

**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)	Case No. ER-2014-0370
Rate Increase for Electric Service)	

PUBLIC COUNSEL'S STATEMENT OF POSITIONS

COMES NOW the Office of the Public Counsel and for its Statement of Positions states as follows:

I. Cost of Capital

A. ISSUE: Return on Common Equity – What return on common equity should be used for determining rate of return?

OPC Position: Four experts offered evidence on the proper return on common equity (ROE): Reno (9.0%), Gorman (9.1%), Marevangepo (9.25%), and Hevert (10.3%). Recognizing that the Staff's calculations determined that the cost of equity to KCPL is actually within the range of 6.0% to 8.0%, an appropriate ROE for KCPL is no more than 9.0%, which will be more than sufficient to attract capital, and would allow KCPL to recover significantly more than the true cost of equity.

B. ISSUE: Capital structure – What capital structure should be used for determining rate of return?

OPC Position: Public Counsel supports the capital structure recommended by the MIEC witness Michael Gorman.

C. ISSUE: Cost of debt – What cost of debt should be used for determining rate of return?

OPC Position: Public Counsel supports the cost of debt recommended by the MIEC witness Michael Gorman.

II. Fuel Adjustment Clause

- A. ISSUE: Does KCPL's fuel adjustment clause request violate the Stipulation and Agreement from Case No. EO-2005-0329? If so, should it be rejected?

OPC Position: Yes, KCPL's request to implement a fuel adjustment clause violates the Stipulation and Agreement from Case No. EO-2005-0329, and the Commission order approving the agreement that required KCPL to adhere to the requirement that "prior to June 1, 2015, [KCPL] will not seek to utilize" an FAC mechanism. In KCPL's October 30, 2014 rate case filing, filed seven (7) months before June 1, 2015, KCPL seeks to utilize an FAC. Accordingly, KCPL's request violates the Stipulation and Agreement and should be rejected (Mantle Direct, pp.9-10).

- B. ISSUE: Has KCPL met the criteria for the Commission to authorize it to have a fuel adjustment clause?

OPC Position: No, KCPL has not met any of the necessary criteria for the Commission to authorize an FAC. The necessary criteria were identified in the Direct Testimony of OPC witness Ms. Lena Mantle (p. 3) as follows:

1. An FAC should be granted to an electric utility only if it is necessary to provide a utility with a sufficient opportunity to earn a fair return on equity, which is measured by the following standards:
 - a. Past and expected changes in the costs and revenues proposed to be included in the FAC are substantial enough to have a material impact upon revenue requirement and the financial performance of the electric utility between rate cases;
 - b. Changes in the costs and revenues included are beyond the control of management, where utility management has little influence over experienced revenue or cost levels; and
 - c. The costs and revenues included are volatile in amount, causing significant swings in income and cash flows if not tracked.
2. An FAC should be granted to an electric utility only if the proposed FAC is not harmful to ratepayers, which is measured by the following standards:
 - a. It does not shift an inappropriate amount of risk regarding the electric utility's fuel and purchased power costs, including

transportation, to the customers; and

b. It does not create significant swings in the bills of the customers.

3. An FAC should be in the public interest.

C. ISSUE: Should the Commission authorize KCPL to have a fuel adjustment clause?

OPC Position: No. First, KCPL's request violates the Commission's order in Case No. EO-2005-0329, as addressed above in issue II.A, and should be denied (Mantle Direct, pp. 9-10). Second, KCPL's request should be denied because KCPL has not provided complete descriptions of the costs and revenues in proposes to flow through the FAC as required by 4 CSR 240-3.161 (Mantle Direct, pp. 11-13). Third, KCPL has not met the criteria identified above in issue II.B in that: (1) KCPL has not shown that an FAC is necessary to earn the company's authorized return; (2) KCPL has not provided necessary detail regarding the costs and revenues proposed to flow through the FAC; (3) KCPL has not shown that fuel and purchased power costs, including transportation costs, are volatile; (4) KCPL has not shown that changes in costs and revenues are beyond the control of management; (5) KCPL has not shown that an FAC would not shift an unreasonable amount of risk to ratepayers; and (6) KCPL has not shown that causing volatility in the bills of the thousands of residential and business customers is in the public interest (Mantle Direct, pp. 18-29).

D. If the Commission authorizes KCPL to have a fuel adjustment clause, how should it be structured?

i. ISSUE: What percentage (customers/company) of changes in costs and revenues should the Commission find appropriate to flow through the fuel adjustment clause?

OPC Position: If the Commission authorizes KCPL to implement an FAC, KCPL should be authorized to flow no more than 50% of changes to costs and revenues to ratepayers through the FAC (Mantle Direct, pp. 30-32).

- ii. ISSUE: Should the costs and revenues that are to be included in the FAC be approved by the Commission and explicitly identified along with the FERC account, subaccount and the resource code in which KCPL will record the actual cost/revenue? If so, what costs and revenues should be included and what are their corresponding FERC accounts, subaccounts and resource codes?

OPC Position: If the Commission approves an FAC for KCPL, the costs and revenues to be included should be explicitly identified by FERC account, subaccount and resource code (Mantle Direct, p. 30). The costs and revenues to be included should be limited to only those costs and revenues specifically identified by KCPL and supported with detailed descriptions that enable the Commission to clearly understand the costs and revenues that FAC seeks to recover through an FAC.

- iii. ISSUE: Should the FAC tariff sheets reflect the accounts, subaccounts, resource codes, and the cost/revenue description?

OPC Position: Yes, the tariff sheets should include FERC accounts, subaccounts, resource codes and cost/revenue descriptions (Mantle Direct, pp. 34-35).

- iv. ISSUE: Should Southwest Power Pool (“SPP”) and other regional transmission organization/independent system operator transmission fees be included in the FAC, and at what level?

OPC Position: KCPL’s wholesale transmission expenses and revenues not associated with the transportation of fuel or purchased power should not be recovered through the FAC (Dauphinais Direct, pp. 5-16).

- v. ISSUE: Should SPP and FERC Administrative fees (SPP Schedule 1-A and 12) be included in the FAC?

OPC Position: None of KCPL’s SPP administration charges nor the NERC and FERC fees (Accounts 561, 565, 575 and 928) should be recovered through an FAC, as these are neither fuel and purchased power expenses nor transportation expenses incurred to deliver fuel or purchased power (Dauphinais Direct, pp. 16-17).

- vi. ISSUE: Should all realized gains and losses from KCPL’s cross hedging practices be included in the FAC?

OPC Position: No, such costs should be excluded (Eaves Surrebuttal, pp. 13-14).

- vii. ISSUE: Should SO2 amortizations, bio fuels, propane, accessorial charges, broker commissions, fees and margins, be included in the FAC?

OPC Position: SO2 amortizations should not be included in the FAC because they are a fixed amount that is already included in permanent rates. Bio-fuels, propane, accessorial charges, broker commission fees and margins should not be included if they were not incurred during the test year (Mantle Direct, p. 35).

- viii. ISSUE: Should the FAC include costs and revenues that KCPL is not currently incurring or receiving other than insurance recoveries, subrogation recoveries and settlement proceeds related to costs and revenues included in the FAC?

OPC Position: No. Costs and revenues that a company is not currently incurring or receiving should be excluded from an FAC until approved by the Commission in a subsequent rate case. Costs the company is not currently incurring should be excluded from the FAC because they would cause rate increases due to costs that do not withstand Commission review to determine whether including such costs are lawful or reasonable. A similar argument can be made for excluding additional revenues. Exceptions to this would be revenues for insurance recoveries, subrogation recoveries and settlement proceeds related to costs and revenues included in the FAC because such revenue increases are likely the result of circumstances that caused additional costs or reduced revenues in the FAC (Mantle Direct, p.34).

- ix. ISSUE: Does the FAC need to have exclusionary language added to insure that NERC and FERC penalties are not included?

OPC Position: Yes.

- x. ISSUE: Should the phrase “miscellaneous SPP IM charges, including but not limited to,” be included in KCPL’s FAC tariff?

OPC Position: No, it should not. The FAC tariff sheets should define clearly what charges are to be included, and no charges other than what the Commission approves should be included in the FAC (Mantle Direct, p. 35).

xi. ISSUE: How should OSSR be defined?

OPC Position: Off-system sales revenue should be defined as sales from bilateral contracts and the amount of sales to the SPP integrated market above purchases made to meet KCPL's customer's loads from the SPP integrated market.

xii. ISSUE: How should the "J" component be defined, i.e., how should "Net System Input" be defined for KCPL's operations?

OPC Position: Public Counsel supports the definition proposed by Staff witness Mr. Dana Eaves (Eaves Surrebuttal, pp. 10-11).

xiii. ISSUE: Should the rate schedules implementing the FAC have an amount for the Base Factor when the Commission initially approves them, or not until after the end of the first FAC accumulation period?

OPC Position: The costs and revenues used to determine the base factor should be the same as the costs and revenues included in the revenue requirement used to set permanent rates. Because this factor will be known at the time the tariff sheets are filed, it should be included in the FAC tariff sheets the Commission approves.

xiv. ISSUE: How many different voltage levels of service should be recognized for purposes of applying loss factors?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

xv. ISSUE: What are the appropriate recovery periods and corresponding accumulation periods for the FAC?

OPC Position: The FAC recovery periods should be October through September and April through March with the corresponding accumulation periods changed to January through June and July through December respectively. This change is in the public interest because it would reduce the number of times customers see a change in their rates to three times a year (Mantle Direct, pp. 37-38).

- xvi. ISSUE: Should FAC costs and revenues be allocated in the accumulation period's actual net energy cost in a manner consistent with the allocation methodology utilized to set permanent rates in this case?

OPC Position: Yes.

- E. ISSUE: If the Commission authorizes KCPL to have a fuel adjustment clause, what FAC-related reporting requirements should it order KCPL to comply with?

OPC Position: It is OPC's position that the reporting requirements requested by Staff will increase the transparency of the FAC. Therefore, the Commission should require KCPL to supply the additional information requested by Staff.

- F. ISSUE: If the Commission authorizes KCPL to have an FAC, should KCPL be allowed to add cost and revenue types to its FAC between rate cases?

OPC Position: It is OPC's position that KCPL should not be able to add costs and revenues types to its FAC between rate cases. Such decisions should be made during a rate case where ratepayers have input and where the Commission determines what should be included (Mantle Direct, p. 34).

III. Transmission Fees Expense

- A. ISSUE: What level of transmission fees expense should the Commission recognize in KCPL's revenue requirement?

OPC Position: Public Counsel did not file testimony on a particular level of transmission fees and reserves the right to base a final position on the testimony provided at hearing. However, it is OPC's position, as provided by OPC/MIEC witness Jim Dauphinais, that the Commission should deny KCPL's proposed pro forma adjustment to remove 100% of its net plant, transmission revenues and transmission O&M expenses associated with its SPP Regional Transmission Projects from its retail rates in Missouri (KCPL Adjustments RB-81, R-81 and CS-81) (Dauphinais Rebuttal page 24).

- B. ISSUE: Should a tracker be implemented for KCPL's future transmission fees expense that varies from the level of transmission fees expense the Commission recognizes in KCPL's revenue requirement and that KCPL will not recover through a fuel adjustment clause?

OPC Position: No, KCPL has not demonstrated that SPP transmission costs are volatile because the cost estimates do not have high levels of unexpected variance and the cost estimates for the charges are routinely updated and disseminated by SPP. In addition, the stakeholder and regulatory process for approval of transmission projects combined with these cost estimates provide KCPL more than enough time to analyze the costs in conjunction with the costs of all of its other operations and, if necessary, react by filing a rate case (Dauphinais Surrebuttal, pp. 5-6, 9, 12).

IV. Property Tax Expense

A. ISSUE: What level of property tax expense should the Commission recognize in KCPL's revenue requirement?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

B. ISSUE: Should a tracker be implemented for KCPL's property tax expense that varies from the level of property tax expense the Commission recognizes in KCPL's revenue requirement?

- i. Should KCPL get a return on as well as return of the tracked amounts?
- ii. Should KCPL get carrying costs on the tracked amounts?

OPC Position: No, the Commission should deny KCPL's request for a property tax tracker because: (1) Staff's annualized property tax amount accurately captures the known and measurable property tax expense; (2) KCPL's property tax expense is predictable; (3) Assertions that property tax expense will increase are speculative at best; (4) The tracker would not consider all relevant factors; (5) The tracker would not incentivize KCPL to control cost; and (6) Trackers are a deviation from cost of service regulation and violate the "matching principle" (Addo Rebuttal, pp. 10-17; Robertson Surrebuttal, pp. 3-9).

V. CIP/cyber-security Expense

A. ISSUE: What level of CIP/cyber-security expense should the Commission recognize in KCPL's revenue requirement?

OPC Position: Public Counsel did not file testimony on this issue and reserves the

right to base a final position on the testimony provided at hearing and during the true-up.

B. ISSUE: Should a tracker be implemented for KCPL's CIP/cyber-security expense that varies from the level of CIP/cyber-security expense the Commission recognizes in KCPL's revenue requirement?

- i. Should KCPL get a return on as well as return of the tracked amounts?
- ii. Should KCPL get carrying costs on the tracked amounts?

OPC Position: No, the Commission should deny KCPL's request for a CIP/cyber-security tracker because: (1) KCPL has not properly defined the type of costs that would be included in such a tracker; (2) Costs associated with new security standards are not new and are a normal on-going business expense; (3) Granting KCPL's request would encourage similar tracker requests by other public utilities; (4) The tracker would not consider all relevant factors; (5) The tracker would not incentivize KCPL to control cost; (6) Trackers are a deviation from cost of service regulation and violate the "matching principle"; and (7) No other utility in the country has been granted a similar tracker for CIP/cyber-security costs (Addo Rebuttal, pp. 18-23; Marke Surrebuttal, pp. 27-31; Robertson Surrebuttal, pp. 3-9).

VI. Vegetation Management Expense –

A. ISSUE: What level of vegetation management expense should the Commission recognize in KCPL's revenue requirement?

OPC Position: Public Counsel's evidence supports an annualized level for vegetation management expense of \$14,966,267 (Addo Direct, pp. 15-16).

B. ISSUE: Should a tracker be implemented for KCPL's vegetation management expense that varies from the level of vegetation management expense the Commission recognizes in KCPL's revenue requirement?

- i. Should KCPL get a return on as well as return of the tracked amounts?
- ii. Should KCPL get carrying costs on the tracked amounts?

OPC Position: No, the Commission should deny KCPL's request for a vegetation management tracker because: (1) KCPL's vegetation management costs are neither escalating nor volatile; (2) KCPL has seven years of historical cost data upon which to develop a normalized annual ongoing cost level; (3) The tracker would not consider all relevant factors; (4) The tracker would not incentivize KCPL to control cost; (5) Costs

KCPL wishes to track are inconsistent with scope of vegetation management requirements; (6) KCPL's cost estimates are speculative and KCPL has not incurred any actual costs in relation to these programs; and (7) Trackers are a deviation from cost of service regulation and violate the "matching principle" (Addo Rebuttal, pp. 4-10; Robertson Surrebuttal, pp. 3-9).

VII. La Cygne Environmental Retrofit project

ISSUE: What level of KCPL's investment in the La Cygne Environmental Retrofit project should be included in KCPL's Missouri rate base?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

VIII. La Cygne Environmental Retrofit project construction accounting deferrals

A. **ISSUE:** Should the depreciation expense and carrying costs of the La Cygne Environmental project that KCPL has deferred by construction accounting be amortized over a period of years and the resulting annual amount included in KCPL's rate base?

B. **ISSUE:** If so, over what period of years should they be amortized?

OPC Position: KCPL should receive no rate recovery of any of the La Cygne construction cost deferrals (Majors Rebuttal, pp. 2-32). Mr. Majors states that KCPL's request to recover the construction deferrals in rates "is an unwarranted departure from traditional historic cost of service ratemaking" (Majors Rebuttal, p.2). Mr. Majors identifies the following reasons to deny rate recovery:

1. The cost of the La Cygne environmental retrofit project does not rise to the level of other KCPL construction projects that have received construction accounting treatment;
2. The La Cygne environmental retrofit project is part of the ordinary and normal costs of providing electric service; and
3. The La Cygne environmental retrofit project does not meet the Commission's standards for AAO deferrals to be associated with events that are extraordinary, unusual, and infrequent (Majors Rebuttal, p.5).

IX. Wolf Creek overtime

ISSUE: What level of overtime for Wolf Creek should the Commission recognize in KCPL's revenue requirement?

OPC Position: Public Counsel supports the position of the Commission's Staff to use a more recent two-year average to determine the level of overtime.

X. Wolf Creek OPEBs

ISSUE: What level of OPEBs for Wolf Creek should the Commission recognize in KCPL's revenue requirement?

OPC Position: Public Counsel supports the position of the Commission's Staff (Majors Surrebuttal, pp. 69-70).

XI. Amortization Periods Ending Before the End of the True-up Period

- A. ISSUE: Should the Commission recognize in KCPL's revenue requirement the amounts associated with the periods between when each of the amortization periods for (which rate cases) rate case expense, Wolf Creek refueling, R&D tax credit amortizations ended until new rates in this case?
- B. ISSUE: If so, how?

OPC Position: Public Counsel supports the position of the Commission's Staff.

XII. DOE Spent Nuclear Fuel Fees

- A. ISSUE: Should the Commission recognize in KCPL's revenue requirement the aggregate amount of the DOE spent nuclear fuel fees from May 16, 2015, until new rates in this case that KCPL ceased incurring on May 16, 2015?
- B. ISSUE: If so, how?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

XIII. Bad debt gross-up

ISSUE: Should bad debt expense be grossed-up for the revenue requirement change the Commission finds for KCPL in this case?

OPC Position: No. Public Counsel supports the position and testimony of Staff witness Mr. Keith Majors, which states (Majors Rebuttal, p. 2):

KCPL's rationale for making this request is based on the assumption that any increase in revenue requirement granted by the Commission will cause bad debt expense to also directly increase proportionally. However, KCPL has not demonstrated a direct correlation between the level of rates and the percentage of bad debts that would justify the reflection of increased bad debt expense in rates. KCPL's request is based upon an assumption that is speculative and is not based upon known and measurable changes. Staff has based its recommendation on actual historical levels of bad debt. Staff's analysis concludes that there is no direct correlation between bad debts and the level of rate increases, or even the level of revenue growth of KCPL. Staff's analysis of the actual net write-offs to related revenues depicted in the attached charts and graphs indicates that bad debt expense sometimes moves in the opposite direction or not in direct proportion when levels of rates and revenues increase. Staff recommends that the Commission deny KCPL's request to adopt KCPL's proposed bad debt "factor up" for bad debts.

XIV. Rate case expense

A. ISSUE: Were any rate case expenses claimed by KCPL imprudently incurred?

OPC Position: Yes, \$49,394 should be disallowed due to certain consulting fees and attorneys fees that were imprudently incurred (Addo Surrebuttal, p. 26).

B. ISSUE: Should the Commission require KCPL shareholders to cover a portion of KCPL's rate case expense?

OPC Position: Yes, KCPL shareholders should be required to cover at least half of KCPL's rate case expense, calculated after the disallowances for imprudence identified above (Addo Rebuttal, pp. 30-35).

C. ISSUE: What level of rate case expense for this rate case should the Commission recognize in KCPL's revenue requirement?

OPC Position: As of this date, the Commission should include \$49,262 in rates for KCPL's normalized rate case expense. This amount was calculated by first subtracting \$49,394 in imprudent costs from the rate case expenses claimed by KCPL to date, and sharing the resulting expenses equally between ratepayers and shareholders through a normalized rate case expense of \$49,262 to be recovered annually (Addo Surrebuttal, p.

25). This amount is subject to true-up.

XV. Transition cost amortization

ISSUE: What is the appropriate level of transition cost amortization to be included in KCPL's revenue requirement?

OPC Position: Public Counsel recommends that the Commission end inclusion of the amortization of transition costs in the KCPL revenue requirement. The Company has already recovered the transition costs through retained synergies between rate cases and has failed to justify the continued inclusion of this cost.

XVI. Joint and common cost allocations

ISSUE: What adjustments, if any, are necessary to ensure that KCPL's rates do not subsidize unregulated operations?

OPC Position: KCPL acts as a service company for all of the Great Plains Energy companies. As such, all costs are incurred by KCPL for the benefit of these other companies. These costs are then assigned or allocated to the other companies. Therefore, to the extent that costs are not assigned or allocated, they are retained by KCPL for recovery from ratepayers. In his Direct Testimony, Mr. Lane Kollen made several proposed adjustments designed to ensure that KCPL ratepayers are protected from allocation problems. While KCPL accepted several of these recommendations, two adjustments have been opposed.

Minimum Allocation to Parent Company GPE: The most significant problem is that the General Allocator allocates only 0.49% of KCP&L's indirect costs to GPE. This paltry allocation of indirect costs is not reasonable. GPE is the holding company for a multi-billion dollar portfolio of regulated and unregulated companies. KCP&L actively manages this portfolio for GPE and yet it charges GPE a mere \$175,000 for the indirect costs to provide these services. That is because GPE has "pushed down" nearly all of its revenues and costs to its subsidiaries, thus minimizing its allocation and maximizing the allocations to KCP&L and all other GPE affiliates.

The allocation of only 0.49% of indirect costs to KCPL's parent company is clearly minimal. In contrast, Ameren Services Company allocates 6.9% of its indirect

costs to its parent company. Similarly, Southern Company Services allocates 3.8% of its indirect costs to its parent company. Recognizing the nature of the services undertaken by Great Plains Energy, and the similarity of those services to both Ameren and Southern Company, Mr. Kollen recommends that the Commission establish a minimum allocation of indirect costs to Great Plains Energy of 5.0%. Such a recommendation protects ratepayers from KCPL's attempts to maximize costs for regulated recovery and minimize the costs to deregulated operations. The effect of this recommendation is to reduce KCPL's revenue requirement by \$571,244. (Kollen Direct, pp. 19-22; Kollen Surebuttal, pp. 3-6).

Reflect Actual Cost of Capital: As indicated, all costs for services needed by KCPL affiliates are initially incurred at KCPL. While KCPL finances these activities at a carrying cost of 11.19%, KCPL charges its affiliates a carrying cost rate of only 0.25%. Thus, KCPL ratepayers are subsidizing the shareholders of KCPL's affiliates. In order to prevent this subsidy, the Commission should: (1) remove the interest expense incurred by KCP&L on the affiliate receivables and (2) make an adjustment to reflect a carrying cost on these affiliate receivables equal to KCPL's actual finance cost. (Kollen Direct, pp. 23-26; Kollen Surrebuttal, pp. 6-7).

XVII. Management audit

ISSUE: Should the Commission order a management audit of KCPL?

OPC Position: Yes. This audit should encompass all functional operation and maintenance activities as well as administrative and general expenses. KCP&L's administrative and general expense metrics consistently exceed that of the other utilities in the region (Kollen Direct, pp. 13-15). Ratepayers and shareholders would both benefit from such an audit.

XVIII. Clean Charge Network

A. ISSUE: Should all issues associated with KCPL's Clean Charge Network be considered in a separate case, and not considered in this case?

OPC Position: Yes. Considering these issues in a separate case will enable the company, the Commission, and all interested stakeholders to address the long list of

unanswered questions surrounding electric vehicle recharging stations. These include unanswered questions regarding ratepayer subsidies, program goals, income distribution, public participation, tariffs, program design, scope of the investment, risk shifting, cost-benefit analyses, participating organizations, host sites, free electricity offerings, anti-competitive subsidies, and proper performance-based measures to determine effectiveness, among others. These and other program details are missing from KCPL's proposal and would be best addressed in a separate docket (Dismukes Rebuttal, pp. 11-39).

B. ISSUE: Is the Clean Charge Network a public utility service?

OPC Position: Additional details regarding the proposal are necessary before OPC will be able to take an informed position on whether KCPL's proposed CCN is a public utility service. However, two outside consultants retained by OPC have addressed this issue to a limited extent. Mr. Lane Kollen testified that the service should be unregulated (Kollen Direct, p. 28), whereas Mr. David Dismukes testified that many questions need to be answered before deciding this and other issues surrounding the proposal (Dismukes Rebuttal, pp. 11-39). A separate case should be opened to address this issue and the multitude of other issues raised by the parties in this case, and to allow feedback on these issues from a larger group of interested Missouri stakeholders.

C. ISSUE: If the Clean Charge Network is a public utility service, who pays for it?

OPC Position: There is not enough supporting detail to substantiate any ratepayer burden. All costs submitted in this case should be rejected and bore by shareholders. If/when it is appropriate for ratepayers to bear the costs of the CCN - after policyholders have weighed-in during an appropriate proceeding – only the cost causers/end users should pay for the costs.

XIX. Income tax-related issues (including accumulated deferred income taxes or “ADIT”)

ISSUE: What adjustments, if any, are necessary to ensure that KCPL's income tax allowance, including ADIT matters, is calculated appropriately?

OPC Position: Public Counsel's position is that the Commission should adopt the income tax adjustments proposed by MECG witness Mr. Brosch and the inclusion of these adjustments during the true-up phase (Brosch Direct, pp. 38-46).

Public Counsel also supports Mr. Brosch's recommendation regarding CWIP-related Accumulated Deferred Income Taxes (ADIT), that since ratepayers are providing KCPL a return on these construction projects through AFUDC, they should also receive the benefits of the associated ADIT balances. By excluding these ADIT balances as an offset to rate base, KCPL is earning the return and keeping all of the benefits of accumulated depreciation (e.g., lower current income taxes). (Brosch Direct, pp. 50-55; Brosch Surrebuttal, pp. 3-8).

Public Counsel also takes the position, consistent with the testimony of Mr. Brosch, that KCPL has received rent abatement benefits associated with its lease of headquarters space, and KCPL has recognized a significant liability on current books to recognize the delayed obligation to make additional lease payments in the future. In connection with this liability balance, a large and offsetting deferred tax asset was recorded to recognize that the accrued but unpaid future lease costs are not currently deductible for income tax purposes. The Company proposes to include in rate base the ADIT asset item to increase rate base, but not the corresponding accrued lease liability balance that would reduce rate base if recognized. This is an unreasonable mismatch that must be corrected. (Brosch Direct, p. 55; Brosch Surrebuttal, pp. 8-10).

Public Counsel also takes the position with regard to employee compensation that KCPL has created a mismatch of rate base elements by not recognizing the liability balance for deferred/bonus compensation in the Company's asserted rate base, yet KCPL has inexplicably proposed to include the associated debit ADIT balances for these accruals to increase rate base. This is an inappropriate mismatching of rate base elements that must be corrected. (Brosch Direct, p. 56; Brosch Surrebuttal, pp. 10-11).

Lastly, Public Counsel concurs with Mr. Brosch's position on Net Operating Loss Carry forward (NOLC), and that KCPL's position is contrary to the public interest in that KCPL's approach produces a higher NOLC amount for the KCPL utility business than results from calculation of the Company's NOLC on a stand-alone KCPL basis through tax year 2014. This result is contrary to ratepayers' interest and should be rejected by the

Commission, so as to not overstate the KCPL rate base with more NOLC amounts than can be attributed to the utility's own operations (Brosch Direct, pp. 57-62; Brosch Surrebuttal, pp. 11-19).

XX. Missouri corporate franchise tax

ISSUE: Should KCPL's year 2015 Missouri corporate franchise tax liability be used to develop rates?

OPC Position: Yes. KCPL's going-forward Missouri tax liability for tax year 2015 corporate franchise tax will drop by approximately 50%, and for tax year 2016 the corporate franchise tax liability will be eliminated completely. Public Counsel's position is that the Company's on-going annualized Missouri corporate franchise tax amount should be based on a normalization of the actual tax year 2015 tax liability and the franchise tax rate for tax year 2015 (Addo Rebuttal, pp. 42-43).

XXI. Jurisdictional allocations – Production and Transmission Demand Component

A. ISSUE: In developing the demand allocation factor, should the Commission rely on calculations based on data contained in the test year, ending March 2014, or the update period ending December 2014, which include the four summer months of June, July, August and September 2014?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

B. ISSUE: Should the corresponding data the Commission relies on for developing the demand factor be annualized and normalized?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

XXII. Transmission ROE

ISSUE: Should transmission revenues received from SPP OATT be reduced for the difference between FERC authorized ROE and the ROE granted in this case?

OPC Position: No.

XXIII. Swissvale/Stillwell and West Gardner – region-wide transmission projects

ISSUE: Should rate base, expense and revenue associated with these projects be excluded from Missouri jurisdictional cost of service?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony provided at hearing.

XXIV. Revenues

ISSUE: What is the appropriate level of revenues for the large general service and large power classes to account for customers switching from one rate class to another?

OPC Position: Public Counsel supports the position of the Commission’s Staff.

XXV. Class cost of service, rate design, tariff rules and regulations

A. Class cost of service

a) Production Plant

1) ISSUE: What methodology should the Commission use to allocate fixed production plant costs among customer classes?

OPC Position:

Public Counsel supports the use of the Average and Peak (AP) method because the methodology recognizes that both energy loads and peak demand are contributing factors to production plant costs. The AP method considers that some costs are incurred to provide adequate capacity during peak periods while other costs are incurred to meet energy requirements during all hours of the day (Dismukes direct p. 12).

The Average and Peak Allocation method should be used (Dismukes surrebuttal p. 12). It is designed to give weight to both the share of average demand and system peak demand since the purpose of the methodology is to recognize that energy loads play an important role in production plant costs.

Therefore, in order to assign a reasonable portion of costs to classes, cost causative

considerations based on the share of average and peak demand should be recognized when allocating costs between customer classes. The AP-4CP method produces an allocation that assigns a reasonable proportion of costs based on the characteristics of average energy use and a portion based on characteristics of peak use. The AP allocation method results in a reasonable balance in cost assignment that reflects both average energy use and peak demand considerations in the allocation of production costs among customer classes (Dismukes Surrebuttal p 12-13).

B. Rate design

- a) ISSUE: What methodology is most reasonable for allocating net cost of service among the customer classes in this case?

OPC Position: Public Counsel recommends the Commission accept the Company's CCOSS, and its results, as a starting point for the development of rates in this proceeding. Public Counsel also presents an alternative CCOSS that utilizes the AED-NCP allocation method for production plant. These methods (the Company's proposed approach and the AED-NCP approach) have been utilized by the Company in past proceedings and by other Missouri electric utilities. The results of the two studies, however, do not produce significantly different results, hence Public Counsel's recommendation to accept the Company's proposed CCOSS. (Dismukes Direct p. 13)

- b) ISSUE: How should any revenue increase be allocated among rate schedules?

OPC Position: Public Counsel recommends an across the board increase to all classes at the system average increase (Dismukes Direct p. 28).

- c) ISSUE: What, if any, interclass shift in revenue responsibilities should the Commission make?

OPC Position: None. Public Counsel recommends no interclass shift in revenue responsibilities.

- d) Residential

- 1) ISSUE: Customer charge – at what level should the Commission set KCPL’s residential customer charge?

OPC Position: Public Counsel recommends that the Commission reject KCPL’s 177% residential customer charge increase for a variety of reasons. First, a survey of current customer charges in the Mid-West shows that over half of the utilities surveyed have customer charges at the same rate or lower than KCP&L’s current Residential customer charge. Second, the Company’s proposal is inconsistent with its own CCOSS. Conceptually, the Company’s residential customer charge proposal presumes that local distribution facilities are customer-related despite the fact that it does not identify these costs as customer-related in its CCOSS. The Commission should reject the Company’s proposal to include the demand-related local facilities charges in the customer charges of residential customers since it is inconsistent with traditional cost of service and ratemaking practice (Dismukes surrebuttal p.8). Third, an increase in the customer charge results in a rate design that further incents energy consumption. A rate design that promotes energy consumption is counterintuitive to policy efforts to date and ratepayer’s best interests for the future (Marke Surrebuttal p 26). Lastly, increasing the residential customer charge to the highest amount in the region and one of the highest in the nation would run counter to the Commission’s policy directions and ratepayer investments in energy efficiency and conservation efforts to date (Marke surrebuttal p 24-25). To the extent that any customer charge increase is approved, it should be offset by a decrease in the energy charge.

- 2) ISSUE: Energy charge – at what level should the Commission set KCPL’s residential energy charges?

OPC Position: Public Counsel recommends that any increase to the residential class be applied to each of the volumetric rate blocks on an equal percentage basis (Dismukes Direct, p. 41).

- 3) ISSUE: Time of day – should the time of day rate be frozen from the addition of future customers (KCPL proposal) or should KCPL be required to file modified time of day tariff provisions in its next rate case (DE proposal)?

OPC Position: Public Counsel recommends that the Commission reject the Company’s

TOU rate proposal and require the Company to re-file a modified and improved TOU tariff in its next rate case (Dismukes Direct, p. 33).

- 4) ISSUE: Should the ResB rate structure be changed to make it consistent with ResA and ResC rate structures?

OPC Position: Public Counsel reserves the right to take a final position based on the testimony provided at hearing.

e) **Commercial and industrial**

- 1) ISSUE: SG, MG, LP and LGS energy charges – at what level should the Commission set KCPL’s SG, MG, LP and LGS energy charges?

OPC Position: Public Counsel recommends that any rate increase should be applied to the volumetric and demand components on an equal percentage basis. Additionally, the second and third winter rate blocks for the SGS All-electric rate schedules should be set to the second and third winter rate blocks of the SGS general use schedule consistent with the results of the CCOSS and the Company’s proposal (Dismukes Direct p. 44).

- 2) ISSUE: SG, MG, LP and LGS separate meter space heating energy charges and the first energy block rate for the winter rates – at what level should these energy charges be set?

OPC Position: Public Counsel recommends that any rate increase should be applied to the volumetric and demand components on an equal percentage basis. Additionally, the second and third winter rate blocks for the SGS All-electric rate schedules should be set to the second and third winter rate blocks of the SGS general use schedule consistent with the results of the CCOSS and the Company’s proposal (Dismukes Direct p. 44).

- 3) ISSUE: Should the Commission adopt MIEC/MECG’s rate design proposal for the LGS and LP rate classes, or some a variant of it?

OPC Position: No. Under MIEC/MECG’s proposal the residential class would receive a revenue increase of 2.8 percent while all other rate classes would experience a revenue decrease. (Dismukes rebuttal p 6).

Revenue neutral adjustments could cause rate shock if they are made regardless of

the impact on rates. Under MECG's proposal, residential customers would see a rate increase of almost 20 percent given the Company's proposed rate increase. This is a significant increase, and could lead to unexpected consequences. Dr. James Bonbright, in his seminal work on public utility ratemaking, described 10 separate criteria he believed identified the desirable characteristics of 'sound rate structure.' (Dismukes Rebuttal p 9)

MECG's proposal is counter to the desire to maintain stable and predictable rates for customers and rate continuity. Stability and predictability in rates is important to customers and implementing a significant rate increase for the residential class and other classes would have unintended consequences (Dismukes Rebuttal p. 9).

f) Special rates

- 1) ISSUE: Two-part time of use – Should the two-part time of use rate be eliminated from the addition of future customers (KCPL proposal) or should KCPL be required to file a modified two-part time of use tariff provisions in its next rate case?

OPC Position: Public Counsel recommends the Commission reject the Company's TOU rate proposal and require the Company to re-file a modified and improved TOU tariff in its next rate case (Dismukes Direct, p. 33).

- 2) ISSUE: Special interruptible – Should the special interruptible rate be frozen from the addition of future customers?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony presented at hearing.

- 3) ISSUE: Real time pricing – Should the real time pricing rate be frozen from the addition of future customers (KCPL proposal) or should KCPL be required to file modified real time pricing tariff provisions in its next rate case?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony presented at hearing.

- 4) ISSUE: Standby pricing – Should the real time pricing rate be frozen from the addition of future customers?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right

to base a final position on the testimony presented at hearing.

C. Tariff rules and regulations

1. ISSUE: Return check charge – Should the return check charge be applied to payment forms beyond checks (electronic payments)?

OPC Position: No.

2. ISSUE: Collection charge – Should the collection charge be increased to reflect the cost of this service?

OPC Position: No.

3. ISSUE: Economic development rider/urban core development rider – Should the Commission approve DE’s proposal to link MEEIA participation to receipt of EDR and UCD incentives?

OPC Position: Public Counsel is in general agreement of the potential benefits of linking economic development incentives with energy efficiency programs.

4. ISSUE: Standby service – Should KCPL be required to establish a working group to review its Standby Service Tariff to ensure that rates are cost-based and reflect best practices?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony presented at hearing.

XXVI. Low-income Weatherization

- A. ISSUE: Should the unexpended low-income weatherization program funds collected through KPCL’s base rates be used to offset any expenditures relating to the low-income weatherization program the costs of which KCPL is otherwise to recover through its MEEIA recovery mechanism?

OPC Position: Public Counsel did not file testimony on this issue and reserves the right to base a final position on the testimony presented at hearing.

- B. ISSUE: Should the low-income weatherization program be part of KCPL’s MEEIA recovery mechanism on a going forward basis, or should it continue to be collected in base rates outside of KCPL’s MEEIA recovery mechanism?

OPC Position: No. KCPL should resume recovery of low-income weatherization program costs in base rates following the conclusion of KCPL's MEEIA Cycle 1 and cease recovery of these costs in future MEEIA applications. (Marke Rebuttal p. 27)

XXVII. Decoupling (Sierra Club proposal) –

ISSUE: Should the Commission consider, in File No. AW-2015-0282 or a similar proceeding, decoupling of KCPL's revenues from customer usage?

OPC Position: No. Decisions regarding Case No. AW-2015-0282 should be appropriately addressed in that case.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston

Marc D. Poston (#45722)

Chief Deputy Counsel

P. O. Box 2230

Jefferson City MO 65102

(573) 751-5558

(573) 751-5562 FAX

marc.poston@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 9th day of June 2015.

/s/ Marc Poston