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Independent Third Party
Management Audits/
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Case No.:

Marke/Direct
Public Counsel
EE-2017-0113

DIRECT TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of
The Office of the Public Counsel

**KANSAS CITY POWER & LIGHT COMPANY
GREAT PLAINS ENERGY INCORPORATED
KCP&L GREATER MISSOURI OPERATIONS COMPANY
WESTAR ENERGY, INC.**

Case No. EE-2017-0113

Opc Exhibit No. 23
Date 4.6.17 Reporter AF
File No. EM-2017-0226

December 9, 2016



EXHIBIT

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI


In the Matter of the Joint Application of Great)
Plains Energy Incorporated, Kansas City) Case No. EE-2017-0113
Power & Light Company and KCP&L Greater)
Missouri Operations Company for a variance)
from 4 CSR 240-20.015.)

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
COUNTY OF COLE) ss

Geoff Marke, of lawful age and being first duly sworn, deposes and states:


1. My name is Geoff Marke. I am a Regulatory Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Geoff Marke
Regulatory Economist

Subscribed and sworn to me this 9th day of December 2016.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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DIRECT TESTIMONY

OF

GEOFF MARKE

**GREAT PLAINS ENERGY INCORPORATED, KANSAS CITY POWER & LIGHT
COMPANY, AND KCP&L—GREATER MISSOURI OPERATIONS COMPANY**

FILE NO. EE-2017-0113

I. INTRODUCTION

Q. Please state your name, title and business address.

A. Geoff Marke, PhD, Economist, Office of the Public Counsel (OPC or Public Counsel), P.O. Box 2230, Jefferson City, Missouri 65102.

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

A. I am employed by the OPC as a Regulatory Economist.

Q. Please describe your education and employment background.

A. I received a Bachelor of Arts Degree in English from The Citadel, a Masters of Arts Degree in English from The University of Missouri, St. Louis, and a Doctorate of Philosophy in Public Policy Analysis from Saint Louis University ("SLU"). At SLU, I served as a graduate assistant where I taught undergraduate and graduate course work in urban policy and public finance. I also conducted mixed-method research in transportation policy, economic development and emergency management.

I have been in my present position with OPC since April of 2014 where I have been responsible for economic analysis and policy research in electric, gas and water utility operations. Prior to joining OPC, I was employed by the Missouri Public Service Commission as a Utility Policy Analyst II in the Energy Resource Analysis Section, Energy Unit, Utility Operations Department, Regulatory Review Division. My primary duties were reviewing, analyzing and writing recommendations concerning integrated resource planning, renewable energy standards, and demand-side management programs for all investor-owned electric utilities in Missouri. I have also worked for the Missouri Department of Natural

Resources (later transferred to the Department of Economic Development), Energy Division as a Planner III and was the lead policy analyst on electric cases. My private sector work includes Lead Researcher for Funston Advisory in Detroit, Michigan, where I did a variety of specialized consulting engagements for both private and public entities.

Q. Have you been a member of, or participate in, any work groups, committees, or other groups that have addressed electric utility regulation and policy issues?

A. Yes. I am currently a member of the National Association of State Consumer Advocates (NASUCA) Distributed Energy Resource Committee which shares information and establishes policies regarding energy efficiency, renewable generation, and distributed generation, and considers best practices for the development of cost-effective programs that promote fairness and value for all consumers. I am also a member of NASUCA's Electricity Committee and NASCUA's Water Committee which are tasked with analyzing current issues affecting residential consumers.

Q. Have you testified previously before the Missouri Public Service Commission ("Commission")?

A. Yes. A listing of the cases in which I have previously filed testimony and/or comments before this commission is attached in GM-1.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to support the Stipulation and Agreement ("Stipulation") reached between Great Plains Energy Incorporated ("GPE"), Kansas City Power & Light Company ("KCP&L"), KCP&L Greater Missouri Operations Company ("GMO") (collectively hereinafter the "Joint Applicants"), and the Office of the Public Counsel ("OPC"). This Stipulation was filed on October 12, 2016, in order to ensure certain

1 important conditions and protections following GPE's acquisition of Westar Energy, Inc.
2 ("Westar") (the "Transaction").

3 **II. EMPLOYMENT WITHIN MISSOURI**

4 **Q. What requirements for the Joint Applicants are contained in the Stipulation**
5 **pertaining to maintaining employment within the State of Missouri?**

6 A. There are three such provisions. First, KCP&L and GMO are required to provide
7 testimony in their next respective rate cases following the transaction describing how their
8 employment metrics and turnover rate have changed since the transaction. This testimony
9 will also include a description of all labor-related efficiency savings realized as a result of
10 the transaction expected to be passed on to the Companies' customers in the form of lower
11 rates than would otherwise be the case. Second, KCP&L agrees not to reduce its
12 workforce involuntarily by more than 20% for at least three years after the closing of the
13 transaction. Finally, GPE shall maintain its present headquarters in Kansas City, Missouri,
14 for at least the duration of its current lease, through October 2032.

15 **Q. What benefits can the State of Missouri and KCP&L and GMO ratepayers expect to**
16 **see from these provisions?**

17 A. There is a certain balance at work in the provisions of this portion of the Stipulation. On
18 the one hand, if the transaction does result in real labor-related efficiencies in the form of
19 lower costs and eventually lower rates for KCP&L and GMO, it is important that the
20 Commission and ratepayers see exactly what they are and how they came about, or if they
21 are smaller than expected or non-existent. On the other hand, it is important that KCP&L

1 and GMO not reduce their labor force to the point that their ability to provide quality
2 service is impaired, and that their service areas not bear an excessive economic impact
3 from any such labor reductions. For these reasons, the Stipulation contained the limitation
4 on labor force reduction.

5 Also, the GPE headquarters in downtown Kansas City, Missouri, is a major center of
6 business and administrative operations for the Company. If the headquarters were to
7 move, this would be a major expense which would call into question the projected net
8 benefit of this transaction.

9 **III. INDEPENDENT THIRD PARTY MANAGEMENT AUDITS**

10 **Q. What processes does the Stipulation put in place to ensure that GPE, KCP&L,**
11 **GMO, and affiliates have complied with the Commission's Affiliate Transactions**
12 **Rule (4 CSR 240-20.015), and that corporate costs are allocated appropriately?**

13 **A.** The Stipulation specifies that a committee with representation from the Company, OPC,
14 and Commission Staff ("Staff") will select an independent auditor from the respondents to
15 a Request for Proposals ("RFP") to secure bids for this service. If the committee is unable
16 to select an auditor unanimously, the Commission will make the selection.

17 The audit will provide an independent opinion on the degree and extent of the Company's
18 compliance with the Commission's Affiliate Transactions Rule as well as assessing the
19 appropriateness of corporate costs among GPE, KCP&L, GMO, and their affiliates. The
20 Company shall provide any information necessary to complete the audit, and shall provide
21 up to \$500,000 to fund the audit from below the line (not recoverable in rates), with any

1 additional necessary funding to be split evenly between ratepayers and shareholders. Upon
2 completion, the audit shall be submitted to the Commission.

3 **Q. What benefits will the Commission and KCP&L and GMO ratepayers see from these**
4 **provisions?**

5 **A.** The Commission's Affiliate Transaction Rule (4 CSR 240-20.015) (the "Rule") is
6 designed to prevent regulated electric utilities in Missouri from giving their unregulated
7 affiliate companies or other entities an unfair competitive advantage. It is naturally in the
8 interest of KCP&L and GMO ratepayers that to the extent possible, competitive forces
9 prevail among these unregulated affiliates so that they may provide goods and services at
10 the lowest possible cost, whether directly to the consumers or to the parent Company.
11 Affiliate transactions are often complex and difficult to track, and an independent audit
12 would be helpful in ensuring compliance with the Rule in light of the Company's pending
13 organizational restructuring.

14 **IV. CORPORATE SOCIAL RESPONSIBILITY**

15 **Q. What provisions does the Stipulation contain regarding corporate social**
16 **responsibility on the part of the Company?**

17 **A.** The Stipulation specifies that GPE will provide \$50,000 a year for each of the next ten
18 years to each of six Community Action Agencies ("CAAs") that operate in the KCP&L
19 and GMO service areas. This will be a total of \$3,000,000, with the express purpose of
20 funding employees at the CAAs "to enable further low-income weatherization

1 deployment".¹ Any excess funds may be used at the CAAs' discretion for weatherization
2 or other related purposes.

3 **Q. What benefits will the Commission and KCP&L and GMO ratepayers see from these**
4 **provisions?**

5 **A.** The additional workforce provided by these funds will greatly assist the CAAs' ability to
6 carry out weatherization activities for low-income households throughout KCP&L and
7 GMO's service territories. "Weatherization" is a broad term for a range of home
8 improvement activities that help a home or apartment to be more efficient and consume
9 less energy. These are activities that many ratepayers may not have the means, expertise,
10 or landlord cooperation to complete on their own. The recipient CAAs have years of
11 experience assisting low-income ratepayers with weatherization through the Low Income
12 Weatherization Assistance Program ("LIWAP"), and the funds provided through the
13 Stipulation will only expand that capability. The result will be many more low-income
14 ratepayers throughout the Company's service territory with lower electric bills, who will
15 then have less difficulty paying those bills and less need of bill assistance programs.
16 As with the funds for the independent auditors, these funds for weatherization are also to
17 be provided by the Company below the line, not to be recoverable in rates. The CAAs are
18 to file annual reports with the Company on how the funds are expended, with the
19 Company then filing condensed reports with the Commission, Staff, and OPC. Staff and
20 OPC will also be invited to annual meetings for five years to discuss progress of the

¹ Stipulation and Agreement, p. 5, para. 8.

1 funds' use. These measures will ensure that ratepayers are held harmless for the costs of
2 the additional weatherization funding, and that there is adequate oversight.

3 **Q. Does this conclude your testimony?**

4 **A. Yes.**

CASE PARTICPATION OF
GEOFF MARKE, PH.D.

Company Name	Employed Agency	Case Number	Issues
Great Plains Energy Incorporated, Kansas City Power & Light Company, and KCP&L Greater Missouri Operations Company, Westar Energy, Inc.	Office of Public Counsel (OPC)	EE-2017-0113	Direct: Employment within Missouri/ Independent Third Party Management Audit / Corporate Social Responsibility
Union Electric Company d/b/a Ameren Missouri	OPC	ER-2016-0179	Direct: Consumer Disclaimer / Transparent Billing Practice / MEEIA Low-Income Exemption
Kansas City Power & Light	OPC	ER-2016-0156	Direct: Consumer Disclaimer
Union Electric Company d/b/a Ameren Missouri	OPC	ET-2016-0246	Rebuttal: EV Charging Station Policy
KCP&L Greater Missouri Operations Company	OPC	ER-2016-0156	Direct: Consumer Disclaimer Rebuttal: Regulatory Policy / Customer Experience / Historical & Projected Customer Usage / Rate Design / Low-Income Programs Surrebuttal: Rate Design / MEEIA Annualization / Customer Disclaimer / Greenwood Solar Facility / RESRAM / Low-Income Programs
Empire District Electric Company, Empire District Gas Company, Liberty Utilities (Central) Company, Liberty Sub-Corp.	OPC	EM-2016-0213	Rebuttal: Response to Merger Impact Surrebuttal: Resource Portfolio / Transition Plan
Working Case: Polices to Improve Electric Regulation	OPC	EW-2016-0313	Comments on Performance-Based and Formula Rate Design
Working Case: Electric Vehicle Charging Facilities	OPC	EW-2016-0123	Comments on Policy Considerations of EV stations in rate base

Empire District Electric Company	OPC	ER-2016-0023	Rebuttal: Rate Design, Demand-Side Management, Low-Income Weatherization Surrebuttal: Demand-Side Management, Low-Income Weatherization, Monthly Bill Average
Missouri American Water	OPC	WR-2015-0301	Direct: Consolidated Tariff Pricing / Rate Design Study Rebuttal: District Consolidation/Rate Design/Residential Usage/Decoupling Rebuttal: Demand-Side Management (DSM)/ Supply-Side Management (SSM) Surrebuttal: District Consolidation/Decoupling Mechanism/Residential Usage/SSM/DSM/Special Contracts
Working Case: Decoupling Mechanism	OPC	AW-2015-0282	Memorandum: Response to Comments
Rule Making	OPC	EW-2015-0105	Missouri Energy Efficiency Investment Act Rule Revisions, Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0084	Triennial Integrated Resource Planning Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0055	Rebuttal: Demand-Side Investment Mechanism / MEEIA Cycle II Application
The Empire District Electric Company	OPC	EO-2015-0042	Integrated Resource Planning: Special Contemporary Topics Comments
KCP&L Greater Missouri Operations Company	OPC	EO-2015-0041	Integrated Resource Planning: Special Contemporary Topics Comments

Kansas City Power & Light	OPC	EO-2015-0040	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0039	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0029	Ameren MEEIA Cycle I Prudence Review Comments
Kansas City Power & Light	OPC	ER-2014-0370	Direct (Revenue Requirement): Solar Rebates
Rule Making	OPC	EX-2014-0352	Net Metering and Renewable Energy Standard Rule Revisions, Comments
The Empire District Electric Company	OPC	ER-2014-0351	Rebuttal: Rate Design/Energy Efficiency and Low-Income Considerations
Rule Making	OPC	AW-2014-0329	Utility Pay Stations and Loan Companies, Rule Drafting, Comments
Union Electric Company d/b/a Ameren Missouri	OPC	ER-2014-0258	Direct: Rate Design/Cost of Service Study/Economic Development Rider Rebuttal: Rate Design/ Cost of Service/ Low Income Considerations Surrebuttal: Rate Design/ Cost-of-Service/ Economic Development Rider
KCP&L Greater Missouri Operations Company	OPC	EO-2014-0189	Rebuttal: Sufficiency of Filing Surrebuttal: Sufficiency of Filing
KCP&L Greater Missouri Operations Company	OPC	EO-2014-0151	Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) Comments
Liberty Natural Gas	OPC	GR-2014-0152	Surrebuttal: Energy Efficiency
Summit Natural Gas	OPC	GR-2014-0086	Rebuttal: Energy Efficiency Surrebuttal: Energy Efficiency
Union Electric Company d/b/a Ameren Missouri	OPC	ER-2012-0142	Direct: PY2013 EM&V results / Rebound Effect Rebuttal: PY2013 EM&V results Surrebuttal: PY2013 EM&V results Direct: Cycle I Performance Incentive

Kansas City Power & Light	Missouri Public Service Commission Staff	EO-2014-0095	Rebuttal: MEEIA Cycle I Application testimony adopted
KCP&L Greater Missouri Operations Company	Missouri Division of Energy (DE)	EO-2014-0065	Integrated Resource Planning: Special Contemporary Topics Comments
Kansas City Power & Light	DE	EO-2014-0064	Integrated Resource Planning: Special Contemporary Topics Comments
The Empire District Electric Company	DE	EO-2014-0063	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	DE	EO-2014-0062	Integrated Resource Planning: Special Contemporary Topics Comments
The Empire District Electric Company	DE	EO-2013-0547	Triennial Integrated Resource Planning Comments