

Exhibit No.:

*Issues: Regulatory Lag,
Transource Adjustments,
Bad Debt Expense,
Pension Tracker*

Witness: Keith Majors

Sponsoring Party: MoPSC Staff

Type of Exhibit: Rebuttal Testimony

Case No.: ER-2016-0156

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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

KEITH MAJORS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

*Jefferson City, Missouri
August 2016*

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

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OF

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KCP&L GREATER MISSOURI OPERATIONS COMPANY

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1 I respond to witness Klote's direct testimony concerning Adjustment CS-20 –
2 "Bad Debts." GMO's Adjustment CS-20b, described by witness Klote, by which GMO adds
3 an additional amount of bad debt expense based on GMO's requested, and ultimately
4 awarded, revenue requirement. This is referred to as a bad debt "factor up." Similarly,
5 GMO's Adjustment R-21b, described by witness Klote, adds additional forfeited discount,
6 commonly referred to as late payment fee revenue based on GMO's requested, and ultimately
7 awarded, revenue requirement.

8 Finally, I respond to witness Klote's direct testimony concerning Adjustment RB-65
9 and CS-65 – "Pension Costs".

10 **EXECUTIVE SUMMARY**

11 Q. Please summarize your rebuttal testimony.

12 A. I respond to GMO witness Heidtbrink's and Rush's direct testimony
13 concerning regulatory lag and GMO's ability to earn its authorized rate of return. GMO's
14 reported actual returns are likely understated, as they do not include the impact of the
15 Commission ordered Crossroads disallowances.

16 I respond to GMO's request to recover projected bad debt expense in excess of the
17 annualized level of bad debt expense calculated in this case, as described in witness Klote's
18 testimony. GMO's request to include an adjustment for bad debt expense associated with a
19 revenue requirement increase (or decrease) is commonly referred to as bad debt "factor up" or
20 "gross up." Staff recommends that this projected expense not be included in GMO's cost of
21 service. No direct correlation exists between revenues and bad debt expense to justify
22 including additional bad debt expense based on the amount of the requested rate increase.

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1 This adjustment is not “known and measurable” and is an out-of-period adjustment that goes
2 beyond the true-up period in this case.

3 By the same token, GMO’s request to factor up late payment revenue should
4 be denied. No direct correlation exists between retail revenues and late payment revenue to
5 justify including additional late payment revenue based on the amount of the requested
6 rate increase.

7 I respond to witness Klote’s direct testimony concerning Adjustment CS-108 –
8 “Transource CWIP/FERC Incentives.” GMO performed a calculation of the differential
9 between Federal Energy Regulatory Commission (“FERC”) and Missouri concerning the
10 transmission projects transferred to Transource Missouri (“Transource”) in File No. EO-2012-
11 0367. Staff recommends several adjustments to the calculations to conform to the *Report and*
12 *Order* in File No. EA-2013-0098. File No. EO-2012-0367 was consolidated by the
13 Commission into EA-2013-0098.

14 Finally, I respond to witness Klote’s direct testimony concerning the balance and
15 amortization of the pension trackers detailed in GMO Adjustment RB-65 and CS-65. GMO’s
16 proposed amortization amount did not reflect the expiration of the L&P prepaid pension asset
17 amortization. Staff reflected this expired amortization in its calculation in order to
18 appropriately offset amounts recorded in the current pension trackers.

19 **REGULATORY LAG**

20 Q. How does GMO seek to address its regulatory lag concerns in this proceeding?

21 A. As described by GMO witnesses Heidtbrink and Rush, GMO seeks
22 implementation of several ratemaking mechanisms to reduce its risk associated with

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1 regulatory lag and its alleged compromised ability to earn its authorized return. These
2 mechanisms have been requested by GMO and KCPL in prior cases, and have been rejected
3 by the Commission.

4 Q. Please describe regulatory lag.

5 A. Regulatory lag is the period of time that elapses between the time of an event
6 and its related consequences occur and the time the event and its related consequences are
7 reflected in the utility's rates.

8 Q. Are there public policy benefits associated with the existence of regulatory lag
9 as part of cost of service rate regulation?

10 A. Utilities in Missouri have been granted exclusive rights to provide their
11 services within their service territories, allowing them to act as monopolies. Regulatory lag
12 creates the "quasi-competitive environment" for utilities, similar to the environment in which
13 competitive firms operate. Without trackers and other single-issue ratemaking mechanisms to
14 rely upon, utility managers have a strong incentive to keep costs as low as possible once rates
15 are set in a rate case to maintain their earnings as close to a reasonable return as possible.

16 This is the same incentive encountered by any manager of a business who strives to
17 operate the business more efficiently and profitably. Just as competitive firms cannot raise
18 prices of their goods and services at will, regulatory lag places this same constraint on
19 utilities. Due to the existence of regulatory lag, utility managers must work under the
20 constraint of a "fixed price" or regulatory lag for a period of time.

21 The existence of this fixed price incentive or regulatory lag incentive causes utility
22 managers to work like managers of competitive businesses. Both utility managers working
23 with regulatory lag and managers of competitive businesses working with fixed prices of its

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1 goods and services seek to find ways to operate the business more efficiently to counteract
2 expense or rate base increases or potential revenue decreases during the period of time of the
3 fixed price, or regulatory lag. Conversely, utilities benefit from regulatory lag when expenses
4 or rate base decrease or when revenues increase while rates remain unchanged. This is
5 exactly why regulatory lag is a critical ingredient in cost of service rate regulation.

6 Q. What happens when regulatory lag is reduced or eliminated through the use of
7 expense trackers or other single-issue ratemaking mechanisms?

8 A. When the use of trackers and other single-issue ratemaking mechanisms
9 eliminate the “quasi-competitive” forces of regulatory lag on components of the cost of
10 service, utility managers are no longer under the same level of pressure to act as efficiently
11 and to keep expenses as low as possible. Expenses are now tracked and recovery of the
12 tracked expense is virtually guaranteed. This reduced level of quasi-competitive pressure can
13 result in utility inefficiencies and ultimately could lead to imprudent utility management
14 behavior.

15 Q. Please describe how regulatory lag is supposed to work in rate of return
16 regulation.

17 A. In an actual utility operating environment, revenues, expenses, and rate base
18 are constantly changing. In a rate case, a specific test year is selected to develop a utility’s
19 revenue requirement based on the most current investments in plant and other shareholder
20 investments in the utility, and a normalized level of revenues and expenses.

21 Matching the rate base with normalized revenues and expenses creates a revenue
22 requirement that produces a revenue level that allows for the recovery of all of the utility’s
23 prudently incurred expenses, and also provides it an opportunity to earn a reasonable rate of

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1 return on the investment in its regulated rate base. Once the Commission orders the revenue
2 requirement and rates are set, a long list of variables come into play that affect a utility's
3 ability to earn at the authorized level established by the Commission.

4 Q. What are examples of these variables?

5 A. One example is when a utility is not currently engaged in a large amount of
6 construction or adding a large amount of new plant additions to its rate base. During this
7 period, due to the rate recovery of its plant investment through depreciation expense and the
8 resulting increases in depreciation reserve offset to rate base, shareholder investment in
9 regulated rate base is constantly declining. However, while the utility's actual rate base is
10 smaller, the overall rate of return is based on the larger rate base that was fixed in rates in the
11 previous rate case, resulting in a larger than required financial return to the utility, all other
12 things being equal.

13 This larger-than-required financial return paid by a utility's ratepayers is the result of
14 regulatory lag. This regulatory lag, resulting from a declining rate base, results in the utility's
15 investors recovering more of a financial return on the rate base in utility rates than was
16 determined reasonable and set in rates in the previous rate case.

17 Q. In addition to a declining rate base, what other factors may result in a positive
18 regulatory lag for a utility?

19 A. Increases in efficiency and advances in technology can result in significant cost
20 reductions as well as positive regulatory lag that can offset negative regulatory lag associated
21 with increases in fuel or other expenses.

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1 Since GMO's last rate case, Case No. ER-2012-0175, KCPL¹ has reduced its level of
2 employees by 163² as of December 31, 2015. Each employee reduction below the level
3 reflected in rates represents a cost savings to GMO until rates are changed in this case. In
4 addition to this payroll expense, all employee benefit costs that are included in rates that are
5 associated with positions no longer filled would be retained by GMO as a significant savings.

6 Q. Does GMO claim difficulty in earning its authorized rate of return?

7 A. Yes. Witness Rush makes this claim in his direct testimony:

8 **Q: Do the rate case procedures normally used in**
9 **Missouri provide a sufficient mechanism for GMO to**
10 **recover the increasing level of costs that it is facing and still**
11 **earn a fair return on equity?**

12 A: Unfortunately, no. In an environment where certain
13 costs have been increasing rapidly and billing determinants that
14 drive revenues (i.e., average customer use) are flat to declining,
15 the opportunity for GMO to earn a fair return is severely
16 compromised by regulatory lag. [Rush Direct, ER-2016-0156,
17 page 8]

18 Q. What has been GMO's actual earned return on equity been since its last rate
19 case, Case No. ER-2012-0175?

20 A. Attached to this testimony as highly confidential Schedule KM-r1 is the
21 Commission authorized cost of equity and the actual earned return on equity as reported by
22 GMO separately for MPS and L&P in the Fuel Adjustment Clause ("FAC") Quarterly
23 Surveillance Reports. The difference between the authorized and earned return on equity is
24 listed as well. ** _____
25 _____

¹ GMO has no employees, all employees are KCPL employees, and labor is allocated to GMO.

² 3,062 employees, Case No. ER-2012-0175 Staff True-up Workpapers, 2,899 employees, Case No. ER-2016-0156 Staff Direct Workpapers.

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Q. Have these rates of return been adjusted for any ratemaking normalizations or annualizations?

A. No. These rates of return on equity are from the quarterly surveillance reports as reported by MPS and L&P. The revenues are reported are not weather-normalized, nor are any of the expenses adjusted from actual results, as opposed to the substantial adjustments made during the ratemaking process. For these reasons, the ROE results reported in the FAC surveillance reports do not necessarily correspond with the revenue requirement calculations used in general rate proceedings to determine whether a utility's rates should be increased or decreased.

Q. Do you believe GMO's reported ROE percentages are potentially understated?

A. Yes. The returns on equity percentages provided in the GMO FAC surveillance reports do not include rate case annualizations and normalizations, which may increase or decrease these figures. However, one factor that would increase the rate of return, all other things being equal, from the figures reported by MPS and L&P is the inclusion of the Crossroads rate base and transmission expense disallowed amounts in the reported rate base and expense results.

Q. Please explain.

A. In GMO's two prior rate cases, Case Nos. ER-2010-0356 and ER-2012-0175, the Commission ordered disallowances of Crossroads rate base and transmission expenses. These adjustments are further discussed in the direct and rebuttal testimony of Staff witness

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1 Cary G. Featherstone. The response to Staff Data Request No. 0228 in this proceeding noted
2 that all costs, including plant in service, accumulated reserve, depreciation, and transmission
3 expense related to the Commission's disallowances are included at their full value in the
4 GMO surveillance reports.

5 Q. What is the impact of including Crossroads disallowed expenses in
6 surveillance results?

7 A. The reported ROEs will be understated compared to rate base ROE
8 calculations that would appropriately reflect the Commission's ordered Crossroads
9 disallowances. At this time, Staff has not calculated the impact of including the Commission
10 ordered Crossroads rate base and expenses. Crossroads transmission expenses were allocated
11 to both MPS and L&P and would impact its surveillance reports as well.

12 **TRANSOURCE ADJUSTMENTS**

13 Q. What adjustments related to Transource Missouri are you addressing in this
14 testimony?

15 A. I address GMO Adjustment CS-108 "Transource CWIP/FERC Incentives."
16 This adjustment was sponsored by GMO witness Ronald A. Klote on page 52 of his
17 rebuttal testimony.

18 Q. Please describe GMO Adjustment CS-108.

19 A. Witness Klote describes this adjustment on pages 52-53 of his direct
20 testimony:

21 Adjustment CS-108 reflects a change to Account 565 -
22 Transmission of Electricity by Others that represents the
23 difference between GMO's SPP load ratio share allocation of
24 Transource Missouri's annual transmission revenue requirement
25 ("ATRR") for the Iatan Nashua and Sibley-Nebraska City
26 Projects and GMO's SPP load ratio share allocation of the
27 ATRR for the Nashua and Sibley-Nebraska City Projects if it
28 had been calculated utilizing GMO's MPSC-authorized ROE

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1 and capital structure and did not include the FERC-authorized
2 rate treatments and incentives listed above.

3 Q. What is Transource Missouri?

4 A. Transource Missouri is a Delaware limited liability corporation qualified to
5 conduct business in Missouri, with its principle place of business in Columbus, Ohio.
6 Transource Missouri is a wholly-owned subsidiary of Transource Energy, LLC
7 (“Transource”). Transource was established by Great Plains Energy Incorporated (“GPE”),
8 GMO’s parent corporation, and American Electric Power Company, Inc. (“AEP”) to build
9 wholesale regional transmission projects within Southwest Power Pool (“SPP”), as well as
10 other regional transmission organizations.

11 Q. Why is this adjustment necessary?

12 A. This adjustment is made to comply with the conditions of the Commission’s
13 *Report and Order* in File No. EA-2013-0098, ordered on page 28:

14 2. With respect to transmission facilities located in GMO
15 certificated territory that are constructed by Transource
16 Missouri that are part of the Iatan-Nashua and Sibley-Nebraska
17 City Projects, GMO agrees that for ratemaking purposes in
18 Missouri the costs allocated to GMO by SPP will be adjusted by
19 an amount equal to the difference between: (a) the SPP load
20 ratio share of the annual revenue requirement for such facilities
21 that would have resulted if GMO’s authorized ROE and capital
22 structure had been applied and there had been no CWIP (if
23 applicable) or other FERC Transmission Rate Incentives,
24 including but not limited to Abandoned Plant Recovery,
25 recovery on a current basis instead of capitalizing pre-
26 commercial operations expenses and accelerated depreciation,
27 applied to such facilities; and (b) the SPP load ratio share of the
28 annual FERC-authorized revenue requirement for such
29 facilities. GMO will make this adjustment in all rate cases so
30 long as these transmission facilities are in service.

31 This paragraph is identical to Paragraph II A. 2. on page 5 of the *Non-Unanimous Stipulation*
32 *and Agreement* filed in File Nos. EA-2013-0098 and EO-2012-0367, consolidated.

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1 Q. Please describe File Nos. EA-2013-0098 and EO-2012-0367.

2 A. These applications were filed simultaneously by Transource Missouri, Kansas
3 City Power & Light (“KCPL”), and GMO.

4 File No. EO-2012-0367 was intended to establish authority to transfer certain
5 transmission property and for other related determinations regarding two regional, high-
6 voltage, wholesale transmission projects approved by SPP known as the Iatan-Nashua 345kV
7 transmission project (“Iatan-Nashua Project”) and the Sibley-Nebraska City 345kV
8 transmission project (“Sibley-Nebraska City Project;” collectively, the “Projects”).

9 File No. EA-2013-0098 was intended to request line Certificates of Convenience and
10 Necessity (“CCN”) to construct, finance, own, operate, and maintain the regional Projects
11 (“CCN Application”) for Transource Missouri.

12 The *Report and Order* in File No. EA-2013-0098 approved both the transfer of assets
13 to Transource Missouri and the CCN for Transource Missouri, with certain conditions, one of
14 which is the aforementioned paragraph describing the adjustment at issue.

15 Q. How is this adjustment calculated?

16 A. Both KCPL and GMO have FERC-approved formula rates that have been
17 incorporated into the SPP Tariff. These wholesale transmission rates are often referred to as
18 “formula rates” because they use formulaic rate structures to determine the Annual
19 Transmission Revenue Requirement (“ATRR”) for the applicable transmission owner through
20 an agreed-upon formula that incorporates annual true-up processes to update actual costs.

21 Transource Missouri also has a filed ATRR before FERC that is collected under the
22 SPP Tariff. The adjustment is calculated by capturing the difference between the actual
23 ATRR calculated for the facilities, and the ATRR calculated for the facilities not using FERC

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1 approved incentives in Transource Missouri's ATRR. The difference between these two
2 ATRRs is subtracted from FERC Account 565 in GMO's cost of service.

3 Q. What incentives did Transource Missouri request from FERC in formulation of
4 its ATRR?

5 A. According to the direct testimony of Darrin R. Ives in File No. EO-2012-0367,
6 page 15, Transource Missouri requested the following incentives:

- 7 • 100 basis point ROE Risk Adder for the Sibley-Nebraska City
8 Project to address the financial risks and regional benefits
9 associated with the project;
- 10 • inclusion of 100% of construction work in progress ("CWIP")
11 in rate base during the development and construction periods
12 for each of the Projects;
- 13 • deferral of all prudently-incurred costs that are not capitalized
14 prior to the rates going into effect for recovery in future rates;
- 15 • use of a hypothetical capital structure consisting of 40% debt
16 and 60% equity during construction until long-term financing
17 is in place for both Projects; and
- 18 • recovery of prudently-incurred costs in the event either of the
19 Projects must be abandoned for reasons outside the reasonable
20 control of Transource Missouri.

21 Q. What specific differences did GMO assume between the FERC authorized
22 ratemaking and the modified FERC authorized ratemaking pursuant to the Commission's
23 Report and Order in File No. EA-2013-0098?

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1 A. GMO identified the following differences related to FERC incentives:

- 2 • Return on Equity– FERC authorized Transource ROE, with
3 risk adder for the Sibley-Nebraska City Project, versus
4 MOPSC ordered ROE.
- 5 • Pre-commercial Costs – defer and amortize pre-commercial
6 costs prior to projects becoming in-service, versus
7 capitalization of pre-commercial costs.
- 8 • Construction Work In Progress in Rate Base – inclusion of
9 CWIP in rate base, versus capitalization of Allowance for
10 Funds Used During Construction (“AFUDC”)
- 11 • Capital Structure – use of hypothetical 60/40% equity/debt
12 capital structure, versus MOPSC ordered capital structure

13 GMO also identified the following differences that are not related to FERC incentives, but are
14 differences between the Transource ATRR and Missouri ratemaking:

- 15 • Cost of Debt – Transource long-term debt rate, versus MOPSC
16 ordered long term debt rate
- 17 • Depreciation Rate – Transource depreciation rate, versus
18 MOPSC ordered depreciation rates
- 19 • Income taxes – Deductibility of Federal income taxes for
20 calculation of Missouri income tax, and reduction of Missouri
21 income tax for Transource, versus normal income tax
22 calculations

23 Q. Does Staff agree with GMO’s calculations for this adjustment?

24 A. Not in their entirety. To the extent the ATRR differences related to FERC
25 incentives are captured pursuant to the Commission’s Report and Order in File No.

1 EA-2013-0098, the calculations are reasonable. The incentive differences for increased ROE,
2 deferral of pre-commercial costs, CWIP in rate base, and hypothetical capital structure are
3 FERC incentives that represent differences to be captured by this adjustment. The remainder
4 of the differences captured in GMO's adjustment are not related to FERC incentives and are
5 therefore not contemplated in the adjustment ordered by the Commission in File No.
6 EA-2013-0098. While they are differences between FERC and MOPSC ratemaking
7 treatment, they were not addressed in the Commission's Report and Order, and should not be
8 considered differences for purposes of calculating of this adjustment.

9 Q. What are the differences between GMO and Staff's calculation of the
10 adjustment?

11 A. For the ATRR differences identified by GMO that are not FERC incentives,
12 Staff made those factors equal between Transource and the hypothetical Missouri ATRR.
13 Specifically, Staff set the rate of long term debt, depreciation rate, and income tax rate equal
14 between the two calculations. Staff also calculated the AFUDC capitalized to the projects.

15 GMO's updated calculation as of December 31, 2015 results in a reduction to Account
16 565 of \$947,763, and Staff's updated calculation results in a \$1,005,965 reduction, a
17 difference of \$58,202.

18 Staff's direct filed adjustment did not include the correct income tax calculation
19 associated with this adjustment. Staff's direct filed adjustment was \$1,006,044, a difference
20 of \$79. The corrected workpapers have been provided to the Company.

21 **BAD DEBT EXPENSE**

22 Q. Please summarize Staff's position with regard to bad debt expense.

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1 A. In this testimony, I respond to GMO's request to recover bad debt expense in
2 excess of the annualized level of bad debt expense calculated in this case. GMO's request to
3 include an adjustment for bad debt expense associated with the revenue requirement increase
4 (or decrease) is commonly referred to as bad debt "factor up" or "gross up." GMO has
5 included an additional \$257,337 of bad debt based on its direct filed revenue requirement.
6 GMO has also included a factor up for late payment fee revenue in the amount of \$32,842
7 based on its direct filed revenue requirement.

8 GMO's rationale for making this request is based on the assumption that any increase
9 in revenue requirement granted by the Commission will cause bad debt expense to increase
10 proportionally. However, GMO has not demonstrated a direct correlation between the level
11 of customer rates and the percentage of bad debts to justify an increase of bad debt expense in
12 rates. GMO's assumption is speculative and is not based upon known and measurable
13 expenses.

14 Staff has based its recommendation on actual historical levels of bad debt. Staff
15 concludes that there is no direct correlation between bad debts and the level of rate increases,
16 or even the level of revenue growth of GMO. Staff's analysis of the actual net write-offs to
17 related revenues depicted in the attached charts and graphs indicates that bad debt expense
18 sometimes moves in the opposite direction, or not in direct proportion, when levels of rates
19 and overall revenues increase.

20 Staff recommends that the Commission deny GMO's request to factor up the revenue
21 requirement for both bad debt and late payment fees resulting from this case. However,
22 should the Commission grant GMO's request to speculatively factor up bad debt expense
23 proportionate with an increase in revenue requirement, Staff recommends the Commission

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1 also reflect in the bad debt factor up additional late payment fees proportionate with an
2 increase in revenue requirement. If the Commission concludes that it is reasonable and
3 appropriate to speculatively factor up bad debt expense for purposes of setting rates, on the
4 theory that GMO will experience a higher level of bad debts as a result of a rate increase, then
5 it is also reasonable to conclude that GMO will also experience a higher level of late payment
6 revenue resulting from those higher rates. The Commission should deny both requests, but if
7 the bad debt factor up is included, late payment fees should also be factored up.

8 Q. Does Staff believe that it is reasonable to assume that there will be additional
9 bad debts associated with the revenue requirement increase granted in this rate case?

10 A. Upon examining actual historical bad debts in relationship to revenues, there is
11 not an apparent causal relationship between bad debts and increases in revenues. Thus, any
12 increase in a Company's revenues will not automatically cause bad debt expense to increase
13 proportionally, on a dollar-for-dollar basis. Staff's analysis demonstrates no evidence of this
14 direct correlation for GMO currently or in the past, nor has GMO produced any evidence of
15 such a correlation in its testimony or workpapers. In fact, at various times as revenues
16 increased, bad debts have actually declined. In other instances, when revenues decreased, bad
17 debts increased. The conclusion is there is no direct relationship between bad debts and
18 revenue increases.

19 The usual justification for use of the bad debt factor up is the incorrect assumption that
20 it is necessary to match dollar-for-dollar the level of bad debt expense established in a rate
21 case with the amount of additional revenue requirement increase approved by the
22 Commission. Should the factor up be granted, this additional amount of bad debt expense
23 would be calculated and added to the annualized and normalized level of bad debt expense

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1 found reasonable for inclusion in the utility's revenue requirement. The amount of any
2 ordered bad debt factor up will be derived by applying the bad debt expense ratio to the
3 expected revenue requirement increase to be granted by the Commission. Also, as requested
4 by GMO, late payment fees would be increased by the amount of the ordered revenue
5 requirement.

6 Q. How did Staff develop its normalized bad debt expense recommendation?

7 A. Bad debt expense was normalized using the historical ratio between bad debt
8 and retail revenues through December 2015. Staff applied this ratio to the weather
9 normalized annualized revenues. This method has been used by both Staff and GMO for
10 several cases to normalize bad debt expense. There is no apparent disagreement between
11 Staff and GMO concerning this portion of bad debt expense.

12 Q. How does Staff respond to GMO's assumption regarding a proportional
13 increase in bad debt expense in relationship to the revenue requirement in this case?

14 A. Upon review of actual historical data, Staff finds GMO's assumption does not
15 hold true. In other words, the use of bad debt factor up implies that it is a virtual certainty that
16 with each rate increase, and revenue increase, bad debts will be increased using the same bad
17 debt percentage.

18 Staff's analysis concludes GMO's proposed bad debt factor up request should not be
19 adopted in this case, nor should additional late payment fees be included based on the rate
20 increase ordered in this case. Therefore, Staff recommends that the Commission not adopt
21 GMO's request.

22 Q. Does GMO's requested bad debt factor up work in the same way as an income
23 tax factor up?

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1 A. Yes. GMO's proposed bad debt factor up methodology is in essence the same
2 as the income tax factor up. The income tax factor assumes that for every increase in earnings
3 to a utility resulting from a rate case there will be a direct and absolute proportional increase
4 in income taxes. This is a well-established relationship in ratemaking, and in this case both
5 GMO and Staff have applied an income tax factor up to the additional revenue requirement
6 calculation to determine the proper level of rate increase recommended in this case. For
7 example, if the Commission authorizes a rate increase in this proceeding, then a
8 corresponding income tax amount will have to be added to the additional revenue requirement
9 amount or GMO may not be able to recover the authorized amount of increase in revenue
10 requirement. However, it is improper to use this factor up method for bad debt because it is
11 clear from the analysis conducted by Staff that no direct relationship exists between increased
12 rates and increased bad debt expenses and late payment fees.

13 Q. What analysis has Staff performed to support the position that no direct
14 relationship exists for bad debts relating to additional revenue requirement for GMO?

15 A. Attached to this rebuttal testimony, are several schedules:

- 16 • Highly confidential Schedule KM-r2 is a historical monthly
17 analysis of MPS', L&P's, and combined total GMO's bad
18 debts (net write-offs) and retail revenue levels. Listed on the
19 schedule are the monthly revenues, along with the
20 corresponding bad debt. The monthly percentage change in
21 both is listed.

- 22 • Highly confidential Schedule KM-r3 is a graphical analysis of
23 monthly retail revenues and bad debt and has been divided into
24 time periods January 2000 (2001 for L&P) through June 2008,

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1 and July 2008 through December 2015, and separately for
2 MPS, L&P and combined total GMO.

3 • Highly confidential Schedule KM-r4 is a graphical analysis of
4 the monthly percent change in bad debts and retail revenues for
5 MPS, L&P and combined total GMO.

6 • Highly confidential Schedule KM-r5 is the quarterly rolling
7 percentage of bad debt compared to retail revenue for the same
8 time periods for MPS, L&P and combined total GMO.

9 GMO's own historical data does not support its position that there is always a corresponding
10 direct relationship between revenues and bad debt expense and late payment fees; whereby
11 any rate increase will always result in an automatic increase in bad debt expense and late
12 payment fees of the same magnitude and proportion.

13 Staff reviewed historical revenues and bad debts over several years, yet none of those
14 analyses produced any substantive support that a direct relationship exists between revenues
15 and bad debts to justify inclusion of the bad debt and late payment fee factor up in this case.
16 Staff utilized both numerical and graphical presentations in its review.

17 Q. What do the schedules you have provided purport to demonstrate?

18 A. The information shown in the graphical analysis clearly demonstrates there is
19 no direct relationship between bad debts and increased revenues that would have to exist to
20 justify a bad debt factor up calculation. This conclusion holds true in examining the month-
21 to-month change in bad debt and revenue, and also the quarterly rolling relationship between
22 bad debt and revenue as shown in the attached schedules.

23 Q. What are some historical examples specific to GMO when bad debts did not
24 increase proportionately to increased revenues?

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1 A. The Staff reviewed the changes or variations that occurred between electric
2 retail revenues and actual bad debt write-offs for a fifteen-year period from January 2000
3 through December 2015³ (see attached schedules).

4 About half of the data reviewed showed while electric revenues increased
5 (or decreased), actual bad debt write-offs tend to decrease (or increase) by different amounts
6 and in different directions. In fact, during GMO's summer peaking months, there was at least
7 one month each year where revenues and bad debts had an inverse relationship from 2005
8 through 2015. Even in situations where revenues and bad debts tend to move in the same
9 direction, Staff observed that they were either increased or decreased by different and
10 disproportionate amounts. This situation does not, in any way, support the theory that bad
11 debt write-offs have a proportional relationship to revenues. The following table identifies
12 several examples during the peak summer months when the increase or decrease in revenues
13 is not consistent with the increase or decrease in bad debts:

14

Month/Year	Bad Debt Percentage Change	Revenue Percentage Change
July 2010	-7.16%	8.92%
August 2010	-54.56%	2.61%
June 2011	-11.57%	43.70%
July 2011	-17.72%	31.95%
June 2012	-26.12%	36.38%
September 2013	2.11%	-23.52%
July 2014	-38.74%	4.54%
August 2014	-103.29%	8.52%
September 2014	138.91%	-28.87%
June 2015	-4.05%	30.74%
July 2015	-17.95%	18.52%

15

³ The approximate time to "write-off" bad debts is six months. Therefore, bad debts in a given month relate to revenues six months prior. Staff's analysis through December 31, 2015 updates through June 2016 bad debts that relate to December 2015 revenues.

Rebuttal Testimony of
Keith Majors

1 Q. What is the significance of the summer peaking months shown above?

2 A. The summer peaking months of June through September represent the months
3 GMO revenues are its highest during a given year. For GMO's argument to hold true, bad
4 debts would increase during its summer peaking months when revenues are increasing. Based
5 on the table above, GMO's argument simply does not hold true.

6 Q. On an annual basis, what is the comparison of Missouri bad debts to revenues?

7 A. Highly confidential Schedule KM-r5 graphically depicts GMO's bad debts as a
8 percentage of revenues on a 12 month rolling quarterly basis. Case No. ER-2001-672, which
9 was consolidated with a complaint case, resulted in a rate *decrease*, and, contrary to GMO's
10 assumptions, bad debts *increased*. Highly confidential Schedule KM-r5 shows that bad debts,
11 as a percentage of revenues, actually decreased after the 2010 and 2012 rate increases. This
12 data directly contradicts GMO's assumptions and conclusions.

13 Q. What are "forfeited discounts"?

14 A. Forfeited discounts also known as late payment fees, and are fees that GMO
15 charges its customers for making late payments of customer bills whenever they become due.
16 The charges are assessed on the remainder of the unpaid bill.

17 Q. How are late payment fees booked by GMO?

18 A. Late fees payments are considered additional revenue and, as such, are booked
19 as revenue by GMO.

20 Q. Did GMO propose to factor up late payment fees consistent with its requested
21 bad debt factor up for revenue requirements increase?

22 A. Yes. GMO Adjustment R-21b adds additional late payment revenue based on
23 the requested rate increase.

Rebuttal Testimony of
Keith Majors

1 Q. Has Staff performed any analysis that would support there is a relationship
2 between increased revenues and late payment fees?

3 A. Yes. Attached to this rebuttal testimony are several schedules:

- 4 • Schedule KM-r6 is a historical monthly analysis of MPS',
5 L&P's, and combined total GMO's late payment fees and retail
6 revenue levels. Listed on the schedule are the monthly
7 revenues, along with the corresponding late payment fees. The
8 monthly percentage change in both is listed.
- 9 • Schedule KM-r7 is a graphical analysis of monthly retail
10 revenues and late payment fees and has been divided into time
11 periods January 2009 through June 2012, and July 2012
12 through December 2015, and separately for MPS, L&P and
13 combined total GMO.

14 Unlike Staff's bad debt analysis, the relationship between late payment fees and
15 increased revenues appears to exist. Although the relationship between late payment fees and
16 increased revenues is not a perfect correlation, Staff's analysis indicates the relationship is
17 much closer to a direct correlation than the relationship of bad debt expense to increased
18 revenues rates.

19 Q. If the Commission were to grant GMO's request to factor up bad debt expense,
20 would it be consistent to treat late payment fees in the same manner?

21 A. Yes. Staff recommends that if the Commission decides to grant GMO's
22 request to increase bad debt expense proportionate to any increase in revenue requirement,
23 then it should also factor up late payment fees for the same reason. If the Commission
24 concludes that GMO will experience a proportionately higher level of bad debt as a result of a

Rebuttal Testimony of
Keith Majors

1 rate increase then it would follow that GMO will experience a higher level of late payment
2 revenue as well.

3 Q. You stated earlier in this testimony that the bad debt factor up is not “known
4 and measurable” and is an out-of-period adjustment that goes beyond the true-up period in
5 this case. Please explain.

6 A. The effective date of rates in this case will occur in December 2016. The
7 revenue requirement authorized by the Commission, if any, will be collected in the following
8 12 months. The bad debt expense will not be fully realized until six months after this date in
9 June 2018, 18 months beyond the operation of law date, and 24 months beyond the true-up
10 date in this case. GMO’s adjustment attempts to collect in rates expenses that may or may not
11 be fully realized 18 months past the effective date of rates. The level of bad debt expense 18
12 months past the effective date of rates is certainly not known and measurable.

13 **PENSION TRACKER**

14 Q. What is the issue concerning GMO’s pension tracker?

15 A. Staff’s direct filed pension tracker adjustments capture the expired
16 amortization of the L&P prepaid pension asset amortization. The amounts being paid by
17 ratepayers for this amortization are still being collected by GMO in rates, and will continue to
18 be collected until rates change resulting from this rate case. GMO did not in any way take
19 into account the amounts that are currently being collected in rates for this amortization.

20 Q. Please describe the prepaid pension asset tracker.

21 A. The L&P prepaid pension asset was established in Case No. ER-2004-0034,
22 *In the matter of Aquila, Inc. d/b/a Aquila Networks L&P and Aquila Networks MPS to*
23 *implement a general rate increase in electricity.* It was intended to compensate L&P for a

Rebuttal Testimony of
Keith Majors

1 prepaid pension asset that was created during the time L&P and MPS received rate recovery
2 of pension expense using the FAS 87 accrual methodology. Beginning in that case, L&P and
3 MPS changed the method of calculating pension expense from using FAS 87 to use of the
4 “minimum ERISA” method along with a tracker. Because of this change, the remaining
5 prepaid pension asset resulting from using the FAS 87 method was amortized over the
6 approximate time period that FAS 87 was adopted for ratemaking purposes. For L&P the
7 length of time was 9.25 years. The amortization ended July 2013.

8 Beginning in the 2010 Rate Case, Case No. ER-2010-0356, MPS and L&P returned to
9 utilizing a FAS 87 pension tracker.

10 Q. Is there a similar amortization for MPS?

11 A. There was a 5.5 year amortization for the MPS prepaid pension asset beginning
12 at the same time of the L&P regulatory asset amortization. This amortization ended in 2009.

13 Q. How did Staff treat the over-collection of this amortization?

14 A. Part of the current pension tracker takes into account the current amount of
15 pension expense being collected in rates. This amount is compared to the actual FAS 87
16 expense incurred. Any over- or under-collection is accrued and amortized in rates over
17 five years. This special treatment is the result of stipulations and agreements approved in
18 Case Nos. ER-2010-0356 and ER-2012-0175. When the prepaid pension asset was fully
19 amortized in July 2013, Staff treated the amount being collected in rates as if it were
20 additional cash pension expense being collected in rates, which it is. These amounts are
21 “rolled” into the pension tracker mechanism.

Rebuttal Testimony of
Keith Majors

1 Q. Why does Staff support tracking the over-collection of this amortization?

2 A. Pension expense has been subject to tracker treatment through approved
3 stipulations and agreement for several years, not only in regard to GMO but also in regard to
4 all major utilities in Missouri. Pension trackers are special and unique ratemaking tools that
5 are designed to ensure the utility recovers the exact amount of pension expense; no more and
6 no less. The expired amortization should not unjustly enrich GMO when ongoing pension
7 expense is recovered by GMO: dollar for dollar recovery, no more and no less. Staff has
8 captured the over collection through December 31, 2015. The amortization will continue to
9 be collected in rates through no later than the effective date of rates in this case, December 22,
10 2016. The amount of over-collection from January 1, 2016 through July 31, 2016 will be
11 captured in the true-up in this case. The remainder from August 1, 2016 through the effective
12 date of rates will be recognized in the pension tracker in GMO's next rate case.

13 Q. Does that conclude your rebuttal testimony?

14 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Request for Authority) Case No. ER-2016-0156
to Implement A General Rate Increase for)
Electric Service)

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 Rebuttal Testimony and that the same is true and correct according to his best knowledge and belief.

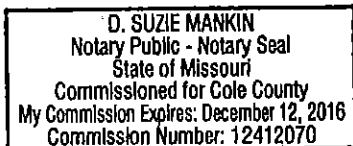
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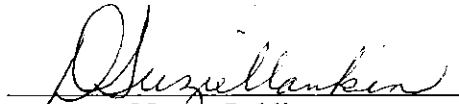


KEITH MAJORS

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 12th day of August, 2016.





Notary Public

SCHEDULE KM-r1

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE KM-r 2

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE KM-r3

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE KM-r4

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE KM-r 5

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

KCP&L Greater Missouri Operations Company- MPS
Case No. ER-2016-0156
Forfeited Discount (Late Payment Fees)

	Forfeited Discounts	Total Retail Revenue	Change in Forfeited Discounts %	Change in Revenues %	Opposite Change No. of Occurrence*
Jan-09	59,751	41,776,880			
Feb-09	39,774	29,693,309	-33.43%	-28.92%	
Mar-09	38,678	33,294,600	-2.76%	12.13%	1
Apr-09	36,069	28,339,360	-6.75%	-14.88%	
May-09	37,606	35,915,798	4.26%	26.73%	
Jun-09	33,167	54,083,774	-11.80%	50.58%	2
Jul-09	47,472	53,499,969	43.13%	-1.08%	3
Aug-09	58,278	52,734,198	22.76%	-1.43%	4
Sep-09	57,743	41,631,791	-0.92%	-21.05%	
Oct-09	51,442	36,886,404	-10.91%	-11.40%	
Nov-09	41,998	34,388,610	-18.36%	-6.77%	
Dec-09	45,578	43,931,839	8.52%	27.75%	
Jan-10	46,357	48,398,718	1.71%	10.17%	
Feb-10	53,316	37,269,534	15.01%	-22.99%	5
Mar-10	46,249	36,669,463	-13.25%	-1.61%	
Apr-10	40,648	30,272,710	-12.11%	-17.44%	
May-10	37,141	41,657,223	-8.63%	37.61%	6
Jun-10	38,870	62,793,394	4.66%	50.74%	
Jul-10	59,521	71,014,969	53.13%	13.09%	
Aug-10	71,876	70,431,382	20.76%	-0.82%	7
Sep-10	70,561	43,400,564	-1.83%	-38.38%	
Oct-10	58,821	30,090,570	-16.64%	-30.67%	
Nov-10	42,287	33,246,583	-28.11%	10.49%	8
Dec-10	45,467	42,189,598	7.52%	26.90%	
Jan-11	52,118	41,549,641	14.63%	-1.52%	9
Feb-11	49,523	39,251,883	-4.98%	-5.53%	
Mar-11	46,295	36,995,806	-6.52%	-5.75%	
Apr-11	39,989	32,002,866	-13.62%	-13.50%	
May-11	38,798	41,045,840	-2.98%	28.26%	10
Jun-11	36,899	60,412,253	-4.89%	47.18%	11
Jul-11	52,483	82,672,902	42.23%	36.85%	
Aug-11	80,088	71,671,852	52.60%	-13.31%	12
Sep-11	74,632	41,981,438	-6.81%	-41.43%	
Oct-11	63,955	33,016,473	-14.31%	-21.35%	
Nov-11	42,833	36,579,951	-33.03%	10.79%	13
Dec-11	48,547	38,403,242	13.34%	4.98%	
Jan-12	52,031	38,748,607	7.18%	0.90%	
Feb-12	49,000	36,112,294	-5.83%	-6.80%	
Mar-12	44,043	34,760,669	-10.12%	-3.74%	
Apr-12	41,602	32,825,780	-5.54%	-5.57%	
May-12	39,552	46,559,042	-4.93%	41.84%	14
Jun-12	38,164	63,101,905	-3.51%	35.53%	15
Jul-12	54,918	81,795,992	43.90%	29.63%	
Aug-12	78,954	66,224,484	43.77%	-19.04%	16
Sep-12	63,527	43,863,018	-19.54%	-33.77%	
Oct-12	62,655	34,305,669	-1.37%	-21.79%	
Nov-12	48,041	34,795,454	-23.32%	1.43%	17
Dec-12	33,829	39,641,140	-29.58%	13.93%	18
Jan-13	46,862	40,469,581	38.53%	2.09%	
Feb-13	51,421	39,818,748	9.73%	-1.61%	19
Mar-13	46,593	43,562,393	-9.39%	9.40%	20
Apr-13	48,860	34,873,617	4.87%	-19.95%	21
May-13	45,196	46,163,544	-7.50%	32.37%	22
Jun-13	38,197	56,648,997	-15.49%	22.71%	23
Jul-13	54,272	66,978,825	42.09%	18.23%	
Aug-13	64,889	66,723,728	19.56%	-0.38%	24
Sep-13	63,459	51,563,234	-2.20%	-22.72%	
Oct-13	68,464	36,360,665	7.89%	-29.48%	25
Nov-13	40,056	38,338,480	-41.49%	5.44%	26
Dec-13	56,173	45,457,429	40.24%	18.57%	
Jan-14	56,244	48,366,775	0.13%	6.40%	
Feb-14	55,788	49,369,218	-0.81%	2.07%	27

**KCP&L Greater Missouri Operations Company- MPS
Case No. ER-2016-0156
Forfeited Discount (Late Payment Fees)**

	Forfeited Discounts	Total Retail Revenue	Change in Forfeited Discounts %	Change in Revenues %	Opposite Change No. of Occurrence*
Mar-14	50,395	41,257,365	-9.67%	-16.43%	
Apr-14	42,351	39,845,825	-15.96%	-3.42%	
May-14	39,557	51,851,110	-6.60%	30.13%	28
Jun-14	39,951	60,320,632	1.00%	16.33%	
Jul-14	57,682	63,953,970	44.38%	6.02%	
Aug-14	57,950	69,946,965	0.46%	9.37%	
Sep-14	60,396	49,226,107	4.22%	-29.62%	29
Oct-14	67,583	39,227,998	11.90%	-20.31%	30
Nov-14	36,350	45,533,821	-46.21%	16.07%	31
Dec-14	53,882	44,264,844	48.23%	-2.79%	32
Jan-15	62,061	43,694,875	15.18%	-1.29%	33
Feb-15	53,732	42,916,613	-13.42%	-1.78%	
Mar-15	47,957	36,196,035	-10.75%	-15.66%	
Apr-15	45,186	33,854,968	-5.78%	-6.47%	
May-15	35,829	43,907,146	-20.71%	29.69%	34
Jun-15	36,956	59,892,911	3.14%	36.41%	
Jul-15	53,352	70,963,883	44.37%	18.48%	
Aug-15	71,273	66,282,869	33.59%	-6.60%	35
Sep-15	63,409	48,208,855	-11.03%	-27.27%	
Oct-15	58,825	35,481,323	-7.23%	-26.40%	
Nov-15	40,160	39,817,595	-31.73%	12.22%	36
Dec-15	46,180	39,177,372	14.99%	-1.61%	

Source: Company response to DR 91 in Case No ER-2012-0175

Source: Company response to DR 199 in Case No ER-2016-0156

* This shows the number of times Revenue and Late Payment Fees moved in different directions.

KCP&L Greater Missouri Operations Company- L&P
Case No. ER-2016-0156
Forfeited Discount (Late Payment Fees)

	Forfeited Discounts	Total Retail Revenue	Change in Forfeited Discounts %	Change in Revenues %	Opposite Change No. of Occurrence*
Jan-09	15,324	10,306,384			
Feb-09	11,738	8,746,353	-23.40%	-15.14%	
Mar-09	9,455	8,897,993	-19.45%	1.73%	1
Apr-09	9,742	7,402,047	3.03%	-16.81%	2
May-09	8,705	9,446,720	-10.65%	27.62%	3
Jun-09	10,182	13,349,610	16.98%	41.31%	
Jul-09	10,724	13,469,390	5.32%	0.90%	
Aug-09	14,046	13,026,355	30.98%	-3.29%	4
Sep-09	11,123	9,984,346	-20.81%	-23.35%	
Oct-09	12,355	9,966,483	11.08%	-0.18%	5
Nov-09	8,331	9,668,700	-32.57%	-2.99%	
Dec-09	10,779	12,714,568	29.39%	31.50%	
Jan-10	11,386	13,526,176	5.63%	6.38%	
Feb-10	13,195	12,067,438	15.88%	-10.78%	6
Mar-10	11,764	10,360,211	-10.84%	-14.15%	
Apr-10	10,115	7,915,615	-14.02%	-23.60%	
May-10	9,707	12,296,144	-4.04%	55.34%	7
Jun-10	9,480	15,270,330	-2.33%	24.19%	8
Jul-10	13,216	17,445,598	39.41%	14.25%	
Aug-10	16,674	17,706,745	26.17%	1.50%	
Sep-10	14,460	11,148,075	-13.28%	-37.04%	
Oct-10	12,423	8,747,681	-14.09%	-21.53%	
Nov-10	9,207	9,658,835	-25.89%	10.42%	9
Dec-10	10,114	12,069,005	9.85%	24.95%	
Jan-11	12,717	12,863,154	25.74%	6.58%	
Feb-11	11,305	11,218,429	-11.10%	-12.79%	
Mar-11	11,452	10,822,360	1.30%	-3.53%	10
Apr-11	9,940	9,650,772	-13.20%	-10.83%	
May-11	9,178	12,224,504	-7.67%	26.67%	11
Jun-11	11,350	17,414,258	23.67%	42.45%	
Jul-11	8,230	23,255,070	-27.49%	33.54%	12
Aug-11	19,835	22,423,739	141.01%	-3.57%	13
Sep-11	17,952	12,904,177	-9.49%	-42.45%	
Oct-11	13,613	10,877,448	-24.17%	-15.71%	
Nov-11	10,046	9,194,670	-26.20%	-15.47%	
Dec-11	11,251	13,229,964	11.99%	43.89%	
Jan-12	14,028	12,435,585	24.68%	-6.00%	14
Feb-12	13,328	11,612,752	-4.99%	-6.62%	
Mar-12	11,927	10,927,642	-10.51%	-5.90%	
Apr-12	11,456	10,319,086	-3.95%	-5.57%	
May-12	9,905	13,950,169	-13.53%	35.19%	
Jun-12	10,865	19,422,598	9.69%	39.23%	
Jul-12	13,659	22,535,825	25.71%	16.03%	
Aug-12	23,570	20,468,545	72.57%	-9.17%	15
Sep-12	16,821	13,790,412	-28.64%	-32.63%	

KCP&L Greater Missouri Operations Company- L&P
Case No. ER-2016-0156
Forfeited Discount (Late Payment Fees)

	Forfeited Discounts	Total Retail Revenue	Change in Forfeited Discounts %	Change in Revenues %	Opposite Change No. of Occurrence*
Oct-12	14,632	11,827,533	-13.01%	-14.23%	
Nov-12	13,532	11,847,459	-7.52%	0.17%	16
Dec-12	9,968	14,522,089	-26.34%	22.58%	17
Jan-13	14,685	15,284,906	47.32%	5.25%	
Feb-13	17,346	14,485,942	18.13%	-5.23%	18
Mar-13	14,417	15,425,238	-16.88%	6.48%	19
Apr-13	18,988	12,650,866	31.70%	-17.99%	20
May-13	14,715	17,037,246	-22.50%	34.67%	21
Jun-13	12,591	18,186,938	-14.44%	6.75%	22
Jul-13	16,750	21,074,639	33.03%	15.88%	
Aug-13	21,539	20,996,898	28.59%	-0.37%	23
Sep-13	17,629	15,528,572	-18.16%	-26.04%	
Oct-13	19,471	13,139,584	10.45%	-15.38%	24
Nov-13	10,256	13,446,354	-47.33%	2.33%	25
Dec-13	17,962	17,309,306	75.14%	28.73%	
Jan-14	20,515	18,934,633	14.22%	9.39%	
Feb-14	19,710	18,192,112	-3.92%	-3.92%	
Mar-14	17,462	16,335,491	-11.40%	-10.21%	
Apr-14	12,389	10,210,138	-29.05%	-37.50%	
May-14	13,208	16,353,858	6.60%	60.17%	
Jun-14	12,851	19,703,184	-2.70%	20.48%	26
Jul-14	19,047	19,706,256	48.21%	0.02%	
Aug-14	16,638	20,837,861	-12.65%	5.74%	27
Sep-14	18,411	15,353,583	10.66%	-26.32%	28
Oct-14	21,309	13,456,790	15.74%	-12.35%	29
Nov-14	10,414	15,426,291	-51.13%	14.64%	30
Dec-14	19,453	15,169,988	86.79%	-1.66%	31
Jan-15	20,278	17,115,885	4.24%	12.83%	
Feb-15	16,414	14,449,582	-19.06%	-15.58%	
Mar-15	17,728	12,626,198	8.01%	-12.62%	32
Apr-15	13,822	11,432,125	-22.03%	-9.46%	
May-15	14,179	15,422,552	2.58%	34.91%	
Jun-15	10,662	17,674,404	-24.80%	14.60%	33
Jul-15	15,549	20,968,087	45.84%	18.64%	
Aug-15	19,641	20,720,099	26.32%	-1.18%	34
Sep-15	17,389	15,443,790	-11.47%	-25.46%	
Oct-15	17,991	12,023,284	3.46%	-22.15%	35
Nov-15	11,084	13,287,296	-38.39%	10.51%	36
Dec-15	12,551	13,445,738	13.24%	1.19%	

Source: Company response to DR 91 in Case No ER-2012-0175

Source: Company response to DR 199 in Case No ER-2016-0156

* This shows the number of times Revenue and Late Payment Fees moved in different directions.

KCP&L Greater Missouri Operations Company- GMO (MPS and L&P Combined)
Case No. ER-2016-0156
Forfeited Discount (Late Payment Fees)

	GMO Forfeited Discounts	GMO Total Retail Revenue	Change in Forfeited Discounts %	Change in Revenues %	
Jan-09	75,075	52,083,264			
Feb-09	51,512	38,439,662	-31.39%	-26.20%	
Mar-09	48,133	42,192,593	-6.56%	9.76%	1
Apr-09	45,810	35,741,407	-4.83%	-15.29%	
May-09	46,311	45,362,518	1.09%	26.92%	
Jun-09	43,349	67,433,384	-6.40%	48.65%	2
Jul-09	58,196	66,969,358	34.25%	-0.69%	3
Aug-09	72,324	65,760,553	24.28%	-1.81%	4
Sep-09	68,865	51,616,138	-4.78%	-21.51%	
Oct-09	63,797	46,852,886	-7.36%	-9.23%	
Nov-09	50,329	44,057,310	-21.11%	-5.97%	
Dec-09	56,357	56,646,407	11.98%	28.57%	
Jan-10	57,743	61,924,894	2.46%	9.32%	
Feb-10	66,510	49,336,973	15.18%	-20.33%	5
Mar-10	58,013	47,029,674	-12.78%	-4.68%	
Apr-10	50,763	38,188,325	-12.50%	-18.80%	
May-10	46,847	53,953,367	-7.71%	41.28%	6
Jun-10	48,350	78,063,724	3.21%	44.69%	
Jul-10	72,737	88,460,567	50.44%	13.32%	
Aug-10	88,550	88,138,127	21.74%	-0.36%	7
Sep-10	85,021	54,548,639	-3.99%	-38.11%	
Oct-10	71,244	38,838,251	-16.20%	-28.80%	
Nov-10	51,494	42,905,418	-27.72%	10.47%	8
Dec-10	55,581	54,258,603	7.94%	26.46%	
Jan-11	64,835	54,412,795	16.65%	0.28%	
Feb-11	60,828	50,470,312	-6.18%	-7.25%	
Mar-11	57,747	47,818,166	-5.07%	-5.25%	
Apr-11	49,929	41,653,638	-13.54%	-12.89%	
May-11	47,976	53,270,344	-3.91%	27.89%	9
Jun-11	48,249	77,826,511	0.57%	46.10%	
Jul-11	60,713	105,927,972	25.83%	36.11%	
Aug-11	99,923	94,095,591	64.58%	-11.17%	10
Sep-11	92,584	54,885,615	-7.34%	-41.67%	
Oct-11	77,568	43,893,921	-16.22%	-20.03%	
Nov-11	52,879	45,774,621	-31.83%	4.28%	11
Dec-11	59,798	51,633,206	13.08%	12.80%	
Jan-12	66,059	51,184,192	10.47%	-0.87%	12
Feb-12	62,328	47,725,046	-5.65%	-6.76%	
Mar-12	55,971	45,688,311	-10.20%	-4.27%	
Apr-12	53,058	43,144,866	-5.20%	-5.57%	
May-12	49,458	60,509,211	-6.78%	40.25%	13
Jun-12	49,029	82,524,503	-0.87%	36.38%	14
Jul-12	68,577	104,331,818	39.87%	26.43%	
Aug-12	102,524	86,693,029	49.50%	-16.91%	15
Sep-12	80,348	57,653,431	-21.63%	-33.50%	
Oct-12	77,287	46,133,202	-3.81%	-19.98%	
Nov-12	61,573	46,642,912	-20.33%	1.10%	16
Dec-12	43,797	54,163,229	-28.87%	16.12%	17
Jan-13	61,547	55,754,487	40.53%	2.94%	
Feb-13	68,768	54,304,690	11.73%	-2.60%	18
Mar-13	61,010	58,987,632	-11.28%	8.62%	19

KCP&L Greater Missouri Operations Company- GMO (MPS and L&P Combined)
Case No. ER-2016-0156
Forfeited Discount (Late Payment Fees)

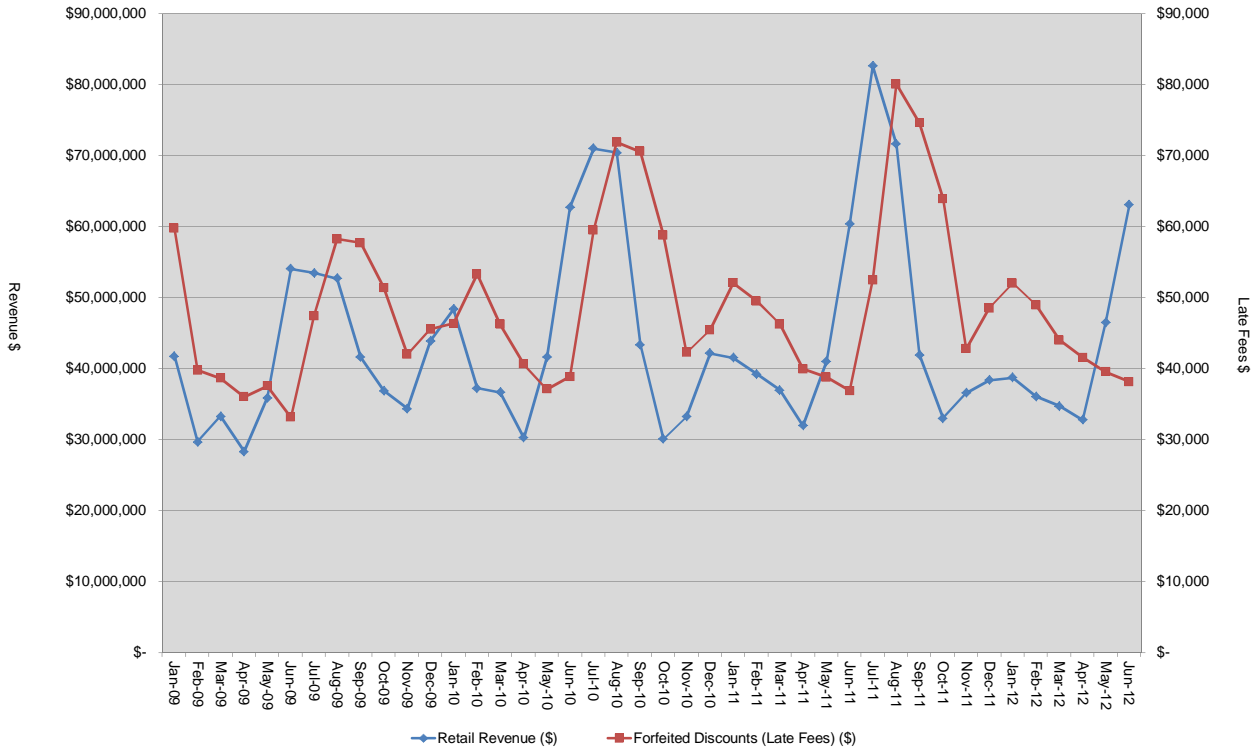
	GMO Forfeited Discounts	GMO Total Retail Revenue	Change in Forfeited Discounts %	Change in Revenues %	
Apr-13	67,848	47,524,484	11.21%	-19.43%	20
May-13	59,911	63,200,791	-11.70%	32.99%	21
Jun-13	50,788	74,835,936	-15.23%	18.41%	22
Jul-13	71,022	88,053,464	39.84%	17.66%	
Aug-13	86,428	87,720,626	21.69%	-0.38%	23
Sep-13	81,088	67,091,806	-6.18%	-23.52%	
Oct-13	87,934	49,500,249	8.44%	-26.22%	24
Nov-13	50,311	51,784,834	-42.79%	4.62%	25
Dec-13	74,135	62,766,735	47.35%	21.21%	
Jan-14	76,759	67,301,409	3.54%	7.22%	
Feb-14	75,498	67,561,330	-1.64%	0.39%	26
Mar-14	67,857	57,592,856	-10.12%	-14.75%	
Apr-14	54,740	50,055,963	-19.33%	-13.09%	
May-14	52,765	68,204,969	-3.61%	36.26%	27
Jun-14	52,803	80,023,816	0.07%	17.33%	
Jul-14	76,730	83,660,226	45.31%	4.54%	
Aug-14	74,588	90,784,826	-2.79%	8.52%	28
Sep-14	78,807	64,579,689	5.66%	-28.87%	29
Oct-14	88,891	52,684,788	12.80%	-18.42%	30
Nov-14	46,764	60,960,112	-47.39%	15.71%	31
Dec-14	73,336	59,434,833	56.82%	-2.50%	32
Jan-15	82,339	60,810,760	12.28%	2.32%	
Feb-15	70,146	57,366,195	-14.81%	-5.66%	
Mar-15	65,685	48,822,232	-6.36%	-14.89%	
Apr-15	59,008	45,287,093	-10.16%	-7.24%	
May-15	50,008	59,329,699	-15.25%	31.01%	33
Jun-15	47,617	77,567,315	-4.78%	30.74%	34
Jul-15	68,901	91,931,971	44.70%	18.52%	
Aug-15	90,914	87,002,967	31.95%	-5.36%	
Sep-15	80,798	63,652,645	-11.13%	-26.84%	
Oct-15	76,816	47,504,607	-4.93%	-25.37%	
Nov-15	51,243	53,104,890	-33.29%	11.79%	35
Dec-15	58,731	52,623,109	14.61%	-0.91%	36

Source: Company response to DR 91 in Case No ER-2012-017;

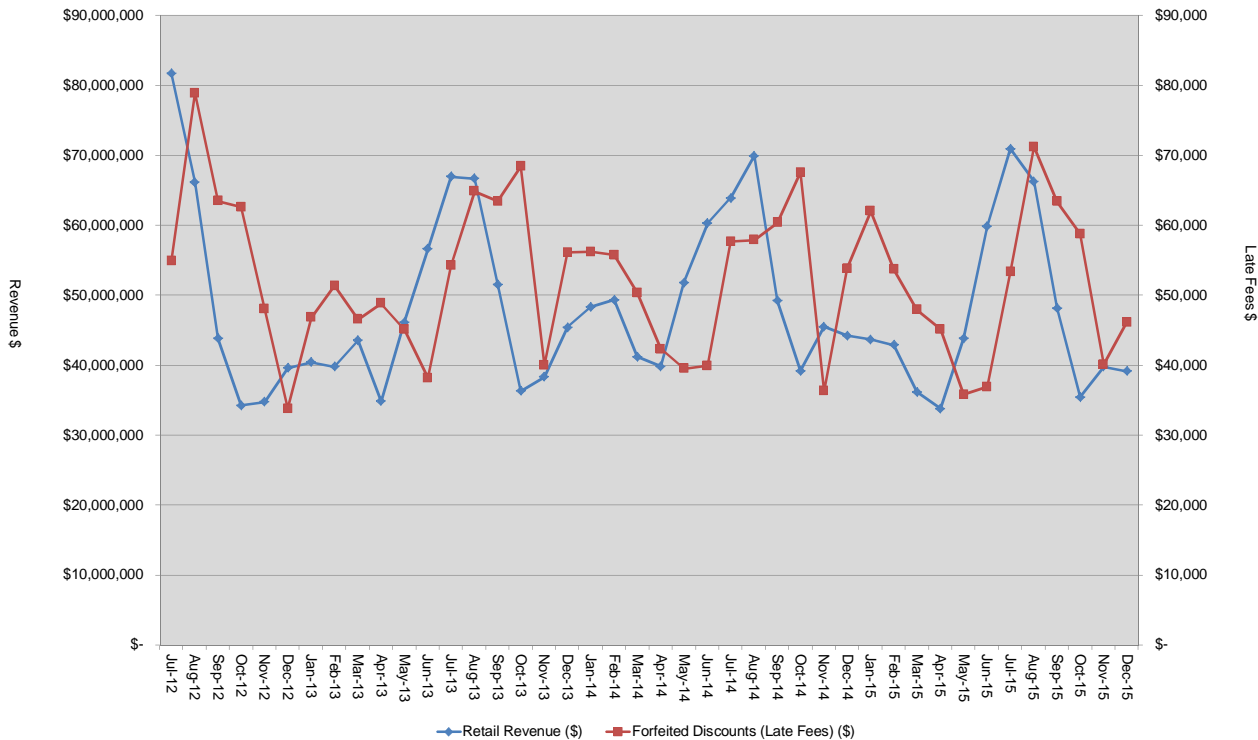
Source: Company response to DR 199 in Case No ER-2016-0156

* This shows the number of times Revenue and Late Payment Fees moved in different directions

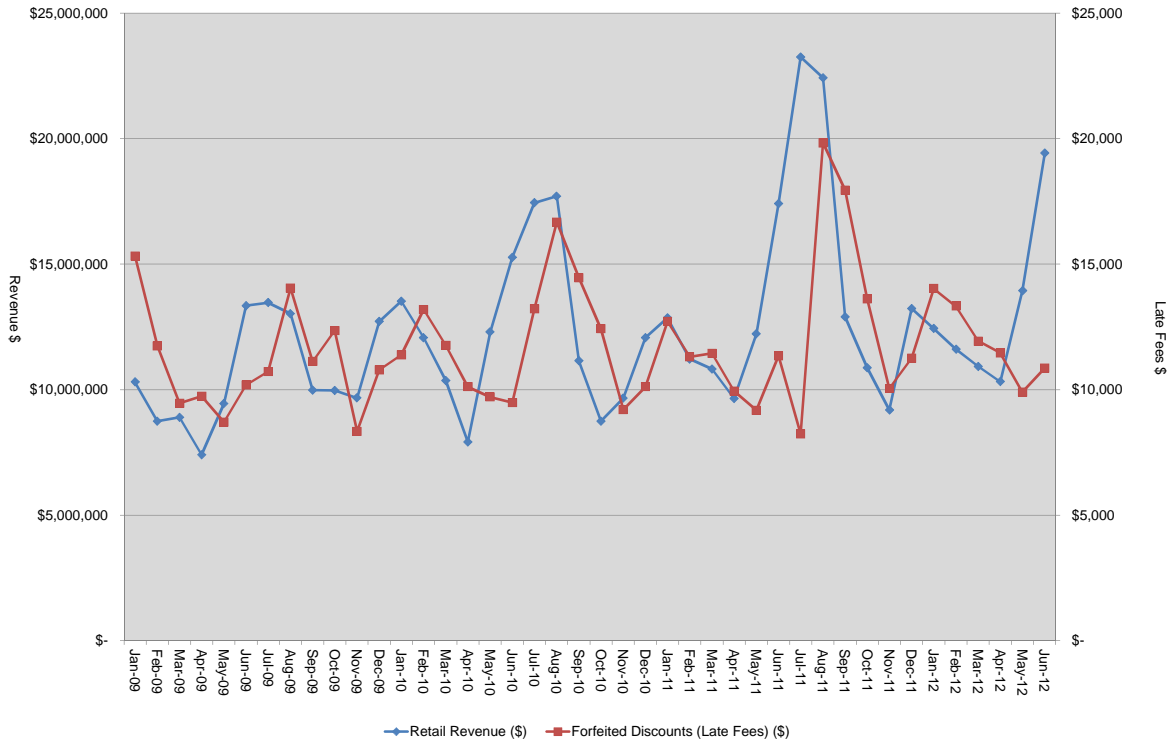
MPS Forfeited Discounts-Revenue Relationship
 Case No. ER-2016-0156
 January 2009 through June 2012



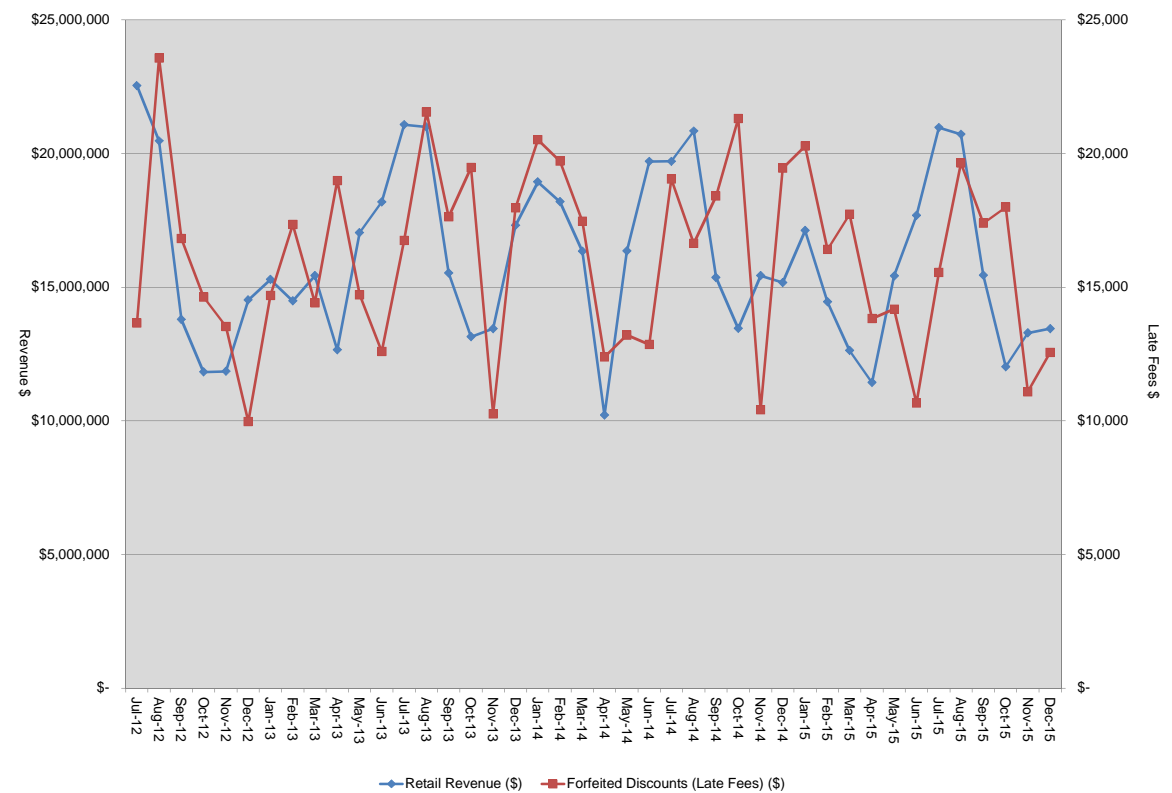
MPS Forfeited Discounts-Revenue Relationship
 Case No. ER-2016-0156
 July 2012 through December 2015



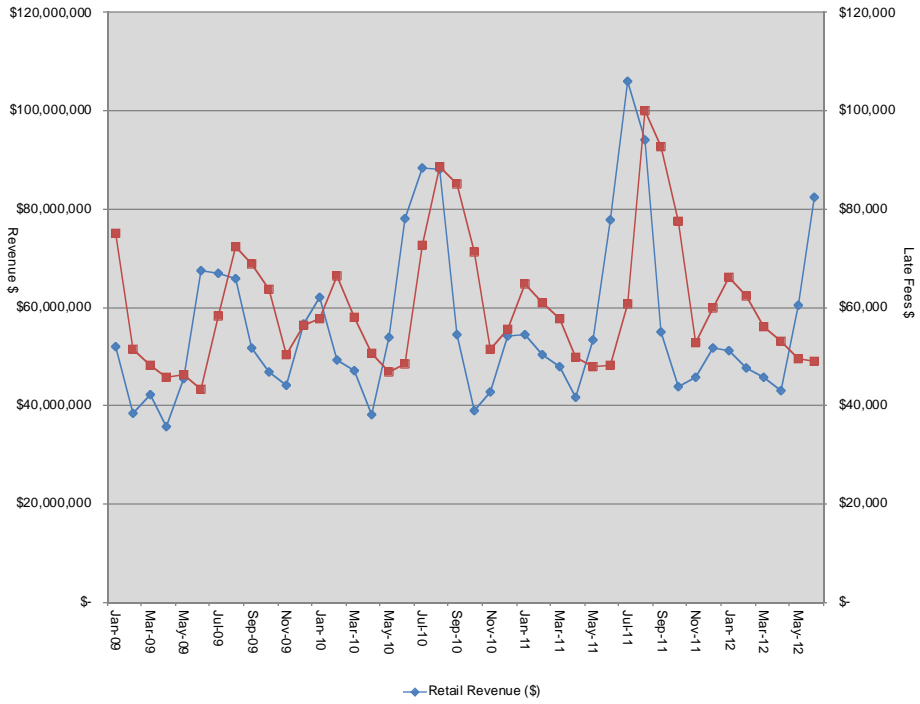
L&P Forfeited Discounts - Revenue Relationship
 Case No. ER-2016-0156
 January 2009 through June 2012



L&P Forfeited Discounts - Revenue Relationship
 Case No. ER-2016-0156
 July 2012 through December 2015



GMO Combined Forfeited Discounts - Revenue Relationship
 Case No. ER-2016-0156
 January 2009 through June 2012



GMO Combined Forfeited Discounts - Revenue Relationship
 Case No. ER-2016-0156
 July 2012 through December 2015

