Exhibit No.:	____________
Issue(s):	AAO Application
Witness/Type of Exhibit:	Addo/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	EU-2014-0077

REBUTTAL TESTIMONY

OF

WILLIAM ADDO

Submitted on Behalf of the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY
AND KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. EU-2014-0077

** **

Denotes Highly Confidential Information that has been Redacted

December 9, 2013

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

In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for the Issuance of an Accounting Authority Order relating to their Electrical Operations and for a Contingent Waiver of the Notice Requirement of 4 CSR 240- 4.020(2).	)))))))	Case No. EU-2014-0077

AFFIDAVIT OF WILLIAM ADDO

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

William Addo, of lawful age and being first duly sworn, deposes and states:

1. My name is William Addo. I am a Public Utility Accountant I for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.

William Addo
William Addo
Public Utility Accountant I

Subscribed and sworn to me this 9th day of December 2013.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI
JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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OF
WILLIAM ADDO

KANSAS CITY POWER & LIGHT COMPANY AND KANSAS CITY POWER & LIGHT GREATER MISSOURI OPERATIONS COMPANY

CASE NO. EU-2014-0077

I. INTRODUCTION.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. William Addo, PO Box 2230, Jefferson City, Missouri 65102-2230.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Missouri Office of the Public Counsel ("OPC" or "Public Counsel") as a Public Utility Accountant 1.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include performing audits and examinations of the books and records of public utilities operating within the state of Missouri under the supervision of the Chief Public Utility Accountant, Mr. Ted Robertson.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

A. I graduated in May, 2004, from the University of Ghana with a Diploma in Accounting. In May 2007, I received a Bachelor of Science Degree in Business Administration (Accounting Major) from the same institution. In May 2010, I received a Masters Degree in Business Administration (Accounting Major) from Lincoln University in Jefferson City, Missouri.

Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC UTILITY ACCOUNTING?

A. Yes. I have attended the National Association of Regulatory Utility Commissioners ("NARUC") Annual Regulatory Studies Program.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION" OR "MPSC")?

A. Yes. I have filed testimony in Empire District Electric Company, Case No. ER-2012-0345 and in Lincoln County Sewer and Water Company, LLC, Case No. SR-2013-0321.

II. PURPOSE OF TESTIMONY.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of this Rebuttal Testimony is to express the Public Counsel's position regarding the Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") (collectively referred to as "Companies" or "Applicants") request that they be granted an Accounting Authority Order ("AAO") for certain incremental costs associated with their transmission costs.

III. KCP&L AND KCP&L-GMO AAO APPLICATION.

Q. WHAT IS IT THAT KCP&L AND KCP&L-GMO ARE REQUESTING?

A. On page 1 of its Application, the Companies request an Accounting Authority Order with the following language,

> Pursuant to Mo. Rev. Stat. 386.250 and 393.140 and 4 CSR 240-2.060, Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") (collectively referred to as "Companies" and "Applicants"), hereby request that the Missouri Public Service Commission ("Commission") issue an Accounting Authority Order ("AAO") authorizing each applicant: (i) to defer and record in Account 182 of the Uniform System of Accounts of the Federal Energy Regulatory Commission ("USOA") certain incremental costs associated with their transmission costs or record in USOA Account 254 the annual transmission costs below the amount included in current base rates; (ii) to include carrying costs based on the Companies' latest approved weighted average cost of capital on the balances in this regulatory asset or regulatory liability; and (iii) to defer such amounts in a separate regulatory asset or regulatory liability with the disposition to be determined in each company's next general rate cases.

Q. IS THE REQUEST FURTHER EXPLAINED IN THE TESTIMONY OF A COMPANY WITNESS?

A. Yes. On page 2, lines 11-14, of the Direct Testimony of Companies' witness, Mr. Darrin R. Ives, he states,

> The purpose of my testimony is to provide an overview of the Accounting Authority Order ("AAO") application, which is requesting the deferral into a regulatory asset of certain incremental transmission costs above

> amounts included in base rates. These incremental transmission costs are substantial and mostly out of the Companies' control.

And, beginning on page 2, line 19, he states further,

> Q: Please provide an overview of this AAO request.
>
> A: The AAO request details in its application the need to defer certain incremental transmission costs which are increasing year over year into account 182.3 of the Uniform System of Accounts for the Federal Energy Regulatory Commission ("USOA"). In order for the Companies to record certain incremental transmission costs into account 182.3, the Commission must specifically find and order that the Companies are authorized by the Commission to record as a regulatory asset (account 182.3) the excess amount of transmission expense compared to the amount that is currently included in base rates in order to be addressed in the Companies' next general rate proceeding. The Companies are requesting that incremental transmission costs on an annual basis be calculated beginning with the effective date of rates in the Companies' last general rate case proceedings, which was January 26, 2013. In essence, the incremental transmission costs will be "tracked" from the effective date of rates until the next general rate case proceeding in which recovery of "tracked" transmission costs will be addressed. In addition, the Company is requesting to include carrying costs based on the Companies' latest approved weighted average cost of capital on the balances in this regulatory asset. Although transmission costs are expected to significantly increase and thus with approval of this AAO application be deferred in regulatory asset account 182.3, in the event that transmission costs do not exceed the amount established in base rates in the last general rate case, this difference will be tracked symmetrically in regulatory liability account 254.

Q. WHY DO THE COMPANIES BELIEVE THAT THE AAO IS NEEDED?

A. Beginning on page 3, line 17, of Mr. Darrin R. Ives' Direct Testimony, he states,

> Transmission costs can vary significantly from year-to-year, and such costs are a material operating cost to the Companies' overall cost of service. These transmission costs are primarily out of the Companies' control and currently escalating on an annual basis. Historically, transmission costs have fluctuated due to load variations, both native and off-system. But what makes the current environment of transmission costs extraordinary in nature is that currently the Southwest Power Pool's ("SPP") regional transmission upgrade projects are being planned, constructed and billed to SPP members in order to expand and enhance the ability of the SPP transmission footprint. In addition, the associated SPP administrative fees are increasing contributing to KCP&L's transmission costs extraordinarily rising over historical norms. SPP's regional transmission plan provides for regional transmission expansion and a detailed list of projects in order to achieve the plan. SPP employs a cost allocation methodology to provide fair and equitable sharing of costs for base-plan transmission additions across its regional territory. SPP's regional transmission upgrade plans, cost allocation methodology and their expected impact on KCP&L and its customers are discussed further in John Carlson's testimony.

Q. WHAT ARE THE SPECIFIC COSTS THAT KCP&L AND KCP&L-GMO ARE SEEKING TO DEFER PURSUANT TO ITS AAO REQUEST?

A. On page 4, lines 10-15, of the Direct Testimony of Companies' witness, Mr. Darrin R. Ives, he states,

> Q: Please explain how transmission costs are proposed to be defined and tracked for this AAO application.

> A: Transmission costs include standard point-to-point transmission charges and base plan funding transmission charges that are recorded to FERC account 565. In addition, other transmission costs which include SPP Schedule 1-A fees charged to accounts 560, 561 and 575, and FERC Schedule 12 fees charged to account 928.

Q. DID COMPANIES LATER PROVIDE A MORE DETAILED EXPLANATION OF THE COSTS THEY SEEK TO DEFER?

A. Yes. In response to MPSC Staff Data Request No. 0002, Companies provided the following detailed explanation,

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However, in response to MPSC Staff Data Request No. 0004, Companies further defined the costs subject to deferral as,

> All KCP&L and GMO transmission expenses, excluding costs already recovered through the GMO Fuel Adjustment Clause ("FAC") and transmission expenses associated with the Crossroads generating station, as indicated in the Direct Testimony of Company Witness Darrin Ives which are incurred in relation to

> SPP, MISO, some other RTO, or non-RTO transmission provider would be subject to deferral under the request made by the Company.
>
> Currently, the GMO FAC states the following:
>
> The following costs reflected in FERC Account Number 565 (excluding Base Plan Funding costs and costs associated with the Crossroads generating station): transmission costs that are necessary to receive purchased power to serve native load and transmission costs that are necessary to make off system sales.
>
> As these costs are already recovered under the FAC, they would not be included in the request made in this current AAO filing. In addition, transmission expenses associated with the Crossroads generating facility are excluded as well.
>
> Additionally, there is one clarification that needs to be made. In Mr. Ives testimony, FERC account 560 was included as an account which would include deferrable charges. Upon further review, it is noted that this account primarily includes internally incurred costs and would thus be excluded from both the base as well as the deferral process.

IV. SOUTHWEST POWER POOL, INC. ("SPP").

Q. WHAT IS SPP?

A. SPP is a Federal Energy Regulatory Commission ("FERC") approved Regional Transmission Organization ("RTO"). It is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. SPP has 74 Members, including 14 investor-owned utilities, 11 municipal systems, 13 generation and transmission cooperatives, 4 state agencies, 11 independent power producers, 12 power marketers and

9 independent transmission companies. As an RTO, SPP administers open access Transmission Service over approximately 48,930 miles of transmission lines covering portions of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas, across the facilities of SPP's Transmission Owners, administers a centralized real-time energy imbalance service market, and has received conditional FERC approval to implement day ahead and real-time energy and operating reserve markets with location marginal pricing and market-based congestion management, which SPP plans to commence in March 2014.

V. ACCOUNTING AUTHORITY ORDER.

Q. WHAT IS AN AAO?

A. An AAO is an accounting mechanism that permits deferral of costs from one accounting period to another accounting period. The cost items deferred are booked in an asset account rather than an expense account, thus improving the financial picture of a utility during the deferral period.

The primary purpose of an AAO is to allow utilities to seek authority from the Commission to change the normal accounting treatment afforded to certain revenues, expenses or rate base items as set forth under the Uniform System of Accounts. A secondary purpose of many AAOs is to provide a utility with the opportunity to seek rate recovery of certain types of costs incurred prior to the rate case test year established in a rate case proceeding, whereas normally, in the state of Missouri, only costs incurred within a rate case test year or shortly thereafter are eligible for recovery in rates.

The Commission, in the past, has granted authority for certain utilities to defer costs in a number of circumstances involving the occurrence of "extraordinary events" of various types. In almost all AAO applications, utilities seek permission to "defer" costs; that is, to capitalize on their balance sheets costs that would normally be charged to expense on the income statement by the utilities when incurred. From a regulatory accounting perspective, the costs are entered in a special section of the balance sheet called deferred debit. In this case, the specific account that KCP&L and KCP&L-GMO proposes to utilize is Account 182.3, Other Regulatory Assets.

When the Commission authorizes a utility to defer costs as a result of an extraordinary event, the utility "spreads" or " amortizes" the cost of the extraordinary event usually over five or ten year period, as opposed to reflecting the entire cost in one accounting period. If the Commission subsequently grants the utility rate recovery of the deferred amounts, the deferrals are amortized to expense in the income statement.

Q. SHOULD THE COMMISSION AUTHORIZE THE USE OF AAOS BY UTILITIES WITH MODERATION?

A. Yes. AAOs should be used sparingly because they permit ratemaking considerations of items from outside a rate case test year. Generally, the deferral of costs from one accounting period to another accounting period for the development of a revenue requirement violates the traditional method of setting utility rates in the state of Missouri.

In Missouri, rates are usually established based upon a historical test year which focuses on four factors: (1) the rate of return that the utility has an opportunity to earn; (2) the rate base upon which a return may be earned (3) the depreciation expense related to plant and equipment; and (4) the allowable operating expenses including income and other taxes. The relationship among these four factors is such that the expenses and the rate base necessary to produce the revenue requirement are synchronized. The deferral of costs from a prior period result in costs associated with the production of revenues in one period being charged against the revenues in a different period. This violates the "matching principle" espoused by the Generally Accepted Accounting Principles (GAAP) and the USOA.

Also, it seems that utility companies in Missouri only seek extraordinary accounting treatment for the impact of events expected to result in expenses or losses, not revenues or gains. While the Commission has issued a number of AAOs over the years for extraordinary costs, it appears no utility has requested the use of an AAO to defer extraordinary revenues. Because of this inherently biased application of AAOs by Missouri utilities, the Commission should give great scrutiny to AAO requests and apply strict tests that must be met prior to issuing an AAO.

VI. COMMISSION REQUIREMENTS FOR DEFERRAL OF COSTS.

Q. DOES THE COMMISSION HAVE A STANDARD FOR AUTHORIZING DEFERRAL OF COSTS?

A. Yes. In the Commission's Report and Order ("R&O") in Case Nos. EO-91-358 and EO-91-360 (often referred to as the Sibley case), applications filed by Missouri Public Service, a division of UtiliCorp United, Inc. (now KCP&L- GMO), the Commission expressed its position for deferral of costs that are incurred outside of a rate case test year. In that R&O, the Commission stated:

> The deferral of costs from one period to another period for the development of a revenue requirement violates the traditional method of setting rates… Under historical test year ratemaking, costs are rarely considered from earlier than the test year to determine what is a reasonable revenue requirement for the future. Deferral of costs from one period to a subsequent rate case causes this consideration and should be allowed only on a limited basis. [Order, pages 6-7.]

In the "Standards for Deferral" section of the R&O, the Commission described the following criteria for allowing utility companies to defer costs incurred outside of a rate case test year as a regulatory asset,

1. Events occurring during a period that are extraordinary, unusual and unique, and not recurring; and

2. The costs associated with the extraordinary event are material.

The Commission has consistently used these standards established in the FERC USOA General Instruction 7 definition of extraordinary items as basic standards for granting an AAO to Missouri utilities. The complete definition of General Instruction 7 for electric utilities is as follows,

> 7. Extraordinary Items: It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in paragraph 7.1 and long-term debt as described in paragraph 17 below.
>
> Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items.
>
> Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance,

> items should be considered individually and not be in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate.)
>
> To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See accounts 434 and 435.)

Q. DOES PUBLIC COUNSEL OPPOSE THE COMPANIES' APPLICATION FOR THE TRANSMISSION EXPENSE ACCOUNTING AUTHORITY ORDER?

A. Yes. Public Counsel does not believe that the Companies' request for an AAO is appropriate because it does not meet the standards for deferral authorization. The estimated costs are not extraordinary, unusual and unique, non-recurring or material.

Q. PLEASE EXPLAIN WHY PUBLIC COUNSEL BELIEVES THAT THE COMPANIES' TRANSMISSION EXPENSE IS NOT EXTRAORDINARY.

A. Neither KCP&L nor KCP&L-GMO's transmission costs occurred unexpectedly. The Companies have been incurring these costs and will continue to incur these costs in the foreseeable future. As freely alluded to in the Direct Testimony, page 9, lines 12 through 14 and page 10, lines 2 through 4, of Companies' witness, Mr. John R. Carlson, SPP transmission costs allocated to KCP&L and KCP&L-GMO "have been rising, and projections from SPP show that these expenses will continue to increase at a very significant rate from 2013 through 2019, recede slightly from there through 2021, and then increase again in 2022." Companies' admission gives credence to OPC's position that these costs are not a one-time "Act of God" occurrence such as a flood or an ice storm thus, they are not extraordinary.

Q. ARE THE COSTS OUTSIDE THE COMPANIES' CONTROL?

A. No. Given the number of KCP&L and KCP&L-GMO employees that currently serve on, or monitor, most of SPP's committees, working groups or task forces, the management of these Companies should have adequate control and knowledge of SPP's regional transmission upgrade projects, the planning process in relation to these projects and the subsequent cost implications to the Companies. The Companies in their Application did not provide any compelling evidence to support its position that the expenses associated with on-going transmission costs, of which management is fully aware of its occurrence, are completely outside of their control and should be categorized as an extraordinary event.

Q. ARE THE COSTS IN QUESTION UNUSUAL AND UNIQUE?

A. No. For a cost to be considered as unusual and unique, the cost must be abnormal and significantly different from the ordinary and typical activities of a utility. Anyone familiar with the electric utility industry today knows that the incurrence of transmission costs is not an unusual activity, but a primary and an on-going activity of many regulated electric utilities. As electric utilities; therefore, it should not be considered unusual and/or unique for KCP&L and KCP&L-GMO to incur transmission costs. In its Application, the Companies made no attempt to justify why they believe that the incurrence of transmission costs they are seeking to defer is an abnormal and a significantly different activity from the ordinary and typical activities of the Companies.

Q. ARE THE COSTS IN QUESTION NON-RECURRING?

A. No. For a cost to be considered non-recurring, the cost must be a one-time expense that is unlikely to recur in the foreseeable future. Transmission costs are a normal part of KCP&L and KCP&L-GMO's ongoing operations and have been incurred for years. Companies' responses to Midwest Energy Consumers Group's ("MECG") 1st set of Data Requests, Nos. 3 through 10, among other responses, show that the Companies do not know of a year in which they did not incur some level of transmission costs and that the Companies anticipate that they will continue to incur transmission costs every year for the next 15 years. In its Application, the Companies fail to show how the incurrence of transmission costs is not expected to recur in the foreseeable future.

Q. ARE THE COSTS IN QUESTION MATERIAL?

A. Maybe, but Companies' request is based on estimates of costs which are not currently known and measureable.

Q. IS THE COMPANIES' ALLEGATION THAT INCREASING SPP ADMINISTRATIVE COSTS ARE EXTRAORDINARY ACCURATE?

A. No. Companies allege that what makes the current environment of transmission costs extraordinary, and thus, the AAO necessary, is that currently the Southwest Power Pool's regional transmission upgrade projects are being planned, constructed and billed to SPP members in order to expand and enhance the ability of the SPP transmission footprint and the associated SPP administrative fees are increasing contributing to KCP&L's transmission costs. However, my review of the SPP 2014 budget indicates that the increase in net revenue requirement from which the administrative charge is derived for SPP is only increasing by about $10.8 million over the 2013 budget costs.

Q. WHAT IS THE SOURCE OF THE $10.8 MILLION INCREASE?

A. Public Counsel has reviewed the minutes of the SPP Finance Committee and Board of Directors which identify the entity's budgeting process results and its ultimate decision on the administrative charge it will bill its members for services provided. Subsequently, on November 1, 2013, SPP made a filing with the Federal Energy Regulatory Commission to revise its Schedule 1-A Administration Charge Cap (subsequently docketed as No. ER14-278-000). Included within that filing was the testimony of SPP's Vice President and Chief Financial Officer, Mr. Thomas P. Dunn. Mr. Dunn's testimony explains the SPP budgeting process and how the calculation of the administrative charge is determined. Furthermore, on page 10, lines 3-14, of his testimony he identifies that the most significant changes in the 2014 budget are as follows,

> Q. What are the most significant changes in the 2014 budget from the 2013 budget?
>
> A. SPP's budgeted net revenue requirement for 2014 is $132.6 million versus $121.8 million in 2013. Growth in personnel costs ($4.8 million), maintenance ($5.4 million) and interest expense ($3.2 million) drive the increases. Personnel cost growth stems from SPP assuming it will be nearly fully staffed the entire year (2013 budget assumed SPP would be understaffed by 6% the entire year) and from increases in employee benefit costs for healthcare. Maintenance expenses are increasing to fund maintenance contracts on SPP's systems which support the Integrated Marketplace being implemented in March 2014. Interest expense is increasing due to additional borrowings to fund Commission mandated functions and SPP member requested functions.

The significant costs Mr. Dunn discusses total approximately $13.4 million, but the total increase in 2014 costs from 2013 costs is only $10.8 million. The difference is due to the fact that some costs incurred by SPP have also decreased.

Q. WILL THE INCREASE IN THE ADMINISTRATIVE CHARGE BE MATERIAL TO COMPANIES?

A. No, I don't believe so. SSP has approximately 74 members which will share in these increased costs and as such KCP&L AND KCP&L-GMO share is not likely to be material.

Q. COMPANIES ALSO ALLEGE THAT THE IMPLEMENTATION OF THE INTEGRATED MARKET PLACE BY SPP IS A SIGNIFICANT DRIVER FOR INCREASED TRANSMISSION COSTS. IS THAT ACCURATE?

A. No. SPP's 2014 budget and Mr. Dunn's testimony in the FERC filing identify increased maintenance costs associated with the Integrated Marketplace, but those costs only represent $5.4 million to fund maintenance contracts (for software licensing, etc.) on SPP systems to support the Integrated Marketplace. SPP budget documents state that the capital investment associated with the Integrated Marketplace’s implementation in March 2014 has diminished and are nearly finalized.

Q. ARE OTHER SPP REGIONAL TRANSMISSION UPGRADE PROJECTS INCREASING COMPANY'S COSTS MATERIALLY?

A. No. The $10.8 million increase in 2014 costs over 2013 costs I identified earlier incorporates the 2014 budget investment and debt changes that SPP has incorporated into it 2014 budget and the revised administrative charge to be assessed to members.

Q. IN PUBLIC COUNSEL'S OPINION WHAT IS DRIVING COMPANY'S INCREASING TRANSMISSION COSTS?

A. Public Counsel believes that the increasing costs are being driven by the Companies' usage of transmission facilities owned by others.

Q. PLEASE CONTINUE.

A. Companies' response to MPSC Staff Data Request No. 0005 provided the projected transmission costs for the period 2013 through 2018 and most of the costs do not increase materially, except for, USOA Account 565.

Q. WHAT IS USOA ACCOUNT 565?

A. Account 565, per the Uniform System of Accounts, is for,

> This account shall include amounts payable to others for the transmission of the utility's electricity over transmission facilities owned by others.

Q. ARE OTHER TRANSMISSION COSTS INCREASING MATERIALLY?

A. No. Company's response to MPSC Staff Data Request No. 0005 shows that while other transmission costs (USOA Accounts 561.4, 561.8, 575.7 and 928) are increasing, the cost increases are not material.

Q. SHOULDN'T THE COSTS BOOKED IN USOA ACCOUNT 565 BE OFFSET BY ANY REVENUES ASSOCIATED?

A. Yes. Whether the Company is purchasing or selling electricity, revenues should offset the costs unless the utility is conducting a transaction that is uneconomic.

VII. THE PUBLIC COUNSEL’S RECOMMENDATION

Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S POSITION.

A. It is the Public Counsel's belief that the transmission costs for which the utilities seek an AAO do not meet the standards for which an AAO authorization is granted. The Uniform System of Accounts General Instruction No. 7, prescribed by the FERC, identify that an extraordinary item for which special accounting treatment would be appropriate is "of unusual nature and infrequent occurrence." Furthermore, "they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future." In addition, the USOA requires that to be considered extraordinary, the item "should be more than approximately 5 percent of income, computed before extraordinary items."

Furthermore, the Commission has also established a standard of tests to determine when an AAO should be granted. In a 1991 decision, the Sibley case discussed earlier in my testimony, the Commission stated that it would consider the appropriateness of granting an AAO on a case by case basis. In doing so, it would approve an AAO for events that it found to be "extraordinary, unusual and unique, and not recurring." Companies' request does not meet those standards and on that basis alone the request should be denied.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.