

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

In the Matter of a Management Audit of)
Kansas City Power & Light Company)

File No. EO-2016-0124

STAFF'S RESPONSE TO PUBLIC COUNSEL'S REPLY TO STAFF'S PROPOSED AUDIT SCOPE

COMES NOW the Staff of the Missouri Public Service Commission and files its response to the Office of the Public Counsel's ("Public Counsel") Reply To Staff's Proposed Audit Scope for the management audit ordered by the Missouri Public Service Commission ("Commission") of Kansas City Power & Light Company ("KCPL"). In response, the Staff states as follows:

1. On December 2, 2015, the Commission issued its *Order Requiring a Management Audit of Kansas City Power & Light Company* wherein the Commission directed the Staff to conduct a management audit of KCPL administrative and general costs (“A&G”), including potential cost savings related to a merger between KCPL and KCP&L Greater Missouri Operations Company (“GMO”). Among other things, the Commission also ordered that no later than December 16, 2015, the Staff shall file a pleading stating when it anticipates filing its final report in this matter. On December 16, 2015, the Staff filed *Staff’s Anticipated Final Report Date* in which the Staff advised that it anticipated filing its final report no later than December 31, 2016. The Staff also proposed to file its audit scope with the Commission by February 1, 2016 for approval by the Commission.

2. On February 1, 2016, the Staff filed with the Commission its proposed audit scope. In its filing the Staff stated that it welcomed any comments KCPL and/or Public Counsel may offer regarding the Staff's proposed audit scope and would suggest that any such comments be filed in File No. EO-2016-0124.

3. On February 19, 2016, Public Counsel filed its Reply To Staff's Proposed Audit Scope. Public Counsel makes two requests in its Reply. Public Counsel requests (i) "involvement in the management audit and that it be notified of all meetings and interviews with KCPL personnel regarding the management audit so that Public Counsel may attend" and (ii) the Staff's management audit scope be expanded to include (a) KCPL officers' expenses and expense reports and (b) A&G cost comparisons of KCPL with non-Missouri Midwest utilities in addition to Missouri utilities.

4. Regarding Public Counsel's first request that it be "allowed to participate" in the Staff's management audit so that it "could provide valuable feedback to the Staff and the Commission." The Staff has no objection with Public Counsel attending and participating in meetings and interviews with KCPL personnel regarding the management audit so long as Public Counsel's participation does not delay or restrict the flow of information to the Staff. The Staff suggests that KCPL copy Public Counsel when confirming that a meeting with Staff is scheduled at a specific date, time, and place. The Staff will make a good faith effort to remind KCPL personnel to notify Public Counsel of impending meetings and/or interviews with utility personnel in the context of the management audit.

5. From the Staff's perspective, Public Counsel's second request that the audit scope be expanded to include (a) KCPL officer expenses and expense reports is

unnecessary due to the fact the Staff intends to examine recent prior regulatory issues regarding KCPL's A&G expenses. This examination will include any KCPL officer expenses and expense report issues identified in recent regulatory cases. The Staff will consider the need for Public Counsel's item (b), a comparison of KCPL's A&G expenses with non-Missouri Midwest utilities, as the audit progresses. The Staff's decision whether to perform such a comparison will consider such factors as data availability, usefulness of the information, and resources needed to conduct such a comparison(s). The Staff's audit report will address the value of utility comparisons to achieving the audit objectives. The Staff will specifically address the comparison(s) proposed by Public Counsel.

6. Public Counsel in its February 19, 2016 Reply To Staff's Proposed Audit Scope already has a recommendation prepared for the Staff's KCPL Management Audit Report: "Public Counsel proposes . . . an audit of officer expense reports and that the Staff recommend expense controls, such as a minimum meal expense, limited to expenses that are absolutely necessary to provide utility service and that do not exceed a reasonable level of expense." Even though the Staff has a base of knowledge respecting KCPL, the Staff does not propose to write its KCPL Management Audit Report before it conducts its audit.

7. Regarding Public Counsel's second request that the audit scope be expanded to include (b) a comparison of KCPL's A&G expenses with non-Missouri Midwest utilities, as well as other Missouri utilities, the Staff is not adverse to doing so, so long as that makes sense and is practical at the time the Staff is conducting and concludes its audit.

8. The Staff is mindful that Public Counsel is a separate party from the Staff and its positions are its own, just as with any other party. In paragraph 4 above, the Staff stated it has no objection to Public Counsel attending and participating in meetings and interviews with KCPL personnel so long as Public Counsel's participation does not delay or restrict the flow of information to the Staff. The Staff though wants it to be clear that it does not intend to conduct a joint audit with Public Counsel. The Staff does not plan to conduct the audit relying on Public Counsel to perform a portion of the audit or provide guidance regarding the performance of the audit. The Staff will always consider suggestions, but the Staff will conduct the audit ordered by the Commission based on Staff decisions. The Staff's KCPL Management Audit Report will be a Staff document.

9. The Staff will submit a draft Management Audit Report to KCPL for review and comment prior to filing the final Management Audit Report with the Commission. The Staff will also submit the draft to Public Counsel for review and comment. The Staff will consider both KCPL's and Public Counsel's comments before finalizing its Management Audit Report. Once the Staff finalizes its Management Audit Report by December 31, 2016 it will file with the Commission the final Staff Management Audit Report with the comments of KCPL and Public Counsel. The Staff anticipates that both KCPL and Public Counsel will have sufficient opportunity to file comments regarding the final Staff Management Audit Report after Staff has made its filing with the Commission. KCPL and Public Counsel may believe that their earlier comments are not addressed in the final Staff Management Audit Report or they may have comments regarding changes from the draft Staff Management Audit Report they previously reviewed.

WHEREFORE the Staff files its Response To Public Counsel's Reply To Staff's Proposed Audit Scope.

Respectfully submitted,

/s/ Steven Dottheim

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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/ Steven Dottheim