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Issue: *Affiliated Transactions*
Witness: *Keith Majors*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *EC-2015-0309*
Date Testimony Prepared: *December 18, 2015*

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY
OF
KEITH MAJORS

KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. EC-2015-0309

Jefferson City, Missouri
December 2015

**** Denotes Highly Confidential Information ****

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1 A. I have been employed by the Commission as a Regulatory Auditor for 8 years,
2 and have submitted testimony on ratemaking matters numerous times on a variety of subjects
3 before the Commission. I have participated in in-house and outside training, and attended
4 seminars on technical and general ratemaking matters while employed by the Commission.

5 I have been assigned to several Kansas City Power & Light Company ("KCPL") and
6 KCP&L Greater Missouri Operations Company ("GMO") rate case matters during my
7 employment at the Commission:

<u>Utility</u>	<u>Case No.</u>
KCPL – Electric	ER-2009-0089
GMO – MPS and L&P Electric	ER-2009-0090
GMO – L&P Steam	HR-2009-0092
KCPL – Electric	ER-2010-0355
GMO – MPS and L&P Electric	ER-2010-0356
KCPL – Electric	ER-2012-0174
GMO – MPS and L&P Electric	ER-2012-0175
KCPL – Electric	ER-2014-0370

17 GMO is an affiliate of KCPL and is wholly owned by Great Plains Energy Inc. ("Great
18 Plains" or "GPE"). Missouri Public Service ("MPS") and St. Joseph Light & Power ("L&P")
19 are rate districts of GMO. Also, Great Plains has another wholly-owned affiliate called Great
20 Plains Energy Service Corporation ("GPES") which is a service company.

21 Q. Are you familiar with the direct testimony that Mr. Charles R. Hyneman
22 submitted in this case on behalf of the Staff?

23 A. Yes, I am. Mr. Hyneman is no longer employed at the Commission as of
24 November 30, 2015. I am adopting his direct testimony.

25 Q. What did you do in preparation of adopting Mr. Hyneman's testimony as
26 your own?

1 A. I have reviewed all the docket filings in this case, File No. EC-2015-0309,
2 including the Staff's complaint and legal pleadings and testimonies filed, as well as the
3 related *Report of Staff's Investigation* in File No. EO-2014-0306. In addition, I discussed
4 Mr. Hyneman's direct testimony with him prior to his departure from the Staff, and also
5 attended an Allconnect meeting between Staff and KCPL while he was still on the Staff.
6 I have assisted in drafting data requests and reviewed data request responses, and read the
7 rebuttal testimony filed by KCPL on November 19, 2015.

8 **EXECUTIVE SUMMARY**

9 Q. What is the purpose of your surrebuttal testimony?

10 A. The purpose of my surrebuttal testimony is to respond to KCPL witnesses
11 Darrin R. Ives, Ronald A. Klote, and Charles A. Caisley in their respective testimonies.

12 Q. On what subject matter will you provide surrebuttal testimony?

13 A. I will be providing surrebuttal testimony regarding the following topics:

- 14 • Generally, the three violations of laws and Commission rules identified in
15 Staff's complaint in EC-2015-0309;
- 16 • Allocation of KCPL and KCPL-GMO costs related to the Allconnect Direct
17 Transfer Service Agreement ("Agreement") with GPES;
- 18 • The assets KCPL and GMO are transferring to Allconnect through GPES;
- 19 • The Agreement between Allconnect and GPES, fulfilled by KCPL and GMO;
- 20 • The applicability of the Commission's Affiliate Transactions Rule ("the Rule")
21 to the Agreement.

22 **CORRECTION TO THE DIRECT TESTIMONY**

23 Q. Do you have any corrections to your direct testimony?

24 A. Yes. At page 3 of Mr. Klote's rebuttal testimony he responds to comments
25 made at page 13 of the direct testimony wherein, it was stated "in substance and in effect,

1 KCPL and GMO are transferring at no cost, regulated utility assets and regulated utility
2 personnel with the sole intention to generate additional nonregulated revenue and additional
3 profits for GPE.” While Mr. Klote is technically right that it was in error to state there are no
4 costs being assigned to the Allconnect relationship, from a practical sense there are very little
5 costs allocated to the below-the-line activity relating to the selling of customer information to
6 this nonutility-third party. Staff continues to believe the regulated operations of KCPL and
7 GMO are subsidizing the Allconnect relationship. This will be discussed in more detail later
8 in this surrebuttal testimony.

9 **THE ALLCONNECT – GREAT PLAINS ENERGY SERVICE AGREEMENT**

10 Q. On page 5, lines 28 - 31 of his rebuttal testimony, Witness Ives states,

11 . . . GPES is used as a contracting vehicle for a broad array of
12 goods and services used by KCP&L and GMO to provide
13 regulated utility service and GPES is not being used in connection
14 with the Allconnect relationship in a manner that is different in any
15 way than the Company’s normal contracting practices. . . .

16 How do you respond?

17 A. The Allconnect Agreement is distinct from any of the other agreements
18 procuring goods and services cited in Schedule DRI-1 in Mr. Ives’ rebuttal testimony.
19 This schedule is a list of procurement contracts with start dates from April 1, 2013 through
20 March 31, 2014 (the test year in KCPL’s most recent Missouri rate case). Of the
21 233 contracts, 13 are for non-regulated services¹. KCPL and/or GMO is a “contracting
22 entity” in 49, or 21% of the contracts, with the remainder as GPES as the contracting entity.
23 A review of this schedule identifies numerous contracts and agreements for goods and

¹ Services including KCPL Solar installations, home water heater programs, and surge protection. Contracts related to electric vehicle chargers are included in the total. Electric vehicle chargers is the subject of an open working docket concerning the legal and long-term policy issues relating to the Clean Charge Network.

1 services on behalf of KCPL and GMO to provide *regulated* electrical services to KCPL
2 and/or GMO's customers. Those goods and services are essential and necessary to provide
3 electric service. KCPL, GMO, or both could procure those goods and services. KCPL has
4 presumably determined that it is more efficient and effective to have GPES procure those
5 essential services from various vendors and suppliers. But the Allconnect Agreement is
6 unique – the transfer of customer calls for service connection requests to Allconnect, for sales
7 of non-regulated, non-utility services, is not an essential service for the provision of electrical
8 services for either KCPL or GMO, and in fact is not related to the provision of KCPL or
9 GMO's regulated utilities customer service.

10 The fact is, it does not matter if KCPL or GMO contract the services detailed in
11 HC Schedule DRI-1 themselves or if those services are through the "contracting vehicle" of
12 GPES—they are services necessary to the provision of electrical service. That is simply not
13 the case with the Allconnect Agreement. If the contract was with KCPL and not GPES, it
14 would not make the Allconnect Arrangement any better or worse for KCPL's or GMO's
15 customers.

16 Most of the major supplier agreements involving substantial dollar amounts are
17 contracts between either KCPL and GMO and the suppliers directly, and do not involve GPES
18 at all, in complete contrast to the rebuttal testimony of Mr. Ives. In fact, the fuel necessary to
19 power each utility's generating facilities are contracted directly by KCPL and GMO. All
20 coal, freight, natural gas, purchased power and interchange sales agreements are directly
21 signed and executed by KCPL and GMO — not GPES.

22 The Allconnect Agreement with GPES is listed on page 5 of 7 of Schedule DRI-1. It
23 is noteworthy that the "Document Description" column states ** _____

_____, **, and the “Document Type” column states
 ** _____ **, with no mention of customer information verification. Therefore,
 it is fair and appropriate to refer to the services Allconnect provides as a nonregulated services
 function having nothing to do with the regulated utility’s ability to deliver safe and adequate
 utility service to its customers.

GPES is also the “contracting vehicle” for other non-regulated services such as surge protection and LocationOne Information Systems.

Q. Did GPES employees negotiate the terms of the contracts for the goods and services needed by the regulated operations of KCPL and GMO referenced in Mr. Ives' rebuttal testimony?

A. No. GPES does not have any employees. Only KCPL has employees. So, as such, KCPL employees negotiate the terms of all agreements acting on behalf of KCPL and GMO operations.

Essentially, all employees of GPE are employees of KCPL. So there are no employees procuring the needed goods and services at GPES for KCPL and GMO—KCPL employees are negotiating the contracts and agreements for its goods and services needed by the regulated entities;—that is, KCPL and GMO. KCPL performs all necessary services on behalf of itself and GMO. Those services are provided by KCPL for GMO through an operating agreement between the two regulated entities. At page 4, lines 9-13 of his rebuttal testimony, Mr. Ives characterizes GPES as a direct wholly owned “contracting vehicle” of GPE employed to eliminate redundant administrative expense that would be incurred in connection with negotiating duplicate contracts which would need to be in place for both KCPL and GMO absent using a consolidated contracting vehicle.

1 Q. On page 6, lines 1-5 of his rebuttal testimony, Witness Ives claims that the
2 contracts executed by GPES on behalf of KCPL and GMO should not be considered affiliate
3 transactions as that phrase is defined by Commission Rule 4 CSR 240-20.015. He asserts that
4 although affiliated parties may execute the contracts, specific provisions of the contracts
5 prescribe which obligations run to which parties. How do you respond?

6 A. Mr. Ives is mistaken. He even states clearly on page 6, lines 5-6 in his rebuttal
7 testimony that "GPES is an affiliate of KCP&L and GMO as defined in the Commission's
8 affiliate transactions rule." For further clarity, the Commission's Affiliate Transactions Rule
9 defines an "affiliated entity" and an "affiliate transaction" as follows:

10 4 CSR 240-20.015 Affiliate Transactions

11 (1) Definitions

12 (A) **Affiliated entity** means any person, including an individual, corporation,
13 **service company**, corporate subsidiary, firm, partnership, incorporated or
14 unincorporated association, political subdivision including a public utility
15 district, city, town, county, or a combination of political subdivisions, which
16 directly or indirectly, through one (1) or more intermediaries, controls, is
17 controlled by, or is under common control with the regulated electrical
18 corporation. [emphasis added]

19 (B) **Affiliate transaction** means any transaction for the provision, purchase or
20 sale of any information, asset, product or service, or portion of any product
21 or service, between a regulated electrical corporation and an affiliated entity,
22 and shall include all transactions carried out between any unregulated
23 business operation of a regulated electric corporation and the regulated
24 business operations of a electrical corporation. An affiliate transaction for
25 the purposes of this rule excludes heating, ventilating and air conditioning
26 (HVAC) services as defined in section 386.754 by the General Assembly of
27 Missouri. [emphasis added]

28 From these sections of the rule, two facts can be established: 1) GPES qualifies as an
29 affiliated entity of KCPL and GMO under paragraph (1)(A) of the Affiliate Transactions Rule
30 and 2) any transactions between (a) GPES on the one part and (b) KCPL and GMO on the
31 second part are affiliate transactions under paragraph (1)(B) of the rule. By necessity, KCPL

1 is required to fulfill GPES's obligations to Allconnect as GPES does not have possession or
2 control of the information, nor does it have any employees to transfer the calls. However, the
3 substance of the transactions does not negate the form and nature of the transactions – that is,
4 the agreement is between Allconnect and GPES. GPES does not appear to receive any
5 KCPL-GMO customer information nor does it receive any compensation from Allconnect.²
6 “Transferred Customer” is defined in the Allconnect Agreement as an “Eligible Customer”
7 who is transferred (i) by KCPL and received by Allconnect at its switch along with his or her
8 customer data during the hours that Allconnect has agreed to receive such calls, or (ii) to the
9 Allconnect Website via a link on the KCPL Website with his or her Customer Data.³

10 Q. Could KCPL have requested a variance from the Affiliate Transactions Rule
11 (4 CSR 240-20.015), of which Staff claims KCPL is in violation?

12 A. Yes, but KCPL chose not to do so. Variance from the Affiliate Transactions
13 Rule may be allowed for specifically in 4 CSR 240-20.015(10) – Variances. There is also a
14 variance procedure provided for in 4CSR 240-2.060(4).

15 Q. Has KCPL received any Commission-authorized variances from the Affiliate
16 Transactions Rule?

17 A. Yes, there are two variances of which I am aware.

18 The first variance was granted in Case No. EM-2007-0374⁴ (“Acquisition Case”), the
19 case in which GPE received authority from the Commission to acquire the Missouri retail

² Allconnect Direct Transfer Service Agreement, page 3, paragraph 4, *See* KCPL-GMO Data Request Response No. 71, File No. EW-2013-0011; Ives Rebuttal testimony, page 7, lines 11-12.

³ Allconnect Direct Transfer Service Agreement, page 2, paragraph 2.13, *See* KCPL-GMO Data Request Response No. 71, File No. EW-2013-0011

⁴ *In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Related Relief; Re Great Plains Energy, Inc., Kansas City Power & Light Co., and Aquila, Inc., Report and Order*, 17 Mo.P.S.C.3d 338 (July 1, 2008).

1 electric operations of Aquila. The Commission noted on page 187 of the *Report and Order* in
2 the Acquisition Case that the Affiliate Transactions Rule does not contemplate two regulated
3 utilities owned by the same parent and operated in the manner contemplated by the merger.
4 The variance was requested by GPE and the then-Aquila for all transactions except for
5 wholesale power transactions, which are based on rates approved by the Federal Energy
6 Regulatory Commission ("FERC"). The variance was granted in the Commission's *Report*
7 *and Order* in the Acquisition Case on page 284.

8 The Commission's Affiliate Transactions Rule applies in this proceeding as it
9 fundamentally did in the GPE acquisition of Aquila proceeding. The ruling of the
10 Commission in that case is instructive:

11 . . . However, because the Commission is imposing a condition on
12 the merger of having KCPL and Aquila execute a joint operators
13 agreement, the issue of cross-subsidization becomes blurred and
14 the Commission concludes that a variance is required.

15 3. Final Conclusions Regarding the Affiliate Transactions Rule

16 The Commission determines that substantial and competent
17 evidence in the record as a whole supports the conclusions that: (1)
18 the Commission's Affiliate Transactions Rule, 4 CSR 240.015,
19 applies to KCPL and Aquila because these entities meet the Rule's
20 definition of "affiliates"; (2) the purpose of the Commission's
21 Affiliate Transactions Rule is to prevent cross-subsidization of
22 regulated utility's non-regulated operations, not to prevent
23 transactions at cost between two regulated affiliates; (3) to the
24 extent that the Affiliate Transactions Rule is applicable to
25 transactions between KCPL and Aquila, a variance shall be
26 granted; and (4) more specifically, the variance shall be granted for
27 all transactions except for wholesale power transactions, which
28 would be based on rates approved by FERC.

29 *Re Great Plains Energy, Inc., Kansas City Power & Light Co., and*
30 *Aquila, Inc., Report and Order*, 17 Mo.P.S.C.3d 338, 566-67 (July
31 1, 2008).

32 The second variance is more recent and relevant.

1 Q. Describe the second variance.

2 A. KCPL and GMO each filed for general rate increases designated as Case Nos.
3 ER-2012-0174 and ER-2012-0175 ("2012 cases") in February 2012. KCPL witness William
4 P. Herdegen, III, then Vice President of Transmission and Distribution, filed direct testimony
5 requesting the Commission's approval to combine management of inventory of stock
6 materials and tools to improve operational efficiencies and avoid sales tax liabilities for the
7 transfer of inventory. KCPL recommended the use of GPES for management of KCPL and
8 GMO inventory and sought a variance from the Affiliate Transactions Rule for this purpose.

9 Q. How did KCPL propose to use GPES for inventory management?

10 A. Mr. Herdegen stated in his direct testimony filed in the 2012 rate cases:

11 **Q: What is the purpose of your testimony regarding inventory**
12 **management?**

13 A: Currently, KCP&L and GMO inventories require physical
14 separation consistent with the Commission's Report and Order at
15 pp. 264-65 (July 1, 2008) in Case No. EM-2007-0374 (the
16 "Acquisition Docket"), relating to the Affiliate Transaction Rule, 4
17 CSR 240-20.015. We are asking for the Commission's approval to
18 combine management of inventory of stock materials and tools to
19 improve operational efficiencies.

20 * * * *

21 **Q: What option do you propose to address the Companies'**
22 **inventories?**

23 A: I propose that Great Plains Energy Services ("GPES")
24 purchase KCP&L's and GMO's current inventories ("start-up
25 inventory") and then, on a going-forward basis, purchase all future
26 Material and Supply inventory for use by KCP&L and GMO. This
27 option has the advantage of low operational complexity and
28 material savings.

29 The current practice of separate inventories has few, if any,
30 opportunities to capture synergistic savings. The proposed policy,
31 whereby GPES purchases the Material and Supply inventory and

1 then transfers it to GMO and KCP&L as required, is a long-term
2 view that simplifies warehouse operations, improves operational
3 efficiencies in the field and allows better management of inventory
4 levels.

5 **Q: Why would you use GPES instead of KCP&L or GMO?**

6 A: Missouri sales tax statutes require an entity to keep
7 inventory that is to be resold physically segregated from inventory
8 that will be used in operations of the same entity. Therefore, if the
9 inventory was combined at KCP&L or GMO, we would have to
10 physically segregate inventory that would be used by its own
11 operations from the inventory that it would sell to the other entity.
12 Obviously, this would not help reduce the operational
13 inefficiencies created by maintaining separate inventories for
14 KCP&L and GMO now. But, if we purchase the inventory at
15 GPES and resell it to KCP&L and GMO when needed, all of the
16 inventory would be resell inventory and we would not have to
17 physically segregate any of the inventory at GPES. Therefore,
18 using GPES would allow us to maximize the benefits of combining
19 inventory of KCP&L and GMO.

20 [Herdegen direct testimony, Case No. ER-2012-0174, pp. 9,16-17]

21 Q. Did the Commission authorize a variance concerning this inventory
22 management proposal?

23 A. Yes. Staff, KCPL, GMO, and other parties agreed to the *Non-Unanimous*
24 *Stipulation and Agreement As To Certain Issues* dated October 19, 2012. Page 9 of that
25 stipulation contains the following language:

26 Issue II. 18. **Inventory Management:** (KCPL/GMO: Wolf)
27 Should Great Plains Energy Services be permitted to purchase
28 KCPL's and GMO's current material and supply inventories and
29 then become their source of materials and supplies?

30 **Resolution:** The Commission, pursuant to Section 393.190,
31 RSMo., should authorize KCPL and GMO to sell certain current
32 common material and supply inventories to Great Plains Energy
33 Services and the Commission should grant KCPL, GMO and Great
34 Plains Energy Services variances from the Commission's affiliate
35 transactions rule 4 CSR 240-20.015 as permitted by subsection
36 (10) of that rule sufficient to allow them to effectuate a plan to
37 consolidate certain common material and supply inventories of
38 KCPL and GMO by having Great Plains Energy Services acquire

1 and hold in inventory for KCPL and GMO such materials and
2 supplies needed for their Commission-regulated utility operations.
3 The transactions between KCPL, GMO and Great Plains Energy
4 Services to transfer inventory to effectuate this plan shall be at
5 cost.

6 In its *Report and Order* in ER-2012-0174 on pages 65-66, the Commission approved the *Non-*
7 *Unanimous Stipulation and Agreement As To Certain Issues*.

8 Q. How does KCPL's management of the Allconnect transactions differ from its
9 handling of the GPES inventory management issue?

10 A. First, KCPL requested a variance from the Affiliate Transactions Rules *before*
11 transferring any inventory to GPES. The request was described in written testimony in a case
12 before the Commission. KCPL had ample opportunity to request an appropriate variance for
13 the transactions related to the Allconnect Agreement before GPES and Allconnect came to an
14 agreement.

15 Second, KCPL could show a clear benefit to customers in its request for a variance for
16 the GPES inventory management issue. In his testimony, KCPL witness Herdegen identified
17 operational efficiencies that could be achieved as well as sales tax avoidance, both of which
18 are clear benefits to KCPL's and GMO's customers. Staff disputes that there are any
19 customer benefits to the Allconnect Agreement.

20 Third, the Allconnect Agreement gives KCPL the opportunity to obtain non-regulated
21 revenues. KCPL or Great Plains apparently views that it is in KCPL's best interests *not* to
22 request a waiver and proceed with this activity as a non-regulated activity, "protecting" the
23 revenues on a "below-the-line" basis. However, it is important to note that a waiver of the
24 Affiliate Transaction Rules would not determine whether or not the activity and related
25 costs and revenues between KCPL, GMO, GPES and Allconnect should be considered

1 "below the line". Mr. Ives' own Schedule DRI-1 self-describes that the function of the
2 Allconnect Agreement is to obtain revenues from Allconnect's telemarketing to KCPL's and
3 GMO's customers.

4 Fourth, in Case No. ER-2012-0174, KCPL clearly had a belief that GPES-KCPL
5 transactions relating to the inventories for KCPL's and GMO's material and supplies
6 referenced above were affiliate transactions, thus the reason both regulated entities sought a
7 variance from the Commission's affiliated transaction rules. In managing KCPL and GMO's
8 inventory, GPES has no interest or purpose in the inventory as it is not a regulated utility, and
9 was acting in much the same way as it does in the Allconnect Agreement. KCPL
10 appropriately requested a variance from the Affiliate Transactions Rules to allow for the
11 GPES inventory management. Apparently, Mr. Ives and KCPL choose to be selective as to
12 what KCPL and GMO call an affiliate transaction.

13 In summary, KCPL found it necessary to request a variance for GPES's management
14 of KCPL and GMO's inventory, but failed to request a variance for the Allconnect Agreement
15 in a similar situation where GPES was used as a "contracting vehicle".

16 Q. On page 9-13, Mr. Ives states his belief that the customer information being
17 transferred to Allconnect is not an asset. How do you respond?

18 A. I would argue that customer information is absolutely an asset, albeit an
19 intangible asset, that has great value to both KCPL and GMO.

20 Mr. Ives indicates that the customer information is not part of the utilities' franchise
21 agreements—is not part of the works of the entities and not part of KCPL's or GMO's
22 "system." If the regulated entities' customer information is not an "asset" having value, why
23 would Allconnect agree to pay KCPL ** ____ ** per transferred call? As indicated above

1 the Allconnect Agreement defines transferred customer as an "Eligible Customer" who is
2 transferred by KCPL and received by Allconnect at its switch along with his or her customer
3 data. It would be imprudent for a company, like Allconnect, to pay another entity value
4 and not receive a current or future benefit in return. No utility would give away any assets
5 free of charge.

6 The assets KCPL-GMO is providing to Allconnect are exclusive access to specific
7 customer information and access to KCPL-GMO customers themselves. The value of the
8 information and customer access is not that the customer is a KCPL-GMO electric customer.
9 The value lies in the fact that the KCPL-GMO electric customer is *moving locations* or
10 *establishing new service*. There would be much less value to a bulk list of customers; because
11 it would be just a random group of customers, not a select group of customers that are *moving*
12 *locations* or *establishing new service* who are on the line with a KCPL-GMO having called in
13 themselves. The value provided to Allconnect from this arrangement is the opportunity to
14 access KCPL's and GMO's customers who have called KCPL-GMO that are moving electric
15 service locations or establishing new electric service to in order to telemarket services that the
16 customer may be in need of by virtue of their relocation. KCPL provides that service to
17 Allconnect allowing the telemarketing service by leveraging its *asset* of each of the regulated
18 entities' customer information and access.

19 Q. On page 9, Mr. Ives compares the customer information transferred to
20 Allconnect to the franchise agreements owned by KCPL and GMO. Do franchise agreements,
21 and other intangible assets have value?

22 A. Yes. Franchise agreements are *exclusive* rights to provide electricity service in
23 designated areas. There is no way to obtain the revenues KCPL relies on but for its entering

1 into franchise agreements with municipalities. Under Section 393.190 RSMo. and its prior
2 codifications, the Commission has issued KCPL and GMO's predecessors certificates of
3 convenience and necessity ("CCNs") granting KCPL and GMO's predecessors the right to
4 construct electric plant and/or provide electric service in service areas. While KCPL's and
5 GMO's franchise agreements and its CCNs do not have a *discrete* value on its books and
6 records, there is no question they are valuable to KCPL and GMO, and they could not operate
7 as electric utilities without them. Neither KCPL nor GMO would allow any non-GPE third
8 party to provide electric service under their respective franchise agreements, assuming it was
9 legally possible, and certainly not without any compensation, and certainly not without
10 Commission approval.

11 When GPE evaluated the former Aquila properties for acquisition a great value was
12 certainly placed on the customers that MPS and L&P and the customer information of those
13 served, and the customer base in general of MPS and L&P. The specific customer
14 information held by KCPL-GMO is the data base that represents the very customers who
15 supply the revenues to the entities. That customer-specific information (and corresponding
16 customers) is, among other things, the accounts receivable to KCPL and GMO—those
17 revenues owed to the utility—and were and are very much an asset to KCPL and GMO.

18 Q. On page 12, Mr. Ives discusses a 1992 KCPL Order Establishing Jurisdiction
19 And Clean Air act Workshops in Case No. EO-92-250, 1Mo.P.S.C.3d 359 (1992). What
20 relevance does that case have to this case?

21 A. It is quite relevant. Indeed, in the context of that proceeding the Commission
22 found the following concerning a utility's "works":

23 The term "works" as supported by KCPL and the other utilities
24 could be limited to a literal meaning of things physical in nature,

1 part of the tangible property used to generate electricity. The same
2 limitation could be placed on the term "system", thus indicating
3 that "system" is almost a redundancy of "works". **The**
4 **Commission does not believe the term "system" is intended to**
5 **be so literally construed.** It is, of course, true that court cases and
6 Commission decisions interpreting Section 393.190 have dealt
7 with tangible property such as generating plants, transmission lines
8 and substations. Those are the issues that have been before the
9 courts and the Commission and concerning which decisions were
10 made. **The Commission, though, believes that a utility's system**
11 **is greater than the physical parts which would be its "works".**
12 **A utility's system is the whole of its operations which are used**
13 **to meet its obligation to provide service to its customers. City**
14 **of St. Louis at 400.**⁵ [emphasis added]

15 My reading of the text of the Commission's order supports the conclusion that the
16 customer call and customer information transferred to Allconnect is a part of KCPL's and
17 GMO's works or system. In that particular case, the Commission concluded that emission
18 allowances were necessary and useful in the performance of KCP&L's duties to the public
19 and were part of KCP&L's "system." Just like the emission allowances, customers have paid
20 in rates all the necessary equipment incurred and all the expenses relating to customer
21 information, and therefore are entitled to any benefits derived from this function. Customers
22 benefitted from the sale of SO2 emission allowances and to all the transactions associated
23 with emission allowances were treated as above-the-line transactions - thus, all gains were
24 treated as a benefit to customers in the rate setting process. The proceeds from SO2 emission

⁵ *In the matter of the application of Kansas City Power & Light Company for Review of its Phase I Compliance Plan and Other Activities under the Clean Air Act*, Case No. EO-92-250, 1 Mo.P.S.C.3d 359, 362, (1992); *State ex rel City of St. Louis v. Public Serv. Comm'n*, 73 S.W.2d 393 (Mo.banc 1934) states at 400:

The state of Maryland has an identical statute with ours, and the Supreme Court of that state in the case of *Electric Public Utilities Co. v. Public Service Commission*, 154 Md. 445, 140 A. 840, loc. cit. 844, said: "To prevent injury to the public, in the clashing of private interest with the public good in the operation of public utilities, is one of the most important functions of Public Service Commissions. It is not their province to insist that the public shall be benefited, as a condition to change of ownership, but their duty is to see that no such change shall be made as would work to the public detriment. 'In the public interest,' in such cases, can reasonably mean no more than 'not detrimental to the public.'"

1 allowances were considered so important to consumers that ratemaking treatment of
2 those transactions were specifically identified in the KCPL's Regulatory Plan in Case No.
3 EO-2005-0329. If KCPL and GMO are allowed to continue the relationship with Allconnect,
4 then the proceeds from the selling of the customer information to Allconnect should be used
5 as an offset (reduction) to cost of service in a rate case.

6 Emission allowances are issued by governmental authorities, have no intrinsic value,
7 but do have a market value for transferable allowances. Customer data also has no intrinsic
8 value, but clearly has a market value, particularly to telemarketers like Allconnect. The
9 conclusion is that both are assets of KCPL and GMO.

10 Q. On page 13 of his rebuttal testimony, Mr. Ives states: "The Company does not
11 own its customers' names and addresses." Is ownership of the customer's individual names
12 and addresses at issue?

13 A. It is the information that is at issue, i.e., the customer's name, the customer's
14 new address, the fact that the customer will have that new address as of a certain date and the
15 transfer of the call. It is also the computer system that processes, sorts and keeps customer
16 specific information in an up-to-date manner that is an asset to KCPL-GMO and is of great
17 value and is owned, controlled, managed, and sold by the Company. Allconnect cannot get
18 this information from any other source but KCPL-GMO. Having access to these customer
19 contacts has a value to Allconnect or it would not be willing to pay on a per customer
20 transferred basis the amount it pays to KCPL. KCPL-GMO's customers are not a random
21 group of individuals. They are people who buy service on a regular basis from KCPL-GMO.

22 Further, if KCPL-GMO truly "does not own the customers' names and addresses,"
23 then it has no right to sell and transfer customer information, and certainly not without the

1 consent of each customer, in accordance with the Affiliate Transaction Rule. At a minimum,
2 the Commission should enforce its own rule, 4 CSR 240-20.015(2)(C), and require KCPL and
3 GMO to seek permission from its customers who do own their names and addresses before
4 they and their names and addresses are transferred to Allconnect.

5 Q. What is the value of the investment in the customer information system
6 (“CIS”) that is included in KCPL’s cost of service?

7 A. As of the May 31, 2015 true-up, \$8.1 million of net plant⁶ associated with the
8 CIS was included in determination of cost of service in the last prior KCPL Case No.
9 ER-2014-0370. The revenue requirement related to this plant asset was \$2.2 million.⁷ It is
10 very costly to purchase computer and processing equipment and to maintain the equipment
11 necessary to manage over 838,000 customer accounts.⁸ It is also very costly to equip and
12 maintain a call center but this too is an essential part of utility operations. All the costs of
13 the CIS and call center are part of the cost structure of KCPL and GMO being paid in rates
14 by customers.

15 This same equipment is necessary for Allconnect to conduct its business with KCPL
16 and GMO customers. Without such CIS and call center infrastructure, Allconnect would not
17 be able to receive one transferred telephone call from KCPL and GMO customers. This plant
18 has been paid by regulated customers for the provision of regulated utilities, and KCPL and
19 GMO customers are receiving no compensation for its use.

20 Q. On page 8, Mr. Ives denies KCPL is providing GPES preferential treatment, as
21 that is defined in the Affiliate Transactions Rule. How do you respond?

⁶ \$37.8 million gross plant, less \$29.7 of accumulated depreciation reserve. Source: Response to Staff Data Request No. 29, EC-2015-0309

⁷ Ibid.

⁸ Source: <http://www.greatplainsenergy.com/>. Missouri and Kansas customers.

1 A. Mr. Ives is simply wrong. Neither KCPL nor GMO would provide personal
2 customer information to any other entity besides Allconnect without compensation. In the
3 same manner it would not allow Allconnect access to this information if GPE was not
4 compensated by that entity. If Ameren Missouri desired KCPL-GMO's customer information
5 without charge, it would not be provided such. Nor would KCPL-GMO provide customer
6 information to Westar Energy or any other utility or non-Allconnect entity without a fee. The
7 preferential treatment is that KCPL provides customer information to Allconnect for a fee—a
8 fee that benefits only GPE, and not KCPL or GMO or their customers. KCPL-GMO are
9 willing to engage in preferential treatment so GPE and its owners can benefit from the below-
10 the-line profits generated by the Allconnect arrangement.

11 Q. On page 14, Mr. Ives maintains that KCPL is not violating Commission rule
12 4 CSR 240-20.015(2)(C). How do you respond?

13 A. The rule states as follows:

14 (2)(C) Specific customer information shall be made available to
15 affiliated or unaffiliated entities only upon consent of the customer
16 or as otherwise provided by law or commission rules or orders...

17 As stated above, there are four instances in which disclosure of customer information is
18 allowed by Commission rule: 1) upon consent of the customer, 2) as otherwise provided by
19 law, 3) otherwise provided by Commission rules, or 4) otherwise provided by Commission
20 orders. I am not an attorney, but I am not aware of any law or Commission rule or order
21 requiring KCPL to transfer information to Allconnect for purposes of telemarketing.

22 The only remaining method is customer consent. The transfer model KCPL chose to
23 employ with Allconnect removed consent from the transfer of the call. By a clear reading of

1 the rule, the transfer of information to Allconnect for purposes of telemarketing violates rule
2 (2)(C).

3 Mr. Ives also claims on page 12 of his rebuttal testimony, "The customer information
4 provided by KCP&L and GMO to Allconnect is not directly used to serve Missouri
5 customers." That statement is not correct. Of course it is necessary for KCPL and GMO to
6 obtain and record customer information. How else could KCPL and GMO provide service
7 and bill customers without this information? If this information is not used to serve
8 customers, why then do KCPL and GMO maintain databases if not directly useful for the
9 provision of utility services? The genesis of the information lies in an initial call from a
10 current or potential KCPL customer to transfer or establish service. There would be no
11 information to transfer to Allconnect regarding individuals/families that are establishing new
12 residences from which they will take utility service but for the telephone call and customer
13 information provided from regulated utility customers.

14 Q. Does KCPL provide specific customer information to other third parties?

15 A. Yes. As Mr. Ives states, Staff freely admits 1) that utilities in the State of
16 Missouri engage third party contractors in support of regulated operations, 2) that such
17 utilities provide customer information to such third party contractors without consent, and
18 3) that no such utilities have requested a waiver of the provisions of 4 CSR 240-20.015(2)(C).

19 Examples of third-party contractors being provided customer information include
20 those engaged in utility line locates and bad debt collection. The important distinction with
21 the Allconnect arrangement is that these other activities support regulated operations. The
22 exchange of customer information to support the bad debt collections is not only a necessary
23 part of the utility's operations but simply good business practice. All large utilities rely on

1 third-party entities as collection agencies to collect bad debts—this is just a standard and
2 prudent practice. Rule 4 CSR 240-20.015(2)(C) provides that customer information can be
3 made available when provided by law or commission rules or orders. I am not an attorney,
4 but I understand that utilities have “an obligation to serve” and to provide safe and adequate
5 service. The disclosure of customer information in support of regulated operations may
6 follow Rule 4 CSR 240-20.015(2)(C) in consideration of this legal obligation. Also the Staff
7 is not aware of the use of customer information for telemarketing in those situations.

8 Customer information that is provided to outside utility entities, in the case of
9 collections and other activities, is done so for the interest of the public utility and its
10 customers. Using third-party collection agencies is common to all large utilities to recover
11 payments from customers who have fallen behind on making payments for utility services
12 provided. It is beneficial to all customers and the utility alike, to have customers who pay
13 their bills as it keeps costs down. All consumers pay the price of monies owed the utility but
14 not collected, by including bad debt expense in the cost of service. Uncollectibles is an
15 expense that all consumers ultimately pay for if electric service is not paid for. To suggest
16 that the transfer of customer information to Allconnect for below-the-line profit to GPE is the
17 same as transferring customer information to a collection agency to maintain the integrity of
18 the billing and collection accounts system is an apples to oranges comparison.

19 All the examples Staff believes of customer information being released to third parties
20 are to maintain the utility operations and are a necessary part of those operations. None of the
21 other arrangements are intended to allow utilities to leverage their customer relationships in
22 order to attain greater below-the-line profits. That is not the case for the Allconnect
23 arrangement.

1 **COSTS AND REVENUES RELATED TO ALLCONNECT**

2 Q. On page 21, lines 14-17 of his rebuttal testimony, Mr. Ives states, "termination
3 of the Allconnect relationship would slightly increase costs and rates paid by customers due to
4 the fact that the Company would need to replace the customer order and account
5 verification function currently performed by Allconnect at no charge to the Company."
6 Mr. Caisley makes substantially the same claim in his rebuttal testimony on pages 4-5. Do
7 you have a response?

8 A. Both KCPL and GMO were conducting business with its regulated residential
9 customers for over 100 years, long before the 2013 Allconnect Agreement. Both KCPL and
10 GMO were able to connect new customers and transfer service for existing customers without
11 any customer information verification from Allconnect, or any other third party. KCPL and
12 GMO have demonstrated a capability to provide such services without the assistance of
13 Allconnect. The customer account verification by Allconnect is essentially "a solution
14 looking for a problem". I know of no other company or entity that upon a customer order
15 transfers that customer to a third party for confirmation of order information, or for
16 telemarketing of unrelated services.

17 Mr. Ives admits that if the Commission determines that KCPL's relationship with
18 Allconnect is detrimental to customers, KCPL-GMO will take the necessary steps to terminate
19 the relationship. How essential is this verification process if it can go away in that manner?
20 Staff is not or was not at any time aware of a significant problem with the accuracy of
21 customer provided information prior to the Allconnect Agreement.

22 Mr. Ives' claim that terminating the Allconnect Agreement would increase costs and
23 rates paid by customers rings hollow. KCPL found no need for third party verification of

1 customer information prior to 2013. The primary purpose of the Allconnect Agreement, as
2 described in Mr. Ives schedule DRI-1 is ** _____

3 _____ **

4 As to cost savings, the **only** cost savings directly produced by the Allconnect
5 Agreement is the minimum and inconsequential amount of costs KCPL is allocating
6 below-the-line for its consideration of the costs to transfer calls to Allconnect. In Case No.
7 ER-2014-0370, Staff recommended all costs allocated below-the-line related to Allconnect to
8 be "restored" to above-the-line, in regulated utility rates. This recommendation was premised
9 upon Staff's further recommendation in that case for the termination of activities related to
10 Allconnect. The adjustments to Staff's cost of service model restored the costs to the electric
11 cost of service. Ultimately, the adjustments were included in the cost of service model based
12 on the Commission's Report and Order in that case, and is what the current revenue
13 requirement, and rates are based upon. Therefore, KCPL customers have not realized any of
14 these cost savings. While KCPL's rates have changed since the Allconnect Agreement began,
15 GMO's have not. Customers have not enjoyed any savings and are paying the "higher rates"
16 that Mr. Caisley refers to on page 5 of his rebuttal testimony.

17 Q. Have KCPL-GMO quantified the costs for KCPL-GMO to verify customer
18 information and provide the confirmation number to customers in the manner Allconnect is
19 currently providing these services?

20 A. No. In KCP&L-GMO's response to Staff Data Request No. 49 in EC-2015-
21 0309, KCPL-GMO stated "There has been no time and motion study conducted that would
22 provide the costs for KCP&L - GMO to verify customer information and provide the
23 confirmation number for the target group." In KCP&L-GMO's response to Staff Data

1 Request No. 64 makes a similar statement. I have attached both responses to this testimony as
2 Schedule KM-s2.

3 Because KCPL/GMO have not done any time and motion study, or quantified the cost
4 to verify customer information, it cannot be concluded that in-house verification of customer
5 information would significantly increase expenses. Therefore, Mr. Ives and Mr. Caisley do
6 not know the actual impact on costs and rates when they claim both would increase if
7 verification were determined to be required.

8 Q. Earlier in this testimony you stated that "Staff continues to believe the
9 regulated operations of KCPL and GMO are subsidizing the Allconnect relationship." Can
10 you explain this subsidy?

11 A. As described in my adopted direct testimony on page 34, the transactions
12 between KCPL and Allconnect through the agreement between GPES and Allconnect
13 are subject to the "transfer pricing" standards in the Affiliate Transactions Rule,
14 Paragraph (2)(A). By KCPL's management decision to not apply these pricing standards to
15 this affiliate transaction, they are, by definition providing GPES with a "financial advantage"
16 that is expressly prohibited by the Rule.

17 Rule Paragraph 2(A)(2) requires that regulated electrical corporation shall not provide
18 a financial advantage to an affiliated entity. For the purposes of this rule, a regulated
19 electrical corporation shall be deemed to provide a financial advantage to an affiliated entity if
20 it transfers information, assets, goods or services of any kind to an affiliated entity below the
21 greater of the a) fair market price ("FMP"); or b) fully distributed cost ("FDC") incurred by
22 the utility to produce the good or service for itself. The Commission deems that a financial

1 advantage occurs when a utility engages in a transaction with an affiliate in which it does not
2 employ the Rule's affiliate transaction pricing standard.

3 The Rule is designed to prevent a regulated utility from providing a financial
4 advantage to a nonregulated affiliate because there is a great risk of affiliate subsidization
5 inherent in affiliate transactions and because agreements between a public utility and its
6 affiliates are not "made at arm's length" or on an open market. Arm's length transactions are
7 defined as "dealings between two parties who are not related or not on close terms and who
8 are presumed to have roughly equal bargaining power."

9 Paragraph (2)(A)(2) requires that whenever KCPL transfers any kind of information,
10 asset, good, or service to its affiliate GPES, in order not to provide GPES with a prohibited
11 financial advantage, it must charge GPES the greater of the FMP or its FDC to produce the
12 good or provide the service. The "information" is the customer information that is provided to
13 Allconnect. Customer information, such as a customer list, is considered an intangible asset.
14 Services include the services KCPL's regulated customer service personnel provide by
15 promoting Allconnect to customers and making a transfer of customers' calls to Allconnect
16 customer service representatives.

17 KCPL's regulated customer information has value; in fact, the value of this asset is the
18 only reason that Allconnect partners with GPES. Allconnect pays for the asset – the ability to
19 gain access to KCPL-GMO's receipt of regulated utility customer calls and information given
20 that these customers are in the process of relocating and have the possibility of seeking new or
21 different consumer services than they presently have. The phone call, relocation, and other
22 customer information is a time-sensitive intangible asset that is owned or controlled by
23 KCPL-GMO and is transferred at no cost to GPES, a nonregulated affiliate.

1 KCPL is paid nothing for the customer information it provides. Clearly, the
2 information has a fair market price – the amount paid from Allconnect and booked by KCPL
3 below-the-line.

4 Q. Does KCPL allocate costs below-the-line related to Allconnect?

5 A. Yes. As described by Mr. Klote in his rebuttal testimony, KCPL allocates an
6 amount it believes is the cost of transferring calls to Allconnect. Staff does not agree that the
7 amount of costs allocated to Allconnect represent the true costs to KCPL to provide customers
8 for Allconnect to telemarket.

9 Mr. Klote has identified these costs to allocate below-the-line to Allconnect:

- 10 • Direct labor and benefit loadings for the *incremental* cost of transferring
- 11 customer calls to Allconnect;
- 12 • Meals and travel directly related to Allconnect;
- 13 • Depreciation on Allconnect specific software; and
- 14 • Facilities cost, at some future point as described by Mr. Klote on page 10 of his
- 15 rebuttal testimony.

16 Q. This allocation is for the incremental time to transfer calls to Allconnect. Does
17 KCPL receive anything for the customer information that is being transferred to Allconnect?

18 A. No. Allconnect is receiving the information at no cost from KCPL.

19 KCPL, and consequently its customers, pay for all costs before any are allocated or
20 billed to Allconnect. Therefore, any residual unallocated costs are retained by KCPL and
21 consequently passed on to ratepayers. These costs are “embedded” costs and are all the costs
22 that brought the goods and services (the customer call and customer information), to
23 Allconnect.

24 Q. What are some of the embedded residual costs that are retained by KCPL?

25 A. KCPL customers pay for the CIS, the call center, insurance, mainframe
26 equipment, rent, and the list goes on. KCPL is the only entity that can provide Allconnect

1 specific regulated utility customer information. Allconnect relies on KCPL's call center
2 where customers make contact. The customer is brought before Allconnect by KCPL to be
3 marketed to. Customers are filtered and sifted to find the ideal customer to transfer:
4 customers who are moving or connecting to new service. The inconsequential amounts
5 allocated by KCPL do not represent the full cost to bring customers to Allconnect.

6 Allconnect's entire business model depends on KCPL's regulated customers paying
7 for the customer information system and would not be feasible but for customers being
8 provided by KCPL. Certainly, Allconnect could not feasibly sift through the public record on
9 its own to find individuals transferring or establishing new electric service. Allconnect could
10 not operate without the significant investment in infrastructure paid for by customers in rates.
11 KCPL has done all the work for Allconnect, with no compensation for the information. This
12 subsidy is simply unfair to customers.

13 Q. What is another example of KCPL using regulated utility property to obtain
14 non-regulated revenues?

15 A. KCPL routinely uses its generation and transmission assets to produce and
16 market electricity that is sold outside its service territory, commonly referred to as "off-
17 system sales" through capacity in excess of what is needed to serve its regulated native load
18 customers. The rates of electricity and transmission service are not governed by the
19 Commission and can be considered non-regulated revenue. The excess revenue over the
20 incremental costs to produce the electricity is referred to as "off-system sales margin". This
21 revenue is used to offset the overall cost of service in the ratemaking process.⁹

⁹ While the form of off-system sales has changed somewhat since the implementation of the Southwest Power Pool Day Ahead market (or Day 2 market), the substance of net margins over costs reducing the overall cost of service has not changed.

1 Because this revenue is used to offset cost of service, there is no need to fully allocate
2 the embedded costs to produce off-system sales. If the revenue were instead retained by
3 KCPL, an extensive allocation of all the transmission, generation, A&G, fuel, and a multitude
4 of other costs would be necessary.

5 In this case, KCPL is retaining all the Allconnect revenues, and only allocating the
6 incremental costs. The comparison to off-system sales would be if KCPL were retaining all
7 the off-system sales revenues and only allocating the incremental fuel costs to produce the
8 electricity. Ratepayers would be grossly subsidizing KCPL's off-system sales if this were the
9 case, and would be clearly unfair. In the same manner as KCPL ratepayers pay for the "steel
10 in the ground", the labor, and all the other costs to generate electricity for off-system sales,
11 ratepayers also pay for all the infrastructure and expenses for KCPL to identify customers to
12 transfer to Allconnect. Ratepayers are subsidizing the transactions related to the Allconnect
13 agreement by the lack of allocation of embedded costs.

14 Q. Please summarize your surrebuttal testimony.

15 A. The transactions between KCPL and Allconnect through GPES are affiliate
16 transactions, and are in violation of the law and Commission rules as described in Staff's
17 complaint. KCPL is providing Allconnect access to regulated utility assets at no cost. KCPL
18 is subsidizing the Allconnect transactions by not allocating the full cost to fulfill its
19 obligations under the Allconnect Agreement.

20 Q. Does that conclude your surrebuttal testimony?

21 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

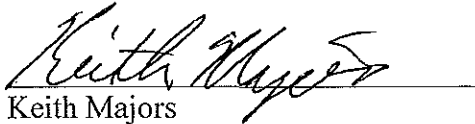
Staff the Missouri Public Service)
Commission, Complainant, vs. Kansas City) Case No. EC-2015-0309
Power & Light Company and KCP&L)
Greater Missouri Operations Company,)
Respondents)

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

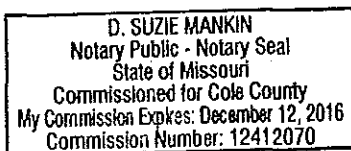
COMES NOW Keith Majors and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.


Keith Majors

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 17th day of December, 2015.




Notary Public

Keith Majors
Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor IV for the Missouri Public Service Commission (Commission). I was employed by the Commission in June 2007. I earned a Bachelor of Science degree in Accounting from Truman State University in May 2007.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings as ordered by the Commission. In addition, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Cases I have been assigned are shown in the following table:

Case Name	Case Number	Issues	Exhibit
KCP&L	ER-2014-0370	Income Taxes, Pension & OPEB, Revenues	Staff Report, Rebuttal, Surrebuttal
KCP&L	EU-2015-0094	DOE Nuclear Waste Fund Fees	Direct Testimony
KCP&L	EU-2014-0255	Construction Accounting	Rebuttal Testimony
Veolia Kansas City	HR-2014-0066	Income Taxes, Revenues, Corporate Allocations	Staff Report
Missouri Gas Energy	GR-2014-0007	Corporate Allocations, Pension & OPEB, Incentive Compensation, Income Taxes	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2013-0391		Staff Memorandum
KCP&L & KCP&L GMO	ER-2012-0174 & ER-2012-0175	Acquisition Transition Costs, Fuel, Legal and Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2011-0269		Staff Memorandum
Noel Water Sale Case	WO-2011-0328		Staff Recommendation
KCP&L & KCP&L GMO	ER-2010-0355 & ER-2010-0356	Acquisition Transition Costs, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
KCP&L Construction Audit & Prudence Review	EO-2010-0259	AFUDC, Property Taxes	Staff Report
KCP&L, KCP&L GMO, & KCP&L GMO – Steam	ER-2009-0089, ER-2009-0090, & HR-2009-0092	Payroll, Employee Benefits, Incentive Compensation	Staff Report, Rebuttal, Surrebuttal
Trigen Kansas City	HR-2008-0300	Fuel Inventories, Rate Base Items, Rate Case Expense, Maintenance	Staff Report
Spokane Highlands Water Company	WR-2008-0314	Plant, CIAC	Staff Recommendation
Missouri Gas Energy ISRS	GO-2008-0113		Staff Memorandum

KCPL and KCPL GMO
Case Name: KCPL/GMO Allconnect Complaint
Case Number: EC-2015-0309

Response to Dottheim Steve Interrogatories - MPSC_20151125
Date of Response: 12/04/2015

Question:0049

Ms. Trueit states at page 10, line 23 to page 11, line 4 of her rebuttal testimony that Allconnect provides customer verification at no charge and that if Allconnect doesn't do it, some other way will have to be found at a higher cost, likely by KCPL-GMO employees, which will ultimately be borne by customers in the form of higher rates. (a) Did KCPL-GMO enquire of Allconnect what it would be willing to pay per transferred call if its customer service representatives did not verify customer information and provide the confirmation number? (b) What has it previously cost KCPL-GMO to verify customer information and provide the confirmation number for these customers? (c) How much would customer rates have to be increased to cover this cost? (e) How much did KCPL's costs decline due to Allconnect's verification of customer information and provision of a confirmation number? (e) Did KCPL-GMO reflect a decrease in costs as a result? (f) Does Allconnect verify customer information regarding emergency calls? (g) If no, why is Allconnect needed to verify customer information for new or transfer service requests and not needed to verify information regarding emergency service calls? (h) Do KCPL-GMO customer service representatives have any job performance objectives regarding the accuracy of inputting customer information? (i) If the answer is "yes," has KCPL/GMO inquired of other utilities or industry sources as to whether KCPL-GMO customer service representative objectives regarding the accuracy of inputting customer information to determine whether the KCPL-GMO objectives are at, below, or above the norm of other utilities or the industry standard? (j) Has KCPL/GMO inquired of other utilities that do not use Allconnect to verify customer information and provide confirmation numbers regarding their processes of recording customer information and providing confirmation numbers without Allconnect activities? (k) If the answer is "yes," what were the results of those inquiries?

Response:

- (a) No.
- (b) There has been no time and motion study conducted that would provide the costs for KCP&L – GMO to verify customer information and provide the confirmation number for the target group.
- (c) No time and motion study has been done which would be necessary to isolate the impact on cost and/or increased customer rates.
- (e) See response to sub-part (c).
- (e) See response to sub-part (c).
- (f) No, emergency calls are not eligible for transfer to Allconnect.
- (g) The Company has chosen Allconnect to serve as an additional layer of verification in order to avoid potential negative customer experiences and added expense.
- (h) Quality of work is a component of job performance objectives for customer service representatives in the contact center.

(i) No.

(j) No.

(k) n/a.

Response Provided By: Erica Penner

Attachment: Q0049_Verification.pdf

Verification of Response

**Kansas City Power & Light Company
AND
KCP&L Greater Missouri Operations**

Docket No. EC-2015-0309

The response to Data Request # 0049 is true and accurate to the best of my knowledge and belief.

Signed: Tim Rush

Date: December 4, 2015

KCPL and KCPL GMO
Case Name: KCPL/GMO Allconnect Complaint
Case Number: EC-2015-0309

Response to Dottheim Steve Interrogatories - MPSC_20151125
Date of Response: 12/04/2015

Question:0064

Question for Mr. Klote: Mr. Caisley states at page 4, line 21 to page 5, line 2 of his rebuttal testimony that Allconnect provides customer verification at no charge and that if Allconnect doesn't do it, some other way will have to be found at a higher cost, which will ultimately be borne by customers in the form of higher rates. (a) If KCPL-GMO previously provided its own customer information verification and provision of confirmation number through its own customer service representatives, please describe what it previously cost KCPL-GMO to verify customer information and provide the confirmation number for the target group? (b) Did KCPL-GMO reflect a decrease in costs as a result of contracting with Allconnect in June 2013?

Response:

- a.) There has been no time and motion study conducted that would provide the previous costs for KCP&L – GMO to verify customer information and provide the confirmation number for the target group.
- b.) There are many factors that impact staffing levels in our customer contact center. Customer verification action requires incremental time as part of any call requiring this action and is only one action in a series of responsibilities managed by our contact center. As such, without a time and motion study it would be difficult to estimate the exact impact of this event. Yet, it is clear that customer verification responsibilities do add incremental time to the total time responsibilities of the contact center when performed. During 2013 full time equivalent headcount in the contact center did trend downward during the months of April through October.

Attachment: Q0064_Verification.pdf

Verification of Response

**Kansas City Power & Light Company
AND
KCP&L Greater Missouri Operations**

Docket No. EC-2015-0309

The response to Data Request # 0064 is true and accurate to the best of my knowledge and belief.

Signed: _____

Tim Rush

Date: December 4, 2015