

Exhibit No.:
Issue(s): *Dues and Donations,*
EEL,
Credit Card Fees,
Account Receivable Bank Fees
Witness: *Michael Jason Taylor*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *ER-2016-0285*
Date Testimony Prepared: *January 27, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

MICHAEL JASON TAYLOR

KANSAS CITY LIGHT & POWER COMPANY
CASE NO. ER-2016-0285

Jefferson City, Missouri
Month 2017

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

NP

1
2
3
4
5
6
7
8
9
10
11
12

**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY
OF
MICHAEL JASON TAYLOR
KANSAS CITY LIGHT & POWER COMPANY
CASE NO. ER-2016-0285**

DUES AND DONATIONS 1
EDISON ELECTRIC INSTITUTE (“EEI”) DUES..... 10
CREDIT CARD FEES..... 16
ACCOUNTS RECEIVABLE BANK FEES..... 17

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL JASON TAYLOR**

4 **KANSAS CITY LIGHT & POWER COMPANY**

5 **CASE NO. ER-2016-0285**
6

7 Q. Please state your name and business address.

8 A. Michael Jason Taylor, Fletcher Daniels Office Building, 615 East 13th Street,
9 Room 201, Kansas City, Missouri, 64106.

10 Q. By whom are you employed and in what capacity?

11 A. I am a Utility Regulatory Auditor with the Missouri Public Service
12 Commission ("Commission").

13 Q. Are you the same Michael Jason Taylor who contributed to Staff's Revenue
14 Requirement Cost of Service Report ("Report") filed November 30th, 2016, in this case?

15 A. Yes.

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

17 A. I will respond to Kansas City Power & Light Company ("KCPL") witness
18 Ronald A. Klote's rebuttal testimony concerning dues and donations, EEI contributions,
19 credit card acceptance, and Kansas City Power & Light Receivables Company ("KCREC")
20 bank fees. I will also respond to KCPL witness Elizabeth Danforth's rebuttal testimony
21 concerning dues and donations and EEI contributions.

22 **DUES AND DONATIONS**

23 Q. Please identify witness KCPL's position on rate recovery of membership dues.

Surrebuttal Testimony of
Michael Jason Taylor

1 A. Witnesses Klote and Danforth state in their rebuttal testimonies that KCPL
2 does not agree with Staff's adjustments to eliminate membership dues that KCPL paid during
3 the test year. Witnesses Klote and Danforth support rate recovery of all dues and donations
4 booked "above the line" in the test year.

5 Q. Has the Commission provided guidance in prior cases as to the rate recovery
6 of dues?

7 A. Yes. In the Commission's *Report and Order* in Case No. EO-85-185
8 page 261, four criteria were established by Staff, and accepted by the Commission, for
9 disallowance of dues and donations:

10 (1) involuntary ratepayer contributions of a charitable nature; (2)
11 supportive of activities which are duplicative of those performed by
12 other organizations to which the Company belongs or pays dues; (3)
13 active lobbying activities which have not been demonstrated to
14 provide any direct benefit to the ratepayers; or, (4) costs of other
15 activities that provide no benefit or increased service quality to the
16 ratepayer.¹

17 Q. What specific criteria did Staff rely upon to recommend removal of the
18 membership dues at issue in this proceeding?

19 A. Staff used the four criteria listed in the Commission's *Report and Order* from
20 Case No. EO-85-185 to establish the appropriate disallowances of dues and donations.
21 The attached exhibit Schedule MJT-s1 lists the specific criteria Staff used as justification for
22 removing the dues paid to each individual organization that was included in Staff's
23 adjustment.

24 Q. What is a "chamber of commerce" and how would contributions benefit
25 ratepayers?

¹Commission Reports, 28 Mo. P.S.C. (N.S) page 261.

Surrebuttal Testimony of
Michael Jason Taylor

1 A. A chamber of commerce is a membership organization that exists primarily to
2 represent and promote the interests of its member businesses. Many chambers of commerce,
3 especially those organized at the local level, also work to develop and deepen local
4 relationship networks to promote business activity and business-to-business exchanges.
5 Chambers of commerce also commonly engage in charitable activities that focus on local
6 needs. “Economic development councils” and “civic councils” can serve some of the same
7 functions as chambers of commerce. Staff has historically supported rate recovery for
8 memberships to local chambers of commerce to assist KCPL in fostering business
9 relationships that could benefit both KCPL and its customers.

10 Contributions to chambers of commerce or economic development organizations are
11 not required for or directly related to the provision of safe and adequate electric utility service.
12 However, chambers of commerce promote economic development which has the potential of
13 fostering or attracting businesses that will likely be KCPL customers. If the customers do not
14 contribute to system peak and do not require the installation of additional facilities, additional
15 customers on KCPL’s system increase the economic use of KCPL’s system and can spread
16 KCPL’s revenue requirement over more usage, potentially reducing rates for all ratepayers.

17 Q. What criteria did Staff utilize to recommend removal of some chamber of
18 commerce dues?

19 A. Based on Staff’s criteria in EO-85-185, Staff recommends removal of chamber
20 of commerce dues if they are in the following categories:

- 21 1) Chamber of commerce dues that serve areas outside of the KCPL
22 Missouri or KCPL Kansas service territory
- 23 2) Chamber of commerce dues for statewide chambers of commerce
- 24 3) Chamber of commerce dues that are duplicative of other chamber
25 dues in the same area.

Surrebuttal Testimony of
Michael Jason Taylor

1 Staff has recommended rate recovery to one local organization. Staff is opposed to rate
2 recovery of multiple memberships for chamber of commerce as those are duplicative and
3 unnecessary to the provision of safe and adequate service. While Staff recognizes the benefit
4 of such activities, it is Staff's position that ratepayers do not receive a direct benefit from
5 membership dues for a chamber of commerce working to improve an area located outside the
6 KCPL service territory. Removal of these dues would relate to the Staff's fourth criteria used
7 by the Commission, as they provide no benefit to KCPL ratepayers.

8 Staff used the information filed in accordance with 4 CSR 240-3.030 (3)(B)(2),
9 included in KCPL's Minimum Filing Requirements filed on July 1, 2016, to determine which
10 chambers of commerce should not be included in the cost of service. This information is a list
11 of counties and communities affected by the proposed KCPL electric rate increase. Staff
12 removed chamber of commerce contributions located in municipalities that were not in
13 KCPL's service territory, but were located in Missouri. These chambers of commerce were
14 located in KCPL Greater Missouri Operations ("GMO") service territory, and are
15 appropriately allocable to GMO.

16 Staff examined the instances when KCPL paid dues to multiple chambers of
17 commerce in the same city, or county. Staff recommends that allowing the cost of one
18 membership to a chamber of commerce is adequate for a single local area. For example,
19 KCPL contributes to five different Kansas City area chambers of commerce or economic
20 development organizations. Staff removed the costs of four of them but did not remove the
21 dues to The Kansas City Development Council ("KCDC"), which promotes economic
22 development for the entire greater Kansas City area; this area includes over 18 counties in
23 Missouri and Kansas.

Surrebuttal Testimony of
Michael Jason Taylor

1 Q. Briefly describe the KCDC.

2 A. The KCDC states on its website² that it is a “private, non-profit organization
3 that represents the two-state area of the 18 county Greater Kansas City region.” The KCDC’s
4 mission statement is:

- 5 • Engage the world to invest in the one KC region;
- 6 • Attract new companies and talent to the 18-county, two state
7 region;
- 8 • Enhance awareness of our metro’s assets to create positive
9 perceptions;
- 10 • Promote the KC region as a business and lifestyle location of
11 choice;
- 12 • Brand the KC region as one product to stimulate economic
13 growth;
- 14 • Equally support all of our regional communities and investors;
15 and
- 16 • Facilitate relocation/expansion process between a company and its
17 selected KC community

18
19 Q. Why did Staff remove contributions to the other four Kansas City area
20 chambers of commerce and economic development organizations from KCPL’s cost of
21 service?

22 A. Staff removed contributions to the Downtown Council of Kansas City,
23 Civic Council of Greater KC, and Maincor, because Staff considers their efforts to promote
24 economic development in the Kansas City area to be duplicative of the KCDC’s efforts. Staff
25 removed contributions to the Chamber of Commerce of Greater Kansas City (“KC Chamber”)
26 because it does not foster economic development in a manner characteristic of a traditional
27 chamber of commerce. The KC Chamber specifically states on its website³ that it is not
28 typical of most local chambers in the sense that, “We are not directly involved in either the
29 economic development or convention/visitors functions. Those efforts are handled by two

² <http://thinkkc.com>.

³ <http://www.kcchamber.com/Home.aspx>.

1 separate organizations, the Kansas City Area Development Council and the Convention &
2 Visitors Association of Greater Kansas City.”

3 Q. What other dues and donations did Staff remove from the cost of service?

4 A. Staff removed contributions to the following organizations:

- 5 • Associated Industries of Missouri
- 6 • Boston College
- 7 • Boys & Girls Clubs
- 8 • Bridging the Gap Inc.
- 9 • Edison Electric Institute
- 10 • Harry S. Truman Library Institute
- 11 • Hawthorn Foundation
- 12 • Kauffman Center for the Performing Arts
- 13 • Kemper Museum of Contemporary Art
- 14 • Missouri Municipal League
- 15 • National World War I Museum
- 16 • Nature Conservancy
- 17 • Nelson Gallery Foundation
- 18 • Nonprofit Connect
- 19 • Union Station Kansas City Inc.
- 20 • University of Missouri

21 Q. What is the Nature Conservancy, and why did Staff remove contributions to
22 this organization?

23 A. From the Nature Conservancy website⁴:

24 The Nature Conservancy is the leading conservation organization
25 working around the world to protect ecologically important lands and
26 waters for nature and people.

27 Staff removed the donations made to this organization because it provides no benefit or
28 increased service quality to the ratepayer. While community activities of this nature are
29 indicative of good corporate citizenship, contributions to the Nature Conservancy are not
30 required or related to the provision of electric service by KCPL. These charitable

⁴ <http://www.nature.org/>

1 contributions clearly are those that the Commission disallowed through application of its first
2 criterion.

3 Q. What is the Kemper Museum of Contemporary Art, and why did Staff remove
4 contributions to this organization?

5 A. From the Kemper Museum of Contemporary Art website⁵:

6 The Kemper Museum of Contemporary Art presents modern and
7 contemporary art of the highest quality and significance. It collects,
8 preserves, documents, interprets, and exhibits a growing permanent
9 collection; develops and presents special exhibitions; and offers a
10 variety of educational programs. Admission is always free and the
11 Museum serves a diverse and inclusive public population.

12 Staff removed the donations made to this organization because it provides no benefit or
13 increased service quality to the ratepayer. While community activities of this nature are
14 indicative of good corporate citizenship, contributions to the Kemper Museum of
15 Contemporary Art are not required or related to the provision of electric service by KCPL.
16 These contributions clearly are those that the Commission disallowed through application of
17 its first criterion.

18 Q. KCPL Witness Klote states on page 23, line 12, of his rebuttal testimony,
19 “These membership dues should be a part of a utilities cost of service to continually improve
20 and be a good community corporate citizen.” Do you agree with this statement?

21 A. No. While Staff does believe that chambers of commerce and charitable
22 organizations can provide an economic benefit to the communities they serve, the benefits
23 Mr. Klote identifies primarily benefit the Company and its shareholders. While Staff
24 certainly agrees that companies such as KCPL should be good community corporate citizens,
25 it is Staff’s position that KCPL’s shareholders should be responsible for paying membership

⁵ <https://www.kemperart.org/>.

1 dues demonstrating as much. By requiring its customers to pay these dues in rates, it is
2 KCPL's customers putting for the effort to demonstrate good corporate citizenship, not KCPL
3 itself. When customers pay the membership dues, it is the utility company that receives all
4 the benefits of good will without having to make any payment (contribution). Customers, in
5 effect, become forced contributors to a given organization.

6 Q. Does the Company agree that other types of contributions that do not benefit
7 ratepayers should not be recovered through rates?

8 A. Yes. KCPL contributes to several non-profit organizations that promote
9 charitable causes throughout the community, such as Boy Scouts of America, Carnegie Public
10 Library, and Salvation Army. KCPL books these expenses "below the line" and does not
11 recover them through the cost of service; customers do not pay for these costs.

12 Q. What guidance has the Commission provided as to the recoverability through
13 cost of service of these types of donations?

14 A. As the Commission ordered in the *Report and Order* in Case No. EO-85-185,
15 involuntary ratepayer contributions of a charitable nature should be disallowed.
16 The aforementioned contributions clearly are of the same nature that the Commission
17 disallowed through application of Staff's first criterion.

18 Q. Has the Commission more recently determined the standard for recovery of
19 dues and donations?

20 A. Yes. In the *Report and Order* in GR-96-285, a Missouri Gas Energy rate case,
21 the Commission affirmed its decision in KCPL Case Nos. EO-85-185, ER-83-49, ER-82-66,
22 and Missouri Power & Light ER-82-180. The Commission stated:

23 The rule has always been that dues to organizations may be allowed as
24 operating expenses where a direct benefit can be shown to accrue to the

1 ratepayers of the company. Conversely, where that sort of benefit does
2 not appear, disallowance of the dues is required.⁶

3 In Missouri Public Service Case No. ER-97-394, the Commission found the following
4 regarding contributions to various country clubs, rotary clubs, and a host of charities:

5 The Commission has traditionally disallowed donations such as
6 these. The Commission finds nothing in the record to indicate
7 any discernible ratepayer benefit results from the payment of
8 these donations. The Commission agrees with the Staff in that
9 membership in the various organizations involved in this issue
10 is not necessary for the provision of safe and adequate service to
11 the MPS ratepayers.⁷

12 Q. For the dues and donations Staff has removed from the cost of service, is Staff
13 claiming that it was imprudent for KCPL to contribute to these organizations?

14 A. No. In the same manner that utilities contribute to charitable organizations, it
15 is management's prerogative to contribute dues to organizations that promote economic
16 development, provide community benefits, or promote general goodwill. However, like
17 charitable contributions, ratepayers should not be responsible for expenses that KCPL cannot
18 demonstrate have clear benefits to ratepayers, or are necessary in the provision of
19 utility service.

20 In the KCPL Case No. ER-2014-0370 *Report and Order*, page 68, the Commission
21 recognized this distinction:

22 Prudence is not the only consideration in determining
23 what costs should be included in rates; the benefit to customers
24 must also be considered when deciding what costs are
25 reasonable for customer rates.

26
27 KCPL has pursued issues in this case that benefit only
28 the shareholders, such as La Cygne construction accounting and

⁶ Commission Reports, 5 Mo. P.S.C 3d., page 455.

⁷ Commission Reports, 7 Mo. P.S.C 3d., page 212.

1 some elements of the rate of return recommendation. Utility
2 expenses that are highly discretionary and do not benefit
3 customers, such as charitable donations, political lobbying
4 expenses, and incentive compensation tied to earnings per share
5 are typically allocated entirely to shareholders.

6 [Footnotes omitted]

7 Q. In Staff's Cost-of-Service report and adjustment, Staff recommended removal
8 of contributions to the Electric Drive Transportation Association. Does Staff continue to
9 recommend removal of this contribution from the cost of service?

10 A. No. This adjustment related to Staff's direct filed recommendation regarding
11 KCPL's Clean Charge Network (CCN) of electric vehicle charging stations. Staff's
12 recommendation regarding the recovery of costs, revenues and investment related to KCPL's
13 CCN changed from Staff's direct filing. For more information on the change in Staff's
14 recommendation, please see the rebuttal testimony of Staff witness Byron M. Murray filed on
15 January 6, 2017. Staff has removed this amount from the dues and donations adjustment.

16 Q. Please summarize your surrebuttal testimony on dues and donations.

17 A. Staff recommends that the Commission should not allow the membership dues
18 Staff identified, as KCPL has not shown a clear benefit for the ratepayers associated with
19 these contributions, some of the contributions are of a charitable nature, and some are
20 duplicative of other contributions.

21 **EDISON ELECTRIC INSTITUTE ("EEI") DUES**

22 Q. What is the Edison Electric Institute ("EEI")?

23 A. EEI is a trade association that represents all US investor-owned electric
24 utilities companies. According to the EEI website:⁸

⁸ <http://www.eei.org/Pages/default.aspx>.

1 EEI provides its members with public policy leadership, strategic
2 business intelligence, and essential conferences and forums. EEI will
3 be the best trade association. We will be the best because we are
4 committed to knowing our members and their needs. We will provide
5 leadership and deliver services that consistently meet or exceed their
6 expectations. We will be the best because we will attract and retain
7 employees who have the ambition to serve and will empower them to
8 work effectively as individuals and in teams. Above all, we will be the
9 best trade association because, in the tradition of Thomas Edison, we
10 will make a significant and positive contribution to the long-term
11 success of the electric power industry in its vital mission to provide
12 electricity to foster economic progress and improve the quality of life.

13 Q. Why does Staff recommend removal of EEI dues from cost of service?

14 A. Historically, the Commission has disallowed EEI dues from rate recovery on
15 the basis of EEI's involvement in lobbying activities on behalf of the electric industry.

16 In the Commission's *Report and Order* in KCPL Case No. ER-81-42, the Commission
17 stated the following:

18 The rule has always been that dues to organizations may be allowed as
19 operating expenses where a direct benefit can be shown to accrue to the
20 ratepayers of the company. Conversely, where that sort of benefit does
21 not appear, disallowance of the dues is required. It follows that the
22 mere fact that an activity might fall within the very broad general
23 definition of lobbying as used by Public Counsel should not necessarily
24 mean that it is an improper expense for ratemaking purposes. This
25 question is one of benefit or lack of benefit to the ratepayers.⁹

26 In the Commission's *Report and Order* in KCPL Case No. ER-83-49, the Commission
27 adopted a criterion to determine whether some portion of EEI dues should be allowed in rates:

28 The Commission finds that the Company's analysis to be faulty in that
29 the Company has quantified the benefits to the ratepayers but has
30 ignored any potential benefit to the shareholders. It is entirely possible
31 that the amount of monetary benefit to the shareholders could exceed
32 the amount of alleged benefit to the ratepayers. In that event the
33 shareholders should bear a larger portion of the EEI dues than the
34 ratepayers. Thus, the Company has not met its burden of proof of the
35 proper assignment of EEI dues based on the respective benefit to the
36 two involved groups. In the absence of that allocation the EEI dues

⁹ Commission Reports, 25 Mo. P.S.C. (N.S.) , page 244.

1 should be excluded as an expense for setting the permanent rates in this
2 matter.¹⁰

3 Staff's disallowance of EEI dues in this case is consistent with the Commission's guidance in
4 Commission's orders Case No. ER-83-49 because KCPL has not quantified the benefits of
5 this membership as to ratepayers and shareholders. The Commission also found EEI should
6 not be included in rates in KCPL's 1982 rate case, Case No. ER-82-66.

7 Q. Can you provide the Commission with a specific example when EEI recently
8 engaged in activities in the interest of utility shareholders?

9 A. Yes. The Commission should be familiar with the United States Supreme
10 Court Case No. 13-787, KCP&L Greater Missouri Operation's ("GMO") appeal¹¹ of the
11 Missouri Commission's *Report and Order* in Case No. ER-2012-0175 before the Supreme
12 Court of the United States. EEI demonstrated that it represents utility interests when it filed
13 an *Amicus Curiae* brief in support of the petitioner, GMO, before the United States Supreme
14 Court on February 3, 2014. This brief specifically concerned GMO's attempt to overturn the
15 Missouri Commission's prior rate decision regarding recovery of plant investment and
16 transmission costs related to Crossroads Energy Center ("Crossroads"). Crossroads is a
17 combustion turbine generating facility located in Clarksdale, Mississippi, in excess of over
18 500 miles from GMO's service area. The Commission has consistently excluded on grounds
19 of imprudence certain rate base costs relating to this generating facility and all transmission
20 costs relating to the transmission of its electrical generation back to the GMO service territory
21 in western Missouri.

22 In response to Staff Data Request No. 0445 in Case No. ER-2016-0156, GMO stated
23 that "KCP&L requested EEI consider filing an Amicus Brief in Case No. 13-787." The

¹⁰ Commission Reports, 26 Mo. P.S.C. (N.S.), page 115.

¹¹ WD 75038, Missouri Court of Appeals, Western District

1 response to this data request is attached as Schedule MJT-s2. This is a clear example of EEI
2 representing the interests of its utility members and contributions to EEI should appropriately
3 be allocated to KCPL shareholders. EEI filed an amicus brief on January 3, 2012, in support
4 of the petitioner in Case No. 11-1146, In the United States Court of Appeals for the District of
5 Columbia Circuit, *American Electric Power Service Corporation et al. v. Federal*
6 *Communications Commission and United States of America*. EEI also filed an amicus brief
7 on February 27, 2003, in support of the petitioner in File No. 3-10909 United States of
8 America before the Securities and Exchange Commission, In the Matter of Application of
9 Enron Corp. for Exemptions Under the Public Utility Holding Company Act of 1935 (File
10 Nos. 70-9661 and 70-10056).

11 Q. Has KCPL quantified any part of the EEI dues as benefitting either its
12 customers or its shareholders?

13 A. No. According to the rebuttal testimony of KCPL witness Klote at page 26,
14 line 12, “the company records approximately 21% of the EEI annual membership dues
15 invoice below the line. This represents the portion of time that EEI is engaged in lobbying
16 activities for the electric utility industry,” and “as such, the Company has already eliminated
17 costs that should not be charged to ratepayers.” What KCPL has again failed to do for the
18 Commission is quantify the benefits accruing to its ratepayers and shareholders regarding the
19 other 79% of the EEI dues.

20 In KCPL witness Danforth’s rebuttal testimony on page 5 line 8, she states that, “EEI
21 provides a significant benefit to KCP&L through the services it provides to the Company.
22 Placing a dollar value on these services would be extremely difficult task to undertake.”

1 In its *Report and Order* in Missouri Power & Light Company Case No. ER-82-180,
2 the Commission made clear what the Company needs to do to demonstrate rate recovery for
3 contributions to EEI stating:

4 The Commission also points out that the Company needs to develop
5 some method of allocating expenses between its shareholders and the
6 ratepayers once the benefits and activities leading thereto have been
7 adequately quantified.¹²

8 In KCPL's current case, it again has failed to undergo the Commission requested task of
9 quantifying the benefits; KCPL simply states that 79% of EEI dues are ratepayers'
10 responsibility, while the 21% of the dues that EEI indicates it uses for lobbying expense is the
11 only shareholder expense. Staff contends the Commission has asked the company to do a
12 more detailed analysis of the benefits EEI provides to both ratepayers and shareholders.

13 Q. KCPL contributes to another electric industry group, the Electric Power
14 Research Institute ("EPRI"). Does Staff recommend removal of those dues from cost of
15 service?

16 A. No. According to EPRI website¹³:

17 The Electric Power Research Institute, Inc. conducts research and
18 development relating to the generation, delivery and use of electricity
19 for the benefit of the public. An independent, nonprofit organization,
20 we bring together scientists and engineers as well as experts from
21 academia and the industry to help address challenges in electricity.

22 Staff based its recommendation not to remove EPRI dues on the Commission's' *Report and*
23 *Order* in Case No. ER-82-180:

24 Many of the alleged benefits which the Company receives from EEI
25 could be obtained from other sources. Some of the efforts of EEI and
26 the Electric Power Research Institute (EPRI) overlap and some of the
27 assistance rendered by EEI could be obtained from EPRI. The

¹² Commission Reports, 25 Mo. P.S.C. (N.S.), page 398.

¹³ <http://www.epri.com/Pages/Default.aspx>

1 Commission Staff has not proposed to disallow the expense associated
2 with EPRI in the instant case.¹⁴

3 Q. For the dues and donations Staff has removed from the cost of service, is Staff
4 claiming that it was imprudent for KCPL to contribute to these organizations?

5 A. No. In the same manner that utilities contribute to charitable organizations, it
6 is management's prerogative to contribute dues to organizations that promote economic
7 development, provide community benefits, or promote general goodwill. However, like
8 charitable contributions, ratepayers should not be responsible for expenses that KCPL cannot
9 demonstrate have clear benefits to ratepayers, or are necessary in the provision of
10 utility service.

11 In its 2014 KCPL Rate Case Report and Order page 68, the Commission recognized
12 this distinction:

13 Prudence is not the only consideration in determining what costs should
14 be included in rates; the benefit to customers must also be considered
15 when deciding what costs are reasonable for customer rates. KCPL has
16 pursued issues in this case that benefit only the shareholders, such as La
17 Cygne construction accounting and some elements of the rate of return
18 recommendation. Utility expenses that are highly discretionary and do
19 not benefit customers, such as charitable donations, political lobbying
20 expenses, and incentive compensation tied to earnings per share are
21 typically allocated entirely to shareholders.

22 [Footnotes omitted]

23 Q. Please summarize your surrebuttal testimony on EEI dues.

24 A. Staff recommends that the entire amount of test year EEI dues should be
25 disallowed. KCPL has again failed to quantify the benefits to the ratepayers and shareholders,
26 per the Commission's orders.

¹⁴ Commission Reports, 25 Mo. P.S.C. (N.S.), page 397.

1 **CREDIT CARD FEES**

2 Q. How did Staff calculate KCPL's credit card fees expense?

3 A. Staff used the actual number of credit card payment transactions provided by
4 KCPL in response to Staff Data Request No. 0210, for the update period and the 12 months
5 ending June 2016, and multiplied that amount by the average cost per transaction during the
6 same period.

7 Q. Does KCPL agree with Staff's treatment of its credit card fees?

8 A. No. Mr. Klote states on page 27 of his Rebuttal Testimony,
9 Staff's witness mentions in the Cost of Service Report that
10 "Participation is projected to increase into the future as more customers
11 become aware of this program." Staff's annualized number of
12 transactions is simply the actual number of transactions from July 2015
13 to June 2016 which ignores the trend of greater customer participation
14 into the future that happened during the test year and update periods.

15 Q. Does Staff agree with witness Klote's statement that Staff is ignoring the trend
16 of greater customer participation in the future by only using the actual number of
17 transactions?

18 A. No. Although customer participation may have increased over the last several
19 years, the number of transaction fluctuates month to month. Likewise, the cost per transaction
20 fluctuates month to month. Consequently, Staff determined that using a normalized level of
21 transactions and cost per transaction during the update period was the most appropriate
22 calculation of Staff's adjustment. Staff will review the credit card fees expense level as part
23 of its true-up audit.

24 Q. What methodology does KCPL propose to use to annualize credit card fees?

25 A. KCPL used one month within the update period, June 2016, to annualize credit
26 card fees.

1 Q. Does Staff generally use one month of data to annualize a KCPL expense?

2 A. No. When determining a level of expense in KCPL's cost of service, Staff
3 typically analyzes several years of data. Staff includes a level of costs based on the analysis
4 that could include an average of all the costs, an average of certain categories of costs, an
5 annualization based on 12-months of data, or, in some cases, an annualization based on a
6 shorter period. However, that rarely involves annualizing costs based on one month of data
7 because using a sample of just one month would rarely fairly represent an ongoing level of
8 revenue or expense.

9 Q. Does Staff intend to update this adjustment in the true-up phase of this case?

10 A. Yes. Staff intends to review the credit card transactions and cost per
11 transaction through December 31, 2016, and will make a determination of the appropriate
12 level of credit card fees to include in KCPL's cost of service.

13 **ACCOUNTS RECEIVABLE BANK FEES**

14 Q. Please explain the issue with account receivable bank fees.

15 A. Beginning on page 28 of his rebuttal testimony, KCPL witness Klote addresses
16 a concern that Staff did not reflect the increase in the interest rate for commercial paper by
17 annualizing bank fees using the 12 months ending June 2016.

18 Q. What is "commercial paper?"

19 A. Commercial paper is a short term debt instrument that can be used for the
20 financing of accounts receivable.

21 Q. What methodology does KCPL propose to use to annualize bank fees?

Surrebuttal Testimony of
Michael Jason Taylor

1 A. For the update period, KCPL used one month, June 2016, to annualize bank
2 fees. As discussed above, Staff is generally opposed to using one month of data to annualize
3 revenue and expense.

4 Q. Does Staff intend to update its adjustment for bank fees in the true-up phase of
5 this case?

6 A. Yes. Staff will review the bank fees through December 31, 2016, and will
7 make a determination of the appropriate level of fees to include in KCPL's cost of service.

8 Q. Does that conclude your surrebuttal testimony?

9 A. Yes.

SCHEDULE MJT-S1

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

Missouri Public Service Commission

Respond Data Request

Data Request No.	0445
Company Name	KCP&L Greater Missouri Operations Company-Investor (Electric)
Case/Tracking No.	ER-2016-0156
Date Requested	8/18/2016
Issue	Expense - A&G - Dues and Donations
Requested From	Lois J Liechti
Requested By	Nathan Williams
Brief Description	Edison Electric Institute ("EEI")
Description	1) Please provide all invoices from EEI since January 2014 through the present for Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO). 2) Please provide all correspondences with EEI since January 2014 through the present. 1) Reference GMO's appeal to the Supreme Court of the United States, Case No. 13-787. Did KCPL, GMO, or any of its representatives, request EEI to file an Amicus Brief in support of GMO? Did KCPL, GMO, or any of its representatives assist EEI in developing its Amicus Brief? DR requested by Jason Taylor Jason.taylor@psc.mo.gov.
Response	Please see the attached information.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **ER-2016-0156** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **KCP&L Greater Missouri Operations Company-Investor(Electric)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **KCP&L Greater Missouri Operations Company-Investor(Electric)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

KCPL GMO
Case Name: 2016 GMO Rate Case
Case Number: ER-2016-0156

Response to Taylor Jason Interrogatories - MPSC_20160818
Date of Response: 8/26/2016

Question:0445

1) Please provide all invoices from EEI since January 2014 through the present for Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO).
2) Please provide all correspondences with EEI since January 2014 through the present. 1) Reference GMO's appeal to the Supreme Court of the United States, Case No. 13-787. Did KCPL, GMO, or any of its representatives, request EEI to file an Amicus Brief in support of GMO? Did KCPL, GMO, or any of its representatives assist EEI in developing its Amicus Brief? DR requested by Jason Taylor Jason.taylor@psc.mo.gov.

Response:

- 1.) Yes, KCP&L requested EEI consider filing an Amicus Brief in Case No. 13-787.
- 2.) KCP&L did not assist EEI in developing its Amicus Brief.
- 3.) Please see attachments below to view each EEI voucher from 2014 – current.

Prepared by: Melissa Tye, Corporate Planning and Budget

Attachments:

Q0445_R0370967.pdf
Q0445_R0386604.pdf
Q0445_R0415475.pdf
Q0445_R0425103.pdf
Q0445_R0485020.pdf
Q0445_R0485541.pdf
Q0445_R0497501.pdf
Q0445_R0504292.pdf
Q0445_R0505310.pdf
Q0445_R0508084.pdf
Q0445_R0516891.pdf
Q0445_R0596403.pdf
Q0445_R0605180.pdf
Q0445_R0613234.pdf
Q0445_R0627060.pdf
Q0445_R0634276.pdf
Q0045_R0634621.pdf
Q0445_R0636409.pdf
Q0445_R0642298.pdf
Q0445_R0643192.pdf

Schedule MJT-s2
Page 2 of 4

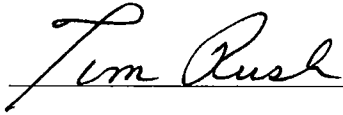
Q0445_R0644412.pdf
Q0445_R0661864.pdf
Q0445_R0675487.pdf
Q0445_R0685057.pdf
Q0445_Verification.pdf

Verification of Response

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

Docket No. ER-2016-0156

The response to Data Request # 0445 is true and accurate to the best of my knowledge and belief.

Signed: 
Date: August 26, 2016

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

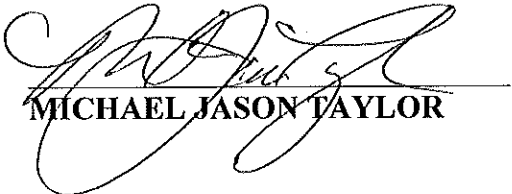
In the Matter of Kansas City Power & Light)
Company's Request for Authority to)
Implement A General Rate Increase for)
Electric Service) Case No. ER-2016-0285

AFFIDAVIT OF MICHAEL JASON TAYLOR

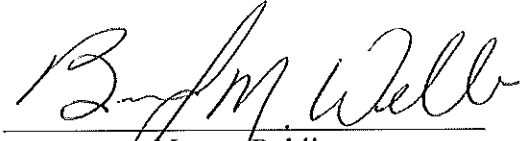
STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW MICHAEL JASON TAYLOR 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.


MICHAEL JASON TAYLOR
JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 26th day of January, 2017.


Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070