

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

In the Matter of a Management Audit of) File No. EO-2016-0124
Kansas City Power & Light Company)

RESPONSE TO PUBLIC COUNSEL

COMES NOW Kanas City Power & Light Company (“KCP&L” or the “Company”) and hereby submits its response to Public Counsel’s Reply to Staff’s Proposed Audit Scope filed February 19, 2016. The Office of the Public Counsel (“Public Counsel”) raised three issues in its Reply. KCP&L responds to each issue below.

I. Public Counsel’s “request for involvement” in Staff’s management audit.

1. The Company has no objection to Public Counsel's request that Staff notify Public Counsel of all meetings and interviews with KCP&L regarding the management audit. However, the Company does not know what Public Counsel means when it "requests involvement" in Staff's management audit of KCP&L. The Commission's December 2, 2015 Order directed its Staff to conduct a management audit. The Commission does not have the authority to order Public Counsel to conduct an audit. The December 2nd Order also indicates that after the audit is filed, Public Counsel will be given an opportunity to comment upon that report. Public Counsel is also a party to this case. Thus, Public Counsel already has a way to be involved, should it so choose, in the management audit and the Commission should not adopt Public Counsel's vague request for involvement in Staff's audit process.

II. Officer expense reports.

2. The Commission should reject Public Counsel’s proposal that the Staff’s audit scope include an audit of officer expense reports and that the Staff recommend expense controls such as a minimum meal expense. First, this issue was addressed in the Partial Non-Unanimous

Stipulation and Agreement as to Certain Issues filed on July 1, 2015 (“Stipulation”) in KCP&L’s last rate case (Case No. ER-2014-0370). In that Stipulation, KCP&L agreed that it will make a March 29, 2016 submission to Staff and interested parties regarding what actions, if any, it will implement to address expense account issues such as proper account charging and reporting. Thus, Public Counsel’s stated concerns about KCP&L’s policies and controls regarding officer expense reports are already being addressed outside of the audit. Second, it is premature for the Commission to order Staff to recommend expense controls before the results of Staff’s audit are complete. Finally, Public Counsel’s suggested minimum meal expense requirement amounts to a classic case of micromanaging a utility. The Commission does not have the authority to tell a utility how to manage its business as long as the Commission’s regulations are being satisfied.¹

III. A&G cost comparisons.

3. Public Counsel requests that the Staff compare KCP&L’s administrative and general (“A&G”) expenses to A&G costs of other Midwest utilities. Staff’s audit scope proposed to compare these costs to other Missouri utilities. As the Commission is aware, the recording of expenses to A&G by utilities is subjective and open to different interpretations under the guidance of the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts (“USOA”). The recording of transactions to the FERC USOA is not always consistent among utilities. For example, the results will vary depending upon whether the utility owns or leases its headquarters and service center buildings. In addition, utilities don’t always engage in the same initiatives such as energy efficiency and solar rebates. Because Staff only has limited access to information from utilities outside the state of Missouri, it will not be possible for Staff to develop an “apples-to-apples” cost comparison. The Commission has recognized the

¹ See *State ex rel. Harline v. Public Service Commission*, 343 S.W.2d 177, 181 (Mo. App. 1960).

inappropriateness of using FERC Form 1 data to make comparisons between utilities.² For these reasons, KCP&L does not believe that adding A&G costs of utilities outside the state of Missouri to Staff's audit scope will add to the value of Staff's report.

IV. Public Counsel's Reply was not timely.

4. Staff filed its proposed audit scope on February 1, 2016. Public Counsel filed its Reply on February 19, 2016 which is outside of the 10 day response time set forth in 4 CSR 240-2.080(13). Public Counsel did not seek leave from the Commission to make its late filing.

WHEREFORE, KCP&L respectfully requests that the Commission reject all of Public Counsel's requests contained in its Reply except the request that Staff notify Public Counsel when it is meeting with KCP&L personnel regarding the management audit.

Respectfully submitted,

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² *In re Missouri Gas Energy*, Case No. GR-2004-0209, Report and Order, p. 28.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 29th day of February, 2016.

/s/ Roger W. Steiner

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