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Issue(s):

Executive Summary/
Regulatory Policy/
GMO's Inappropriate Accounting
for Hedging Costs/
Expense Trackers in Rate Base/
Solar Electrical Production Training Facility/
GMO's Supplemental Executive
Retirement Plan ("SERP")/
Rate Case Expense/
Income Tax Expense/
KCPL Employee Expense
Report Allocation to GMO/
Rate Base - Accumulated Deferred
Income Tax Reserve/
Severance Payments/
Rate Base - Prepayments

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Case No.:

ER-2016-0156

DIRECT TESTIMONY

OF

CHARLES R. HYNEMAN

Submitted on Behalf of the Office of the Public Counsel

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

July 15, 2016

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DIRECT TESTIMONY
OF
CHARLES R. HYNEMAN
KCP&L GREATER MISSOURI OPERATIONS COMPANY
CASE NO. ER-2016-0156

1 **Q. Please state your name and business address.**

2 A. My name is Charles R. Hyneman. My business address is PO Box 2230, Jefferson City,
3 Missouri 65102.

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

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as Chief Public
6 Utility Accountant.

7 **Q. What is the purpose of your direct testimony?**

8 A. My testimony addresses OPC’s revenue requirement and regulatory policies and cost of
9 service adjustments related to KCP&L Greater Missouri Operations’ (“GMO” or
10 “Company”) February 23, 2016 rate case filing. My testimony includes certain OPC cost of
11 service adjustments that are necessary to establish just and reasonable rates for GMO when
12 the rates set in this case become effective. These adjustments reference GMO’s cost of
13 service adjustments found in Schedules RAK-1 through RAK-4 attached to the direct
14 testimony of GMO witness Ron Klote.

15 **EDUCATION AND EXPERIENCE**

16 **Q. Please describe your educational background.**

17 A. I earned an MBA from the University of Missouri - Columbia and a Bachelor of Science
18 degree, *cum laude*, in Accounting and Business Administration from Indiana State
19 University at Terre Haute.

1 **Q. Please summarize your professional experience in the field of utility regulation.**

2 My professional experience as an auditor began in 1993 when I was employed by the
3 Missouri Public Service Commission (“Commission”) as part of the audit division of the
4 Commission Staff’s (“Staff”) accounting department. As a member of the Staff from 1993
5 to 2015, I participated in rate cases and other regulatory proceedings involving all major
6 electric, gas, and water utilities operating in the state of Missouri. I also held various
7 positions including Manager of the Commission’s Kansas City Auditing Office. I left the
8 Commission Staff in December 2015, holding the position of Regulatory Auditor V, the
9 Staff’s senior level auditing position.

10 **Q. Are you a Certified Public Accountant (“CPA”) licensed in the state of Missouri?**

11 A. Yes. I hold a CPA license in the state of Missouri. I am also a member of the American
12 Institute of Certified Public Accountants (“AICPA”).

13 **Q. What is the AICPA?**

14 A. The AICPA is an organization that represents the CPA profession nationally regarding rule-
15 making and standard-setting. The AICPA established accountancy as a profession and
16 developed its educational requirements, professional standards, code of professional ethics,
17 licensing status, and its commitment to serve the public interest.

18 **EXECUTIVE SUMMARY**

19 **Q. Please summarize your direct testimony?**

20 A. My testimony explains various policy positions of the OPC in this rate proceeding and why
21 the Commission should apply these policy positions to GMO’s revenue requirement
22 proposal (“proposed cost of service”) in this rate case. My testimony also supports several
23 cost of service adjustments proposed by our office.

1 **Q. Is GMO similar to other regulated electric utility companies in Missouri?**

2 A. No, it is not. GMO is unique, at least in the state of Missouri, because it has no employees.
3 GMO owns and controls electric generation, transmission and distribution plant in service.
4 GMO's utility operations are managed by Kansas City Power & Light Company ("KCPL")
5 employees. KCPL and GMO are electric utility divisions of Great Plains Energy
6 Incorporated ("GPE"). GPE is the holding company of KCPL and GMO.

7 **Q. Please list the witnesses who will be filing direct testimony on behalf of the OPC in this**
8 **case and the issues that are addressed in their direct testimonies.**

9 A. The following individuals will be filing direct testimony on revenue requirement issues on
10 behalf of OPC in this case:

11 *Charles Hyneman – Regulatory policy, GMO's improper
12 accounting for natural gas and purchased power hedging, various
13 GMO cost of service adjustments.

14
15 *John Riley –GMO's natural gas hedging policies and OPC hedging
16 adjustments.

17
18 *Lena Mantle – Changes to GMO's fuel adjustment clause (FAC)
19 and prudent capacity costs.

20
21 *Michael Gorman –GMO's capital structure and capital costs
22

23 **Q. Does the fact that OPC does not address specific revenue requirement issues in its rate**
24 **case testimony indicate that OPC is in agreement with GMO's ratemaking proposals**
25 **and proposed ratemaking adjustments?**

26 A. No, it does not.

27 **Q. Does the fact that OPC does not address specific GMO Commission rule violations in**
28 **its testimony in this case indicate that OPC believes other rule violations do not exist?**

1 A. No, it does not. For example, based on past and current GMO cases before the Commission
2 I have addressed several GMO rule violations as it relates to GMO's compliance with the
3 Commission's Affiliate Transaction Rule. As of the date of its direct filing, OPC has not
4 conducted an affiliate transaction review of GMO's operations. However, this does not in
5 any way mean that OPC believes that GMO is in compliance with the Commission's
6 Affiliate Transaction Rule.

7 **REGULATORY POLICY**

8 **Q. Please summarize the general regulatory policies OPC applied to the specific GMO**
9 **revenue requirement issues addressed by OPC in this rate case.**

10 A. It is commonly accepted in the regulated utility industry a foundation of a utility's revenue
11 requirement, as determined in a rate case proceeding, is the recovery of reasonable and
12 prudent expenses. These are the expenses that are necessarily incurred in the provision of
13 regulated utility service. As will be described later in this testimony, reasonable expenses
14 are the minimum expenses that are necessarily incurred to provide utility service.

15 In addition to expense recovery, a revenue requirement designed in a rate case allows utility
16 shareholders a reasonable opportunity to earn a reasonable return ("profit") on their equity
17 investment in the utility.

18 GMO's recovery of reasonable and prudent expenses as well as a reasonable profit is
19 necessary for GMO to fulfill its obligation to the public. GMO's obligation is to serve the
20 public. This service includes providing safe and adequate utility service at a reasonable
21 price (minimum cost) to its regulated utility customers.

22 The regulatory policies of the OPC, as put forth in its direct testimonies, and the cost of
23 service adjustments proposed by OPC in this case, are designed to support GMO's
24 fulfillment of its obligation to serve its Missouri electric ratepayers at a reasonable cost.

1 **Q. Does OPC's policy positions and cost of service adjustments proposed in its direct**
2 **filing support GMO's recovery of its prudently incurred and reasonable expenses and**
3 **provide GMO an opportunity to earn a reasonable return on invested capital?**

4 A. Yes they do.

5 **Q. Is OPC proposing new approaches to two revenue requirement and regulatory policy**
6 **issues that have been problematic for GMO and the Commission in the past?**

7 A. Yes. In its direct testimony, OPC proposes reasonable solutions to two regulatory issues
8 that have been problematic for GMO and other parties to the Company's past rate
9 proceedings. These issues are related to GMO's natural gas hedging practices and the
10 design and structure of GMO's fuel adjustment clause ("FAC").

11 **Q. What are OPC's proposals to address problems with GMO's hedging practices and its**
12 **FAC?**

13 A. In her direct testimony, OPC witness Lena Mantle will propose changes to the FAC
14 structure and design. This proposal will still allow for a very high percentage of current
15 FAC costs to flow through the FAC but also make the FAC 1) more transparent and
16 manageable for GMO to administer, 2) easier for the Commission to oversee, 3) easier for
17 OPC and other parties to monitor and audit in FAC prudence audits, and 4) reduce the
18 number of errors GMO makes in its FAC.

19 It is a concern of OPC that the Company has made errors and included inappropriate costs in
20 its FAC on more than one occasion. These errors may, in part, be caused by the complexity
21 of GMO's FAC. If the Commission adopts the FAC proposals outlined by Ms Mantle, it is
22 likely that the risk of GMO's inclusion of inappropriate costs will be reduced to an
23 acceptable low level.

1 OPC witness John Riley proposes a change in how GMO would employ its current hedging
2 policies. Adoption of these changes will provide safeguards to GMO's ratepayers protecting
3 them from excessive and imprudent hedging losses.

4 In addition to providing price protection to ratepayers, OPC's proposal also offers GMO an
5 opportunity to recover a reasonable level of hedging losses related to the Company's natural
6 gas fuel procurement. OPC also makes an alternative proposal for GMO to return to its
7 hedging policy GMO found reasonable and prudent prior to 2005, which was to record
8 hedging gains and losses to below-the-line accounts for both accounting and ratemaking
9 purposes.

10 **Q. Are the policy positions and cost of service adjustments recommended by OPC in this**
11 **rate case consistent with and supportive of the primary purpose of the Commission?**

12 A. Yes they are. The basis of OPC's policies and adjustments in this case is to serve the
13 interests of the rate paying public by protecting it against the power of the natural monopoly
14 utility. OPC's positions and adjustments in this case are entirely consistent with and
15 supportive of the Commission's principle purpose - to serve and protect ratepayers.¹

16 **Q. Are the ratemaking positions taken by OPC in this case supportive of longstanding**
17 **Commission rate case policies?**

18 A. Yes, they are. To the extent OPC takes a position inconsistent with a longstanding
19 Commission ratemaking policy or contrary to decision reflected in a Commission Report
20 and Order, OPC will present new evidence for the Commission to consider in its
21 deliberations on that particular issue. For example, in this testimony I will provide
22 additional evidence for the Commission to consider as it relates to GMO's accounting for its
23 natural gas and purchased power hedging practices.

¹ State ex. rel. Capital City Water Co. v. Public Service Commission, 850 S.W.2d 903, 911 (Mo. App. W.D. 1993). Citing State ex rel. Crown Coach Co. v. Public Service Commission, 179 S.W.2d 123 (1944).

1 **Q. Are the positions taken by OPC in this case consistent with and supportive of the**
2 **Commission’s rules as they apply to GMO?**

3 A. Yes. In this rate case, OPC addresses its concerns with GMO’s compliance with two major
4 Commission rules for electric utilities. These rules are 4 CSR 240-3.161 - *Electric Utility*
5 *Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission*
6 *Requirements*, a Commission Fuel Adjustment Clause rule (“FAC Rule”) and Commission
7 Rule 4 CSR 240-20.030 *Uniform System of Accounts-Electrical Corporations* (“USOA
8 Rule”). The FAC rule will be addressed in the direct testimony of OPC witness Lena
9 Mantle. I will address GMO’s compliance with the Commission’s USOA rule later in this
10 testimony

11 **Q. Do any of OPC’s positions taken in this rate case require the Commission to**
12 **micromanage GMO’s utility regulated or nonregulated operations?**

13 A. No.

14 **Q. Has the Commission made comments in the recent past expressing its concern about**
15 **potentially micromanaging Missouri utilities?**

16 A. Yes.

17 **Q. Do you believe there may be some misunderstanding about ratemaking proposals by**
18 **parties to rate proceedings and actions that the Commission may consider as**
19 **micromanaging the utility?**

20 A. Yes. The Commission’s powers were recently and succinctly listed at paragraphs 11 and 12
21 of the Staff’s May 20, 2015 Complaint filing against KCPL and GMO in what is referred to
22 as the Allconnect complaint case (“Complaint”), No. EC-2015-0309.

23 What is noteworthy in the Staff’s Complaint is its statement that the Commission is
24 “charged with the supervision and regulation of public utilities...” While the Complaint

1 does not cite a specific definition of the phrase, Black’s Law Dictionary, 7th edition page
2 1452, defines supervision as the act of “managing, directing, or overseeing persons or
3 projects.” Missouri statutes offers a general outline for the Commission’s authority to
4 oversee and regulate.

5 **Powers of the Commission**

6 11. Pursuant to Sections 386.250(1) and 393.140(1), this
7 Commission is charged with the supervision and regulation of public
8 utilities engaged in the manufacture and sale of electricity at retail
9 and is authorized by Section 386.250(6) to promulgate rules which
10 prescribe the conditions of rendering public utility service. Pursuant
11 to this authority, the Commission has duly promulgated its Rule 4
12 CSR 240-20.015(2)(C) Affiliate Transactions, Rule 4 CSR 240-
13 13.040(2)(A) Service and Billing Practices for Residential
14 Customers: Inquiries, and Rule 4 CSR 240-2.070 Complaints.

15
16 12. Pursuant to Sections 393.140(2) and 393.270.2, the Commission
17 shall examine or investigate the methods employed by electrical
18 corporations and has power to order such adequate, just and
19 reasonable improvements in the supply of electricity as will best
20 promote the public interest, preserve the public health, and protect
21 those using electricity. Section 393.270.1 states that a complaint may
22 be instituted as to any matter as provided in Sections 393.110 to
23 393.285.
24

25 The Commission’s primary obligation and responsibility is to protect ratepayers. It does this
26 by allowing only reasonable, necessary, and prudent costs to be included in utility rates. By
27 not including unreasonable, unnecessary, or imprudent costs in rates the Commission is not
28 micro-managing the utility but merely fulfilling its mandate to protect the public.

29 The Commission has the power to “supervise” a utility and its operations. OPC believes,
30 when necessary, the Commission should employ this power of supervision. Employing the
31 Commission’s supervisory powers should not be considered as micromanaging the utility. It
32 should be considered using conferred authority to protect utility ratepayers from
33 inappropriate and imprudent monopoly utility actions.

1 The Commission has great discretion to allow a utility to continue to engage in activities that
2 create imprudent, excessive, and unreasonable costs. However, it has no discretion to allow
3 such costs in utility rates. When setting rates in a utility rate case, the Commission sits as
4 sole fact finder with authority to determine what costs are to be included and what costs are
5 to be excluded from a utility's cost of service. Therefore, the Commission has absolute
6 authority and an absolute obligation, subject to judicial review, to oversee and scrutinize the
7 costs included in a utility's cost of service.

8 **Q. Are the regulatory positions and ratemaking adjustments proposed by OPC in this**
9 **case based on the premise that GMO has the burden of proof to show that its proposed**
10 **rate increase will result in rates that are just and reasonable?**

11 **A.** Yes. GMO has the burden of proof to show the components of its proposed increase in
12 utility rates in this case are just and reasonable. The Commission addressed this point in its
13 December 3, 2014 Report and Order in Case No. GR-2014-0152, ("2014 Liberty Report and
14 Order"). As the Commission noted at Paragraph 7, titled *Burden of Proof*, the burden of
15 proving the increased utility rate is just and reasonable is on the utility.

16 **Q. Did the Commission define its purpose in a rate case proceeding in its 2014 Liberty**
17 **Report and Order?**

18 **A.** Yes. The Commission has declared its "guiding purpose" in a rate proceeding is to protect
19 the consumer against the natural monopoly of the public utility. The Commission stated that
20 its dominant "thought and purpose in setting rates" is to protect the public. At paragraph 9 of
21 its 2014 Liberty Report and Order, the Commission stated:

22 The Commission's guiding purpose in setting rates is to protect the
23 consumer against the natural monopoly of the public utility,
24 generally the sole provider of a public necessity.²⁹ "[T]he dominant
25 thought and purpose of the policy is the protection of the public . . .
26 [and] the protection given the utility is merely incidental."³⁰
27

1 **Q. Did the Commission also define a “just and reasonable rate” in its 2014 Liberty Report**
2 **and Order?**

3 A. Yes. At paragraph 8, *Ratemaking Standards and Practices*, the Commission defined a “just
4 and reasonable rate” as a rate as having three components: First, the rate must be fair to both
5 the utility and its customers. Second, the rate be “no more” than is sufficient to provide
6 effective utility service. As defined by the Commission, the third component of a just and
7 reasonable rate is that it provides for a reasonable return on the funds invested in the utility.

8 At paragraph 8 of its 2014 Liberty Report and Order the Commission stated:

9 A “just and reasonable” rate is one that is fair to both the utility and
10 its customers;²⁶ it is no more than is sufficient to “keep public utility
11 plants in proper repair for effective public service, [and] . . . to insure
12 to the investors a reasonable return upon funds
13 invested.”²⁷
14

15 **Q. Is the definition of a “just and reasonable cost” as a “minimum” cost necessary to**
16 **provide safe and adequate utility service a commonly-accepted definition in the**
17 **regulated utility industry?**

18 A. Yes, it is.

19 **GMO’S INAPPROPRIATE ACCOUNTING FOR HEDGING COSTS**

20 **Q. What is hedging?**

21 A. Hedging is a form of insurance where, like any common forms of insurance, a premium is
22 paid to an insurer willing to accept the risk that the insuree is not willing to take. In the
23 event of an auto accident or a fire, or significant increases in utility expenses, as is the risk
24 addressed by utility hedging, the insuree is covered from absorbing catastrophic cost
25 increases.

1 For a utility, there are several forms of hedging. Utilities sometimes engage in physical
2 hedges, such as entering into long-term coal or natural gas purchase contracts to hedge
3 against future price increases. Utilities, especially GMO, also engage in financial hedges
4 such as purchasing natural gas futures contracts in a commodity exchange market.

5 Finally, construction or an acquisition of a new power plant can serve as a hedge against
6 volatility and availability of energy to meet the needs of utility customers.

7 **Q. Is it necessary for an electric utility such as GMO to hedge for purchased power and**
8 **natural gas fuel?**

9 A. That depends on market conditions. In the low price, low volatile natural gas and energy
10 markets that have existed over the past several years, there is a lot less, if any, need for an
11 electric utility to hedge.

12 Electric utilities like GMO must guard against sticking to old outdated hedging policies that
13 were put in place in the past to address highly volatile and high-priced natural gas markets.
14 Even in those old markets, GMO's hedging practices were found to be imprudent and
15 excessive and even GMO agreed not to seek rate recovery of a significant amount of its past
16 hedging losses.

17 **Q. Does the fact that GMO is slow to change and update its hedging practices surprise**
18 **you?**

19 A. No, not at all. That is the nature of utility companies. For example, for many years
20 companies that are not regulated monopolies have been moving away from very high cost
21 and burdensome defined benefit pension plans. Utility companies, however, have been very
22 slow to move away from these very high-cost and outdated employee pension arrangements.
23 It appears to be the same way for hedging policies with at least some of Missouri electric
24 utilities.

1 **Q. What is cross-hedging?**

2 A. Cross hedging for GMO is GMO's hedging for purchased power in addition to hedging for
3 natural gas as a fuel source. Cross hedging is the act of hedging ones position by taking an
4 offsetting position in another good with similar price movements. GMO cross-hedges its
5 purchased power price exposure with the price of natural gas on the NYMEX natural gas
6 futures exchange. Although the price movements of purchased power and natural gas are
7 not identical, GMO believes they are correlated sufficiently enough to create a hedged
8 position as long as the prices move in the same direction.

9 Cross hedging was originally adopted by Aquila, Inc prior to 2005 and retained by GMO
10 when GPE acquired Aquila Inc. (now GMO) in 2008. In regards to GMO, cross hedging is
11 a strategy that requires the purchase by GMO employees of natural gas futures contracts in
12 an effort to mitigate the volatility in on-peak energy prices. The gains or losses that are
13 accrued to GMO when the hedge contract settles are then applied, in theory, to the price of
14 purchased power. Cross-hedging is similar to natural gas fuel hedging except that it
15 attempts to mitigate price volatility in purchased power as opposed to natural gas as a fuel
16 source.

17 **Q. What should be the goal of natural gas hedging for an electric utility?**

18 A. It is not essential that an electric utility without a heavy reliance on natural gas as a fuel
19 source to hedge. This is evident by the fact that the Kansas Corporation Commission
20 ("KCC") has not allowed either KCPL or The Empire District Electric Company ("Empire")
21 to engage in hedging transaction in its Kansas service territory. KCPL's and Empire's
22 hedging plans did not meet the standards of the KCC.

23 The fact it is not essential for an electric utility with less than heavy dependence on natural
24 gas to hedge is also evident from the fact that GMO has agreed not to hedge for its L&P
25 service territory operations.

1 Given that it is not essential for GMO to hedge, the goal of GMO's hedging program in a
2 low price and low volatile natural gas and purchased power market should not be price
3 volatility mitigation. Rather, the goal should be only to soften the blow to ratepayers of
4 significant price spikes in its purchases of natural gas as a source of fuel.

5 Natural gas price mitigation in a non-volatile, low-price natural gas market, as has been and
6 is the current market, is a detriment to ratepayers. It is a detriment as a hedging policy such
7 as GMO's hedging policy requires ratepayers to pay the bill for millions of dollars in
8 hedging losses with no real associated benefit.

9 Ratepayers are interested in enjoying the benefits of this low cost natural gas market. They
10 are not interested in paying a premium or a surcharge adder to this current low price natural
11 gas and purchased power market. They are not interested in paying additions costs through
12 GMO's FAC just to allow GMO to obtain "price certainty" in its natural gas or purchased
13 power prices.

14 **Q. Has GMO's cross-hedging strategy been successful?**

15 A. No. GMO's cross hedging strategy has forced its ratepayers, more specifically MPS (GMO
16 does not hedge for its L&P service territory) ratepayers, to pay multi-millions of dollars in
17 excessive hedging losses with little or no associated ratepayer benefit. GMO's cross-
18 hedging strategy has imposed significant financial detriments in the form of higher utility
19 rates on its MPS ratepayers for too long. Because these excessive hedging losses have been
20 recovered by GMO through its FAC, there is little impact on GMO's shareholders from
21 incurring these large hedging losses. GMO's hedging costs are simply pass-through costs
22 that do not in any way receive the scrutiny they deserve.

23 If GMO's hedging losses were removed from its FAC and it actually had to assume some
24 risk of non-rate recovery of these losses, maybe GMO's shareholders would then apply
25 pressure to GMO management to stop the unnecessary incurrence of millions and millions

1 of dollars of hedging losses each and every year. It may be that only when GMO moves
2 away from its current guarantee of rate recovery of hedging losses through its FAC that
3 common sense and competitive pressures will provide the required incentive for GMO to act
4 in a prudent manner with respect to its hedging practices.

5 OPC witness John Riley will sponsor OPC's adjustment to eliminate GMO's cross-hedging
6 losses from its cost of service in this rate case.

7 **Q. Why did you only refer to GMO's customers in its MPS service territory and not**
8 **GMO's customers in its L&P service territory in your previous answer?**

9 A. GMO's costs are allocated between its customers that were previously served by Missouri
10 Public Service Company and St. Joseph Light & Power Company. The official names of
11 the GMO rate districts are; 1) KCP&L Greater Missouri Operations–MPS ("MPS") and 2)
12 KCP&L Greater Missouri Operations – L&P ("L&P").

13 OPC understands that GMO, in response to L&P customers' concerns, ceased its hedging
14 activities in meeting its L&P customers' needs. This understanding was confirmed in
15 discussions with GMO personnel.

16 **Q. Has L&P customers been elevated to a much better position financially because GMO**
17 **agreed with L&P customers not to hedge in its L&P service territory?**

18 A. Yes. GMO's L&P customers have not been forced to pay any part of the multi-millions of
19 dollars in hedging losses GMO charges its MPS customers through its fuel adjustment
20 clause.

21 **Q. Is it common for a utility to be allowed to hedge in part of its service territory and not**
22 **hedge in other parts of its service territory?**

23 A. Yes. This is the current situation with both GMO and KCPL. As noted above, GMO's
24 sister utility, KCPL, operates in Missouri and Kansas. The Missouri Public Service

1 Commission allows KCPL to continue to engage in natural gas hedging but the KCC has
2 prohibited KCPL from hedging in its Kansas electric utility service territory.

3 **Q. In a past cases has the Staff been strongly opposed to GMO's cross-hedging strategy**
4 **and raised serious concerns about excessive hedging losses forced on GMO's MPS**
5 **customers?**

6 A. Yes, it has.

7 **Q. Has GMO publicly stated that it had an "agreement" to recognize its purchased power**
8 **hedging costs (cross hedges) as fuel expense?**

9 A. As stated at page 32 of GPE's March 31, 2016 Securities and Exchange Commission
10 ("SEC") Form 10-Q, Quarterly Report:

11 GMO's risk management policy uses derivative instruments to
12 mitigate price exposure to natural gas price volatility in the market.

13
14 At March 31, 2016, GMO had financial contracts in place to hedge
15 approximately 61%, 35% and 11% of the expected on-peak natural
16 gas generation and natural gas equivalent purchased power price
17 exposure for the remainder of 2016, 2017 and 2018, respectively.

18
19 The fair value of the portfolio will settle against actual purchases of
20 natural gas and purchased power. GMO has designated its natural
21 gas hedges as economic hedges (non-hedging derivatives).

22
23 In connection with GMO's 2005 Missouri electric rate case, it was
24 agreed that the settlement costs of these contracts would be
25 recognized in fuel expense.

26
27 The settlement cost is included in GMO's fuel recovery mechanism.

28
29 A regulatory asset or liability is recorded to reflect the change in the
30 timing of recognition authorized by the MPSC. Recovery of actual
31 costs will not impact earnings, but will impact cash flows due to the
32 timing of the recovery mechanism.(emphasis added).
33

1 **Q. In this quote above, it states that in “GMO's 2005 Missouri electric rate case, it was**
2 **agreed that the settlement costs of these contracts would be recognized in fuel**
3 **expense.” Is this a true statement?**

4 **A.** No, there was no such agreement. GMO participated in Case No. EO-2011-0390 (“GMO’s
5 2011 FAC Case”). In this case, Staff expressed serious disagreement with the GMO’s
6 interpretation of the language in the Stipulation and Agreement to GMO’s 2005 rate case
7 (“2005 S&A”).

8 Staff made it clear in this case there was not an agreement that GMO’s cross hedging, or
9 hedging losses attributed to purchased power should be charged to a fuel account. Five
10 years after this 2011 FAC case, in a SEC financial report, GMO still erroneously asserts that
11 there was an agreement as to the language in the 2005 S&A.

12 As will be described below, in GMO’s Stipulation and Agreement dated January 31, 2006,
13 the parties to this Stipulation and Agreement agreed on specific Accounting Authority Order
14 (“AAO”) language. This language allowed GMO to record hedging gains and losses to a
15 purchased power account (account 555) and also to a fuel account (547). There was no
16 agreement that hedging settlement cost would be charged only to a fuel account. The
17 language is clear that there was an agreement that hedging costs would be charged to both a
18 fuel account for natural gas fuel hedges and a purchased power account for purchased power
19 cross-hedges. In is my professional opinion this is only logical reading of the AAO and is
20 the professional opinion reached by the Commission Staff who was the primary party in the
21 determination of the language of the AAO.

22 **Q. Was OPC a party to this Stipulation and Agreement?**

23 **A.** My review of the case documents indicates OPC was not a party to the Stipulation and
24 Agreement to GMO’s 2005 rate case.

1 **Q. Did you participate in GMO's 2005 rate case as a member of Staff?**

2 **A.** Yes. In addition, I was the primary Staff accounting witness in GMO's 2011 FAC case. In
3 this case I testified to the Commission that there was no agreement between GMO and the
4 Staff on the hedge accounting language included in the AAO and reflected in the 2005
5 S&A.

6 I maintained at that time as I do today that no professional accountant would ever agree that
7 GMO's interpretation of this AAO language is correct or even reasonable. Simply stated,
8 and as will be explained below, GMO's interpretation of this AAO results in very bad
9 accounting.

10 Application of GMO's accounting for GMO's hedging costs is not in accordance with the
11 Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts
12 ("USOA"), is not in accordance with the 2005 S&A, and is not consistent with very basic
13 generally accepted accounting principles ("GAAP").

14 **Q. How is GMO's accounting for its hedging losses not in compliance with basic GAAP?**

15 **A.** According to GAAP, one of the required elements of financial information is that it be
16 representational faithful. This means that there must be a correspondence or agreement
17 between a measure or description and the phenomenon that it purports to represent. The fact
18 GMO hedges for purchased power and records this as fuel reflects a serious lack of
19 correspondence or agreement between the measure (protect against volatility of purchased
20 power prices charged to Account 555) and how this is represented by GMO (as a cost of
21 natural gas fuel charged to Account 547).

22 **Q. Please summarize GMO's natural gas and purchased power hedging accounting.**

23 **A.** GMO engages in hedging against price volatility for both its natural gas fuel expenses
24 (account 547) and purchased power non-fuel expenses (account 555). These transactions

1 are accomplished through financial hedges on the New York Mercantile Exchange
2 (“NYMEX”) futures market, the largest commodity futures market in the world. NYMEX
3 trades in commodities such as natural gas, gold, silver, copper, energy, and platinum.

4 GMO’s hedging for fuel and purchased power results in gains (dollars received) or losses
5 (dollars paid) to NYMEX depending on the underlying price changes of the natural gas
6 commodity. Even if a hedging gain or loss is a purchased power hedging transaction, it is
7 recorded to a fuel account (account 547), not a purchased power account (account 555).

8 **Q. Is GMO required to keep its books and records in accordance with FERC’s USOA?**

9 A. Yes. The purpose of Commission Rule 4 CSR 240-20.030 -“Uniform System of
10 Accounts—Electrical Corporations” is to direct electrical corporations within the
11 Commission’s jurisdiction to use the uniform system of accounts prescribed by the FERC.

12 Electric utility fuel and purchase power expenses are contained entirely within FERC’s
13 USOA Account 501 Steam-Fuel, Account 518 Nuclear Fuel, and Account 547 Other-Fuel
14 while purchased power expenses are recorded in Account 555 Purchased Power.

15 **Q. Is GMO’s accounting for purchased power hedging losses in a natural gas fuel account**
16 **inconsistent with the requirements of the USOA?**

17 A. Yes and therefore GMO’s hedge accounting practices violate Commission rule 4 CSR 240-
18 20.030.

19 **Q. What are FERC’s USOA accounting rules for natural gas hedging?**

20 A. FERC’s USOA accounting rules for hedging are addressed in General Instruction No. 24,
21 *Accounting for Derivative Instruments and Hedging Activities* Paragraph D which states:

22 *24. Accounting for derivative instruments and hedging*
23 *activities.*
24

1 D. If the utility designates the derivative instrument as a fair
2 value hedge against exposure to changes in the fair value of a
3 recognized asset, liability, or a firm commitment, it shall record the
4 change in fair value of the derivative instrument to account 176,
5 derivative instrument assets-hedges, or account 245, derivative
6 instrument liabilities-hedges, as appropriate, with a corresponding
7 adjustment to the subaccount of the item being hedged. The
8 ineffective portion of the hedge transaction shall be reflected in the
9 same income or expense account that will be used when the hedged
10 item enters into the determination of net income. In the case of a fair
11 value hedge of a firm commitment a new asset or liability is created.
12 As a result of the hedge relationship, the new asset or liability will
13 become part of the carrying amount of the item being hedged.
14 (emphasis added)
15

16 **Q. Please describe how GMO's purchased power hedge accounting is not in compliance**
17 **with General Instruction No. 24 of the USOA.**

18 **A.** In transactions where GMO hedges against purchased power price volatility, the "hedged
19 item" referred to in General Instruction 24 is purchased power expense in which is an
20 expense charged to FERC Account 555 and reflected in GMO's income statement in
21 Account 555. In GMO's hedging against purchase power price volatility, purchased
22 power expense - not fuel expense - is the purpose of the hedge. This is the hedged item
23 referred to in General Instruction 24. In transactions where GMO hedges against on-
24 system fuel natural gas price volatility, the hedged item is natural gas fuel expense, which
25 is recorded in FERC Account 547, Fuel. The hedging costs associated with these
26 transactions (hedging for on-system natural gas fuel purchases) are appropriately charged
27 to a fuel account, as fuel is the "hedged item" in this type of hedge.
28 In accordance with the USOA, purchased power expenses are required to be charged to
29 FERC expense account 555. GMO's purchased power expenses enter into the
30 determination of GMO's net income in Account 555. Natural gas fuel expenses are
31 required to be charged to FERC expense account 547-Fuel. GMO's natural gas fuel

1 expenses enter into the determination of GMO's net income in Fuel account, Account
2 547.

3
4 Despite this very clear guidance provided by FERC through its General Instruction No.
5 24 to the electric USOA, GMO continues to record its Account 555 purchased power
6 hedging losses directly to a fuel expense account. Despite purchased power being the
7 "hedged item" GMO, contrary to specific language in the USOA General Instruction No.
8 24, charges this expense to fuel expense.

9 **Q. What are FERC USOA's definitions of the two fuel accounts, Nos. 501 and 547, where**
10 **GMO is required to record its fuel costs?**

11 **A.** The FERC USOA definitions of these fuel accounts are shown below:

12
13 501 Fuel. A. This account shall include the cost of fuel used in the
14 production of steam for the generation of electricity, including
15 expenses in unloading fuel from the shipping media and handling
16 thereof up to the point where the fuel enters the first boiler plant
17 bunker, hopper, bucket, tank or holder of the boiler-house
18 structure. Records shall be maintained to show the quantity, B.t.u.
19 content and cost of each type of fuel used.

20
21 547 Fuel. This account shall include the cost delivered at the
22 station of all fuel, such as gas, oil, kerosene, and gasoline used in
23 other power generation.
24

25
26 **Q. What is FERC USOA's definition of purchased power account, account No. 555,**
27 **where GMO is required to charge purchased power costs?**

28 **A.** The FERC USOA definition of account 555 is shown below:

29 555 Purchased power. A. This account shall include the cost at
30 point of receipt by the utility of electricity purchased for resale. It
31 shall include, also, net settlements for exchange of electricity or
32 power, such as economy energy, off-peak energy for on-peak

1 energy, spinning reserve capacity, etc. In addition, the account
2 shall include the net settlements for transactions under pooling or
3 interconnection agreements wherein there is a balancing of debits
4 and credits for energy, capacity, etc. Distinct purchases and sales
5 shall not be recorded as exchanges and net amounts only recorded
6 merely because debit and credit amounts are combined in the
7 voucher settlement.
8

9 **Q. Was an issue very similar to GMO's hedging accounting issue raised by OPC in this**
10 **rate case also addressed by FERC in its *Order Rejecting Proposed System Agreement***
11 ***Arrangement* ("Entergy Order"), Docket No. ER07-684-000 issued by FERC on May**
12 **27, 2007?**

13 A. Yes. In its Entergy Order FERC directed Entergy Services Inc. ("Entergy") to revise its
14 accounting procedures for recording gains and losses on gas hedges.

15 This hedging issue was related to Entergy's decision to change the accounts in which it
16 recorded hedging gains and losses. The Louisiana Public Service Commission
17 ("Louisiana PSC"), acting as an intervener in the case, argued the ineffective portion
18 (losses) of the hedge should be reflected in the same income or expense account to be
19 used when the hedged item enters into the determination of net income. Because the
20 hedged item is natural gas and all natural gas costs are accounted for by Entergy in
21 Account 501, the Louisiana PSC argued the only way to reflect the ineffective portion of
22 a cash flow hedge is to include the gains and losses from the hedging in the same
23 account.
24

25 The argument made by the Louisiana PSC against Entergy is the same argument OPC
26 makes against GMO in this case. When GMO hedges to protect against purchased power
27 price volatility, GMO's hedged item is purchased power. Since all purchased power costs
28 are accounted for in Account 555, OPC argues in this case, as the Louisiana PSC did in
29 the FERC Entergy case, the only way to reflect the ineffective portion of GMO's cash

1 flow hedge is to include the gains and losses from the hedging in the same account,
2 Account 555.

3 **Q. How did FERC rule in this Entergy docket?**

4 A. In paragraph 18 of the Entergy Order, FERC noted its accounting rules for hedging are
5 addressed in General Instruction 24, *Accounting for Derivative Instruments and Hedging*
6 *Activities*. FERC then described that General Instruction No. 24 requires gains and losses,
7 or ineffective portion, from hedge transactions “be reflected in the same income or
8 expense account that is used when the hedged item enters into the determination of net
9 income.”

10 FERC concluded that in the Entergy case the “hedged item” is natural gas reflected in
11 Account 501, therefore the gains or losses on gas hedges are to be charged or credited to
12 Account 501, as appropriate.

13 FERC then noted “the purpose of providing hedges is to manage the price volatility
14 associated with natural gas burned at power stations.” FERC rejected Entergy’s proposed
15 accounting treatment and required Entergy to revise its procedures to ensure that Account
16 501 is used to record gains and losses on gas hedges that are used to manage the price
17 volatility associated with natural gas burned at power stations.

18 Finally, FERC required Entergy to resubmit its 2006 FERC Form No. 1 within 30 days
19 from the date of the order to properly report the balance for Account 501.

20
21 **Q. Has the Commission previously allowed GMO to hedge both for on-system natural gas**
22 **purchases and also to hedge for volatility in its purchase power costs?**

23 A. Yes. The issue of GMO’s hedging for purchased power costs began in GMO’s 2005 rate
24 case, No. ER-2005-0436 . In the Non-Unanimous Stipulation and Agreement in GMO’s
25 2005 rate case (“2005 S&A”) the Signatory Parties, including GMO and Staff, agreed to the

1 following language in the Stipulation and Agreement to serve as a basis for an Accounting
2 Authority Order (“AAO”):

3 17. The Signatory Parties agree, for accounting and ratemaking
4 purposes, that hedge settlements, both positive and negative, and
5 related costs (e.g. option premiums, interest on margin accounts,
6 and carrying cost on option premiums) directly related to natural
7 gas generation and on-peak purchased power transactions under a
8 formal Aquila Networks- MPS hedging plan will be considered
9 part of the fuel cost and purchased power costs recorded in FERC
10 Account 547 or Account 555 when the hedge arrangement is
11 settled. These hedging costs will continue to be recorded on a
12 Mark-To-Market basis, as required by Financial Accounting
13 Standard No. 133, with an offsetting regulatory asset FERC
14 Account 182.3 or regulatory liability FERC Account 254 entry that
15 recognizes the change in the timing of value recognition under
16 Financial Accounting Standard No. 71 . Aquila agrees there will be
17 no rate base treatment afforded to hedging expenditures recorded
18 on the Mark-To- Market basis. Aquila agrees to maintain separate
19 accounting in Accounts 547 and 555 to track the hedging
20 transaction expenditures recorded under this agreement.201
21

22 **Q. Is it clear the language in this AAO required GMO to record fuel hedging costs to a**
23 **fuel account and purchased power hedging costs to a purchased power account?**

24 A. Yes, it is very clear. The 2005 S&A AAO requires GMO to maintain separate accounting in
25 Accounts 547 and 555 to track hedging transaction expenditures recorded under this
26 agreement. GMO clearly violated the intent of the accounting described in this agreement
27 by never charging any hedging costs to account 555.

28 **Q. Is it clear that Staff’s position on the language of the AAO is consistent with OPC’s**
29 **interpretation in this direct testimony?**

30 A. Yes. OPC and Staff are in complete agreement as it relates to the purpose and meaning of
31 the language in this AAO.

1 The parties to the AAO agreed that, for both book accounting (USOA) and ratemaking
2 purposes, GMO's hedging gains and losses incurred as a result of hedging for fuel and
3 purchased power will be considered fuel (account 547) and purchased power (account 555)
4 costs. To read this statement as meaning GMO can charge purchased power hedging losses
5 to a fuel account stretches this plain language.

6 **Q. Has GMO violated and does it continue to violate the specific accounting requirements**
7 **of this 2005 S&A?**

8 A. Yes. In the 2005 S&A, GMO agreed to "maintain separate accounting in Accounts 547 and
9 555 to track the hedging transaction expenditures recorded under this agreement." Despite
10 GMO's agreement to maintain separate accounting in purchased power account 555 and
11 track hedge transaction in this account, it has never done so.

12 **Q. Is it your understanding that there is a much lower burden of proof applied by the**
13 **Commission in general rate cases than is applied by the Commission in single issue**
14 **ratemaking cases such as FAC prudence audits and utility construction audits?**

15 A. Yes, based on my experience before the Commission. There is a higher burden of proof on
16 non-utility parties in single issue ratemaking cases and construction audits.

17 However, this case is a rate case, and the burden of proof should be placed on GMO once a
18 reasonable concern about a utility cost or activity is raised. In this direct testimony, I am
19 raising such a concern by offering the Commission new evidence that GMO's accounting
20 for its hedging activities is inappropriate and not in compliance with the FERC's USOA. In
21 addition I show that GMO's hedge accounting is not in compliance with the 2005 S&A
22 AAO and not in compliance with GAAP.

23 This evidence includes the fact that GMO is required by Commission rule to comply with
24 the FERC's USOA and the only accounting guidance in the FERC USOA on hedging
25 "General Instruction No. 24" clearly shows GMO's hedge accounting is improper and a

1 violation of the clear language of the USOA. As described above, the ineffective portion
2 (hedging losses) of the hedge transaction shall be reflected in the same income or expense
3 (account 555 for purchased power) account that will be used when the hedged item
4 (purchased power expense) enters into the determination of net income. GMO charging
5 hedging losses to a fuel account when the hedged item is purchased power costs, it clearly a
6 violation of the USOA.

7 Finally, I provide evidence of an actual FERC case where, under very similar circumstances,
8 that agency ordered Entergy to charge natural gas hedging losses to a fuel account in
9 accordance with General Instruction No. 24. This indicates that, if GMO's hedge accounting
10 was challenged at FERC, the exact same result would occur. FERC would order GMO to
11 stop its accounting and to resubmit its FERC financial statements within a short period of
12 time.

13 **Q. Through data requests has OPC asked GMO on if it sought the opinion of any CPA or**
14 **any accounting expert outside of its regulatory accounting utility Staff as to the**
15 **appropriateness of GMO's hedge accounting?**

16 A. Yes. Despite the significant controversy over several years surrounding its hedge
17 accounting, GMO indicates it has never sought the opinion of any expert outside of its
18 regulatory department utility employees.

19 **Q. What action is OPC asking the Commission to take with respect to GMO's hedging**
20 **accounting?**

21 A. OPC believes GMO's purchase power hedging losses are imprudent and should be excluded
22 from its cost of service in this case. This issue is addressed in the direct testimony of OPC
23 witness John Riley. However, to the extent the Commission continues to allow rate
24 recovery for GMO's imprudent purchased power hedging costs, it should require that

1 hedging losses incurred to mitigate purchased power hedging costs should be charged to
2 FERC Account 555.

3 **Q. If the Commission does not order a change in GMO's accounting for its hedging costs,**
4 **should the Commission order that GMO seek accounting guidance from the FERC on**
5 **whether or not its hedge accounting is in accordance with the FERC USOA?**

6 A. Yes. While the evidence provided in this testimony should be sufficient for the Commission
7 to conclude that GMO's hedge accounting is not in accordance with the USOA or even
8 complaint with the 2005 S&A, OPC believes, at a minimum, the Commission should direct
9 GMO to seek guidance from FERC on this issue.

10 **EXPENSE TRACKERS IN RATE BASE**

11 **Q. What is OPC's position on the inclusion of GMO's expense trackers and GMO's**
12 **other miscellaneous deferred expenses in its rate base in this case?**

13 A. OPC's position is no expense trackers or deferred expense projects, with the exception of
14 legitimate prepaid assets and liabilities and GMO's investment in Demand Side
15 Management ("DSM") programs, should be included in its rate base.

16 Expense trackers are simply mechanisms to track the payment by the utility and the direct
17 rate recovery by the utility of normal and recurring utility operating expenses recovery.
18 With the exception of prepaid pension/OPEB asset or liability and DSM assets, none of
19 GMO's deferred recurring operating expenses should be classified as shareholder
20 investments and included in rate base. Deferred expenses should not be included in rate
21 base as they are not prepayments, working capital, or other capital investments.

22 Similar to expense trackers, GMO's deferred expenses such as GMO's Iatan 1 and Iatan
23 2 construction accounting deferrals, are not rate base assets. These deferred expenses are
24 simply the result of special accounting and ratemaking treatment afforded these normal

1 and recurring operating expenses by the Commission. In substance, these deferrals are
2 nothing more than a special allowance for GMO to defer routine utility expenses such as
3 depreciation, property tax, operation and maintenance, and fuel outside of a rate case test
4 year.

5 **Q. Are GMO's deferred construction accounting expenses similar to expenses the**
6 **Commission has, in the past, afforded special accounting treatment under an**
7 **Accounting Authority Order?**

8 A. Yes, they are similar to expenses the Commission has allowed to be deferred on a
9 utility's balance sheet under an AAO. They are similar in that they are routine and
10 ordinary utility expenses attached to an event that is not part of normal utility operations,
11 such as a major ice storm or major utility plant construction projects.

12 Essentially, these income statement expenses are not "capital" costs that would normally
13 be recorded as an asset or liability on the utility's balance sheet. Capital costs are the
14 types of costs that may qualify for rate base treatment but "period" costs or expenses do
15 not. Period costs are "expensed" or charged to income in the year incurred. Capital costs
16 are investments that benefit utility service over a period of years. Period costs, or
17 expenses, are not investments as they provide no future period benefit and do not qualify
18 for rate base treatment under current Commission guidelines.

19 **Q. Is it typical for period costs deferred under a Commission AAO to be included in**
20 **rate base?**

21 A. No. For example, GMO and KCPL have a history of securing special accounting
22 treatment for its deferred ice storm costs. These ice storm costs, while afforded
23 regulatory asset treatment by the Commission, are not included in rate base for
24 ratemaking purposes. The rate recovery of these expenses by GMO was obtained
25 through income statement amortizations. There was a recovery "of" the expenses

1 through the amortization to expense, but not a recovery “on” the expenses through
2 inclusion in rate base.

3 **Q. In a previous *Report and Order*, did the Commission express its position on the types**
4 **of costs eligible to be included in rate base and those costs that are not appropriately**
5 **included in rate base?**

6 A. Yes, it did. In its *Report and Order* in KCPL’s 2006 rate case, ER-2006-0314, the
7 Commission addressed this issue. The Commission described that additions to rate base
8 must be an “asset”. The Commission also described an “asset” as “some sort of
9 possession or belonging worth something that is owned or controlled by the utility.”

10 **Q. Did the Commission, in its ER-2006-0314 *Report and Order*, include language**
11 **relevant to KCPL’s proposal to include expense trackers in its rate base in this case?**

12 A. Yes. The Commission stated to include expense projects in rate base, as KCPL proposed,
13 was making a “mockery” out of what constitutes a rate base asset. The Commission
14 stated:

15 "...In order for an item to be added to rate base, it must be an
16 asset. Assets are defined by the Financial Accounting Standards
17 Board (FASB) as 'probable future economic benefits obtained or
18 controlled by a particular entity as a result of past transactions or
19 events' (FASB Concept Statement No. 6, Elements of Financial
20 Statements).

21
22 Once an item meets the test of being an asset, it must also meet the
23 ratemaking principle of being 'used and useful' in the provision of
24 utility service. Used and useful means that the asset is actually
25 being used to provide service and that it is actually needed to
26 provide utility service. This is the standard adopted by many
27 regulatory jurisdictions, including the Missouri Public Service
28 Commission."

29
30 The Commission finds that the competent and substantial evidence
31 supports the position of Staff, and finds this issue in Staffs favor.

1 While KCPL's projects appear to be prudent, KCPL produced
2 insufficient evidence for the Commission to find that these projects
3 rise to the level of an asset, on which the company could earn a
4 rate of return.

5
6 What is at issue is not whether a project is a "probable future
7 economic benefit", as KCPL asserts in its brief; what is at issue is
8 the remainder of the FASB definition Mr. Hyneman quoted, which
9 is "obtained or controlled by an particular entity as a result of past
10 transactions or events."

11
12 In other words, an asset is some sort of possession or belonging
13 worth something. KCPL obtains or controls assets, such as
14 generation facilities and transmission lines.

15 To attempt to turn an otherwise legitimate management expense,
16 such as a training expense, into an asset by dubbing it a "project"
17 makes a mockery of what an asset really is, which is some type of
18 property.

19
20 Using KCPL's argument, any expense is potentially an asset by
21 simply calling it a "project", and thus could be included in rate
22 base. KCPL's projects do not rise to the level of rate base.
23 (emphasis added)

24
25 **Q. Do you believe GMO must meet its burden of proof that the expense trackers and**
26 **other deferred expenses it seeks to include in rate base in this rate case meet the**
27 **specific standards for rate base inclusions developed by the Commission in its ER-**
28 **2006-0314 Report and Order?**

29 A. Yes. Unless GMO can provide evidence that its proposal to include expense trackers and
30 other normal utility expense deferrals in rate base meets the Commission's standards
31 outlined above, the Commission should not support rate base inclusion of expense
32 trackers. The Commission should apply the very "rate base inclusion" standards it
33 applied to KCPL in its 2006 rate case to GMO in this rate case.

1 Q. **In its direct filing did GMO provide any support for rate base inclusion of expense**
2 **trackers and deferred construction accounting expense projects?**

3 A. No. In the testimony of GMO witness Ron Klote, he stated certain expense trackers were
4 included in rate base as a result of past Stipulations and Agreements to settle rate cases.
5 That was his only support for including these expenses in GMO's rate base.

6 Q. **What trackers and deferred construction accounting expense projects has GMO**
7 **included in its rate base in this case?**

8 A. These individual trackers and deferred construction accounting expense projects are listed
9 below:

	Rate Base @ 12/31/15 (cut-off)	Revenue Requirement @ KCPL ROE
Iatan 1 & Common Regulatory Asset	\$5,222,168	\$579,661
Iatan 2 Regulatory Asset	\$14,324,053	\$1,589,970
Regulatory Asset - ERISA Minimum Tracker-Elec	\$2,779,089	\$308,479
Regulatory Asset - ERISA Minimum Tracker-Steam	\$140,738	\$15,622
Reg Asset - FAS 87 Pension Tracker	\$35,370,117	\$3,926,083
Reg Asset (Liab) - OPEB Tracker	(\$5,986,847)	(\$664,540)

10

11 Q. **What tracker amounts does OPC recommend the Commission exclude from GMO's**
12 **rate base in this proceeding?**

13 A. Based on discussions with GMO personnel, OPC understands the ERISA Minimum
14 trackers represent GMO's prepaid pension assets prior to GMO's acquisition by Great
15 Plains Energy. In addition, GMO's Regulatory Liability – OPEB tracker also represents
16 a ratepayer prepayment of GMO OPEB expense. These are the only trackers in GMO's
17 rate base that qualify as rate base investments (shareholder or ratepayer prepayments)
18 under the Commission's ER-2006-0314 Report and Order rate base inclusion guidelines.

1 **SOLAR ELECTRICAL PRODUCTION TRAINING FACILITY**

2 **Q. Did GMO include the estimated costs of a solar electric production training facility**
3 **associated with Case No. EA-2015-0256?**

4 A. Yes. GMO included a plant estimate of \$6,037,721 in GMO's rate base for this training
5 facility. This facility is currently under construction but GMO expects this facility to be
6 completed by the true up date in this rate case. GMO was authorized to construct this
7 facility by the Commission's March 2, 2016 Report and Order in Case No. EA-2015-
8 0256. This facility is addressed at page 12 of GMO witness Ronald Klote's direct
9 testimony in this case:

10 Q: Was there an adjustment to include the solar electrical
11 production facility contemplated in Case No. EA-2015-0256 in
12 rate base?
13

14 A: Yes. As part of Case No. EA-2015-0256, GMO made a request
15 for permission and approval of a Certificate of Public Convenience
16 to construct a solar electrical production facility. The solar
17 electrical production facility is anticipated to be in-service prior to
18 the true-up date in this case. As such, a projected amount has been
19 included in this direct filed case with actual amounts incurred
20 expected to be included at the true-up in this rate case.
21

22 **Q. Did OPC appeal the Commission's EA-2015-0256 Report and Order?**

23 A. Yes. OPC challenges the lawfulness and reasonableness of the Commission's findings
24 and conclusions issued in its March 2, 2016 Report and Order.

25 **Q. Does GMO need this solar facility to provide safe and adequate service to its**
26 **customers?**

27 A. No and OPC believes the Court of Appeals will rule in our favor on this matter.

1 **GMO'S SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP")**

2 **Q. What is a SERP?**

3 A. According to the IRS' June 2015 *Nonqualified Deferred Compensation Audit Techniques*
4 *Guide ("IRS Audit Guide")* a SERP is a nonqualified deferred compensation ("NQDC")
5 plan. According to the IRS Audit Guide, SERPs are maintained primarily for a select
6 group of management or highly compensated employees.

7 A SERP is designed to supplement qualified retirement plans such as GMOs all-
8 employee defined benefit pension plan. SERPs accomplish this by "making up" for the
9 benefits unavailable to the base qualified pension plan due to IRS employee maximum
10 compensation limits on the qualified pension plan. The SERP plan usually covers only
11 the company's highest compensated employees.

12 **Q. Are there different types of SERPs?**

13 A. Yes. One type of SERP is a basic restoration plan. A basic restoration SERP plan is
14 created solely to restore benefits an employee would receive if the IRS had no maximum
15 income restrictions for qualified pension plans. This is the only type of plan in which the
16 associated expenses should be considered for inclusion in a utility's cost of service.

17 Another type of SERP is a Restoration Plan "Plus" SERP. Because of a company's
18 freedom to design a SERP as it wishes, it can include all types of compensation and other
19 executive benefits in the SERP. The expenses associated with a SERP Restoration Plus
20 Plan, to the extent they exceed a basic SERP Restoration Plan, should not be included in
21 a utility's cost of service.

22 **Q. What type of SERP is GMO's SERP?**

23 A. GMO's SERP can be classified as a SERP Restoration Plus plan as the benefits provided
24 by GMO's SERP are not restricted solely to the restoration of pension benefits limited by

1 IRS compensation restrictions. In addition, GMO's SERP benefits are based, in part, on
2 certain types of executive compensation such as earnings-based and equity-based
3 compensation.

4 **Q. What is the difference between a NQDC and qualified deferred compensation plan?**

5 A. According to the IRS Audit Guide, NQDC plans do not provide employers and
6 employees with the tax benefits associated with qualified plans because NQDC plans do
7 not satisfy all of the requirements of IRC § 401(a). GMO's all-employee pension plan is
8 a qualified plan while its SERP is a non-qualified plan. Because GMO's SERP is a
9 nonqualified plan, GMO's management and Board of Directors are free to design the
10 SERP in virtually any manner desired.

11 GMO has included in its SERP, pension benefits that are based on executive bonuses,
12 stock compensation, and other compensation that the Commission has not recognized as
13 reasonably included in its cost of service. However, due to the cost in terms of dollars
14 and work hours required in separating past SERP benefits into 1) basic SERP restoration
15 plant benefits (which the Commission has allowed to be included in cost of service) and
16 2) SERP Plus benefits based on executive bonuses, earnings-based compensation and
17 equity based compensation (which the Commission has not allowed to be included in cost
18 of service, OPC believes its adjustments to GMO's SERP provide a reasonable level of
19 SERP expenses in this case.

20 **Q. Has OPC included a prudent and reasonable level of GMO's recurring SERP**
21 **payments in its cost of service in this rate case?**

22 A. Yes. OPC is proposing a reasonable and prudent annualized level of actual monthly
23 recurring SERP payments made by GMO to its former executives and other highly-
24 compensated former employees.

1 **Q. Is OPC agreeable to potentially increasing its proposed level of SERP expense?**

2 A. Yes. OPC is proposing rate recovery of 100 percent of the SERP dollars proposed by
3 GMO, as adjusted, that GMO incurs and pays to former MPS executives. OPC believes
4 GMO made a reasonable attempt to adjust this amount to a relatively reasonable level.
5 This amount is \$123,806 on an annual basis.

6 However, GMO also included a level of SERP charges for retired KCPL executives. In
7 2015 KCPL made SERP payments in the amount of \$97,169 to former KCPL executives.
8 OPC understands that most of these former executives retired from KCPL prior to GPE
9 acquiring GMO in July 2008.

10 To the extent that KCPL SERP payments are made to executive retirees who retired prior
11 to July 2008, they did not provide any benefits to GMO and no KCPL SERP costs for
12 these retirees should be charged to GMO. If GMO can show that these former KCPL
13 retired executives did provide benefits to GMO, then OPC is willing to increase its
14 proposed SERP adjustment to reflect a reasonable cost for these benefits.

15 **Q. Does GMO allocate the dollar amount of SERP payments between pension expense**
16 **and plant in service?**

17 A. Yes. GMO allocates a portion of SERP payments to Account 926, Pensions and Benefits,
18 and construction work in progress (“CWIP”) plant accounts.

19 **Q. Is it appropriate accounting to capitalize SERP payments to CWIP?**

20 A. No. Pension costs recorded under accrual accounting (the method of accounting for
21 GMO’s all-employee defined benefit pension plan) represent costs incurred by GMO for
22 employees services performed currently. The cost of these employee services are placed
23 in a pension trust to be paid to employees at retirement.

1 It is appropriate under accrual accounting that a portion of the pension costs incurred
2 currently by GMO be capitalized to CWIP. These costs are capitalized as utility
3 employees perform services that benefit not only current utility operations and
4 maintenance, but utility plant construction operations as well.

5 However, the utility does not benefit in current utility operations or in its capital plant
6 operations from the services provided by retired former executives. The SERP payments
7 made by GMO currently are very similar in nature to the payments from its all-employee
8 pension fund that it provides to all retirees. The payments to GMO retirees from its
9 pension fund are not capitalized to CWIP nor should payments for SERP expenses be
10 capitalized as they do not provide a benefit to GMO's utility operations currently.

11 **Q. Is OPC proposing that GMO remove all past capitalized SERP expenses from its**
12 **utility plant accounts?**

13 A. Yes. This is OPC's recommendation unless GMO can show why SERP payments are
14 appropriately capitalized to plant in service.

15 **RATE CASE EXPENSE**

16 **Q. What types of costs are included in GMO's proposed rate case expense?**

17 A. As reflected in GMO workpaper CS-80, GMO is seeking rate recovery of current rate case
18 expenses for consulting services, engineering services, legal costs, employee meals, and
19 mileage reimbursement. As of December 31, 2015 GMO asserts that it has incurred
20 \$223,724 in current rate case expense. GMO is also seeking rate recovery in this case of rate
21 case expenses it incurred more than four years ago related to its 2012 rate case.

1 **Q. Has OPC reviewed these current rate case expenses for reasonableness and prudence?**

2 A. No. To the extent it appears GMO's proposed rate case expense includes costs that are
3 excessive, unreasonable or imprudent, OPC may propose an adjustment to these expenses
4 later in this rate case.

5 **Q. What is OPC's position on the appropriate allocation of rate case expense between**
6 **ratepayers and shareholders in a utility rate case?**

7 A. OPC supports the adjustment methodology of allocating rate case expense based on the ratio
8 of the dollar revenue requirement ordered by the Commission as reasonable to the dollar
9 revenue requirement sought by the utility in that rate case. This adjustment methodology
10 was ordered by the Commission in its Report and Order in KCPL's ER-2014-0370 rate case.
11 Since this Commission Order, this has also been the rate case expense adjustment
12 methodology advocated by the Staff in utility rate cases.

13 **Q. In its Report and Order in Case No. ER-2014-0370 did the Commission develop a**
14 **systematic and rational approach to the allocation of rate case expense?**

15 A. Yes it did. Some portion of rate case expense may be "disallowed" based on
16 reasonableness and prudence. However, expense disallowance was not the substance of
17 the Commission's position on rate case expense in its ER-2014-0370 Report and Order.

18 The Commission's position was based on the application to rate case expense of reasonable
19 and prudent cost allocation principles. To obtain an understanding of the Commission's
20 stated position on rate case expense in its ER-2014-0370 Report and Order, it is important
21 not to confuse the Commission's creation of a reasonable and appropriate cost allocation
22 adjustment with a "rate case expense" disallowance adjustment. Disallowance adjustments
23 are applied to inappropriate cost of service expenses such as lobbying and charitable
24 contributions.

1 **Q. Is it appropriate to allocate rate case expenses similar to other utility expenses that**
2 **are allocated to shareholders?**

3 A. Yes. Like every other utility expense, rate case expense is subject to an allocation to the
4 parties that benefit from the incurrence of the expense.

5 For example, GMO has no employees. GPE as a holding company has no employees.
6 None of GPE's nonregulated entities that perform nonregulated services have employees.
7 All employees involved with GMO are KCPL employees. Therefore, for accounting and
8 ratemaking purposes, KCPL has to allocate the payroll and benefits costs of KCPL
9 employees to the companies that benefit from the work performed by KCPL employees.
10 This allocation by KCPL should be done on a "systematic and rational" basis.

11 This is the same type of allocation adjustment methodology created by the Commission for
12 rate case expense in KCPL's last rate case. The Commission found that rate case expense
13 benefits both ratepayers and shareholders and it allocated the cost to both entities based on a
14 systematic and rational allocation factor.

15 Similarly, the cost GMO incurs to process a rate case provides a benefit GMO's ratepayers
16 to the extent the cost was incurred to secure just and reasonable rates. Costs that are
17 incurred by GMO to secure rates that are higher than just and reasonable do not benefit
18 ratepayers. In fact these costs, if included in cost of service, would be a detriment to
19 ratepayers. The Commission's allocation methodology prevents ratepayers from being
20 charged costs that were incurred to raise utility rates above what the Commission determines
21 is a reasonable level.

22 In summary, costs that GMO incurs to increase rates over and above what the Commission
23 determines are fair and reasonable rates should not be charged to ratepayers. Similarly, rate
24 case expenses that are determined to be excessive, unreasonable, and imprudent should also

1 not be charged to ratepayers. That is a very simple, reasonable, and appropriate way to view
2 the issue of cost responsibility for rate case expense.

3 **Q. What is the normalization period assumed by OPC in determining the annual and**
4 **normalized level of rate case expense to include in GMO's cost of service in this rate**
5 **case?**

6 A. OPC is proposing a normalization period for rate case expense of four years. GMO filed its
7 previous case, ER-2012-0175 on February 27, 2012. GMO filed this rate case on February
8 23, 2016, four days short of four years. Because GMO has an FAC, four years is the
9 maximum period of time GMO is allowed to recover costs under an FAC without filing a
10 rate case to reset its base fuel and purchased power costs.

11 **Q. In addition to the rate case expense GMO has incurred in this current rate case, is it**
12 **also seeking to recover residual rate case expenses of previous rate cases?**

13 A. Yes. In this current rate case, GMO is proposing to recover past expenses incurred in
14 GMO's last rate case, which occurred four years ago.

15 **Q. Is it appropriate for GMO to include in rates in this case dollars it incurred to**
16 **prosecute a rate case four years ago?**

17 A. No. There are several reasons why this is inappropriate. In this testimony I will discuss
18 two of these reasons.

19 First, while it is not required by the FERC USOA, it is customary in Missouri for utilities
20 to seek Commission authority to defer expenses as a regulatory asset in FERC account
21 182.3 outside of a rate case test year. To my knowledge, GMO has not sought nor
22 obtained approval by the Commission under an Accounting Authority Order ("AAO") to
23 defer its post 2012 test year rate case expenses. Such a deferral is necessary to allow for
24 the possibility of including these 2012 rate case expenses in a future rate case. Without

1 these costs being deferred on GMO's balance sheet, they would have been required to be
2 expensed on GMO's income statement in the year incurred and be considered "expired
3 costs".

4 As will be discussed below, under the USOA, however, GMO is required to justify its
5 deferrals of expenses to account 182.3 outside of a rate case test year. In its direct filing
6 in this case GMO has not provided such a justification.

7 **Q. Is OPC asserting Missouri utilities must seek Commission approval under an AAO**
8 **to defer expenses outside of a rate case test year?**

9 A. No, not at all. In fact, just the opposite is true. Missouri utilities need not and should not
10 involve the Commission in decisions related to the deferral of expenses in FERC account
11 182.3, Other regulatory assets outside of a rate case.

12 The Commission requires utilities in Missouri to comply with the FERC USOA.
13 Commission involvement in regulatory asset deferral decisions is not a requirement of the
14 FERC USOA. The FERC USOA allows utilities to defer expenses in regulatory asset
15 account 182.3 if the utility 1) is not currently recovering these costs in rates and 2) utility
16 management believes the expense is "probable" of future rate recovery. FERC account
17 182.3 reads as follows:

18 182.3 Other regulatory assets. A. This account shall include the
19 amounts of regulatory-created assets, not includible in other
20 accounts, resulting from the ratemaking actions of regulatory
21 agencies. (See Definition No. 30.) B. The amounts included in this
22 account are to be established by those charges which would have
23 been included in net income, or accumulated other comprehensive
24 income, determinations in the current period under the general
25 requirements of the Uniform System of Accounts but for it being
26 probable that such items will be included in a different period(s)
27 for purposes of developing rates that the utility is authorized to
28 charge for its utility services. When specific identification of the
29 particular source of a regulatory asset cannot be made, such as in

1 plant phase-ins, rate moderation plans, or rate levelization plans,
2 account 407.4, regulatory credits, shall be credited. The amounts
3 recorded in this account are generally to be charged, concurrently
4 with the recovery of the amounts in rates, to the same account that
5 would have been charged if included in income when incurred,
6 except all regulatory assets established through the use of account
7 407.4 shall be charged to account 407.3, regulatory debits,
8 concurrent with the recovery in rates. C. If rate recovery of all or
9 part of an amount included in this account is disallowed, the
10 disallowed amount shall be charged to Account 426.5, Other
11 Deductions, or Account 435, Extraordinary Deductions, in the year
12 of the disallowance. D. The records supporting the entries to this
13 account shall be kept so that the utility can furnish full information
14 as to the nature and amount of each regulatory asset included in
15 this account, including justification for inclusion of such amounts
16 in this account.

17
18 **Q. Please explain why, under the FERC USOA, federal and state regulatory**
19 **commissions are not required to be involved in the decision whether or not a**
20 **particular expense is deferred as a regulatory asset in FERC account 182.3.**

21 A. FERC puts that responsibility directly on the utility management. That is why FERC and
22 state utility commissions are not required to approve a utility's deferral of expenses
23 outside of a test year as a regulatory asset; it is not their responsibility to make this
24 decision. While this has been the process employed in Missouri for many years, it is not
25 necessary and it adds an unnecessary burden on the Commission.

26 As described above, FERC noted in Account 182.3D that a utility must be able to
27 "furnish full information as to the nature and amount of each regulatory asset included in
28 this account, including justification for inclusion of such amounts in this account."

29 **Q. In the current AAO practice in Missouri, does the Commission make decisions**
30 **about the probability of rate recovery of deferred expenses at issue in an AAO case**
31 **when it approves an AAO?**

1 A. Yes and that is problematic. If the Commission authorizes a utility to defer expenses to
2 account 182.3 the Commission is effectively telling the utility the costs that are the
3 subject of the AAO are “probable of recovery” in future rates. That is the standard or
4 requirement for costs to be deferred to account 182.3. However, the Commission in its
5 AAO consistently states it is not making any ratemaking determination. That is a
6 contradiction.

7 FERC Account 182.3 states that dollars charged to this account are probable of being
8 included in “rates that the utility is authorized to charge for its utility services.” When
9 the Commission orders a utility to charge expenses to account 182.3, it is making a
10 declarative statement these costs are probable of future rate recovery. FERC places this
11 decision on utility management and, in the future, this Commission should do the same.

12 **Q. Please summarize OPC’s primary reason why GMO’s rate case expenses incurred**
13 **four years ago should not be included in its rate case cost of service in this rate case.**

14 A. In accordance with the FERC USOA, regulatory asset deferral decisions made by utility
15 management outside of rate case test year must be justified. GMO has provided no
16 justification in its direct filing why this Commission should include routine rate case
17 expenses incurred four years ago in 2012 in this 2016 rate case. Until GMO provides
18 sufficient justification why these past expenses should be borne by current ratepayers, the
19 Commission should not allow these cost in GMO’s cost of service.

20 **Q. What is a secondary reason why OPC’s GMO’s rate case expenses incurred four**
21 **years ago should not be included in its rate case cost of service in this rate case?**

22 A. Under the rate case expense methodology ordered by the Commission in its ER-2016-
23 0314 Report and Order, GMO has already recovered much more than a reasonable share
24 of these past rate case expenses from its ratepayers.

1 In GMO's last rate case, No. ER-2012-0175, GMO sought a total (between MPS and
2 L&P) rate increase of \$83.5 million. In its January 9, 2013 Report and Order in that case
3 the Commission determined that a just and reasonable rate increase was \$49 million, or
4 59% of what GMO sought. Under the Commission's current rate case expense
5 adjustment methodology, GMO would allocate 59% of its rate case expense to ratepayers
6 and 41% to its shareholders.

7 Applying this reasonable and fair ratemaking methodology for rate case expense, any
8 residual rate case expense dollars remaining on GMO's books from its rate case four
9 years ago can easily be assigned to its shareholders. While OPC is not proposing GMO
10 apply this Commission rate case expense adjustment retrospectively, if this had been
11 done, ratepayers would be entitled to a refund of a portion of the rate case expenses
12 recovered by GMO since its last rate case.

13 **INCOME TAX EXPENSE**

14 **Q. Is OPC proposing an adjustment to GMO's income tax expense?**

15 A. OPC is not proposing a dollar adjustment at this point. As will be described below, OPC
16 is asking GMO recalculate its current and deferred income tax expense and remove any
17 "current" income taxes from its income tax cost of service request in this rate case.

18 **Q. Have you reviewed GPE's Securities and Exchange Commission ("SEC") Form 10-
19 K Annual Report ("10-K") to determine the level of income taxes paid by GMO in
20 2015 and in past years?**

21 A. Yes. While GPE, GMO and KCPL's parent company technically files the 10-K with the
22 SEC, KCPL and GPE operations are reflected separately in this report. GMO's
23 operations are not reported separately like KCPL but combined with the parent company
24 GPE's operations.

1 In its 2015 10-K, GPE stated KCPL did not pay current income taxes in 2013, 2014 and
2 2015. Page 104 of this 10-K also reflects GPE paid no current income taxes in 2013 and
3 2015 and paid only a small amount of state income taxes in 2014.

4 **Q. Have you reviewed GMO's FERC Form 1, Annual Report to determine the level of**
5 **income taxes paid by GMO?**

6 A. Yes. I reviewed GMO's last five years of information provided in its FERC Form 1. The
7 chart below reflects GMO has paid no federal income taxes during this period and a
8 relatively small amount of Missouri income taxes:

Year	Federal Income Taxes Paid	Missouri Income Taxes Paid
2011	\$0	\$14,448
2012	\$0	\$25,203
2013	\$0	\$198,000
2014	\$0	\$12,992
2015	\$0	(\$620)
GMO FERC Form 1, Annual Report page 262		

9
10 **Q. How does GMO file its federal income tax forms with the Internal Revenue Service?**

11 A. As described in GMO's FERC Form 1, GPE and its subsidiaries (including KCPL and
12 GMO) file consolidated/combined federal income tax returns. Income taxes for
13 consolidated or combined subsidiaries are allocated to the subsidiaries based on separate
14 company computations of income or loss. For ratemaking purposes, GMO's income tax
15 provision includes taxes allocated based on its separate company income or loss. Due to
16 its accumulated of net operating losses, in part driven by very generous bonus
17 depreciation tax deductions, GMO has not paid income taxes for several years.

1 **Q. Are the transactions you described above subject to GMO's requirements under the**
2 **Commission's affiliate transaction rules?**

3 A. Yes, they are. However, OPC did not include a review of GMO's compliance with the
4 Commission's Affiliate Transaction Rule as a part of its audit scope in this rate case.

5 **Q. Have you reviewed GMO's Internal Revenue Service Form 1120 (federal income tax**
6 **return) for the years 2010 through 2014?**

7 A. Yes. GMO provided its federal income tax returns for 2011 and 2014 in response to Staff
8 Data Request No. 184 in this rate case. GMO provided its 2010, 2012 and 2013 federal
9 income tax returns in response to Staff Data Request No. 284 in Case No. ER-2014-0370.

10 My review of GMO's tax returns for 2010 through 2014 support the facts reported in
11 GMO's FERC Form 1 and GPE's Form 10-K. GMO has paid no federal income taxes
12 for at least the period 2010 through 2014. GMO's 2015 federal income tax return will
13 not be available until after September 2016. Due to GMO's significant accumulation of
14 future tax deductions to offset future utility taxable income (net operating loss
15 carryforwards), it is unlikely that GMO will pay any federal income taxes for several
16 years.

17 **Q. Is GMO requesting rate recovery of current income tax in its cost of service in this**
18 **rate case?**

19 A. Yes. Despite the fact the GMO has paid no federal income taxes since at least 2009 and
20 there is little or no chance of GMO will pay any federal income taxes in 2016 and in the
21 near future, GMO is requesting \$21.1 million in current income taxes in this case. This
22 request is reflected in Schedule RAK-7 Income Tax schedule attached to GMO witness
23 Ron Klote's direct testimony.

1 **Q. Should GMO recalculate and amend its request for income taxes in this case by**
2 **eliminating and request for current income taxes?**

3 A. Yes. For the reasons cited above, GMO should recalculate its current and deferred
4 income tax expense in this case to zero out any current income tax expense.

5 **Q. If GMO recalculates its income tax expense as reflected in its RAK-1 Income Tax**
6 **Schedule, is it likely that a portion of current income taxes will be shifted to**
7 **deferred income taxes?**

8 A. Yes, that is likely. However, that would result the correct classification of its income
9 taxes. Shifting income taxes from current to deferred will likely have some effect on the
10 overall income taxes required in this case and will also have an impact on GMO's rate
11 base accumulated deferred income tax reserve and its rate base cash working capital
12 requirement.

13 **KCPL EMPLOYEE EXPENSE REPORT ALLOCATION TO GMO**

14 **Q. Did GMO propose an adjustment to remove a portion of its employee expense**
15 **account charges from GMO's cost of service in this rate case?**

16 A. Yes. This adjustment is summarized at page 32 of GMO witness Klote's direct testimony
17 and it titled CS-11 "Out-Of-Period Items/Miscellaneous Adjustments". It appears GMO
18 conducted some type of minimal review of its employee expense report charges incurred in the
19 test year and determined that it should remove only \$5,456 charged in the test year. Mr. Klote
20 described this adjustment as follows:

21 These costs for which the Company is not seeking recovery
22 primarily include director and officer equity compensation, prior
23 period transactions, and certain non-recoverable officer expense
24 report items. We believe the costs were ordinary and reasonable
25 business expenses, however, we are not requesting recovery of
26 these costs from ratepayers in this case.

1 **Q. Does GMO have a policy on the types of employee expenses that are reimbursable**
2 **by the utility?**

3 A. Yes. Provided to OPC in response to DR 1004 is an overview of KCPL's company
4 policy "KCP&L-E201 Reimbursement of Employee-Incurred Business Expenses." Since
5 GMO has no employees and is allocated a portion of KCPL employee costs, this policy
6 also applies to employee expense charges allocated to GMO. KCPL and GMO state that
7 it will reimburse employees for all reasonable, legitimate and properly-documented
8 expenses.

9 **Q. During your employment with the Staff, did you file testimony on several occasions**
10 **in KCPL and GMO rate cases describing the many excessive, unreasonable and**
11 **imprudent KCPL officer and employee expenses?**

12 A. Yes. Staff had had significant problems with KCPL and GMO employee expenses in this
13 area in most if not all of its rate cases filed since 2006. There were times when KCPL
14 and GMO indicated they were serious about fixing these problems, but this did not
15 happen until recently.

16 **Q. Has KCPL and GMO made what could potentially be significant improvements in**
17 **its office and employee expense report charges?**

18 A. Yes. I was provided with a list of proposed changes by KCPL which would lessen the
19 risk of inappropriate expense report charges being reflected in KCPL and GMO's
20 regulated books and records. If these changes are actually made and effectively enforced,
21 then there will be less risk of inappropriate employee and officer charges being included
22 in utility rates.

23 **Q. Were these changes proposed by KCPL and GMO in effect during the test year**
24 **ended June 30, 2015 in this rate case?**

1 A. No, I do not believe they were in effect. Therefore there would be no reflection of any
2 actual dollar changes in its test year income statement as a result of any changes in
3 employee expense account procedures.

4 My review in this rate case, however, indicates GMO, in its post test year accounting
5 charges, is making an attempt to charge more excessive “meal” and other excessive
6 employee charges to below the line accounts.

7 **Q. Is OPC concerned about employee expenses charged to below the line non-operating**
8 **accounts as well as above the line operating accounts?**

9 A. Yes. In past rate cases, GMO has expressed concern about Commission ratemaking
10 practices and the impact of regulatory lag on utility earnings. Even though some of the
11 excessive charges in KCPL employee expense reports are charged below the line, all of
12 these employee expenses are paid with utility customer revenues.

13 If these utility customer revenues were not spent on unreasonable and excessive
14 employee expenses, even those charged below the line, GMO’s earnings and achieved
15 returns on equity would be higher. This would alleviate, to some extent, GMO’s concerns
16 about regulatory lag. In effect, GMO is intentionally reducing its earned ROE by
17 continuing to engage in excessive, unreasonable, and imprudent employee expenses.

18 When GMO charges excessive employee expense account charges “above-the-line”, it is
19 spending money charged specifically to ratepayers as a cost of providing utility service.
20 When GMO charges excessive employee expense account charges “below-the-line” it is
21 spending “return money”, or “return on equity money” that should be reflected in GMO’s
22 net income and provided to shareholders.

23 It is not only the Commission that should have serious concerns with KCPL and GMO’s
24 corporate culture as it relates to expense charges but its shareholders as well. Ratepayers
25 and shareholders both are affected by KCPL and GMO’s lack of compliance with its own

1 expense account policies. Ratepayers and shareholders alike are also both affected by
2 KCPL and GMO's total lack of internal controls over its expense report charges.

3 **Q. Is there a change in GMO's expense report procedures that you have recommended**
4 **be made in the past that was not included in GMO's recent changes to its expense**
5 **report procedures?**

6 A. Yes. KCPL and GMO have a policy or had a policy in the past that limits its professional
7 consultants' meal charges in the Kansas City area to a per diem of \$50 per day. I
8 consider this an effective internal control against excessive consultant charges.

9 However, while KCPL and GMO apparently believe this \$50 per diem limit on
10 consultants is necessary to protect itself against excessive consultant expense charges, it
11 does not hold this same standard to itself. KCPL and GMO have no standard or
12 restriction on the level of meal charges that its employees incur and are reimbursed.
13 When it comes to this expense, there is no limitation. As will be shown below, I reviewed
14 one employee expense report where the average per employee meal cost for one meal
15 was \$240. That meal charge was approved and reimbursed. If \$240 per meal is a
16 reasonable charge, one wonders if \$500 per meal would be reasonable to GMO as well.

17 **Q. Have you attempted to determine if GMO has a limit on meal charges for its**
18 **employees?**

19 A. Yes. GMO indicated that it has no limit on its employee meal charges.

20 **Q. Does KCPL make any attempt to enforce its policy that employee expenses must be**
21 **reasonable, legitimate and properly documented?**

22 A. Absolutely not. This policy has been ignored by KCPL for at least ten years and my
23 review of KCPL officer expense reports in this case show that it was ignored again in the
24 test year in this case.

1 **Q. Based on your review of KCPL and GMO expense report charges over the last 10**
2 **years, is it your opinion KCPL employees are far more likely to incur and charge**
3 **unreasonable, excessive, and imprudent expense report charges to the utility than**
4 **KCPL and GMOs' consultants?**

5 A. Yes. That is my firm opinion based on 10 years of involvement in KCPL and GMO rate
6 cases.

7 **Q. Is it your opinion that a material amount of KCPL and GMO's excessive employee**
8 **expense report charges would be eliminated if KCPL and GMO simply applied the**
9 **same \$50 per diem limit to its employees as it applies to its professional consultants?**

10 A. Yes. The adoption of this one internal control, the same internal control KCPL places on
11 its professional consultants, would reduce unreasonable, excessive, and imprudent
12 expense report charges. Adoption of this one internal control would, in my opinion, not
13 only be effective for utility operations, as it would eliminate the payment of unnecessary
14 expenses and improve financial performance, but it would also reduce the risk of
15 inappropriate, excessive, and imprudent expenses from being passed on to ratepayers.

16 **Q. Did you and other OPC personnel conduct a review of GMO's officer expense**
17 **charges?**

18 A. Yes.

19 **Q. What were your findings?**

20 A. My findings were consistent with my findings in previous KCPL and GMO rate cases.
21 KCPL and GMO continue to reimburse unreasonable, excessive, and imprudent
22 employee expense charges.

23 Attached as Schedule CRH-D-1 is a listing of expenses charged to the utility by just one
24 of KCPL's approximately 1,100 management employees. While these costs alone are

1 excessive, if all KCPL officers and employees are subject to the same expense account
2 policies and procedures as this one KCPL employee, then the excessive cost incurred by
3 the utility could be very material.

4 **Q. Is OPC proposing an adjustment in an attempt to reduce the risk of excessive**
5 **employee expense charges being passed on to ratepayers in this rate case?**

6 A. Yes. Based on its review and the significance of the excessive cost by just one KCPL
7 employee, OPC is proposing an adjustment to account 921 in the amount of \$594,000.
8 This amount is designed to protect against all types of excessive employee expense
9 changes including, the excessive number of meal charges in the Kansas City area,
10 excessive meal charges, travel meals, hotel charges, drinks, and other charges for KCPL's
11 approximately 1100 management employees.

12 **Q. How did you calculate you adjustment?**

13 A. The calculation is based on my review of several KCPL employees' expense reports and
14 recognizing the amount above what would be considered reasonable expenses. I arrived
15 at an amount per employee and multiplied that amount time the number of management
16 employee and then allocated that amount to GMO suing GMO's proposed corporate
17 allocation factors.

18 **Q. Can you provide additional examples where KCPL and GMO employee expenses were**
19 **excessive, unreasonable and imprudent?**

20 A. Yes. In November 2015 five KCPL employees dined at a restaurant in Hollywood,
21 Florida. The total bill for this one meal was \$1,203. This is an average per meal charge
22 for each KCPL employee of \$240.

23 According to the FederalPay.org website the federal per diem rate for the Ft Lauderdale,
24 Florida area in 2015 was \$64 per day:

1 The meals & incidentals rate (M&IE rate) of \$64.00 is intended to
2 cover the costs of a single days' worth of meals and incidental
3 costs (such as tips and parking) based on the average cost for these
4 expenses in the Fort Lauderdale area. If you spend less than the
5 \$64.00 per diem, you can generally keep the remainder.
6

7 KCPL and GMO employees who approved this expense charge to account 912, an above-
8 the-line expense in GMO's cost of service made the decision that a fair and reasonable
9 charge for KCPL employees for one meal is approximately four times the amount of the
10 federal per diem for all three daily meals, plus incidentals such as tips and parking.

11 Assuming that the per diem rate of \$64 includes a very conservative \$30 per dinner meal
12 then the average charge per KCPL/GMO employee for thin one dinner meal is 8 times
13 the per diem rate for that area. That is excessive and unreasonable and imprudent.

14 **Q. Did OPC ask GMO to explain why certain employee expense report charges are**
15 **reasonable?**

16 A. Yes. However GMO responded that because the specific examples provided by OPC in
17 its DR were not in the test year in this rate case (even though there were in the test year
18 update period) it would not respond to any of the specific questions asked by OPC. In
19 effect, GMO admitted that it could not show how these employee charges were
20 reasonable.

21 The following are OPC's questions posed to GMO's in OPC DR 1013 that still remain
22 unanswered:

23 Expense Report 0000049698 dated 6/11/2015.

24
25 1. The 3/18/15 charge for goods and services from Gibson's Bar &
26 Steakhouse in Chicago, IL was \$516.40 for apparently two
27 individuals. Once receipt for \$33.07 at 8pm and a second receipt
28 for \$483.33 at 9:34 pm. A) Please provide the names of the
29 individuals who attended this event, B) Please provide a
30 comprehensive and detailed description of the business purpose of

1 this event, C) Please attest to the fact that KCPL believes these
2 charges are prudent and explain why KCPL believes these charges
3 are prudent. D) Was alcohol consumed at this event? If so, please
4 provide the KCPL/GPE policy that allows the consumption of
5 alcohol at a business event and describe how the consumption of
6 alcohol at this event was consistent with the KCPL/GPE employee
7 policy.
8

9 Reference Expense Report 0000050937 dated 6/11/2015.

10
11 2. The 3/31/15 charge for goods and services from Capital Grille
12 was \$455.23 for apparently three individuals. A) Please provide
13 the names of the individuals who attended this event, B) Please
14 provide a comprehensive and detailed description of the business
15 purpose of this event, C) Please attest to the fact that KCPL
16 believes these charges are prudent and explain why KCPL believes
17 these charges are prudent. D) Was alcohol consumed at this event?
18 If so, please provide the KCPL/GPE policy that allows the
19 consumption of alcohol at a business event and describe how the
20 consumption of alcohol at this event was consistent with the
21 KCPL/GPE employee policy.
22

23 Reference Expense Report 0000051748 dated 7/6/2015.

24
25 3. The 6/3/15 charge for goods and services from Kauffman
26 Stadium was \$1,929.36 for apparently 20 individuals. A) Please
27 provide the names of the individuals who attended this event, B)
28 Please provide a comprehensive and detailed description of the
29 business purpose of this event, C) Please attest to the fact that
30 KCPL believes these charges are prudent and explain why KCPL
31 believes these charges are prudent. D) Was alcohol consumed at
32 this event? If so, please provide the KCPL/GPE policy that allows
33 the consumption of alcohol at a business event and describe how
34 the consumption of alcohol at this event was consistent with the
35 KCPL/GPE employee policy. E) Was the \$180 all day beverage
36 refresh for alcoholic or non-alcoholic beverages?
37

38 Reference Expense Report 0000051748 dated 7/6/2015.

39
40 4. The May 21-June 20 charge from Verizon Wireless is for
41 monthly wireless charges for an employee of KCPL. Is KCPL
42 paying for this employee's personal home wireless charges or

1 wireless phone charges? If yes, why? B) Please provide a
2 comprehensive and detailed description of the business purpose of
3 this charge, C) Please attest to the fact that KCPL believes these
4 charges are prudent and explain why KCPL believes these charges
5 are prudent.
6

7 **RATE BASE - ACCUMULATED DEFERRED INCOME TAX RESERVE**

8 **Q. What are accumulated deferred income taxes?**

9 A. Accumulated deferred income taxes are also known as a company's deferred tax reserve.
10 GMO's deferred tax reserve represents a net prepayment of income taxes by GMO's
11 customers prior to GMO being required to make cash income tax payments to the federal
12 and state taxing authorities.

13 As an example, because GMO is allowed to deduct depreciation expense on an accelerated
14 basis for income tax purposes, the depreciation expense deduction used for income taxes
15 paid (deduction on the income tax return) is much larger than the book depreciation expense
16 deduction used for ratemaking purposes. This results in what is referred to as a "book-tax
17 timing difference" and creates a deferral of income taxes to a future date.

18 Accumulated deferred income taxes can be assets (debits) or liabilities (credits). The net
19 credit balance in GMO's deferred tax reserve represents a source of cost-free funds to GMO
20 from its ratepayers. This is the reason why the net credit balance in the deferred tax reserve
21 is a reduction to rate base. This ratemaking methodology is necessary to prevent ratepayers
22 from paying a rate of return on funds that are essentially prepayments and are cost-free to
23 the utility.

24 **Q. Has OPC reviewed GMO's proposed deferred tax reserve in this case?**

25 A. Yes. GMO's proposed adjustments to its deferred tax reserve is reflected in its workpaper
26 "RB-125 ADIT-GMO Cut-off GMO" (RB-125"). This workpaper reflects GMO's
27 proposed deferred tax reserve at December 31, 2015.

1 **Q. Is OPC proposing any adjustments to the amount of GMO is proposing to include in**
2 **rate base as reflected on RB-125?**

3 A. Yes. OPC has data requests outstanding on this issue and will update its adjustments in
4 rebuttal testimony. However, in this testimony OPC is proposing the following adjustments
5 to the balance of the deferred tax reserve proposed by GMO to include in its rate base at
6 December 31, 2015.

OPC RB-125 Adjustments	Debit (Credit)
Amortization of Gain on Boiler (L&P)	\$28,441
Crossroads Transmission Credits	\$937,311
Transource Deferred Gain	\$2,162,048
Unrealized Gain/Loss	<u>\$14,392</u>
Total	\$3,142,192

7
8 **Q. What is the basis of OPC's adjustment?**

9 A. As reflected in its RB-125 workpaper, GMO correctly went through the process of
10 reviewing each of the individual deferred tax components to determine if the transaction
11 created the deferred tax was related to GMO's utility operations. There is a presumption
12 that if the deferred tax is related to an event such as a utility investment or utility revenue or
13 expense, the associated deferred tax will be included in the rate base accumulated deferred
14 income tax balance.

15 OPC reviewed GMO's work paper adjustments to its per book accumulated deferred income
16 taxes and is in agreement with substantially all of GMO's adjustments. OPC has questions
17 whether or not the four deferred tax components listed above are related to GMO's utility
18 operations.

19 Three of the components in the list above are related to the recognition of gains and losses.
20 It is not clear the actual gain or loss transaction that created these deferred taxes were
21 reflected in GMO's cost of service for ratemaking purposes or are related to GMO's utility

1 operations. While not an express policy of the Commission, historically the Commission
2 has treated utility gain and loss transactions below the line. If GMO can show these gains
3 and losses were reflected in utility operations and recorded above the line, then OPC will
4 withdraw its adjustment as the associated deferred income taxes would likely be appropriate
5 to include in rate base.

6 **SEVERANCE PAYMENTS**

7 **Q. Has GMO charged employee severance payments to its test year income statement?**

8 A. Yes. GMO's response to Staff Data Request No. 125 ("DR 125") shows that in 2014 and
9 2015 GMO made \$208,892 in severance payments to former employees. Of this amount
10 it appears \$81,956 was charged to GMO's test year ended June 2015 income statement in
11 FERC accounts 557 and 921. The remainder of the payments appears to be charged to
12 non-operating accounts (accounts not included in GMO's cost of service income
13 statement) or charged outside of the test year in this rate case.

14 **Q. Did you review GMO's test year income statement by resource code as provided by
15 GMO in response to Staff Data Request No. 13?**

16 A. Yes, I did. However, I did not see any charges to a severance resource code in any of the
17 income statement accounts. If all of the severance payments listed in DR 125 were
18 charged to KCPL and not GMO, then OPC is not proposing an adjustment in this rate
19 case. However, if GMO did charge severance payments to its test year income statement
20 accounts in which it is seeking rate recovery in this case, OPC is proposing an adjustment
21 to remove the dollar amount of all severance payments in these accounts.

22 **Q. Does the Commission typically allow rate recovery of utility severance payments?**

23 A. No. The Commission has historically not allowed rate recovery of severance payments.

1 **Q. Are severance payments a type of utility cost that should be included in a utility's**
2 **cost of service?**

3 A. No, for several reasons. One primary reason is that severance payments are often
4 recovered by the utility through regulatory lag in amounts significantly in excess the
5 amount of the payment. Regulatory lag usually allows a utility not only to recover the
6 amount of severance payments, but sometimes recover two and three times the amount
7 of the payment. This is the result of a utility recovering the salaries and benefits of the
8 severed employees in rates (an expense that is no longer incurred) until rates are changed
9 in the next utility rate case.

10 An additional reason why the cost of utility severance agreements should not be included
11 in cost of service is that the agreements required to be signed by the severed employee
12 contains language designed to protect utility officers and shareholders from potential
13 litigation and embarrassment. This is the consideration received by the utility in return
14 for the severance payments, including additional benefits, cash compensation, medical
15 coverage costs and outplacement services.

16 Utility severance agreements typically require the severed employee to waive and release
17 any legal claims the employee may have against the utility for any reason and prohibits
18 the employee from making any disparaging or critical statements of any nature
19 whatsoever about the utility. The cost of securing these types of commitments from
20 severed employees should be borne by shareholders and not ratepayers.

21 **RATE BASE - PREPAYMENTS**

22 **Q. What are prepayments and why are they included in GMO's rate base?**

23 A. Prepayments relate to items that the Company "prepaid" so that the services required will
24 be available during the normal course of the utility's operations. Prepayments are booked
25 to FERC asset account No. 165. FERC Account 165 includes amounts representing

1 prepayments of insurance, rents, taxes, interest and miscellaneous items. Just as
2 accumulated deferred income taxes represents a prepayment of income taxes by
3 ratepayers, prepayments such as insurance and rents represent a prepayment of the cost of
4 certain utility services by shareholders and are appropriately included in rate base.

5 **Q. Does GMO include the Missouri Public Service Commission Assessment (“PSC**
6 **assessment”) in FERC Account 165 and include this amount in prepayments in its**
7 **rate base?**

8 A. Yes. According to GMO workpaper RB-50, GMO includes quarterly PSC assessment
9 payments in FERC account 165.009, Prepayments Other. GMO has also included the
10 amount of its PSC Assessment in its proposed level of rate base prepayments here.

11 **Q. Are PSC assessments appropriately recorded in FERC asset account 165,**
12 **Prepayments?**

13 A. No. The unamortized amount of the PSC assessment is required by the FERC USOA to
14 be recorded in FERC asset account 186, Miscellaneous Deferred Debits. FERC’s
15 description of Account 928 in its USOA is reflected below:

16 928 Regulatory commission expenses.

17
18 A. This account shall include all expenses (except pay of regular
19 employees only incidentally engaged in such work) properly
20 includible in utility operating expenses, incurred by the utility
21 in connection with formal cases before regulatory
22 commissions, or other regulatory bodies, or cases in which
23 such a body is a party, including payments made to a
24 regulatory commission for fees assessed against the utility for
25 pay and expenses of such commission, its officers, agents, and
26 employees, and also including payments made to the United
27 States for the administration of the Federal Power Act.

28
29 B. Amounts of regulatory commission expenses which by
30 approval or direction of the Commission are to be spread over

1 future periods shall be charged to account 186, Miscellaneous
2 Deferred Debits, and amortized by charges to this account.
3 (emphasis added).
4

5 **Q. Has GMO sought a waiver from Commission rule 4 CSR 240-20.030 Uniform**
6 **System of Accounts—Electrical Corporations to include the PSC assessment in**
7 **FERC Account 165 Prepayments instead of FERC Account 182 Miscellaneous**
8 **Deferred Debits?**

9 A. No, it has not. Commission rule 4 CSR 240-20.030 Uniform System of Accounts—
10 Electrical Corporations directs electrical utilities within the commission’s jurisdiction to
11 comply with the USOA prescribed by the FERC. It does not appear that GMO’s
12 accounting for the PSC assessment is in accordance with the FERC USOA and this
13 Commission rule.

14 **Q. What is OPC’s proposal in this case as it relates to GMO’s prepayments?**

15 A. Unless GMO can provide justification why its accounting for the unamortized amount of
16 the PSC assessment is recorded as a Prepayment as opposed to a Miscellaneous Deferred
17 Debits, the Commission should order GMO to correct this accounting irregularity and not
18 include the PSC Assessment in GMO’s rate base in this rate case.

19 Q. If GMO correctly accounted for its PSC assessment, could it still reflect this expense in
20 its Cash Working Capital (“CWC”) calculation and reflect this amount in its rate base?

21 A. Yes. If the PSC assessment is an actual utility prepayment, including this expense as a
22 component of its CWC calculation would be the correct method to reflect this item in
23 GMO’s rate base.

24 **Q. Is it possible from reviewing GMO’s Prepayments workpaper, RB-50, to determine**
25 **the amount of PSC assessment dollars are included in GMO’s proposed rate base?**

26 A. No.

1 **Q. Does this conclude your direct testimony?**

2 A. Yes, it does.

3

Meal	Cost	Restaurant & Location	Account
Lunch	\$20	Ingredient - KC, MO	921000
Lunch	\$30	Woodward Table - Washington, DC	921000
hotel	\$589	Sofitel Wash DC	921000
Dinner	\$33	Gibson's Bar & Steakhouse - Chicago, IL	921000
Lunch	\$3	DCA Venture II, LLC - Chicago, IL	921000
hotel	\$293	The Thompson Chicago	????
Breakfast	\$5	McDonald's - KC, MO	921000
Dinner	\$7	EEL Meeting - Softel - Washington, DC	921000
Dinner	\$483	Gibson's Bar & Steakhouse - Chicago, IL	426500
Dinner	\$455	The Capital Grille - KC, MO	921000
Lunch	\$135	Bristol 162 - KC, MO	921000
Lunch	\$985	Grandma's Office Catering - KC, MO	921000
Dinner	\$529	Majestic Restaurant - KC, MO	426102
Dinner	\$544	Levy Restaurants - KC, MO	426500
Lunch	\$821	Affordable Catering - OP, KS	921000
Dinner	\$3,695	The Capital Grille - KC, MO	426102
Drinks	\$250	The Capital Grille - KC, MO	426102
Drinks	\$557	Aramark, Royal's Stadium - KC, MO	426500
Lunch	\$64	Bristol 162 - KC, MO	426402
Lunch	\$43	Bristol 162 - KC, MO	921000
Hotel	\$504	Sofitel Wash DC	426402
Parking Garage	\$110	MCI - KC, MO	921000
Breakfast	\$39	Room Service - New Orleans, LA	????
Lunch	\$44	Room Service - New Orleans, LA	????
Flower Delivery	\$77	Toblers Flowers - OP, KS	426500
Dinner	\$49	Vitascope Hall - New Orleans, LA	921000
Dinner	\$393	Bourbon House - New Orleans, LA	426500
Hotel	\$1,109	Hyatt Regency New Orleans LA	921000
Hotel Misc	\$124	Hyatt Regency New Orleans LA	921000
Drinks	\$1,034	Aramark, Royal's Stadium - KC, MO	426500
Misc	\$28	Royal's/Red Sox Game Kaufman	426500
Dinner	\$525	The Capital Grille - KC, MO	921000
Lunch	\$45	North - Kansas City - KC, MO	921000
Dinner	\$176	Moonshadow's Restaurant - Malibu, CA	921000
Dinner	\$284	Enterprise Fish Co. - Santa Monica, CA	921000
Drinks	\$1,048	Aramark, Royal's Stadium - KC, MO	426500
Dinner	\$462	Sullivan's Steakhouse - Leawood, KS	921000
Hotel	\$233	Virgin Hotels Chicago	921000
Dinner	\$1,862	The Capital Grille - KC, MO	426402
Drinks	\$68	The Capital Grille - KC, MO	426402
Dinner	\$240	The Capital Grille - KC, MO	426402
Lunch	\$68	The Capital Grille - KC, MO	
Dinner	\$169	Three Degrees - Portland, OR	921000
Hotel	\$811	The Heathman Hotel Portland OR	921000
Misc	\$47	The Heathman Hotel Portland OR	921000
Dinner	\$1,364	Levy Restaurants - KC, MO	426500
Concert	\$1,335	Kenny Chesney/Jason Aldean Concert Arrowhead Stadium	426500
Drinks	\$1,249	Aramark - Kauffman Stadium - KC, MO	426500
Lunch	\$65	Jason's Deli - KC, MO	921000
Breakfast	\$38	Blue Star -- Portland, OR	921000
Motel	\$691	The Heathman Hotel Portland OR	921000
Dinner	\$505	Kreis' - STL, MO	417100
Breakfast	\$135	The Mixx - P&L - KC, MO	921000
Dinner	\$194	Levy Restaurants - KC, MO	426500
Drinks	\$61	Levy Restaurant - KC, MO	426500
Dinner	\$20	Levy Restaurant - KC, MO	426500

Drinks	\$28	Levy Restaurant - KC, MO	426500
Dinner	\$383	Urban Farmer - Portland, OR	921000
Lunch	\$44	Jake's Grill - Portland, OR	921000
Hotel	\$669	Heathman Hotel Portland	417100
Dinner	\$48	Timberline Grill - Portland, OR	921000
Parking	\$108	MCI - KC, MO	921000
Drinks	\$97	Heathman Hotel	417100
Dinner	\$739	Sullivan's Steakhouse - Leawood, KS	417100
Dinner	\$2,444	Inspired Occasions - KC, MO	426402
Parking	\$331	Park It - KC, MO	426402
Entertainment	\$2,167	ALDS G5 Royal's Game	426500
Drinks	\$494	Arrowhead Stadium - KC, MO	426500
Entertainment	\$2,009	ALDS Game 5 Business & Networking - Aramark	426500
Entertainment	\$460	ALCS Game 1 Business Networking - Aramark	426500
Entertainment	\$1,082	ALCS Game 2 Business Networking - Aramark	426500
Dinner	\$60	Tequileria - KC, MO	921000
Dinner	\$366	1789 Restaurant - Washington, DC	921000
Lunch	\$39	Beacon Bar and Grill - Washington, DC	921000
Hotel	\$1,019	Hyatt Regency Wash DC	921000
Hotel	\$101	Room Service Hyatt Regency	921000
Lunch	\$76	Loews Madison Hotel - Washington, DC	921000
Parking	\$93	MCI - KC, MO	921000
Taxi	\$179	Uber Teterboro NJ	426500
Hotel	\$447	The Parc Hotel Flushing NY	426500
Taxi	\$142	Uber Flushing NY	426500
Dinner	\$565	The Fish Hopper - Monterey, CA	417100
Dinner	\$420	The Capital Grille - KC, MO	921000
Dinner	\$88	54th Street Grill & Bar - KC, MO	921000
Dinner	\$121	Zocalo - KC, MO	417100
Dinner	\$695	The Capital Grille - KC, MO	417100
Dinner	\$290	Bobby Van's Steakhouse - Washington, DC	417100
Dinner	\$204	The Capital Grille - KC, MO	426402
Dinner	\$366	Bourbon Steak - Scottsdale, AZ	417100
Dinner	\$153	Tanzy Scottsdale - Scottsdale, AZ	417100
Dinner	\$140	Zinc Bistro - Scottsdale, AZ	417100
Dinner	\$426	Del Frisco's Double Eagle - Houston, TX	417100
Hotel	\$729	Fairmont Scottsdale Princess, Scottsdale AZ	921000
Dinner	\$81	Room Service - Marriott Dearborn	921000
Breakfast	\$69	Dearborn Inn - Dearborn MI	921000
Dinner	\$792	Alexandro's Restaurant - JC, MO	417100
Hotel	\$447	DoubleTree By Hilton Jefferson City	417100
Dinner	\$269	Garozzo's Ristorante - OP, KS	921000
Dinner	\$278	The Derby - Arcadia, CA	417100
Dinner	\$161	Paparazzi Ristorante - Los Angeles, CA	417100
Hotel	\$459	Courtyard Marriott Monrovia CA	417100
Hotel	\$300	Sheraton Hotels & Resorts Los Angeles	417100
Lunch	\$105	Generation Team Building - Meals	426500
Dinner	\$873	Government Affairs, community investment - MEAL	426500
Lunch	\$44	Business Meal; EV deployment	921000
Lunch	\$36	Travel Meal	921000
Lunch	\$51	Business Meal	921000
Dinner	\$148	Business Meal	921000
Hotel	\$342	Loding during EEI Retail Energy Service	921000
Drinks	\$1,556	No Business on receipt	????
Drinks	\$519	Chiefs v Bears Hosted KC Fire & PD - Aramark	????
Dinner	\$777	Sullivan's Steakhouse	????