

Exhibit No.:	_____
Issue(s):	Rate Case Expense/ Severance/ Management Expenses/ Management Expenses True-Up Direct
Witness/Type of Exhibit:	Conner/Surrebuttal True Up Direct
Sponsoring Party:	Public Counsel
Case No.:	ER-2018-0145 ER-2018-0146

**SURREBUTTAL TESTIMONY  
TRUE UP DIRECT TESTIMONY**

**OF**

**AMANDA C. CONNER**

Submitted on Behalf of  
the Office of the Public Counsel

**KANSAS CITY POWER & LIGHT COMPANY  
Case No. ER-2018-0145**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY  
Case No. ER-2018-0146**

September 4, 2018

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

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service )  
 ) File No. ER-2018-0145  
 )  
 )

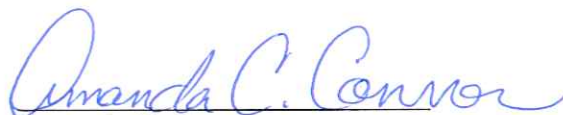
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service )  
 ) File No. ER-2018-0146  
 )  
 )

**AFFIDAVIT OF AMANDA C. CONNER**

**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF COLE** )

Amanda C. Conner, of lawful age and being first duly sworn, deposes and states:


1. My name is Amanda C. Conner. I am a Public Utility Accountant I for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal and true up direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
Amanda C. Conner  
Public Utility Accountant I

Subscribed and sworn to me this 4<sup>th</sup> day of September 2018.



**JERENE A. BUCKMAN**  
My Commission Expires  
August 23, 2021  
Cole County  
Commission #13754037

  
Jerene A. Buckman  
Notary Public

My Commission expires August 23, 2021.

## TABLE OF CONTENTS

<b>Testimony</b>	<b>Page</b>
Rate Case Expense	2
Severance	4
Management Expenses	5
Management Expenses True-Up Direct	7

**SURREBUTTAL TESTIMONY  
&  
TRUE-UP DIRECT TESTIMONY**

**OF**

**AMANDA C CONNER  
KANSAS CITY POWER & LIGHT COMPANY  
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. ER-2018-0145**

**CASE NO. ER-2018-0146**

1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 A. Amanda C. Conner, PO Box 2230, Jefferson City, Missouri 65102.

4 **Q. Are you the same Amanda Conner who filed direct and rebuttal testimony in this case?**

5 A. Yes.

6 **Q. What is the purpose of this surrebuttal testimony?**

7 A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimonies of Mr.  
8 Darrin Ives and Ronald Klote of Kansas City Power & Light Company (KCPL) and KCP&L  
9 Greater Missouri Operations Company (GMO) regarding rate case expense and severance. I  
10 have also updated Management Expenses from my rebuttal testimony.

11 **Q. What is the purpose of the true-up direct testimony?**

12 A. The purpose of this true-up direct testimony is to give a true-up management expense  
13 adjustment.

1 **I. Rate Case Expense**

2 **Q. Did you review Mr. Ives' rebuttal testimony on the rate case expense adjustment?**

3 A. Yes.

4 **Q. On page 21, lines 5-6, Mr. Ives states that by using the shared methodology ordered**  
5 **by the Commission for KCPL's ER-2014-0370 rate case ("2014 Order") both**  
6 **Commission Staff (Staff) and OPC may recommend a substantial disallowance in the**  
7 **Company's rate case expense. Do you agree with this statement?**

8 A. No. The 2014 Order is not designed to disallow rate case expense, substantial or not. This  
9 sharing methodology ensures the ratepayers and shareholders pay for the portion of the rate  
10 case expense in respect to the portion of the requested rate increase will benefit that party.

11 **Q. On page 22, lines 6-11, Mr. Ives states the customers are the primary beneficiaries of**  
12 **a rate case process of the Company's ability to provide safe, adequate, and reliable**  
13 **service, while the company is given the meaningful opportunity to earn a reasonable**  
14 **return on the shareholder's investment. Do you subscribe to this belief?**

15 A. Yes. However, customers do not benefit from utility expenses designed to increase rates  
16 that are not just and reasonable. That is the basis of this issue. Shareholders should bear  
17 the burden of expenses designed to increase rates that are not just and reasonable.

18 **Q. Does OPC believe that customers benefit from KCPL and GMO's present rate case?**

19 A. No. According to Staff's Revenue Requirement filed in its Cost of Service Report (COS),  
20 KCPL and GMO's revenue requirements are in the negative. This shows that customers  
21 will not benefit at all from these rate cases. In fact, KCPL and GMO filed these rate cases  
22 to the detriment of their customers. Shareholders will be the sole beneficiaries of these

1 current rate cases, and therefore should have the sole burden of any rate case expense  
2 incurred from KCPL and GMO filing rate increases in these rate cases.

3 **Q. On page 24, lines 19-22, Mr. Ives maintains that the sharing methodology**  
4 **recommended by Staff and OPC, or the 50/50 alternative sharing mechanism Staff**  
5 **made as a secondary recommendation, does not create an incentive to control rate**  
6 **case expense. Is this belief true?**

7 A. No. By holding a utility company and its shareholders responsible for the amount spent  
8 on rate case expense meant to solely benefit them, they will be more likely to keep rate  
9 case expense to a reasonable level.

10 **Q. Throughout Mr. Ives' rebuttal testimony, he characterizes the sharing methodology**  
11 **recommended by OPC and Staff as a disallowance. Are there any arbitrary**  
12 **disallowances when using 2014 Order sharing methodology?**

13 A. Yes. The 2014 Order sharing methodology as supported by both OPC and Staff in this rate  
14 case does not even consider the concept of expense disallowance. In fact, if KCPL and  
15 GMO request a legitimate rate increase from the Commission, under this sharing  
16 methodology, ratepayers could be required to pay for all of the rate case expense in a rate  
17 case.

18 **Q. Since the 2014 Order's sharing methodology could require ratepayers to pay all of**  
19 **the rate case expense, can you think of any reason why a company would fight this**  
20 **methodology?**

21 A. Yes. If a utility company files for an arbitrary rate increase it would definitely fight this  
22 methodology because the methodology limits the amount of rate case expense paid for by  
23 ratepayers instead of shareholders. However, if a utility company were to file for an  
24 increase solely based on what is required for them to provide safe and adequate service  
25 while allowing the company the opportunity to earn a reasonable return, then utility

1 companies would be perfectly fine with the sharing methodology recommended by OPC  
2 and Staff.

3 **II. Severance**

4 **Q. Did you read Mr. Klote's rebuttal testimony in regards to severance payments?**

5 A. Yes.

6 **Q. On page 8, lines 1-5, Mr. Klote states that severances in account 40130 were tracked**  
7 **separately as the Voluntary Employee Exit Program (VEEP) program, which was part**  
8 **of the transition costs associated with the Westar merger case's Stipulation and**  
9 **Agreement. What is OPC's position on this?**

10 A. OPC opposes all severance payments included in rate base, however, if the severance  
11 payments made under the VEEP program were indeed backed out of rate base then they would  
12 not need to be removed.

13 **Q. Page 8, lines 12-14, Mr. Klote states that the true severance payments for 2017 was**  
14 **approximately \$328,000 and the impact to KCPL Missouri jurisdiction was**  
15 **approximately \$175,000 and GMO jurisdictional amount of \$147,000. Does OPC agree**  
16 **with this amount?**

17 A. No. If the VEEP program severance payments were removed, the amount of severance  
18 charged to KCPL would be \$783,718. GMO has no employees, therefore no severance  
19 payments to include in rate base. All severance payments should be removed from KCPL's  
20 rate base. This would make the removed portion to KCPL Missouri jurisdiction \$769,611.

1 **Q. Page 10, lines 19-22, Mr. Klote states that regulatory lag exists both positively and**  
2 **negatively for payroll and payroll related costs. Does OPC agree with this ambiguous**  
3 **statement?**

4 A. No. The severance payments removed were for test year ending June 30, 2017. All of the  
5 severance payments removed were dated January through September of 2017. This means  
6 that all payroll for these 99 employees, two being officers in the company, is still being  
7 collected and will be until the new rates from this rate case go into effect.

8 **III. Management Expenses**

9 **Q. Have you made any changes to the management expense adjustment since your**  
10 **rebuttal testimony?**

11 A. Yes.

12 **Q. What were these changes?**

13 A. KCPL and GMO were concerned that I used an unfair adjustment calculation. In response, I  
14 changed my calculation by only using the test year ending on June 30, 2017. I also changed  
15 my adjustment calculation to a clear ratio of 25.51%. I have divided the amount of total  
16 management expenses to the amount of imprudent and unreasonable expenses. I took the  
17 total cost and multiplied it by the ratio. I then divided that number by 12 months making the  
18 monthly amount of imprudent charges to \$617.00. Then multiplied that amount by 1,045  
19 management employees. After doing this, I have adjusted KCPL's management expense  
20 adjustment to \$5,404,282, and GMO's management expense adjustment to \$2,330,279.  
21 This adjustment is provided in schedule ACC-S-1.

22 OPC has sent a data request asking the company to provide a total amount of expenses  
23 charged by the 1,045 managers for the test year and true up period in order to give a fair



1 analysis. Once received, I will use that amount and apply the ratio created to adjust the  
2 amount of expenses to exclude from rate base.

3 **Q. Can you provide examples of imprudent expenses charged by KCPL and GMO's cost**  
4 **of service expense accounts in the test year?**

5 A. Yes. The following are just some examples of excessive and inappropriate management  
6 expenses booked to KCPL's test year income statement:

- 7 1. \$1,624.35 charged to account 921 on July 30, 2016 report for iPad and Accessories  
8 for a new attorney from Apple Store in Lenexa, KS.
- 9 2. \$1,400.00 charged to account 921 on August 2, 2016 report registration of the  
10 Edison Electric Institute (EEI) conference. Since payments to EEI are not allowed  
11 in dues/donations, they should likewise not be allowed in ratebase.
- 12 3. \$819.23 for 6 people charged to account 921 on January 27, 2017 for a thank you  
13 dinner at The Capital Grille in Kansas City, MO. There was no itemized receipt.
- 14 4. \$1,624.73 charged to account 921 on January 21, 2015 report for Holiday Luncheon  
15 for Accounting Department at McGonigles Food in Kansas City, MO.
- 16 5. \$634.99 charged to account 921 on June 14, 2016 report for refreshments for  
17 Kansas City Royal's sporting even at Aramark at Kauffman Stadium.
- 18 6. \$467.23 charged to account 921 on June 29, 2017 report for a rental car at for  
19 RMEL Foundation Golf Tournament.
- 20 7. \$440.20 charged to account 921 by on February 8, 2017 report for dinner for 12  
21 people at Spectator's in Jefferson City, MO for rate case hearing. There was no  
22 itemized receipt and this restaurant has nothing on the menu, without including  
23 alcohol, which costs \$36.68 per person.

1                   8. \$400.00 charged to account 921 by on January 6, 2017 report for table sponsorship  
2                   for the Missouri Society of Professional Engineers (MSPE).

3                   9. \$352.28 charged to account 921 on June 27, 2017 report for dinner for 6 at Earl's  
4                   in Littleton, CO while at the RMEL Golf Tournament. No itemized receipt and  
5                   ratepayers should not pay for a golf tournament.

6                   10. \$341.21 charged to account 921 by on June 21, 2016 report for lunch for 21 people  
7                   at Minsky's Pizza in Kansas City, MO for the Procurement Team Lunch.  
8                   Ratepayers should not be charged for these events.

9                   **Q. Does this conclude your surrebuttal testimony?**

10                  A. Yes, it does.

11                  **IV. Management Expenses True-Up Direct**

12                  **Q. What calculation have you done for management expense?**

13                  A. I have added the true-up period to my calculation. My adjustment calculation is as I stated  
14                  in my surrebuttal testimony. The percentage updated to 26.62%. I have adjusted KCPL's  
15                  management expense adjustment to \$10,309,274, and GMO's management expense  
16                  adjustment to \$4,445,270. This adjustment is provided in schedule ACC-TU-1.

17                  OPC has sent a data request asking the company to provide a total amount of expenses  
18                  charged by the 1,045 managers for the test year and true up period in order to give a fair  
19                  analysis. Once received, I will use that amount and apply the ratio created to adjust the  
20                  amount of expenses to exclude from rate base.

1 **Q. Why does OPC do a management expense adjustment?**

2 A. Since 2003, KCPL has had an exorbitant amount of imprudent management expenses. At  
3 the end of each rate case, the company has promised that they have changed and improved  
4 their accounting of these expenses. However, they continually make these imprudent and  
5 unreasonable charges to ratepayers. Staff started this analysis, but no longer does this  
6 adjustment. OPC is opposed to KCPL and GMO allowing their officers to have free reign  
7 with the charges they make at the expense of ratepayers. OPC believes that if KCPL is  
8 failing to hold its officers accountable for their expenses, then there is no basis for  
9 presuming that KCPL is holding management accountable for their spending as well.

10 **Q. Can you provide examples of imprudent expenses charged by KCPL and GMO's cost**  
11 **of service expense accounts in the true-up period?**

12 A. Yes. The following are just some examples of excessive and inappropriate management  
13 expenses booked to KCPL's true-up period income statement:

- 14 1. \$7,692.47 charged to account 921 on September 27, 2017 report for a hotel room  
15 at Marriott in Kansas City, MO for the Marketing Executives Conference.
- 16 2. \$2,591.75 charged to account 921 on September 27, 2017 report for dinner at 801  
17 Chophouse in Kansas City, MO for 19 people for the Marketing Executives  
18 Conference.
- 19 3. \$1,223.41 charged to account 921 on December 12, 2017 report for hotel room at  
20 Grand Hyatt in New York City, NY for the NY Lawyers Association Annual  
21 Dinner.
- 22 4. \$738.49 charged to account 921 on November 2, 2017 report for lunch for 100  
23 people at Johnny's Tavern in Kansas City, MO for an employee farewell lunch.

- 1           5. \$557.59 charged to account 921 on November 7, 2017 report for dinner for 4 at  
2           Charley's Steakhouse in Kissimmee, FL for the EEI Financial Conference. There  
3           was no itemized receipt and this meal cost reflects a very high per person charge.
- 4           6. \$265.28 charged to account 921 on August 21, 2017 report for dinner for 2 at Jax  
5           Fish House in Kansas City, MO for Solar Policy & Business Plan Meeting. There  
6           was no itemized receipt and this meal cost reflects an extremely high per person  
7           charge.
- 8           7. \$243.92 charged to account 921 by on November 30, 2017 report for a hotel room  
9           at Royal Sonesta in New Orleans, LA for the Reliability One Awards.
- 10          8. \$189.47 charged to account 921 by on July 5, 2017 report for Gifts for attendees of  
11          the Marketing Executive Conference purchased at Russell Stover Co.
- 12          9. \$125.98 charged to account 921 on September 4, 2017 report for personal phone  
13          lines for family members on the officer's phone plan at AT&T.
- 14          10. \$108.74 charged to account 921 by on December 10, 2017 report for dinner at La  
15          Pulperia in New York City, NY with no attendees listed or itemized receipt  
16          provided.

17   **Q.    What concerns OPC in regards to meals?**

18   A.    OPC is concerned about the number of "working" meals charged to the ratepayers.

19   **Q.    Why does this concern OPC?**

20   A.    KCPL and GMO charged 127 "working" meals to the ratepayers during the test year and  
21   true up. One reason this is a concern is that the company expects the ratepayers to provide  
22   meals for meetings when the meals themselves are in no way related to providing safe and  
23   adequate utility service. Normal business hours is the appropriate time to hold meetings.

1           If the company chooses to hold such meetings during breakfast and lunch breaks, that is  
2           there discretion, but expecting ratepayers to pay for these chosen meetings is not justified.  
3           This leads to the second reason for OPC's concern that KCPL and GMO consider most of  
4           the information discussed with Staff and OPC confidential. This being the case, why would  
5           the company feel that discussing this same information in a public place where there is no  
6           way of ensuring this sensitive information stays confidential?

7           **Q.    Does this conclude your true-up direct testimony?**

8           **A.    Yes, it does.**

**Amanda Conner**  
**ER-2018-0145 & ER-2018-0146**  
**Staff DR 0014 & Payroll Adjustment as of December 31, 2017**

**Total Number of Managers**  
 2,709 Total  
 (1,664) Union  
 1,045 Management

Excessive Amount	\$96,325	Total Expense	\$377,638
Total Amount of Expenses	<u>\$377,638</u>	Monthly Expense	<u>\$31,469.84</u>
% of Excess Expenses		25.51% Excess Expense	<u>\$8,027</u>

**Monthly Average Excess \$617**

1,045	Number of potential expense reports per month	1,045	Number of potential expense reports per month	1,045	Number of potential expense reports per month
<u>\$617</u>	Avg Employee excess	<u>\$617</u>	Avg Employee excess	<u>\$617</u>	Avg Employee excess
\$645,257	monthly total company excessive charged	\$645,257	monthly total company excessive charged	\$645,257	monthly total company excessive charged
<u>12</u>	months in analysis	<u>12</u>	months in analysis	<u>12</u>	months in analysis
\$7,743,078	annual excessive charges	\$7,743,078	annual excessive charges	\$7,743,078	annual excessive charges
<u>69.5%</u>	KCPL allocation	<u>0.6%</u>	HLDCO allocation	<u>29.8%</u>	GMO allocation
\$5,381,439	KCPL allocated excessive charges	\$45,684	HLDCO allocated excessive charges	\$2,307,437	GMO allocated excessive charges
		\$22,842			
<b>KCPL</b>	<b>\$5,404,282</b>	<b>GMO</b>	<b>\$2,330,279</b>		

Indirect Corporate Allocation Factors

	<b>Jun-17</b>	<b>Dec-17</b>
General Allocator		
HLDCO	0.59%	0.59%
GP THC	0.05%	0.05%
PARNT	0.13%	0.13%
MPS Merchant	0.00%	0.00%
KLT	0.00%	0.00%
SOLAR	0.01%	0.01%
KCREC	0.50%	0.50%
GREC	0.24%	0.24%
GMO	30.86%	30.86%
KCPL	67.58%	67.58%
KCPL-NonReg	0.04%	0.04%
	<u>100.00%</u>	<u>100.00%</u>

Utility Massachusetts Formula

KCPL	71.32%	71.32%
GMO	28.68%	28.68%
	<u>100.00%</u>	<u>100.00%</u>

**Amanda Conner**  
**ER-2018-0145 & ER-2018-0146**  
**Staff DR 0014 & Payroll Adjustment as of December 31, 2017**

**Total Number of Managers**  
 2,709 Total  
 (1,664) Union  
 1,045 Management

1,045 Number of potential expense reports per month  
\$785 Avg Employee excess  
 \$820,600 monthly total company excessive charged  
18 months in analysis  
 \$14,770,791 annual excessive charges  
69.5% KCPL allocation  
 \$10,265,700 KCPL allocated excessive charges

**KCPL \$10,309,274**

Excessive Amount \$183,751 Total Expense  
 Total Amount of Expenses \$690,243 Monthly Expense  
**% of Excess Expenses 26.62% Excess Expense**

\$690,243  
\$38,346.81  
**\$10,208**

**Per Officer Monthly Average Excess \$785**

1,045 Number of potential expense reports per month  
\$785 Avg Employee excess  
 \$820,600 monthly total company excessive charged  
18 months in analysis  
 \$14,770,791 annual excessive charges  
0.6% HLDCO allocation  
 \$87,148 HLDCO allocated excessive charges

\$43,574

**GMO \$4,445,270**

1,045 Number of potential expense reports per month  
\$785 Avg Employee excess  
 \$820,600 monthly total company excessive charged  
18 months in analysis  
 \$14,770,791 annual excessive charges  
29.8% GMO allocation  
 \$4,401,696 GMO allocated excessive charges

Indirect Corporate Allocation Factors

	<b>Jun-17</b>	<b>Dec-17</b>
General Allocator		
HLDCO	0.59%	0.59%
GP THC	0.05%	0.05%
PARNT	0.13%	0.13%
MPS Merchant	0.00%	0.00%
KLT	0.00%	0.00%
SOLAR	0.01%	0.01%
KCREC	0.50%	0.50%
GREC	0.24%	0.24%
GMO	30.86%	30.86%
KCPL	67.58%	67.58%
KCPL-NonReg	0.04%	0.04%
	<u>100.00%</u>	<u>100.00%</u>

Utility Massachusetts Formula

KCPL	71.32%	71.32%
GMO	28.68%	28.68%
	<u>100.00%</u>	<u>100.00%</u>