

*Exhibit No.:*  
*Issues:* *Sibley Retirement Deferral*  
*Witness:* *Mark L. Oligschlaeger*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Cross-Rebuttal Testimony*  
*Case No.:* *EC-2019-0200*  
*Date Testimony Prepared:* *June 6, 2019*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING DEPARTMENT**

**CROSS-REBUTTAL TESTIMONY**

**OF**

**MARK L. OLIGSCHLAEGER**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. EC-2019-0200**

*Jefferson City, Missouri*  
*June 2019*

1 **CROSS-REBUTTAL TESTIMONY**

2 **OF**

3 **MARK L. OLIGSCHLAEGER**

4 **KCP&L GREATER MISSOURI OPERATIONS COMPANY**

5 **CASE NO. EC-2019-0200**

6 Q. Please state your name and business address.

7 A. Mark L. Oligschlaeger, P.O. Box 360, Suite 440, Jefferson City, MO 65102.

8 Q. Please describe your educational background and work experience.

9 A. I attended Rockhurst College in Kansas City, Missouri, and received a Bachelor  
10 of Science degree in Business Administration, with a major in Accounting, in 1981. I have been  
11 employed by the Missouri Public Service Commission ("Commission") since September 1981  
12 within the Auditing Department.

13 Q. What is your current position with the Commission?

14 A. In April 2011, I assumed the position of Manager of the Auditing Department  
15 within the Commission Staff Division.

16 Q. Are you a Certified Public Accountant ("CPA")?

17 A. Yes, I am. In November 1981, I passed the Uniform Certified Public Accountant  
18 examination and, since February 1989, have been licensed in the state of Missouri as a CPA.

19 Q. Have you previously filed testimony before this Commission?

20 A. Yes, numerous times. A listing of the cases in which I have previously filed  
21 testimony before this Commission, and the issues I have addressed in testimony in cases from  
22 1990 to current, is attached as Schedule MLO-cr1 to this rebuttal testimony.

1 Q. What knowledge, skills, experience, training and education do you have in the  
2 areas of which you are testifying as an expert witness?

3 A. I have been employed by this Commission as a Regulatory Auditor for over  
4 37 years and have submitted testimony on ratemaking matters numerous times before the  
5 Commission. I have also been responsible for the supervision of other Commission employees  
6 in rate cases and other regulatory proceedings many times. I have received continuous training  
7 at in-house and outside seminars on technical ratemaking matters since I began my employment  
8 at the Commission.

9 Q. Have you participated in the Commission Staff's ("Staff") review of the  
10 application filed in this case by The Office of Public Counsel ("OPC") and the Midwest Energy  
11 Consumers Group ("MECG") requesting that KCP&L Greater Missouri Operations Company  
12 ("GMO") be ordered to defer certain financial impacts of the recent retirement of GMO's Sibley  
13 Generating Station units ("Sibley Units")?

14 A. Yes, I have, with the assistance of other members of Staff.

15 Q. What is the purpose of your cross-rebuttal testimony in this proceeding?

16 A. The purpose of this testimony is to address certain matters regarding deferrals  
17 and the retirement of the Sibley Units contained within the previously filed rebuttal testimony  
18 submitted by GMO.

19 **EXECUTIVE SUMMARY**

20 Q. Please summarize your rebuttal testimony in this proceeding.

21 A. In this testimony, I present the Staff's concurrence with GMO that the retirement  
22 of the Sibley units not be considered to meet the Commission's current criteria to be classified  
23 as an "extraordinary event." As a result, under the Commission's traditional criteria the cost

1 savings resulting from the Sibley unit retirements should not be eligible for the deferral  
2 accounting treatment recommended by OPC and MECG in this proceeding.

3 **SIBLEY RETIREMENT**

4 Q. Mr. Klote and Mr. Ives discuss in testimony Commission decisions regarding  
5 deferral accounting and the standards used to evaluate such requests. Briefly, what is an  
6 accounting authority order (“AAO”)?

7 A. In Missouri, an “accounting authority order” is normally issued to allow a utility  
8 to defer certain costs on its balance sheet that would ordinarily be charged against income  
9 currently, thus creating a “regulatory asset.” The utility would then later seek recovery of the  
10 deferred costs in rates through an amortization to expense in general  
11 rate proceedings.

12 Q. Under what circumstances are AAOs typically used in Missouri?

13 A. AAOs have usually been used to allow utilities to capture certain unanticipated  
14 costs that have not been included in ongoing rate levels. Mr. Ives quoted a portion of Staff  
15 testimony on pages 8 and 9 of his rebuttal testimony, and Staff still believes this to be the  
16 Commission standard. In other words, to be eligible for deferral treatment, the Commission has  
17 taken the position that the costs in question must be associated with an event that is unusual or  
18 unique in nature. The classic example of an extraordinary event is the occurrence of a natural  
19 disaster, such as a wind or ice storm, or major flood that affects a utility’s  
20 service territory.

21 Q. Do AAOs always result in the creation of regulatory assets?

22 A. No. In some cases, AAOs can be used to defer utility revenues, or cost savings,  
23 creating what is known as a “regulatory liability.” A regulatory liability represents amounts

1 that a utility would ordinarily book as an increase to earnings, but are instead preserved on the  
2 utility's balance sheet for potential return to customers in a subsequent general rate proceeding.

3 Q. What type of deferral is being sought in this proceeding?

4 A. Through this Application, OPC and MECG seek to have the Commission order  
5 GMO to record a regulatory liability in the amount of the costs currently included in GMO  
6 customer rates related to operation of the Sibley units that are no longer being incurred since  
7 the time of the Sibley units' retirement in November 2018. OPC and MECG argue deferral  
8 accounting treatment of the Sibley retirement cost impacts is appropriate due to the Sibley unit  
9 retirement being extraordinary in nature.

10 Q. Do you agree with Mr. Ives and Mr. Klote's testimony that utility asset  
11 retirements generally should not be considered to be extraordinary?

12 A. Yes. All tangible assets placed in service are expected to have a finite service  
13 life, and thus subject to retirement at some future point. Any major utility is both constantly  
14 adding new plant items to its system and constantly retiring other plant items. Staff's position  
15 is that decisions to retire plant assets are inherently part of the routine and typical operations of  
16 a regulated utility, and thus cannot be considered to be extraordinary (unusual, unique or non-  
17 recurring) except in very rare circumstances.

18 Q. Does this point hold true for an electric utility's generating facilities?

19 A. Yes. Like all other categories of utility plant, generating facilities are not  
20 assumed to have an infinite life, and accordingly all such generation plant would be expected  
21 to be retired at some point.

22 Q. GMO's witness Mr. Rogers filed testimony rebutting the direct testimony  
23 arguing that the fact that GMO has not retired any generating units for over forty years prior to

1 the Sibley retirement as indicating the extraordinary nature of that event. Have you reviewed  
2 this testimony, and what is the relevance of frequency or infrequency in regards to an  
3 extraordinary determination?

4 A. Yes. While the infrequency of an event's occurrence may be one relevant  
5 criterion in considering whether it is extraordinary, it is not sufficient for purposes of that  
6 determination. To be eligible for deferral, the costs in question must also relate to an event that  
7 is unusual or unique in nature.

8 Staff is aware as well that in recent years other Missouri electric utilities have either  
9 retired coal or other fossil fuel generating units, or announced plans to retire such generating  
10 units, or have stated that they are considering retiring coal or other fossil fuel generating units.  
11 Further, the rebuttal testimony of GMO witness Christopher R. Rogers presents evidence that  
12 many electric utilities nationwide have chosen to retire coal-fired and other fossil fuel  
13 generating facilities, particularly since 2010. Therefore, when viewed as a subcategory of asset  
14 retirements, coal generating unit retirements should not generally be considered  
15 to be extraordinary.

16 Q. Is it Staff's position that a generating unit retirement can never be considered to  
17 be extraordinary?

18 A. No. A utility may base a decision to retire generating facilities based upon  
19 unanticipated and unusual circumstances, which may then be argued to be extraordinary in a  
20 nature. An example of this might be a decision to permanently close a generating facility due  
21 to damage received from a natural disaster or an explosion. In these instances, the retirement  
22 decision itself would be associated with an underlying extraordinary event affecting  
23 the utility.

1 Q. What appears to be the primary reason for GMO's decision to retire the  
2 Sibley units?

3 A. Based upon GMO's filings and testimony in this case, Staff perceives the  
4 primary reason for GMO's decision to retire Sibley is the changing economic position of coal-  
5 generated power over time compared to alternative power sources, primarily renewable  
6 resources. Staff does not view the changing economics of various generating facilities over  
7 time as constituting an extraordinary event.

8 Q. In pages 25 through 29 of his rebuttal testimony, Mr. Ives opines that the deferral  
9 accounting request from OPC and MECG is due to a belief the Company is overearning. Is it  
10 possible that any cost savings achieved by GMO due to the Sibley retirement late last year could  
11 contribute to a potential over-earnings position by GMO currently or in the future?

12 A. Yes, though OPC and MECG do not directly allege the existence of any current  
13 GMO over-earnings in their direct testimony in this proceeding.

14 Q. In the event that GMO were alleged to be materially over-earning at some future  
15 point, would a deferral of Sibley unit retirement cost savings then be appropriate?

16 A. No. If a particular event is found to contribute to an over-earnings condition that  
17 finding does not make the event in question unusual or unique in nature. In the event a party  
18 alleges that a utility is materially over-earning, the appropriate regulatory response would be  
19 for that party to file an earnings complaint against the utility in question and to present evidence  
20 of the utility's current earnings position.

21 Q. Was there an unrecovered net plant balance associated with the Sibley units at  
22 the time of the retirement?

1           A.     Yes. OPC/MECG and GMO each present estimates of this value in the filed  
2 testimony in this proceeding. While OPC, MECG and GMO differ in their estimates of this  
3 amount, all of these amounts are material in nature.

4           Q.     Under normal accounting and ratemaking practices, will GMO be able to  
5 recover in rates prospectively the previously unrecovered net plant balance of the Sibley units  
6 at the time of the retirement?

7           A.     Yes. Under the “mass asset” accounting procedure discussed by GMO witness  
8 Ronald Klote in his rebuttal testimony at pages 24 - 25, GMO should gradually receive rate  
9 recovery of the unrecovered balance through ongoing application of depreciation rates to the  
10 remaining investment over an extended period.

11          Q.     In the event GMO seeks in its next rate case some kind of special ratemaking  
12 treatment for the unrecovered net book value of the Sibley units, could the prior cost savings  
13 accumulated by GMO since the Sibley retirements become potentially relevant?

14          A.     Yes. If GMO were to request enhanced or accelerated recovery of the  
15 unrecovered balance of Sibley unit net plant costs in its next rate case, I would expect other  
16 parties to argue that such costs should, at a minimum, be offset by past GMO cost savings  
17 amounts.

18          Q.     Does there need to be a deferral of Sibley unit cost savings in place in order to  
19 allow other parties to potentially make this “offset” argument in a future rate case?

20          A.     No. Staff contends that the ability of other parties to propose a ratemaking offset  
21 of this nature in the next GMO rate case is not dependent upon creation of a Sibley unit  
22 regulatory liability at this time.

1           Q.     Will it be possible in GMO's next rate case to accurately quantify the amount of  
2     Sibley unit savings that GMO has incurred since the Sibley unit retirement?

3           A.     Given the "black-box" nature of the settlement of GMO's last rate case, No.  
4     ER-2018-0146, there is no established "baseline" defining the amount of Sibley unit costs that  
5     are currently reflected in GMO customer rates. However, I expect all parties will have the  
6     ability to submit reasonable quantifications of these amounts in GMO's next rate case, if those  
7     cost savings are relevant to the issues raised in that proceeding.

8           Q.     Does this complete your cross-rebuttal testimony?

9           A.     Yes, it does.

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Missouri-American Water Company	WO-2019-0184	<b>Cross-Rebuttal:</b> Infrastructure System Replacement Surcharge (ISRS)
Spire Missouri, Inc., d/b/a Spire	GU-2019-0011	<b>Rebuttal:</b> Commission Assessment AAO
The Empire District Electric Company	EA-2019-0010	<b>Rebuttal Report:</b> Economic Feasibility
Missouri-American Water Company	WO-2018-0373	<b>Direct:</b> Net Operating Loss
The Empire District Electric Company	ER-2018-0366	<b>Rebuttal:</b> Tax Reform
Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company	ER-2018-0145 and ER-2018-0146	<b>Surrebuttal:</b> Tax Cuts and Jobs Act
Union Electric Company, d/b/a Ameren Missouri	ET-2018-0132	<b>Rebuttal:</b> Accounting and Ratemaking
Empire District, a Liberty Utilities Company	EO-2018-0092	<b>Rebuttal:</b> Ashbury Regulatory Asset; Affiliate Transaction Variance
Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities	GR-2018-0013	<b>Rebuttal:</b> Tracker Proposals <b>Surrebuttal:</b> Tracker Proposals; Pensions/OPEBs
Missouri-American Water Company	WR-2017-0285	<b>Direct:</b> Future Test Year <b>Rebuttal:</b> Future Test Year New Tax Legislation
Spire Missouri, Inc., d/b/a Spire (Laclede Gas Company / Missouri Gas Energy)	GR-2017-0215 and GR-2017-0216	<b>Rebuttal:</b> Tracker Proposals; Other Policy Proposals; Software Costs
Missouri-American Water Company	WU-2017-0351	<b>Rebuttal:</b> Property Tax AAO <b>Surrebuttal:</b> Property Tax AAO
Missouri Gas Energy and Laclede Gas Company	GO-2016-0332 and GO-2016-0333	<b>Rebuttal:</b> ISRS Updates; Capitalized Incentive Compensation; Hydrostatic Testing
Kansas City Power & Light Company	ER-2016-0285	<b>Rebuttal:</b> Tracker Proposals; Use of Projected Expenses; Expense Trackers in Rate Base

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Laclede Gas Company and Missouri Gas Energy	GO-2016-0196 and GO-2016-0197	<b>Rebuttal:</b> ISRS True-ups
Union Electric Company, d/b/a Ameren Missouri	ER-2016-0179	<b>Rebuttal:</b> Transmission Tracker; Noranda Deferral; Regulatory Reform
KCP&L Greater Missouri Operations Company	ER-2016-0156	<b>Rebuttal:</b> Tracker Proposals; Use of Projected Expenses; Tracker Balances in Rate Base; Deferral Policy
Missouri-American Water Company	WR-2015-0301	<b>Rebuttal:</b> Environmental Coast Adjustment Mechanism; Energy Efficiency and Water Loss Reduction Deferral Mechanism Tracker
Laclede Gas Company	GO-2015-0178	<b>Direct:</b> ISRS True-ups
Kansas City Power & Light Company	EU-2015-0094	<b>Direct:</b> Accounting Order – Department of Energy Nuclear Waste Fund Fees
Union Electric Company, d/b/a Ameren Missouri (2018)	EO-2015-0055	<b>Rebuttal:</b> MEEIA Accounting Conditions
Union Electric Company, d/b/a Ameren Missouri (2015)	EO-2015-0055	<b>Rebuttal:</b> Demand-Side Investment Mechanism
Kansas City Power & Light Company	ER-2014-0370	<b>Rebuttal:</b> Trackers <b>Surrebuttal:</b> Trackers; Rate Case Expense
Kansas City Power & Light Company	EO-2014-0255	<b>Rebuttal:</b> Continuation of Construction Accounting
Union Electric Company, d/b/a Ameren Missouri	EC-2014-0223	<b>Rebuttal:</b> Complaint Case – Rate Levels
Kansas City Power & Light Company	EO-2014-0095	<b>Rebuttal:</b> DSIM
Union Electric Company, d/b/a Ameren Missouri	ET-2014-0085	<b>Surrebuttal:</b> RES Retail Rate Impact
Kansas City Power & Light Company & KCP&L Greater Missouri Operations Co.	EU-2014-0077	<b>Rebuttal:</b> Accounting Authority Order
Kansas City Power & Light Company	ET-2014-0071	<b>Rebuttal:</b> RES Retail Rate Impact <b>Surrebuttal:</b> RES Retail Rate Impact
KCP&L Greater Missouri Operations Company	ET-2014-0059	<b>Rebuttal:</b> RES Retail Rate Impact <b>Surrebuttal:</b> RES Retail Rate Impact

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Missouri Gas Energy, A Division of Laclede Gas Company	GR-2014-0007	<b>Surrebuttal:</b> Pension Amortizations
The Empire District Electric Company	ER-2012-0345	<b>Direct (Interim):</b> Interim Rate Request <b>Rebuttal:</b> Transmission Tracker, Cost of Removal Deferred Tax Amortization; State Income Tax Flow-Through Amortization <b>Surrebuttal:</b> State Income Tax Flow-Through Amortization
KCP&L Greater Missouri Operations Company	ER-2012-0175	<b>Surrebuttal:</b> Transmission Tracker Conditions
Kansas City Power & Light Company	ER-2012-0174	<b>Rebuttal:</b> Flood Deferral of off-system sales <b>Surrebuttal:</b> Flood Deferral of off-system sales, Transmission Tracker conditions
Union Electric Company, d/b/a Ameren Missouri	ER-2012-0166	<b>Responsive:</b> Transmission Tracker
Union Electric Company, d/b/a Ameren Missouri	EO-2012-0142	<b>Rebuttal:</b> DSIM
Union Electric Company, d/b/a Ameren Missouri	EU-2012-0027	<b>Rebuttal:</b> Accounting Authority Order <b>Cross-Surrebuttal:</b> Accounting Authority Order
KCP&L Greater Missouri Operations Company	EO-2012-0009	<b>Rebuttal:</b> DSIM
Missouri Gas Energy, a Division of Southern Union	GU-2011-0392	<b>Rebuttal:</b> Lost Revenues <b>Cross-Surrebuttal:</b> Lost Revenues
Missouri-American Water Company	WR-2011-0337	<b>Surrebuttal:</b> Pension Tracker
The Empire District Electric Company	ER-2011-0004	<b>Staff Report on Cost of Service: Direct:</b> Report on Cost of Service; Overview of the Staff's Filing <b>Surrebuttal:</b> SWPA Payment, Ice Storm Amortization Rebasing, S02 Allowances, Fuel/Purchased Power and True-up
The Empire District Electric Company	ER-2010-0130	<b>Staff Report Cost of Service: Direct</b> Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; <b>Surrebuttal:</b> Regulatory Plan Amortizations

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	<b>Staff Report Cost of Service: Direct</b> Report on Cost of Service; Overview of the Staff's Filing; <b>Rebuttal:</b> Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; <b>Surrebuttal:</b> Environmental Expense, FAS 106/OPEBs
KCP&L Greater Missouri Operations Company	EO-2008-0216	<b>Rebuttal:</b> Accounting Authority Order Request
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
The Empire District Electric Company	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P- Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Laclede Gas Company	GA-2002-429	Accounting Authority Order Request
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectibles
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Gateway Pipeline Company	GM-2001-585	Financial Statements
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
KLM Telephone Company	TT-2001-120	Policy
Holway Telephone Company	TT-2001-119	Policy
Peace Valley Telephone	TT-2001-118	Policy
Ozark Telephone Company	TT-2001-117	Policy
IAMO Telephone Company	TT-2001-116	Policy
Green Hills Telephone	TT-2001-115	Policy
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
Missouri-American Water	WM-2000-222	Conditions
Laclede Gas Company	GR-99-315 (remand)	Depreciation and Cost of Removal
United Water Missouri	WA-98-187	FAS 106 Deferrals
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation
The Empire District Electric Company	ER-97-82	Policy
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
St. Louis County Water	WR-96-263	Future Plant
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-95-145	Policy
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
Generic Electric	EO-93-218	Preapproval

**CASE PARTICIPATION OF  
MARK L. OLIGSCHLAEGER**

<b>Company Name</b>	<b>Case Number</b>	<b>Issues</b>
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Missouri Public Service	EO-91-358 and EO-91-360	Accounting Authority Order
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Western Resources	GR-90-40 and GR-91-149	Take-Or-Pay Costs

**COMPANY NAME**

**CASE NUMBER**

Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14