

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

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**REBUTTAL TESTIMONY**

**OF**

**SHANNON GREEN JR.**

**ON BEHALF OF  
KANSAS CITY POWER & LIGHT COMPANY**

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**IN THE MATTER OF THE APPLICATION OF  
KANSAS CITY POWER & LIGHT COMPANY  
TO MODIFY ITS TARIFFS TO BEGIN THE  
IMPLEMENTATION OF ITS REGULATORY PLAN**

**DOCKET NO. 06-KCPE-828-RTS**

1 **Q: Please state your name and business address.**

2 A: My name is Shannon Green Jr. My business address is 1201 Walnut, Kansas City,  
3 Missouri 64106.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company ("KCPL") as Manager,  
6 Property & Misc. Taxes.

7 **Q: What are your responsibilities?**

8 A: As Manager, Property & Misc. Taxes, I have primary responsibility to minimize  
9 KCPL's cash expenditures for property and miscellaneous taxes while ensuring  
10 compliance with all tax laws, regulations and ordinances.

11 **Q: Please describe your education, experience and employment history.**

12 A: I graduated from Northwest Missouri State University in 1979 with a Bachelor of  
13 Science Degree in Accounting and became a Certified Public Accountant in 1985. I

1 was first employed at KCPL in 1984 as a Property Tax Accountant. After serving as  
2 an Administrative Tax Assistant, Senior Tax Accountant and Supervisor of Property  
3 and Misc. Taxes, I became Manager, Property & Misc. Taxes in 1997. Prior to my  
4 career at KCPL, I was employed by Price Waterhouse, a public accounting firm, as an  
5 auditor and then as a tax service provider from 1979 to 1982.

6 **Q: What is the purpose of your rebuttal testimony?**

7 A: The purpose of my rebuttal testimony is to respond to Kansas Corporation  
8 Commission (“KCC”) Staff witness William E. Baldry and Citizens’ Utility  
9 Ratepayer Board (“CURB”) witness Andrea C. Crane, specifically regarding their  
10 proposals relating to property taxes.

11 **PROPERTY TAXES**

12 **Q: Is KCPL in agreement with Staff’s Adjustment IS-9 to property tax expense?**

13 A: No, we are not.

14 **Q: Please explain.**

15 A: Staff witness Baldry disallowed most of KCPL’s annualized property tax adjustment  
16 indicating that KCPL can request a surcharge under K.S.A. 66-117(f) to recover  
17 additional tax expense above Staff’s adjusted test year amount. The Kansas  
18 Legislature enacted the property tax surcharge in 1997 as an optional way for public  
19 utilities to recover rising property taxes without the need for the costs of a formal rate  
20 proceeding. It is an optional method to recover such expenses and should not be  
21 viewed by the Commission as the preferred vehicle to recover known and measurable  
22 increases in test year expense in the context of a formal rate proceeding. Given that  
23 we are addressing this issue within the context of this rate case, it is not appropriate to

1 use a property tax expense known to be too low or to force KCPL to implement the  
2 surcharge in order to recover these expenses. The correct property tax expense to use  
3 is the test year plus known and measurable changes.

4 **Q: Are there any other reasons why the Property Tax Surcharge should not be**  
5 **used?**

6 A.: Yes. Surcharges should only be used when absolutely necessary and when rate cases  
7 are infrequent. KCPL intends to file rate cases annually. This is the first of four such  
8 cases.

9 **Q: What did KCPL propose for property tax expense?**

10 A: KCPL proposed a property tax annualized adjustment (Adj-33b) of \$5,143,767  
11 (\$2,368,571 on a Kansas jurisdictional basis) applied to a 2005 nine-month actual,  
12 three-month budgeted test year expense of \$54,411,132.

13 **Q: Did Staff's Adjustment IS-9 decrease KCPL's proposed adjustment by the same**  
14 **\$5,143,767 amount?**

15 A: No. Staff made two changes. First, Staff trued-up KCPL's test year operations and  
16 maintenance ("O&M") property tax expense of \$54,411,132 to KCPL's actual 2005  
17 O&M property tax expenses of \$54,284,956 prior to disallowing the amount over and  
18 above the 9 month actual/3 month budgeted amount. This unfortunately overstated  
19 Staff's decrease in (or elimination of) KCPL's Adjustment by \$126,177 and, by itself,  
20 would have caused Staff's Adjustment to result in an annualized property tax amount  
21 below actual 2005 taxes.

22 **Q: What was the second change in Staff's Adjustment IS-9 that was different from**  
23 **KCPL's proposed annualized adjustment?**

1 A: Staff added, as an actual property tax expense, \$330,000 relating to the Payment in  
2 Lieu of Tax (“PILOT”) on the new wind generating facility in Ford County, Kansas.  
3 These payments are necessary to secure agreements with landowners and community  
4 leaders to site a wind facility. This effectively reduced Staff’s negative property tax  
5 adjustment and we agree with this change, as this PILOT is known and measurable.

6 **Q: Can you briefly explain how property taxes are determined for utility property**  
7 **in Missouri and Kansas?**

8 A: Yes. Property taxes for utility property located in Missouri and Kansas are  
9 determined by applying the tax levy rates as imposed by the applicable local taxing  
10 jurisdictions such as the state, county, school district, etc. to the assessed value of the  
11 taxable property, as of the beginning of the calendar year.

12 **Q: Have any components of KCPL’s annualized property tax adjustment become**  
13 **known and measurable since the initial filing in this case?**

14 A: Yes. Subsequent to the filing of the rate case, KCPL received its final 2006 property  
15 tax assessments from all state and local assessing authorities in Missouri and Kansas.  
16 KCPL’s combined Missouri and Kansas taxable assessed values increased from  
17 \$677,794,344 in 2005 to \$701,885,630 in 2006. Projected KCPL 2006 property tax  
18 was calculated by applying actual 2005 average tax levy rates, by county, for KCPL  
19 property to the actual 2006 assessments, by county. This resulted in total property  
20 tax, based on December 2005 plant, of \$57,064,955. (See Exhibit SG-1.) After  
21 determining and subtracting similarly calculated property tax amounts for Vehicles,  
22 Construction Work In Progress, Unit Trains, and Non-utility property based on actual  
23 2006 assessments with actual 2005 tax levy rates the total annualized property tax

1 O&M expense is \$56,175,765. This supports a known and measurable annualized  
2 property tax adjustment of \$1,764,633 when applied to the 2005 nine-month actual,  
3 three-month budgeted test year expense of \$54,411,132.

4 **Q: Have the actual 2006 assessed values impacted other components of the**  
5 **annualized adjustment?**

6 A: Yes. The impact for expected increases in tax levy rates has been updated due to the  
7 application of actual 2006 assessed values, resulting in a property tax O&M  
8 annualized adjustment amount of \$1,159,227 for expected 2006 increases to the  
9 actual 2005 tax levy rates. Of this amount, \$660,293, relating to O&M property tax  
10 expense, was based on a three-year historical trending factor of levy rate increases for  
11 KCPL property of 1.18%. The remaining \$498,934 is based on a 2006 approved levy  
12 increase in the Burlington, Kansas USD #244 school levy that has not changed for  
13 14 years. On August 14, 2006 the Board of Education of the USD #244 approved a  
14 2.5 mill levy increase for 2006. This actual tax levy rate change increases KCPL's  
15 2006 projected property tax amount by \$500,316. (See Exhibit SG-2.) As \$1,382 of  
16 the USD #244 tax levy increase will be capitalized, \$498,934 will increase the  
17 property tax O&M annualized adjustment.

18 **Q: Are there any additional factors to be considered?**

19 A: Yes, also included in KCPL's June 30, 2006 update of its annualized property tax  
20 amount were two property tax adjustment amounts relating to 2006 plant additions  
21 through September 30, 2006.

22 **Q: Please explain the first adjustment relating to 2006 plant additions through**  
23 **September 30, 2006.**

1 A: The estimated plant additions from January 1 to September 30, 2006 (excluding the  
2 new wind generation facility) were updated subsequent to the filing and resulted in a  
3 revised tax adjustment of \$1,309,526. This adjustment was determined by developing  
4 a ratio of the latest known amount of 2006 property taxes to total gross plant as of  
5 December 31, 2005. This ratio was then applied to the 2006 plant additions as of  
6 September 30, 2006 excluding any wind generation additions.

7 **Q: Please explain the second adjustment relating to 2006 plant additions through**  
8 **September 30, 2006.**

9 A: As explained in direct testimony filed by Philip Burrigh in this case, no property  
10 taxes were annualized on the new wind generating facility located in Ford County,  
11 Kansas as such property is exempt from property taxes. However, pursuant to  
12 K.S.A. 12-147, taxing subdivisions of the State of Kansas are authorized and  
13 empowered to enter into contracts for PILOTs with the owners of property exempt  
14 from property taxes. In June 2006, separate Agreements were finalized with Ford  
15 County and USD #381 that provided for 30 annual payments commencing in 2007.  
16 The aggregate of the payments in the initial year is \$330,000 and such payments  
17 escalate between 2.5% and 3% per year (refer to response to KCC Staff Data Request  
18 No. 106S).

19 **Q: Would you please summarize KCPL's annualized adjustments to test year 2005**  
20 **O&M property tax expense?**

21 A: Yes. The adjustment for using actual 2006 assessed values but with 2005 actual tax  
22 levies is \$1,764,633. The adjustment for applying projected 2006 tax levy increases  
23 to 2006 actual assessments is \$1,159,227 (of which \$498,934 is already authorized).

1 The adjustment for taxes on 2006 plant additions is \$1,639,526 (of which \$330,000 is  
2 pursuant to signed Agreements regarding the new wind generation facility).  
3 Accordingly, KCPL's total proposed annualized O&M property tax expense  
4 adjustment is \$4,563,386, increasing the 2005 nine-month actual, three-month  
5 budgeted test year property tax expense from \$54,411,132 to \$58,974,518.

6 **Q: Why are these adjustments considered appropriate in this case?**

7 A: The 2006 Rate Case Schedule pursuant to the Stipulation and Agreement indicated  
8 that KCPL may include new investment in plant that is anticipated to be in service by  
9 December 31, 2006. Accordingly, annualized property taxes on these plant additions  
10 should be considered as part of this case. Additionally, the projected 2006 property  
11 taxes are known and measurable because they are based on actual assessments, actual  
12 and/or historical trended tax levies and will be effective prior to the effective date of  
13 the new rates. The projected property taxes on the 2006 plant additions are known  
14 and measurable based on actual signed agreements or use of an acceptable tax to plant  
15 ratio, and such tax increases coincide with the implementation of the new rates.

16 **Q: Did CURB witness Crane recommend any adjustments to KCPL's proposed**  
17 **annualized property tax adjustments?**

18 A: Yes, there were two adjustments reported on Schedule ACC-37 in Ms. Crane's  
19 testimony. The first was for an increase in the PILOT amount from the estimated  
20 \$300,000 reflected in KCPL's original filing to the \$330,000 amount in the final  
21 Agreements executed after the filing of the case. We agree with this adjustment. The  
22 second recommended adjustment disallowed the 1.18% increase in the 2006 property  
23 tax levy amounting to \$682,111. The reason given was that KCPL's 2006 budgeted

1 property tax expense already contained an increase over the actual 2005 composite  
2 property tax rate and therefore no further adjustment should be necessary. However,  
3 in KCPL's original filing, the 2006 budgeted property tax expense was adjusted to  
4 eliminate any 2006 tax levy rate increase. Because of this earlier adjustment, we do  
5 need to add a separate layer for the 1.18% three-year average levy rate increase.  
6 Accordingly, while we disagree with this adjustment, we assume it was due to a  
7 misinterpretation of KCPL's Adj. 33b workpapers.

8 **Q. Would you care to add any additional comments or summarize your testimony?**

9 A. Yes. KCPL respectfully requests the Commission to allow a recovery of known and  
10 measurable increases in its property tax expense, amounting to \$4,563,386  
11 (\$2,101,321 on a Kansas jurisdictional basis) above its 2005 nine-month actual, three-  
12 month budgeted test year, in this rate case proceeding rather than require a recovery  
13 mechanism only through a property tax surcharge which KCPL has never adopted.

14 **Q: Does that conclude your testimony?**

15 A: Yes, it does.

**Kansas City Power & Light Company  
Schedule of Property Taxes  
Total System Summary  
Actual 2006 Assessments with 2005 Actual Tax Levy Rates**

Kansas Taxes (excluding Unit Trains)	30,258,466
Missouri Taxes (excluding Unit Trains)	<u>26,740,986</u>
Subtotal without Taxes on Unit Trains	56,999,452
2006 Total Unit Train Tax on 12-31-05 plant	<u>65,503</u>
Total Property Taxes on System 12-31-05 Plant	<b>57,064,955</b>

Prepared by: Shannon Green, Tax

Corrected Aug. 29, 2006

Kansas City Power & Light  
Schedule of Property Taxes Due  
By Kansas Taxing Units - 2006

State Summary

Actual 2006 Kansas Assessed Valuation by County with 2005 Actual Tax Levies

<u>Taxing District</u>	<u>2006 Actual Assessed Valuation</u>	<u>2005 Actual Effective Tax Rate</u>	<u>Total Tax Due</u>
Allen County	343,775	11.2004%	38,504
Anderson County	3,040,427	12.0982%	367,837
Atchison County	40,401	11.8772%	4,799
Bourbon County	358,535	12.8478%	46,064
Coffey County	200,794,497	6.5171%	13,085,902
Douglas County	3,143,842	10.8428%	340,879
Franklin County	10,890,352	11.6541%	1,269,173
Johnson County	67,738,104	11.2436%	7,616,224
Other Assessments	-	-	17,474
Total Johnson Co.	-	-	7,633,698
Leavenworth County	804,118	9.8582%	79,272
Linn County	53,031,069	8.9229%	4,731,888
Lyon County	3,888	14.9977%	583
Miami County	20,160,241	10.6993%	2,157,000
Osage County	3,566,867	11.1649%	398,238
Shawnee County	5,635	14.3728%	810
Wyandotte County	782,537	14.7193%	115,184
Rounding	(3)		
Grand Total Kansas	<u>\$364,704,285</u>	<u>8.2998%</u>	<u>30,269,831</u>

Less:

Kansas Unit Train Taxes paid to Linn County  
that are part of the valuation above.

(11,365)

Total Kansas less allocated Unit Train Taxes

**30,258,466**

Prepared by: Shannon Green, Tax  
Corrected Aug. 29, 2006

Kansas City Power & Light  
Schedule of Property Taxes Due  
By Missouri Taxing Districts - 2006  
Actual 2006 Missouri Assessed Valuations by County with 2005 Actual Tax Levy Rates

Total Tax by County	Distributable			Locally Assessed			Total Distributable & Local Tax Due: 12-31-06
	2005 Effective Tax Rate	2006 Actual Assessed Valuation	Distributable Tax Due	2005 Effective Tax Rate	2006 Actual Assessed Valuation	Local Tax Due	
Bates County	5.265%	1,118,116	58,870	5.160%	347,443	17,927	76,797
Buchanan County	6.523%	570,978	37,271	-	0	-	37,271
Carroll County	6.251%	21,225,368	1,326,771	6.094%	6,132	374	1,327,145
Other Misc. Levees	-	-	-	-	-	-	438
Total Carroll Co	-	-	-	-	-	-	-
Cass County	6.252%	12,952,538	809,741	5.884%	24,370	1,434	811,175
Chariton County	5.976%	21,227,675	1,268,653	5.869%	9,714	570	1,269,223
Other Misc. Levees	-	-	-	-	-	-	298
Total Chariton Co	-	-	-	-	-	-	-
Clay County	8.214%	42,412,287	3,483,794	8.041%	3,450,130	277,436	3,761,230
Other Misc. Levees	-	-	-	-	-	-	5,172
Total Clay Co	-	-	-	-	-	-	-
Cooper County	6.518%	927,790	60,469	-	0	-	60,469
Henry County	5.109%	1,832,127	93,599	4.608%	6,163,389	283,989	377,588
Other Misc. Levees	-	-	-	-	-	-	-
Total Henry Co	-	-	-	-	-	-	-
Howard County	7.118%	3,683,862	262,138	6.670%	4,320	288	262,426
Jackson County	9.264%	115,554,314	10,705,216	8.862%	36,875,780	3,267,779	13,972,995
Other Misc. Levees	-	-	-	-	-	-	94,277
Total Jackson Co	-	-	-	-	-	-	-
Johnson County	5.947%	139,188	8,277	-	0	-	8,277
Lafayette County	6.159%	8,999,144	554,257	5.672%	706	40	554,297
Livingston County	6.618%	6,152	407	-	0	-	407
Pettis County	5.972%	2,000,536	119,473	5.972%	3,430	205	119,678
Platte County	7.715%	25,126,087	1,938,582	7.011%	11,174,058	783,448	2,722,030
Other Misc. Levees	-	-	-	-	-	-	6,086
Total Platte Co	-	-	-	-	-	-	-
Randolph County	5.324%	536,757	28,577	-	0	-	28,577
Ray County	6.119%	959,704	58,726	-	0	-	58,726
Salina County	6.057%	19,533,198	1,183,101	5.599%	316,052	17,695	1,200,796
Other Misc. Levees	-	-	-	-	-	-	14,036
Total Saline Co	-	-	-	-	-	-	-
<b>Total Missouri Due 12-3</b>	<b>7.890%</b>	<b>278,805,821</b>	<b>21,997,922</b>	<b>7.981%</b>	<b>58,375,524</b>	<b>4,651,185</b>	<b>26,769,414</b>

Less:

Missouri Billing to Gailoyd for rental of Parking lot

(28,428)

Total Missouri without unit train taxes

**26,740,986**

Kansas City Power & Light Company  
Docket No. 06-KCPE-828-RTS

2006 Property Tax Increase Due to 2006 Mill Levy Rate Increase  
on KCPL Property located in USD #244

Coffey County Tax Units with USD # 244	KCPL Actual 2006 Assessed Value
001	\$ 10,027
021	\$ 26,992
058	\$ 239,066
150	\$ 189,395,030
151	\$ 2,143,486
152	\$ 5,396,254
155	\$ 2,678
450	\$ 1,530,752
451	\$ 772,248
462	\$ 2,132
501	\$ 2,198
701	\$ 96,584
702	\$ 84
708	\$ 181,293
709	\$ 327,509
	<u>\$ 200,126,333</u>
Mill levy increase	<u>2.5</u>
Tax Increase	<b>\$ 500,316</b>

Note: Since 1992, the USD #244 has maintained a 24 mill tax levy rate for the combined general fund, supplemental fund and capital outlay fund. In 2006 for the first time in 14 years this combined levy was increased to 26.5 mills per passage at the August 14, 2006 SD #244 School Board Meeting. This results in a 2.5 mill levy rate increase.

One mill equals \$1 Tax per \$1,000 Assessed Valuation  
Thus, 2.5 mills equals \$2.50 tax per \$1,000 A.V.

Prepared by: Shannon Green, Tax

