and propose the proper energy allocator in its next Kansas rate case.

<u>Iatan Unit 2 Life Estimate</u>

Q DO YOU HAVE ANY COMMENTS ON MR. SPANOS' REBUTTAL TESTIMONY REGARDING THE APPROPRIATE LIFE SPAN ESTIMATE FOR IATAN UNIT 2?

A Yes. Mr. Spanos states that a 50-year life span is more appropriate for the "initial" estimate of Iatan Unit 2 than a 60-year life span. Mr. Spanos' support for using a 50-

year life span for book depreciation purposes is misleading and incomplete. Therefore, the Commission should use a 60-year life span to develop the book depreciation rates for Iatan Unit 2.

Q DO YOU CONCUR WITH MR. SPANOS' PROPOSED 50-YEAR LIFE SPAN AND HIS RATIONAL FOR UTILIZING A 50-YEAR LIFE SPAN?

A No. Mr. Spanos lists five factors for determining a life span estimate, yet provides no testimony which either supports or contradicts any of those criteria.

Mr. Spanos has provided various scenarios or analyses for supporting his position that a 50-year life span is more appropriate than a 60-year life span. Mr. Spanos' analysis primarily relies on the assumption that the Company will need to expend, sometime in the future, dollars to extend the life span of Iatan Unit 2 from 50 years to 60 years. Mr. Spanos is supporting a position which attempts to levelize depreciation expense over a 60-year period by reflecting future plant additions. Mr. Spanos is supporting the position that today's ratepayers should be responsible for a portion of those future expenditures. Just so it is clear under Mr. Spanos' hypothetical scenarios, those significant expenditures may not be made until some 40 years into the future.

Mr. Spanos' analysis ignores the fact that the Commission is developing depreciation rates for the investment that will be placed in service now and not some expenditures that may take place some 40 to 50 years into the future. The fact is simply that if the investment that is placed in service today lives for a life span of 60 years, today's ratepayers should pay a depreciation rate based on 60 years.

Mr. Spanos continues to ignore the fact that steam production plants in Missouri currently are projected to have operating lives of 60 plus years. In fact, Mr.

Spanos' analysis recommends 60 years for Iatan Unit 1. Mr. Spanos also ignores that utilities are recommending 60-year life spans for coal-fired units throughout the country. Therefore, it is appropriate to utilize a 60-year life span for depreciating Iatan Unit 2.

Additionally, Mr. Spanos' analysis does not reflect the return and income-related taxes that are applied to the net plant or rate base that is included in rates. Therefore, Mr. Spanos' analysis is incomplete.

Q DID MR. SPANOS PROVIDE ANY FACTORS FOR DEFERRING THE LIFE SPAN ESTIMATE FOR STEAM PLANTS?

A Yes. On page 8 of his rebuttal testimony, Mr. Spanos lists five factors which should be considered to estimate life spans of steam plants. I have listed the five factors below:

1. Age and condition of the plant;
2. Life span estimates used by other electric generating companies;
3. Industry experience with retired steam plants and those currently in service;
4. Future major refurbishments including expenditures related to environmental compliance; and
5. Design life of major components of the boiler and steam systems.

Q DID MR. SPANOS DIRECTLY ADDRESS ANY OF THESE FACTORS IN HIS REBUTTAL TESTIMONY?

A No. Instead Mr. Spanos relies on various hypothetical scenarios to support his recommended depreciation expense based on a 50-year life span. I have provided direct testimony related to the industry experience of steam plants for units in both Missouri and other regions of the United States. In addition, I have found other utilities which have recently used 60 years as the life for their steam production plants.[1] This clearly demonstrates that a 60-year life span continues to be a reasonable assumption.

Q DO YOU HAVE ANY COMMENTS TO MAKE ON THE VARIOUS SCENARIOS THAT MR. SPANOS RELIED ON TO DRAW HIS CONCLUSIONS?

A Yes. Under Scenario 2, Mr. Spanos assumes that the unit has an initial 50-year life span. However, in year 40, the unit requires $100 million of improvements "that will permit it to reach 50 years, but also allow for an additional 10 years." (Spanos' Rebuttal, page 20, lines 23-24) Thus, over the initial 40-year life, the depreciation rate is 2% (1/50), or $10 million per year. Then, in year 41 the depreciation rate drops to 1.67%. However, the annual depreciation expense remains at $10 million per year because the investment increased by $100 million to a total of $600 million. Under this scenario, the investment that is placed in service in year 40 has a remaining life of 20 years and a lower depreciation rate than the investment that was in service for 60 years. Mr. Spanos seems to be saying that the ratepayers in year 1 should have included in their rates indirectly future investment that will not be made until sometime in the future. Mr. Spanos is focusing on the level of depreciation expense over the asset's life and not the useful life. To reach this objective, you must include the effects of unknown future investment in the depreciation rates.

Mr. Spanos then presents another scenario (Scenario 5) that assumes that a 60-year life is used and the appropriate book depreciation rate is 1.67%. This

[1]Xcel Energy recently executed a stipulation in Colorado in which the life span for the new Comanche 3 unit was set at 60 years. Furthermore, the Michigan and Wisconsin Commissions have recently adopted a 60-year life span for purposes of establishing a depreciation rate on the new Wisconsin Public Service Corporation's Weston 4 generating station. Finally, the Kansas Commission has recently rejected Mr. Spanos' recommendation and instead utilized a 60-year life span for establishing depreciation rates on this same Iatan 2 unit.

produces an annual depreciation expense of approximately $8.33 million. However, similar to the example above, the Company expends $100 million in year 40, performs a new depreciation rate study and, at that time, the depreciation expense increases from $8.33 million to $13.33 million. Mr. Spanos concludes (based on this analysis) that "inter-generational inequity for ratepayers would be caused by an initial life span estimate that failed to consider all the relevant factors in determining the initial life span." (Spanos' Rebuttal, page 21, lines 20-22) The analysis performed by Mr. Spanos is misleading and incomplete. Mr. Spanos focuses on the increased depreciation expense resulting from the additional investment. However, what Mr. Spanos does not mention is that the initial 60-year estimate was totally correct and ratepayers paid off the initial investment over the exact time frame that they should have. Also, Mr. Spanos implies that to get the proper depreciation rate, the Commission needs to reflect the effects of future unknown investment in the development of depreciation rates.

Q IS IT APPROPRIATE TO REFLECT ESTIMATES OF FUTURE ADDITIONS IN THE DEVELOPMENT OF DEPRECIATION RATES?

A No. Estimates of future additions should not be used in the development of book depreciation rates either directly or indirectly. This would increase the current depreciation rates and require current ratepayers to pay for the estimates of future additions.

The National Association of Regulatory Utility Commissioners (NARUC), in its <u>Public Utility Depreciation Practices</u> manual, concurs that it is inappropriate to reflect future additions in the development of depreciation rates. In its discussion regarding the life span method, NARUC states the following:

> Appropriate estimates must be made for such interim retirements; however, interim additions are not considered in the depreciation base or rate until they occur.[2]

It is clear from this quote from the NARUC manual that including future additions in the development of production plant depreciation rates is unacceptable. Customers who benefit from future capital additions should pay the cost associated with those capital additions. It should be noted that the Company has included the effect of future interim retirements in its depreciation rates. I am not aware of a Missouri depreciation case where the depreciation rates are developed to reflect some type of depreciation for future capital additions that will not be in service until sometime into the future.

Q HAVE YOU REVISED ANY OF MR. SPANOS' SCENARIOS TO PRESENT THE RELEVANT FACTORS THAT SHOULD BE CONSIDERED IN DETERMINING THE LIFE SPANS?

A Yes. Mr. Spanos did not include in his analyses the rate of return and associated income tax that is applied to rate base.

I have prepared Schedules GRM-S-1 and GRM-S-2. These schedules replicate Mr. Spanos' Scenario 2 and Scenario 5 that are contained in his Schedule JJS2010-3, and include a provision for rate of return and income taxes. As shown in Column 7 of both of the schedules, the annual revenue requirement under both scenarios significantly decline over time. That is, ratepayers in the later years are paying substantially less for the same plant than ratepayers are paying in the early years of the life.

[2]NARUC, Public Utility Depreciation Practices Manual at 142 (1996).

Q WHAT IS YOUR RECOMMENDATION REGARDING THE APPROPRIATE LIFE FOR IATAN UNIT 2?

A The Commission should use a 60-year life span to develop the depreciation rates for Iatan Unit 2. This is consistent with the Iatan Unit 1 life span and other life spans adopted by this Commission in developing the book depreciation rates for coal-fired units. Mr. Spanos has attempted to justify his life span estimate based on future additions which levelizes the annual depreciation expense. The Commission should reject the Company's argument that unknown future additions should be considered indirectly in developing the appropriate life span.

Cash Working Capital

Q PLEASE SUMMARIZE THE LAGS WHICH ARE STILL AN ISSUE REGARDING CWC.

A There are several lags which remain as issues regarding CWC. The following list contains the disagreements I continue to 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; and
4. The revenue lag for all of the Gross Receipts Taxes.

Q DID KCPL FILE REBUTTAL TESTIMONY REGARDING THE LAGS IDENTIFIED ABOVE?

A Yes. KCPL witness Melissa Hardesty filed rebuttal testimony concerning the gross receipts expense lag (Nos. 1-3 above), and KCPL witness John Weisensee filed rebuttal testimony concerning the gross receipts revenue lag (No. 4 above).

Q PLEASE SUMMARIZE KCPL WITNESS HARDESTY'S REBUTTAL TESTIMONY.

A Ms. Hardesty provides excerpts from Section 40-344(b) and (c) of the Code of Ordinances of Kansas City, Missouri. Ms. Hardesty uses these excerpts to claim that the gross receipts taxes are prepaid. However, Ms. Hardesty does not provide Section (a) from that portion of the Ordinance. I have included excerpts from these three portions of the Ordinance below.

> **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; ... [Emphasis added.]
>
> (b) *Reports by licensee.* The licensee shall and he is hereby required to make true and faithful reports under oath to the director of finance and to the commissioner of revenue of the city, in such form as may be prescribed by the director of finance, and containing such information as may be necessary to determine the amounts to which the license tax shall apply, on or before January 30, April 30, July 30 and October 30 of each year, for all gross receipts for the three calendar months ending, respectively, on December 31, March 31, June 30 and September 30.
>
> (c) *Payment of license fee.* Each fee shall constitute payment for the three months beginning on January 1, April 1, July 1 and October 1, respectively, during which months such payment shall be due and payable as prescribed in this section; provided, however, that the acceptance of such fee shall not prejudice the right of the city to collect any additional fee thereafter found to be due.

It is clear from the above excerpts that KCPL's claim that these taxes represent prepayments is unfounded. KCPL has selectively chosen excerpts which could be incorrectly interpreted to support a prepayment.

Q CAN YOU PROVIDE AN EXAMPLE OF THE CORRECT INTERPRETATION OF THESE SECTIONS OF THE ORDINANCE?

A Yes. I have provided the following table which will clearly demonstrate that these taxes are paid in arrears and are not a prepayment as proposed by KCPL.

Kansas City, Missouri's Ordinance Schedule

Activity	Period	Payment/ Due Date	Ordinance Section
Revenue Report	October 1 – December 31	January 30	(b)
Payment	October 1 – December 31	January 30	(a) and (c)

The above table illustrates that KCPL must submit to Kansas City, Missouri a revenue report which details the revenue collected from a previous three-month period, and KCPL must also submit a payment which accompanies that report on the 30th of the month following the quarter month period.

I have attached as Schedule GRM-S-3 a copy of the revenue report submitted to Kansas City, Missouri.

Q DO YOU HAVE A FINAL EXAMPLE WHICH ILLUSTRATES THIS ISSUE?

A Yes. Assume a customer pays their bill to KCPL on January 2, 2010. That portion of their bill relating to the gross receipts tax would not be payable to Kansas City until April, 30, 2010.

Q DO THE SAME ARGUMENTS APPLY TO KANSAS CITY, MISSOURI'S 4% GROSS RECEIPTS TAX?

A Yes. Those taxes are also paid in arrears as detailed in my direct testimony. KCPL did not submit any rebuttal testimony disputing my lag. However, KCPL witness Weisensee did not indicate that this issue has been resolved. I can only surmise that KCPL is continuing to assert these taxes are prepaid.

Q MS. HARDESTY CLAIMS THAT THE ORDINANCES FOR OTHER CITIES IN WHICH KCPL OPERATES HAVE SIMILAR LANGUAGE AND THAT THOSE TAXES ARE ALSO PREPAYMENTS. DO YOU AGREE?

A No. I have reviewed the language from many of the ordinances for cities in which KCPL operates. I cannot find any instances in the ordinances I reviewed which would suggest that the taxes are prepaid. KCPL also did not produce one ordinance in testimony which supports Ms. Hardesty's claim.

Q PLEASE SUMMARIZE KCPL WITNESS WEISENSEE'S REBUTTAL TESTIMONY CONCERNING THE GROSS RECEIPTS REVENUE LAG.

A Mr. Weisensee states that the Staff and KCPL have used the combined billing and collection lag of ten days since Case No. ER-2006-0314, and therefore the ten days needs to be used in this rate case.

Q DID MR. WEISENSEE PROVIDE ANY OTHER JUSTIFICATION FOR THE TEN-DAY REVENUE LAG?

A No.

Q WHAT IS YOUR POSITION REGARDING THIS ISSUE?

A I continue to assert that the revenue lag for gross receipts taxes is zero days. I have reviewed the ordinances for a vast majority of the taxes levied by the different cities. I have consistently found that the ordinances refer to the gross receipts of revenues, which implies that the revenues have already been collected. KCPL has provided no evidence based on any review of these ordinances to refute my argument.

Amortization of Regulatory Liabilities

Q DID KCPL ADDRESS THE AMORTIZATION OF REGULATORY LIABILITIES IN ITS REBUTTAL TESTIMONY?

A Yes. KCPL witness Weisensee filed rebuttal testimony concerning this issue.

Q DO YOU HAVE ANY MODIFICATIONS TO THE POSITION YOU TESTIFIED TO IN YOUR DIRECT TESTIMONY REGARDING THIS ISSUE?

A Yes. In my direct testimony I recommended that the amortization of the regulatory liabilities over 15 years needed to be grossed up for income taxes. After meeting with KCPL and the Staff and researching prior Commission decisions, I have concluded that the amortization I proposed does not need to be grossed up for income taxes. I, therefore, am proposing that the $169 million be amortized over 15 years resulting in an annual amortization of approximately $11.26 million.

Q HAS KCPL CHANGED ITS POSITION REGARDING THIS ISSUE?

A No. KCPL continues to propose that these regulatory liabilities be spread over the book accounts of KCPL's depreciation reserve. This would effectively result in returning the regulatory liabilities to customers over the proposed operating life of Iatan Unit 2, or 50 years.

Q DO YOU CONTINUE TO HAVE CONCERNS WITH THIS PROPOSAL?

A Yes. I continue to recommend that these liabilities be maintained in a separate account and tracked to insure that ratepayers are properly credited for the funds they provided. I was involved in discussions with the parties regarding this issue during the settlement conference and, based on those discussions, I am even more convinced that in order to make sure Missouri ratepayers receive their full compensation for these liabilities, that a separate accounting of these funds must be maintained.

Q DO YOU HAVE ANY FURTHER COMMENTS REGARDING THIS ISSUE?

A Yes. I believe the 15-year amortization that I proposed will provide a systematic return of ratepayer funds. The funds could be monitored separately and assure ratepayers receive full credit for the construction period funds received by KCPL.

Including the liabilities in the depreciation reserve will create greater accounting to make sure ratepayers receive their funds through decreased deprecation expense. This Company's proposal unnecessarily adds another level of complexity which erodes the transparent treatment of the ratepayer funds.

Q DO YOU HAVE OTHER CONCERNS WITH KCPL'S RECOMMENDATION FOR THE RETURN OF THESE REGULATORY LIABILITIES?

A Yes. As indicated, KCPL's proposal would return these funds to ratepayers over a period of approximately 50 years. The majority of these funds were received from

Missouri ratepayers within the last five years. The notion of intergenerational equity dictates that the Commission attempt to return these funds to the same ratepayers that initially provided them. By adopting KCPL's recommendation, the Commission would be depriving these current ratepayers and, instead, return these funds to future ratepayers that did not initially advance these funds. Such a proposal violates the notion of intergenerational equity. For this reason, the Commission should return these funds over a much shorter period of time than that proposed by KCPL.

Q DO YOU HAVE ANY OTHER CONCERNS WITH INCLUDING THE LIABILITIES IN THE DEPRECIATION RESERVE?

A Yes. If the Missouri Commission ever decided or was mandated to deregulate the generation side of KCPL's operations, the ratepayer supplied funds may be transferred with the generating operations into an unregulated enterprise. If that happened, customers may never receive full credit for the regulatory amortization. I have not determined the likelihood of this event, but believe it is a risk that needs to be considered in creating a regulatory plan to return these funds to customers.

Q DO YOU BELIEVE YOUR PROPOSAL IS IN VIOLATION OF ANY PREVIOUS COMMISSION ORDERS?

A No, I do not. I inquired of the parties at the settlement conference if any party believed my proposal was in violation of any prior agreements and was told the proposal was not.

Q WHAT IS YOUR PROPOSAL REGARDING THE AMORTIZATION OF THE REGULATORY LIABILITIES FOR THIS CASE?

A I believe that intergenerational equity dictates that the Commission attempt to return the funds received through the Regulatory Plan additional amortization mechanism to the ratepayers that initially provided those funds. KCPL's proposed 50-year period violates this fundamental concept. By adopting my proposed 15-year period, intergenerational equity is better preserved.

OSS Margins at the 40th Percentile

Q DID THE STAFF FILE REBUTTAL TESTIMONY PROPOSING A DIFFERENT PERCENTILE FOR RECOGNIZING OSS MARGINS IN THE RATE CASE?

A Yes. Staff witness William Harris filed rebuttal testimony suggesting that the Commission should consider increasing the level of OSS margins in this rate case from the 25th percentile to the 40th percentile.

Mr. Harris cited the valid reasons I listed in my testimony to increase the OSS margins in this rate case.

Q DO YOU CONTINUE TO BELIEVE THAT OSS MARGINS REFLECTED IN THIS RATE CASE SHOULD BE SET AT THE 40TH PERCENTILE?

A Yes I do. The Commission established that OSS margins reflected in rates should be set at the 25th percentile in Case No. ER-2006-0314. This was the first case KCPL filed under the guidelines of the Regulatory Plan. In that case, the Commission determined that the 25th percentile of OSS margins should be included in rates due to certain circumstances which KCPL faced at that time.

The Commission noted that the potential importance of not achieving a certain level of OSS, during a time when KCPL was investing hundreds of millions of dollars in construction, could be harmful to KCPL. Therefore, the Commission approved KCPL's 25^{th} percentile of OSS margins.

Q DO THOSE SAME CONDITIONS EXIST TODAY THAT THE COMMISSION RELIED ON TO SET THE OSS MARGINS AT THE 25^{TH} PERCENTILE?

A I do not believe so. KCPL's five-year construction budget has reduced substantially from a high of $3.6 billion to a 2009 estimate of $2.4 billion. This reduction in capital spending was expected to occur once latan Unit 2 is completed.

I have also developed a table which shows the percentage of a five-year capital expenditure budget to the end of year plant balance for KCPL. This table clearly demonstrates that the percentage of capital expenditures to KCPL's end of year plant balance has substantially decreased since 2007 and 2008, and is currently the lowest percentage experienced dating back to 2005. Furthermore, with the inclusion of latan Unit 2 in KCPL's 2010 plant balance, I would expect KCPL's spending level to decrease further when 2010 figures become available.

Percent of Five-Year Capital Expenditures to Year End Plant Balance

Year	Plant Balance	Five-Year Cap Ex	Spending as % of Plant Balance
2005	2,634,363,087	2,174,600,000	82.55%
2006	2,806,951,116	2,667,300,000	95.02%
2007	2,836,069,501	3,678,700,000	129.71%
2008	2,916,313,848	3,438,200,000	117.90%
2009	3,340,395,028	2,375,800,000	71.12%

Source: Year End Plant Balances from DR No. 11.4
Five-Year Capital Expenditure Budget from DR No. 11.3

Q **DO YOU HAVE ANY FURTHER COMMENTS REGARDING THIS ISSUE?**

A Yes. In the Order from Case No. ER-2006-0314, the Commission noted that KCPL witness Chris Giles admitted that there was a fairly substantial chance that KCPL will meet or exceed the 25th percentile.

The 25th percentile infers that KCPL will exceed that level 3 out of 4 times. Similarly, if the OSS margins were set at the 50th percentile, KCPL would exceed that level once every two years. Despite having a 50 / 50 probability of exceeding the 50th percentile, KCPL has not exceeded the 50th percentile once during the past four years under the Regulatory Plan.

I believe that KCPL has not achieved higher levels of OSS largely because of a lack of incentive to achieve higher levels of OSS and the differences in the allocation of OSS margins between the Missouri and Kansas jurisdictions. As explained previously, this difference in allocation methodology is a result of KCPL's voluntary settlement in the Kansas Regulatory Plan. KCPL witness Loos testifies to this problem in his rebuttal testimony on page 7, wherein he states:

> In KCP&L's case, using different allocation bases in the jurisdictional allocation does prevent KCP&L from earning its rate of return.

If KCPL has to recognize OSS margins in Kansas and Missouri, which are greater than the actual margin generated from OSS, KCPL would not be enticed to make OSS much beyond the 25th percentile.

Q **PLEASE EXPLAIN YOUR BELIEF THAT KCPL HAS A LACK OF AN INCENTIVE TO ACHIEVE HIGHER LEVELS OF OSS.**

A In addition to the fact that KCPL faces a disincentive resulting from its differing allocation methodologies in Missouri and Kansas, KCPL also has a lack of incentive as a result of the structure of the Missouri OSS tracker mechanism. In the 2006 rate case, the Commission implemented (and KCPL agreed to) a tracker mechanism which would return any OSS margins greater than the 25th percentile. Given this tracker mechanism, KCPL has no incentive to achieve a level of OSS beyond the 25th percentile. Inconveniently for ratepayers, KCPL's actual performance has been consistent with this lack of incentive. Given that KCPL's no longer faces the same capital expenditure pressures, I believe that it is appropriate to raise KCPL's expected level of OSS margins to the 40th percentile. This not only reflects KCPL's increased opportunity for OSS margins resulting from the completion of Iatan Unit 2, it also increases the incentive for KCPL to make such wholesale transactions. Finally, it should be recognized that, even at the 40th percentile, KCPL should have at least a 60% probability of achieving this level of OSS margins.

Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A Yes, it does.

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Mr. Spanos' Scenerio 2 Revised To Reflect Return and Income Taxes

Year (1)	Plant (2)	Annual Accrual (3)	Book Reserve (4)	Rate Base (5)	Return & Income Taxes (6)	Annual Revenue Requirement (7)
2010	$500,000	$10,000	$0	$500,000	$60,000	$70,000
2011	500,000	10,000	10,000	490,000	58,800	68,800
2012	500,000	10,000	20,000	480,000	57,600	67,600
2013	500,000	10,000	30,000	470,000	56,400	66,400
2014	500,000	10,000	40,000	460,000	55,200	65,200
2015	500,000	10,000	50,000	450,000	54,000	64,000
2016	500,000	10,000	60,000	440,000	52,800	62,800
2017	500,000	10,000	70,000	430,000	51,600	61,600
2018	500,000	10,000	80,000	420,000	50,400	60,400
2019	500,000	10,000	90,000	410,000	49,200	59,200
2020	500,000	10,000	100,000	400,000	48,000	58,000
2021	500,000	10,000	110,000	390,000	46,800	56,800
2022	500,000	10,000	120,000	380,000	45,600	55,600
2023	500,000	10,000	130,000	370,000	44,400	54,400
2024	500,000	10,000	140,000	360,000	43,200	53,200
2025	500,000	10,000	150,000	350,000	42,000	52,000
2026	500,000	10,000	160,000	340,000	40,800	50,800
2027	500,000	10,000	170,000	330,000	39,600	49,600
2028	500,000	10,000	180,000	320,000	38,400	48,400
2029	500,000	10,000	190,000	310,000	37,200	47,200
2030	500,000	10,000	200,000	300,000	36,000	46,000
2031	500,000	10,000	210,000	290,000	34,800	44,800
2032	500,000	10,000	220,000	280,000	33,600	43,600
2033	500,000	10,000	230,000	270,000	32,400	42,400
2034	500,000	10,000	240,000	260,000	31,200	41,200
2035	500,000	10,000	250,000	250,000	30,000	40,000
2036	500,000	10,000	260,000	240,000	28,800	38,800
2037	500,000	10,000	270,000	230,000	27,600	37,600
2038	500,000	10,000	280,000	220,000	26,400	36,400
2039	500,000	10,000	290,000	210,000	25,200	35,200
2040	500,000	10,000	300,000	200,000	24,000	34,000
2041	500,000	10,000	310,000	190,000	22,800	32,800
2042	500,000	10,000	320,000	180,000	21,600	31,600
2043	500,000	10,000	330,000	170,000	20,400	30,400
2044	500,000	10,000	340,000	160,000	19,200	29,200
2045	500,000	10,000	350,000	150,000	18,000	28,000
2046	500,000	10,000	360,000	140,000	16,800	26,800
2047	500,000	10,000	370,000	130,000	15,600	25,600
2048	500,000	10,000	380,000	120,000	14,400	24,400
2049	500,000	10,000	390,000	110,000	13,200	23,200
2050	500,000	10,000	400,000	100,000	12,000	22,000
2051	600,000	10,000	410,000	190,000	22,800	32,800
2052	600,000	10,000	420,000	180,000	21,600	31,600
2053	600,000	10,000	430,000	170,000	20,400	30,400
2054	600,000	10,000	440,000	160,000	19,200	29,200
2055	600,000	10,000	450,000	150,000	18,000	28,000
2056	600,000	10,000	460,000	140,000	16,800	26,800
2057	600,000	10,000	470,000	130,000	15,600	25,600
2058	600,000	10,000	480,000	120,000	14,400	24,400
2059	600,000	10,000	490,000	110,000	13,200	23,200
2060	600,000	10,000	500,000	100,000	12,000	22,000
2061	600,000	10,000	510,000	90,000	10,800	20,800
2062	600,000	10,000	520,000	80,000	9,600	19,600
2063	600,000	10,000	530,000	70,000	8,400	18,400
2064	600,000	10,000	540,000	60,000	7,200	17,200
2065	600,000	10,000	550,000	50,000	6,000	16,000
2066	600,000	10,000	560,000	40,000	4,800	14,800
2067	600,000	10,000	570,000	30,000	3,600	13,600
2068	600,000	10,000	580,000	20,000	2,400	12,400
2069	600,000	10,000	590,000	10,000	1,200	11,200
2070	600,000		600,000	0	0	0

Assumption:
Rate of Reurn & Income Taxes 12%

Mr. Spanos' Scenerio 5 Revised To Reflect Return and Income Taxes

Year (1)	Plant (2)	Annual Accrual (3)	Book Reserve (4)	Rate Base (5)	Return & Income Taxes (6)	Annual Revenue Requirement (7)
2010	$500,000	$8,333	$0	$500,000	$60,000	$68,333
2011	500,000	8,333	8,333	491,667	59,000	67,333
2012	500,000	8,333	16,667	483,333	58,000	66,333
2013	500,000	8,333	25,000	475,000	57,000	65,333
2014	500,000	8,333	33,333	466,667	56,000	64,333
2015	500,000	8,333	41,667	458,333	55,000	63,333
2016	500,000	8,333	50,000	450,000	54,000	62,333
2017	500,000	8,333	58,333	441,667	53,000	61,333
2018	500,000	8,333	66,667	433,333	52,000	60,333
2019	500,000	8,333	75,000	425,000	51,000	59,333
2020	500,000	8,333	83,333	416,667	50,000	58,333
2021	500,000	8,333	91,667	408,333	49,000	57,333
2022	500,000	8,333	100,000	400,000	48,000	56,333
2023	500,000	8,333	108,333	391,667	47,000	55,333
2024	500,000	8,333	116,667	383,333	46,000	54,333
2025	500,000	8,333	125,000	375,000	45,000	53,333
2026	500,000	8,333	133,333	366,667	44,000	52,333
2027	500,000	8,333	141,667	358,333	43,000	51,333
2028	500,000	8,333	150,000	350,000	42,000	50,333
2029	500,000	8,333	158,333	341,667	41,000	49,333
2030	500,000	8,333	166,667	333,333	40,000	48,333
2031	500,000	8,333	175,000	325,000	39,000	47,333
2032	500,000	8,333	183,333	316,667	38,000	46,333
2033	500,000	8,333	191,667	308,333	37,000	45,333
2034	500,000	8,333	200,000	300,000	36,000	44,333
2035	500,000	8,333	208,333	291,667	35,000	43,333
2036	500,000	8,333	216,667	283,333	34,000	42,333
2037	500,000	8,333	225,000	275,000	33,000	41,333
2038	500,000	8,333	233,333	266,667	32,000	40,333
2039	500,000	8,333	241,667	258,333	31,000	39,333
2040	500,000	8,333	250,000	250,000	30,000	38,333
2041	500,000	8,333	258,333	241,667	29,000	37,333
2042	500,000	8,333	266,667	233,333	28,000	36,333
2043	500,000	8,333	275,000	225,000	27,000	35,333
2044	500,000	8,333	283,333	216,667	26,000	34,333
2045	500,000	8,333	291,667	208,333	25,000	33,333
2046	500,000	8,333	300,000	200,000	24,000	32,333
2047	500,000	8,333	308,333	191,667	23,000	31,333
2048	500,000	8,333	316,667	183,333	22,000	30,333
2049	500,000	8,333	325,000	175,000	21,000	29,333
2050	500,000	13,333	333,333	166,667	20,000	33,333
2051	600,000	13,333	346,667	253,333	30,400	43,733
2052	600,000	13,333	360,000	240,000	28,800	42,133
2053	600,000	13,333	373,333	226,667	27,200	40,533
2054	600,000	13,333	386,667	213,333	25,600	38,933
2055	600,000	13,333	400,000	200,000	24,000	37,333
2056	600,000	13,333	413,333	186,667	22,400	35,733
2057	600,000	13,333	426,667	173,333	20,800	34,133
2058	600,000	13,333	440,000	160,000	19,200	32,533
2059	600,000	13,333	453,333	146,667	17,600	30,933
2060	600,000	13,333	466,667	133,333	16,000	29,333
2061	600,000	13,333	480,000	120,000	14,400	27,733
2062	600,000	13,333	493,333	106,667	12,800	26,133
2063	600,000	13,333	506,667	93,333	11,200	24,533
2064	600,000	13,333	520,000	80,000	9,600	22,933
2065	600,000	13,333	533,333	66,667	8,000	21,333
2066	600,000	13,333	546,667	53,333	6,400	19,733
2067	600,000	13,333	560,000	40,000	4,800	18,133
2068	600,000	13,333	573,333	26,667	3,200	16,533
2069	600,000	13,333	586,667	13,333	1,600	14,933
2070	600,000		600,000	0	0	0

Assumption:

Rate of Reurn & Income Taxes 12%

CITY OF KANSAS CITY, MISSOURI
FINANCE DEPARTMENT
REVENUE DIVISION

UTILITIES LICENSE/TAX

USE A SEPERATE RETURN TO FILE THE QUARTERLY BUSINESS LICENSE TAX (6%) AND THE EMERGENCY TAX (4%)

Phone - (816) 513-1120
RD-UTIL, Rev 11/08

414 East 12th Street
Kansas City, Missouri 64106-2786

TYPE OF RETURN (Check one only)

(X) Electric Quarterly Business License(114)
( ) Electric Monthly Emergency Tax (120)
( ) Gas Quarterly Business License (115)
( ) Gas Monthly Emergency Tax (121)
( ) Telephone Qtrly Business License (118)
( ) Telephone Qtrly Emergency Tax (123)
( ) Steam Quarterly Business License (116)
( ) Steam Monthly Emergency Tax (122)
( ) Cable TV Business License (119)

Due Date 1/29/10

JODIE HAWKINSON
KANSAS CITY POWER AND LIGHT CO
PO BOX 418679
KANSAS CITY, MO 64141-9679

BASED ON ~~Taxable~~ Period -From ------- 10-01-09
-To -------- 12-31-09
FID No. ---------------- 44-0308720

1. Residential sales -- Number of taxable customers 191,686 Non-taxable gross receipts $ Ø		
a. Residential taxable gross receipts	38,773,594	62
b. Residential rate (6% for quarterly business license) (Steam - 1.6% for emergency license tax , 2.4% for quarterly business license)	6 %	
c. Residential taxes due (line 1a x line 1b)	2,326,415	69
2. Commercial sales -- Number of taxable customers 25,305 Non-taxable gross receipts $ Ø		
a. Commercial taxable gross receipts	69,169,833	54
b. Commercial rate (4% for emergency license tax, 6.0% for quarterly business license) (Steam - 1.6% for emergency license tax, 2.4% for quarterly business license)	6 %	
c. Commercial taxes due (line 2a x line 2b)	4,150,190	00
3. Industrial sales -- Number of taxable customers 411 Non-taxable gross receipts $ Ø		
a. Industrial taxable gross receipts	9,358,355	36
b. Industrial rate (4% for emergency license tax , 6.0% for quarterly business license) (Steam - 1.6% for emergency license tax , 2.4% for quarterly business license)	6 %	
c. Industrial taxes due (line 3a x line 3b)	561,501	32
4. Cable TV business license -- Number of taxable customers ______ Non-taxable gross receipts $______		
a. Taxable gross receipts		
b. Cable TV taxes due (line 4a x 5%)		
5. Tax due (Lines 1(c) plus 2(c) plus 3(c) plus 4(b))	7,038,107	01
6. Less credits for previous overpayments		
7. Amount due (line 5 minus line 6)	7,038,107	01
8. Penalty: 10% of the license fee for any part of the first month due and not paid, plus 2% per month for subsequent months until paid in full.		
9. Total amount due (sum of lines 7 and 8)	7,038,107	01
10. Amount paid - - **MAKE CHECKS PAYABLE TO CITY TREASURER/REVENUE - - -DO NOT SEND CASH-**	7,038,107	01
11. Check if out of business and enter date business closed __/__/__	( )	
12. Check if amended	( )	

Under penalties of perjury, I declare this return is a true, correct, and complete return for the taxable period stated.
I authorize the Commissioner of Revenue or delegate to discuss my return and attachments with my preparer. ( ) Yes ( ) No

X [signature] Steve Smith Manager 1-29-10 816-556-2127
Taxpayer Signature — Print Name — Title — Date — Phone

X ______________________________
Signature of Preparer (if other than taxpayer) — Print Name — Title — Date — Phone