Exhibit No.:	134
Issues:	*Dues, EEI*
Witness:	*Michael Jason Taylor*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*ER-2016-0156*
Date Testimony Prepared:	*September 2, 2016*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

SURREBUTTAL TESTIMONY

OF

MICHAEL JASON TAYLOR

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

Jefferson City, Missouri
September 2016

SURREBUTTAL TESTIMONY

OF

MICHAEL JASON TAYLOR

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

Q. Please state your name and business address.

A. Michael Jason Taylor, Fletcher Daniels Office Building, 615 East 13th Street, Room 201, Kansas City, Missouri, 64106.

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

A. I am a Utility Regulatory Auditor with the Missouri Public Service Commission ("Commission").

Q. Are you the same Michael Jason Taylor who previously testified in this case?

A. Yes. I contributed to Staff's Cost of Service Report ("Report") filed July 15, 2016, in this case. Within the Report, I testified on advertising expense, dues and donations, Edison Electric Institute (EEI), lease expense, PSC assessment, and plant amortization.

Q. What is the purpose of your rebuttal testimony?

A. I will respond to KCP&L Greater Missouri Operations Company ("GMO") witness Ronald A. Klote's testimony concerning dues and EEI contributions.

Q. Please identify witness Klote's position on rate recovery of membership dues.

A. Mr. Klote states in his rebuttal testimony that GMO does not agree with Staff's adjustments for membership dues that GMO paid during the test year. First, Staff removed membership dues, which it considers to be duplicative of other membership dues, or is of no direct benefit to ratepayers. Secondly, Staff eliminated the dues paid to EEI.

Q. Has the Commission provided guidance in prior cases as to the rate recovery of dues?

A. Yes. In the Commission's Report and Order in Case No. EO-85-185, four criteria were established to disallow dues and donations:

> (1) involuntary ratepayer contributions of a charitable nature; (2) supportive of activities which are duplicative of those performed by other organizations to which the Company belongs or pays dues; (3) active lobbying activities which have not been demonstrated to provide any direct benefit to the ratepayers; or, (4) costs of other activities that provide no benefit or increased service quality to the ratepayer.

Q. What specific criteria did Staff rely upon to recommend removal of the membership dues at issue in this proceeding?

A. Staff used the four criteria in the Commission's Report and Order EO-85-185 to establish the appropriate disallowances of dues and donations.

Q. Why did Staff recommend removal of dues for chambers of commerce that were outside of GMO's service territory?

A. A chamber of commerce is a membership organization that exists primarily to represent and promote the interests of its member businesses. Many chambers of commerce, especially those organized at the local level, also work to develop and deepen local relationship networks to promote business activity and business-to-business exchanges. Chambers of commerce also commonly engage in charitable activities that focus on local needs. While Staff recognizes the benefit of such activities, Staff fails to see how ratepayers receive a direct benefit from membership dues for a chamber of commerce that is working to improve an area located outside the GMO service territory. Removal of these dues would relate to the Commission's fourth criteria, as they provide no benefit to GMO ratepayers.

Witness Klote attached the list of dues that Staff recommended be removed from cost of service as Schedule RAK-23. On this list are Lenexa, Olathe, Paola, Shawnee, Spring Hill, and Leawood Chambers of Commerce. These Chambers are all located in Kansas, where GMO serves no customers.

Q. Did Staff recommend removal of chamber of commerce dues based on its second criteria?

A. Yes. Staff examined the instances when GMO paid dues to multiple chambers of commerce in the same city, or county. Staff recommends that allowing the cost of one membership to a chamber of commerce is adequate for a single local area. For example, GMO contributes to five different Kansas City area chambers of commerce. Staff removed the costs of four of them but did not remove the dues to The Kansas City Development Council, which appeared to promote the greatest economic development for the entire greater Kansas City area; this area includes over 18 counties in Missouri and Kansas. Staff also removed dues for individual city chambers of commerce if GMO also paid dues to a county chamber of commerce. These disallowances were made based upon the assumption that the county chambers of commerce could provide a greater economic good for the area over the individual city chambers.

Q. Briefly describe The Kansas City Development Council.

A. The Kansas City Area Development Council states on its website it is a "private, non-profit organization that represents the two-state area of the 18 county Greater Kansas City region." The Kansas City Area Development Council's mission statement is:

- Engage the world to invest in the one KC region;
- Attract new companies and talent to the 18-county, two state region;
- Enhance awareness of our metro's assets to create positive perceptions;
- Promote the KC region as a business and lifestyle location of choice;

- Brand the KC region as one product to stimulate economic growth;
- Equally support all of our regional communities and investors; and
- Facilitate relocation/expansion process between a company and its selected KC community

Q. GMO Witness Klote states on page 22, line 13 of his rebuttal testimony, "Membership dues should be a part of any utilities cost of service in order to continually improve and be a good community corporate citizen." Do you agree with this statement?

A. No, though Staff does believe that chambers of commerce and charitable organizations can provide an economic benefit to the communities they serve, the benefits Mr. Klote identifies primarily benefit the company and its shareholders.

Q. How do contributions to chambers of commerce benefit ratepayers?

A. Contributions to chambers of commerce or economic development organizations are not required for or directly related to the provision of safe and adequate electric utility service. However, chambers of commerce promote economic development which has the potential of fostering or attracting businesses that will likely be GMO customers. All other things being equal, additional customers on GMO's system increase the economic use of GMO's system and can spread fixed costs over more usage, potentially reducing costs for all ratepayers.

Q. Does the Company agree that other types of contributions that do not benefit ratepayers should not be recovered through rates?

A. Yes. GMO contributes to several non-profit organizations that promote charitable causes throughout the community, such as Boy Scouts of America, Carnegie Public Library, and Salvation Army. These expenses are booked "below the line" and are not recovered through the cost of service.

Q. What guidance has the Commission provided as to the recoverability through cost of service of these types of donations?

A. As the Commission stated in the Report and Order in Case No. EO-85-185, involuntary ratepayer contributions of a charitable nature should be disallowed. The aforementioned contributions clearly are those that the Commission disallowed in its first criterion.

Q. In applying its fourth criteria, did Staff identify any dues in the test year for which it could not obtain descriptions, or were otherwise unidentified?

A. Yes. In response to Staff Data Request No. 0208.2, GMO responded to a list of dues that Staff indicated needed further description due to a lack of information. GMO provided a "N/A" response to "282 Prepaid", "Hunton & Williams, LLP", and "UWAG", which are also listed in witness Klote's testimony. Because Staff could not sufficiently identify the purpose of the dues paid to these entities, Staff disallowed the entirety of theses dues from recovery in rates.

Q. What is Missouri Energy Development Association (MEDA), and why did Staff remove contributions to this organization?

A. According to its website, MEDA is described in the following manner:

> MEDA is the association of Missouri's Investor-Owned Utilities and their strategic partners. Our members serve nearly 4 million customers, invest over $1 billion in-state annually, and employ over 11,500 Missourians while providing the electric, natural gas, and water services integral to the safety and prosperity of all Missourians.
>
> Our mission is to work closely with Missouri Investor-Owned Utilities and their strategic partners, representing their interests and advocating balanced policies in legislative and regulatory arenas. MEDA provides credible

> public policy leadership, pivotal industry awareness and education, and strategic business intelligence.

Staff removed these contributions because MEDA is an organization that primarily lobbies on behalf of investor-owned utilities in Missouri. It has been a long-standing practice in Missouri that costs associated with lobbying are not included in customer rates. The Commission has defined lobbying as "an attempt to influence the decisions of regulators and legislators in general." *Re: Kansas City Power & Light Company,* Case No. ER-81-42.

Q. What is the Electric Drive Transportation Association, and why did Staff remove contributions to this organization?

A. From the Electric Drive Transportation Association website:

> The Electric Drive Transportation Association (EDTA) is the trade association promoting battery, hybrid, plug-in hybrid and fuel cell electric drive technologies and infrastructure. EDTA conducts public policy advocacy, provides education and awareness, and enables industry networking and collaboration. EDTA's membership includes vehicle and equipment manufacturers, energy companies, technology developers, component suppliers, government agencies and others.

Staff removed these contributions because they are directly associated with the Clean Charge Network. Both Staff and GMO removed the rate base investment and operation and maintenance expenses related to the vehicle chargers in the Clean Charge Network.

Q. What is the Nature Conservancy, and why did Staff remove contributions to this organization?

A. From the Nature Conservancy website:

> The Nature Conservancy is the leading conservation organization working around the world to protect ecologically important lands and waters for nature and people.

Staff removed the donations made to this organization because it provides no benefit or increased service quality to the ratepayer. While community activities of this nature are indicative of good corporate citizenship, contributions to the Nature Conservancy are not required or related to the provision of electric service by GMO. These contributions clearly are those that the Commission disallowed in its first criterion.

Q. What is the Kemper Museum of Contemporary Art, and why did Staff remove contributions to this organization?

A. From the Kemper Museum of Contemporary Art website:

> The Kemper Museum of Contemporary Art presents modern and contemporary art of the highest quality and significance. It collects, preserves, documents, interprets, and exhibits a growing permanent collection; develops and presents special exhibitions; and offers a variety of educational programs. Admission is always free and the Museum serves a diverse and inclusive public population.

Staff removed the donations made to this organization because it provides no benefit or increased service quality to the ratepayer. While community activities of this nature are indicative of good corporate citizenship, contributions to the Kemper Museum of Contemporary Art are not required or related to the provision of electric service by GMO. These contributions clearly are those that the Commission disallowed in its first criterion.

Q. What is Edison Electric Institute ("EEI")?

A. EEI is a trade association that represents all US investor-owned electric utilities companies. According to the EEI website:

> EEI provides its members with public policy leadership, strategic business intelligence, and essential conferences and forums. EEI will be the best trade association. We will be the best because we are committed to knowing our members and their needs. We will provide leadership and deliver services that consistently meet or exceed their

> expectations. We will be the best because we will attract and retain employees who have the ambition to serve and will empower them to work effectively as individuals and in teams. Above all, we will be the best trade association because, in the tradition of Thomas Edison, we will make a significant and positive contribution to the long-term success of the electric power industry in its vital mission to provide electricity to foster economic progress and improve the quality of life.

Q. Why does Staff recommend removal of EEI dues from cost of service?

A. Historically, the Commission has disallowed EEI dues from rate recovery on the basis of EEI's involvement in lobbying activities on behalf of the electric industry. In the Commission's orders Case No. ER-83-40, the Commission adopted a criterion to determine whether some portion of EEI dues should be allowed in rates:

> The Commission finds that the Company's analysis to be faulty in that the Company has quantified the benefits to the ratepayers but has ignored any potential benefit to the shareholders. It is entirely possible that the amount of monetary benefit to the shareholders could exceed the amount of alleged benefit to the ratepayers. In that event the shareholders should bear a larger portion of the EEI dues than the ratepayers. Thus, the Company has not met its burden of proof of the proper assignment of EEI dues based on the respective benefit to the two involved groups. In the absence of that allocation the EEI dues should be excluded as an expense for setting the permanent rates in this matter.

Staff's disallowance of EEI dues in this case is consistent with the Commission's guidance in Commission's orders Case No. ER-83-40 because GMO did not quantify the benefits to ratepayers and shareholders of this membership.

Q. Can you provide the Commission with a specific example when EEI recently engaged in activities in the interest of utility shareholders?

A. Yes. The Commission may be familiar with Case No. 13-787, GMO's appeal of the Missouri Commission's Report and Order in Case No. ER-2012-0175 before the Supreme Court of the United States. EEI demonstrated that it represents utility interests when it filed an *Amicus Curiae* brief in support of the petitioner, GMO, before the United States Supreme Court on February 3, 2014. This brief specifically concerned GMO's attempt to overturn the Missouri Commission's prior rate decision regarding recovery of plant investment and transmission costs related to Crossroads.

In response to Staff Data Request 445, GMO stated that "KCP&L requested EEI consider filing an Amicus Brief in Case No. 13-787." The response to this data request is attached as Schedule MJT-s1. EEI represented the interests of its utility members and contributions to EEI should appropriately be allocated to GMO shareholders.

Q. GMO contributes to another electric industry group, the Electric Power Research Institute (EPRI). Does Staff recommend removal of those dues from cost of service?

A. No. According to EPRI website:

> The Electric Power Research Institute, Inc. conducts research and development relating to the generation, delivery and use of electricity for the benefit of the public. An independent, nonprofit organization, we bring together scientists and engineers as well as experts from academia and the industry to help address challenges in electricity.

Staff based its decision to not remove EPRI dues on the Commissions' orders in Case No. ER-82-180:

> Many of the alleged benefits which the Company receives from EEI could be obtained from other sources. Some of the efforts of EEI and the Electric Power Research Institute (EPRI) overlap and some of the assistance rendered by EEI could be obtained from EPRI. The Commission Staff has not proposed to disallow the expense associated with EPRI in the instant case.

Q. For the dues Staff has removed from the cost of service, is Staff claiming that it was imprudent for GMO to contribute to these organizations?

A. No. In the same manner that utilities contribute to charitable organizations, it is management's prerogative to contribute dues to organizations that promote economic development, provide community benefits, or promote general goodwill. However, like charitable contributions, ratepayers should not be responsible for expenses that GMO cannot demonstrate have clear benefit to ratepayers or are necessary in the provision of utility service.

In its 2014 KCPL Rate Case Report and Order, the Commission recognized this distinction:

> Prudence is not the only consideration in determining what costs should be included in rates; the benefit to customers must also be considered when deciding what costs are reasonable for customer rates. KCPL has pursued issues in this case that benefit only the shareholders, such as La Cygne construction accounting and some elements of the rate of return recommendation. Utility expenses that are highly discretionary and do not benefit customers, such as charitable donations, political lobbying expenses, and incentive compensation tied to earnings per share are typically allocated entirely to shareholders. (Citations omitted)

Q. Please summarize your surrebuttal testimony

A. Staff takes the position that the Commission should not allow the membership dues, recommended for disallowance by the Staff in this proceeding, as GMO has not shown a clear benefit for the ratepayers associated with these payments. Staff also takes the position that the entire amount of test year EEI dues should be disallowed.

Q. Does that conclude your surrebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2016-0156

AFFIDAVIT OF MICHAEL JASON TAYLOR

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW MICHAEL JASON TAYLOR and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

MICHAEL JASON TAYLOR

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 1st day of September, 2016.

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12464078

Missouri Public Service Commission

Respond Data Request

Data Request No.	0445
Company Name	KCP&L Greater Missouri Operations Company-Investor (Electric)
Case/Tracking No.	ER-2016-0156
Date Requested	8/18/2016
Issue	Expense - A&G - Dues and Donations
Requested From	Lois J Liechti
Requested By	Nathan Williams
Brief Description	Edison Electric Institute ("EEI")
Description	1) Please provide all invoices from EEI since January 2014 through the present for Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO). 2) Please provide all correspondences with EEI since January 2014 through the present. 1) Reference GMO's appeal to the Supreme Court of the United States, Case No. 13-787. Did KCPL, GMO, or any of its representatives, request EEI to file an Amicus Brief in support of GMO? Did KCPL, GMO, or any of its representatives assist EEI in developing its Amicus Brief? DR requested by Jason Taylor Jason.taylor@psc.mo.gov.
Response	Please see the attached information.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **ER-2016-0156** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **KCP&L Greater Missouri Operations Company-Investor(Electric)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **KCP&L Greater Missouri Operations Company-Investor(Electric)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

Schedule MJT-s1
Page 1 of 4

KCPL GMO
Case Name: 2016 GMO Rate Case
Case Number: ER-2016-0156

Response to Taylor Jason Interrogatories - MPSC_20160818
Date of Response: 8/26/2016

Question:0445

1) Please provide all invoices from EEI since January 2014 through the present for Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO). 2) Please provide all correspondences with EEI since January 2014 through the present. 1) Reference GMO's appeal to the Supreme Court of the United States, Case No. 13-787. Did KCPL, GMO, or any of its representatives, request EEI to file an Amicus Brief in support of GMO? Did KCPL, GMO, or any of its representatives assist EEI in developing its Amicus Brief? DR requested by Jason Taylor Jason.taylor@psc.mo.gov.

Response:

1.) Yes, KCP&L requested EEI consider filing an Amicus Brief in Case No. 13-787.
2.) KCP&L did not assist EEI in developing its Amicus Brief.
3.) Please see attachments below to view each EEI voucher from 2014 – current.

Prepared by: Melissa Tye, Corporate Planning and Budget

Attachments:
Q0445_R0370967.pdf
Q0445_R0386604.pdf
Q0445_R0415475.pdf
Q0445_R0425103.pdf
Q0445_R0485020.pdf
Q0445_R0485541.pdf
Q0445_R0497501.pdf
Q0445_R0504292.pdf
Q0445_R0505310.pdf
Q0445_R0508084.pdf
Q0445_R0516891.pdf
Q0445_R0596403.pdf
Q0445_R0605180.pdf
Q0445_R0613234.pdf
Q0445_R0627060.pdf
Q0445_R0634276.pdf
Q0045_R0634621.pdf
Q0445_R0636409.pdf
Q0445_R0642298.pdf
Q0445_R0643192.pdf

Q0445_R0644412.pdf
Q0445_R0661864.pdf
Q0445_R0675487.pdf
Q0445_R0685057.pdf
Q0445_Verification.pdf

Verification of Response

Kansas City Power & Light Company
AND
KCP&L Greater Missouri Operations

Docket No. ER-2016-0156

The response to Data Request # 0445 is true and accurate to the best of my knowledge and belief.

Signed: Tim Rush

Date: August 26, 2016