BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Establishment of a Working Case for the Review and Consideration of a Rewriting and Writing of Existing and New Affiliate Transaction Rules and HVAC Affiliate Transaction Rules	)))))	File No. AW-2018-0394

KANSAS CITY POWER & LIGHT COMPANY'S AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY'S
COMMENTS ON CONSIDERATION OF NEW AND REVISED
AFFILIATE TRANSACTION AND HVAC AFFILIATE TRANSACTION RULES

Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") hereby respond to the Missouri Public Service Commission's ("Commission") *Order Opening A Working Case to Consider New and Revised Rules Regarding Affiliate Transactions and HVAC Affiliate Transactions* issued to open this docket on July 11, 2018, and states as follows:

1. KCP&L and GMO thank the Staff for the Commission ("Staff") and the Commission for the opportunity to offer comments in the working case.

2. KCP&L and GMO generally support consolidation of the rules. However, the proposed rule seeks to effectuate much more than a mere consolidation of the existing rule and parts of the proposed rule cause concern or require clarification.

I. Application of the Rule to Transactions Between Regulated Affiliates.

3. It is unclear how the proposed rules would affect transactions between regulated electrical corporations like KCP&L and GMO and their regulated affiliates, and KCP&L and GMO recommend that the proposed rule be changed as proposed below. KCP&L and GMO currently operate under a variance from the affiliate transactions rule (granted by the Commission in Case No. EM-2007-0374) that permits transactions between KCP&L and GMO (other than

wholesale power transactions) to occur at cost. In addition, in its recent order in Case No. EM-2018-0012, the Commission granted a variance from the affiliate transactions rule that permits transactions between the regulated operations of KCP&L and GMO, on the one hand, and the regulated operations of Westar Energy, Inc. (including those of Kansas Gas and Electric Company) on the other hand, except for wholesale power transactions which are to be based on rates established by the Federal Energy Regulatory Commission, to occur at cost.

4. The current rule for electric utilities is intended to prevent regulated utilities from subsidizing their nonregulated operations. The proposed rule expands the purpose to include preventing a regulated electrical corporation from subsidizing its affiliate regulated operations as well (See "Purpose" and "Definitions" section (1)(J)). KCP&L and GMO are unaware of any valid basis to justify this expanded application of the rule. In fact, expanding the application of the rule to cover transactions between regulated utility affiliates would be detrimental to the interests of customers because it would impose barriers (in the form of asymmetrical pricing requirements and prohibitions on the sharing of information, among other things) to generating efficiencies through consolidation of functions and sharing of resources between and among affiliated regulated utilities.

5. Therefore, KCP&L and GMO strongly recommend that the original purpose of the rule be retained and, also, that changes in definitions that expanded the application of the rule to transactions between regulated utility affiliates be eliminated. At a minimum, it should be made clear that any existing variances permitting transactions between regulated utility affiliates to occur at cost should remain effective and in place following the adoption of any revised affiliate transactions rules.

II. **Cost Allocation Manual (CAM) Approval**.

6. The proposed rule introduces new requirements a) to file a CAM for Commission approval every three years and b) to file updates to the CAM for Commission approval within sixty (60) days of certain changes in conditions related to affiliate operations and allocation methodologies. KCP&L and GMO are not aware of any justification for imposing these new requirements.

7. Under the current rule, the CAM is filed annually with the Affiliate Transactions Report setting forth affiliate transactions and cost allocations among affiliates for the previous year. As a result, there is always relatively "fresh" substantive information regarding affiliate transactions and cost allocations among affiliates available for review during general rate cases which, for electrical corporations like KCP&L and GMO, generally occur no less frequently than every four years so as to maintain operation of the fuel adjustment clause. Additionally, under the terms of the CAM approved by the Commission for KCP&L in the past year or so (Case No. ER-2016-0285), KCP&L and GMO provide notice of changes affecting the CAM that occur between the annual filing of the CAM and the Affiliate Transactions Report. KCP&L and GMO believe this existing process provides ample information and opportunity for regulatory review and oversight of KCP&L and GMO affiliate transactions and affiliate cost allocations. The new requirements that would be imposed by the rule would simply increase costs to be borne by customers with no corresponding customer benefits.

8. KCP&L and GMO are unaware of any provision in the existing rule requiring Commission approval of a utility's CAM. Although the Commission has on rare occasion been asked to approve a specific utility's CAM, those instances have been few and far between. To the

best knowledge of undersigned counsel, only Laclede Gas Company (n/k/a as Spire) and KCP&L have received Commission approval of their CAM documents.

9. Therefore, KCP&L and GMO request that the proposed rule be changed to remove the requirements that (1) Commission approval of the CAM be requested every three years, and (2) Commission approval of a revised CAM be requested within 60 days of certain changes in conditions related to affiliate operations or cost allocation methodologies.

WHEREFORE, KCP&L and GMO request that the Commission take notice of these comments and change the proposed rule as requested in paragraphs 5 and 9 herein.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 10th day of August 2018.

/s/ Robert J. Hack

Robert J. Hack