

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

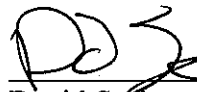
In the Matter of the Application of Kansas)
City Power & Light Company for Approval) Docket No. 14-KCPE-442-TAR
of Its 2014 Energy Efficiency Rider for)
Program Costs Incurred January 1 Through)
December 31, 2013.)

**NOTICE OF FILING OF CURB'S REPLY
TO STAFF'S REPORT AND RECOMMENDATION
PUBLIC VERSION**

The Citizens' Utility Ratepayer Board (CURB) submits its *Reply to Staff's Report and Recommendation* filed on May 13, 2014.

CURB's Reply sets forth the evidentiary basis for CURB's recommendation.

Respectfully Submitted,




David Springe #15619
Niki Christopher #19311
Citizens' Utility Ratepayer Board
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VERIFICATION

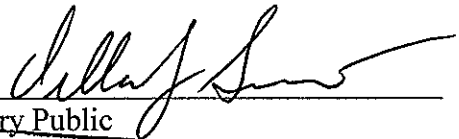
STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

I, David Springe, of lawful age and being first duly sworn upon my oath, state that I am an attorney for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

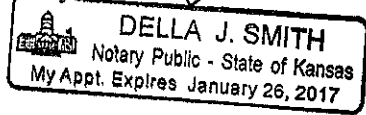


David Springe

SUBSCRIBED AND SWORN to before me this 23rd day of May, 2014.



Notary Public



My Commission expires: 01-26-2017.

Citizens' Utility Ratepayer Board

Board Members:
Robert L. Harvey, Chair
Ellen K. Janoski, Vice-Chair
Brian Weber, Member
Bob Kovar, Member
James L. Mullin II, Member




State of Kansas
Sam Brownback, Governor

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REPLY TO STAFF'S REPORT AND RECOMMENDATION PUBLIC VERSION

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Stacey Harder 

DATE: May 23, 2014

SUBJECT:

In the Matter of the Application of Kansas City Power & Light Company for Approval of Its 2014 Energy Efficiency Rider for Program Costs Incurred January 1 Through December 31, 2013; Docket No. 14-KCPE-442-TAR.

EXECUTIVE SUMMARY:

Kansas City Power & Light ("KCP&L") seeks to recover \$827,410 through its Energy Efficiency Rider ("EER"), beginning July 1, 2014. On May 13, 2014, Staff recommended the Commission approve KCP&L's EER request. Per Staff's report, the EER consists of \$796,688 of costs incurred during the calendar year 2013 and \$30,772 of under-collected EER revenues from the time period July 1, 2012, through June 30, 2013.

CURB recommends the Commission approve an EER amount of \$798,453.05, which consists of \$767,731.05 in actual costs, and \$30,772 of under-collected EER revenues from the time period July 1, 2012, through June 30, 2013.

ANALYSIS:

KCP&L filed an application for its 2013 EER with no evidence or data supporting its request. Staff performed an audit of data it received informally from KCP&L, and determined that the Commission should approve KCP&L's request for an EER in the amount of \$827,410. Because there is no procedural schedule in this docket, CURB does not have the opportunity to respond directly to KCP&L's application, and rather is responding to Staff's May 13, 2014, Report and Recommendation.

CURB conducted an audit of data supporting KCP&L's EER application which was received through data request responses from KCP&L and Staff. Based upon this audit, CURB made one adjustment to Staff's recommendation, resulting in an EER amount of \$798,453.05, which consists of \$767,731.05 in actual costs, and \$30,722 of under-collected EER revenues from the time period July 1, 2012, through June 30, 2013.

ADJUSTMENT:

CURB made one adjustment to Staff's recommendation. CURB reduced the EER recovery for the A/C Cycling Program by ** [REDACTED] **. The program cost included in KCP&L's EER application for the A/C Cycling Program exceeds the program's Commission-approved budget. There is no explanation provided by KCP&L in its application, or Staff in its Report and Recommendation, regarding the increased program cost, or justification for why these costs should be included in the Company's EER.

On August 30, 2013, KCP&L filed an application with the Commission in Docket No. 14-KCPE-098-TAR ("098 Docket"), seeking permission to increase the two-year budget for its A/C Cycling Program. KCP&L sought an increase of 20-25% over the budget originally approved in Docket No. 11-KCPE-780-TAR ("780 Docket"). The annual budget approved in the 780 Docket was ** [REDACTED] ** for 2012 and 2013.

On February 13, 2014, KCPL amended its budget increase request in the 098 Docket due to the "actual program expenditure information becoming available during the course of processing KCP&L's Original Application." It was further noted that "KCP&L and the Staff of the Commission ("Staff") determined that KCPL's Original Application request needed to be modified."¹ Based upon actual program cost, KCP&L sought permission to increase the two-year budget for its A/C Cycling Program by 30%.

On March 10, 2014, Staff filed a report recommending the Commission approve a 30%, or ** [REDACTED] ** increase, in the two-year budget for KCP&L's A/C Cycling Program. Staff's recommendation increased the total budget for 2012 and 2013 from ** [REDACTED] ** approved in the 780 Docket to ** [REDACTED] **. Staff's recommendation was based upon an audit of actual expenses supported by invoices for 2012 and 2013. According to Staff's report, its "analysis should provide a better insight into the true cost of the program ..."² CURB supported Staff's recommendation, agreeing that the invoices supporting actual costs for KCP&L's A/C Cycling Program did not fall outside the scope of the A/C Cycling Program. On April 8, 2014, the Commission approved the two-year budget increase for KCP&L's A/C Cycling program.

Staff and CURB's analysis in the 098 Docket was based upon the actual cost supported by invoices for the entirety of years 2012 and 2013. These represent the actual cost incurred for the operation of the A/C Cycling Program during 2012 and 2013. However, KCP&L's EER application in this docket, and Staff's subsequent recommendation do not mirror the actual cost.

¹ Docket No. 14-KCPE-098-TAR, February 13, 2014, *Amended Application of Kansas City Power & Light Company For Approval to Modify the Original Budget For Its Energy Optimizer Program*, at page 1-2.

² Docket No. 14-KCPE-098-TAR, March 10, 2014, *Notice of Filing of Staff's Amended Report & Recommendation*.

The chart below compares the original budget approved in the 780 Docket, the amended budget approved in the 098 Docket, and KCP&L's EER request and Staff's EER recommendation for 2012 and 2013.

**** ALL DATA CONFIDENTIAL ****

	2012	2013	Two-Year Totals
Original Budget approved in Docket No. 11-KCPE-780-TAR	██████████	██████████	██████████
Amended Budget Approved in Docket No. 14-KCPE-098-TAR	██████████	██████████	██████████
EER Recovery of Program Expenditures for the A/C Cycling Program	██████████	██████████	██████████
Difference between EER and Budget approved in 14-KCPE-098-TAR:			██████████

Based upon the Company's application, CURB cannot explain why KCP&L's request in the 098 Docket – which was based upon actual program expenditures – sought a 2013 budget for its A/C Cycling Program of **** ██████████ **** if the incurred expenses were **** ██████████ ****. KCP&L did not explain why incurred expenses for 2013 increased **** ██████████ **** from one docket to the next, nor did it provide data supporting an additional 10% cost increase for a program that just received a 30% budget increase.

Likewise, Staff does not explain why it is ignoring its own analysis and audit of the actual program cost conducted in the 098 Docket, and is instead recommending the Commission allow KCP&L to recover more than the program's actual cost. It is CURB's opinion that the audit and analysis conducted by Staff and CURB in the 098 Docket produced an accurate budget, because the budget was developed based upon a complete volume of actual expenses, supported by invoices. These expenses were thoroughly scrutinized and assessed on an invoice-by-invoice basis. To deviate from the budget prepared with actual cost and approved by the Commission in the 098 Docket requires at least some level of explanation. Neither KCP&L nor Staff provided such explanation.

Additionally, based upon the audits of actual program expenses that were conducted in the 098 Docket, KCP&L was allowed to over-recover program expenses for 2012. KCP&L's 2012 EER was approved in Docket No. 13-KCPE-584-TAR ("584 Docket") on June 9, 2013. The 584 Docket allowed KCP&L to recover **** ██████████ **** in program cost for the A/C Cycling Program through its EER.

Staff and CURB's analysis in the 098 Docket show only **** ██████████ **** in actual 2012 program expenses that are supported by invoice. Unfortunately, the analysis conducted by Staff and CURB was conducted after KCP&L's 2012 EER was approved. Because the EER is tried-up annually, in order to allow recovery of actual expenses, my **** ██████████ **** adjustment to Staff's recommendation includes the **** ██████████ **** KCP&L has over-recovered through its 2012 EER, as well as the **** ██████████ **** difference between budget and actuals for 2013.

In an attempt to reconcile the differences between the budget – which was based upon actual program costs – and Staff’s recommendation to approve a higher EER, CURB issued Data Request No. 5 to Staff. After conferring with KCP&L, Staff provided spreadsheets which show the actual cost of the program for 2012 and 2013, and a reconciliation between the Company’s EER and the actual cost. The Data Request response and the confidential spreadsheets are attached to this report as Appendix A.

Based upon the spreadsheets provided by Staff in its response to CURB Data Request No. 5, the difference between KCP&L’s EER request and the actual cost associated with the operation of this program is comprised of accrual entries to the general ledger. It is my opinion that these accruals are for costs or other adjustments that occurred in previous years. My understanding of the accounting processes being used by KCP&L are that when an actual invoice has not yet been presented to the Company for payment, an estimate – or accrual – is entered by the Company to the general ledger for inclusion in the Company’s annual EER. When that invoice is received, presumably in the next calendar year, the original accrual entry is reversed, effectively reducing the general ledger, and the actual invoice is added, which increases the general ledger.

In a perfect accounting scenario, these accruals would be easily tracked from one year to the next, with simply an entry to the appropriate year’s expense account and an entry to a payable account. When the invoices are received, approved, and paid, the payable account is eliminated. Unfortunately, that is not the situation in this proceeding. KCP&L’s process has become complicated because accruals are being estimated in one year for the purposes of “actual” recovery through the EER, and then must be accounted for in the following year’s EER. However, an accrual entry may be reversed based upon an actual invoice, which may or may not have additional corrections requiring an additional reversing entry, which may or may not take place in the same calendar year. KCP&L’s numbers are constantly changing and are being moved back and forth from one year to the next, making them uneasy to track or extrapolate, which makes it nearly impossible to determine what the original accruals were intended to represent.

Each of the spreadsheets provided in response to CURB Data Request No. 5, reinforce the budget amendments that were approved in the 098 Docket. At page 3 of Appendix A, it states that the two-year “actual spend” for the A/C Cycling Program was ** [REDACTED] **, which mirrors the budgets approved in the 098 Docket. This figure, which consists of actual costs incurred of ** [REDACTED] ** in 2012 and ** [REDACTED] ** in 2013, is presented and verified in nearly all the evidence provided in support of the Company’s budget and EER. Further verifying the “actual spend” or costs incurred by KCP&L during 2013, is the column on page 2 of Appendix A titled “actually paid”. This column reports that KCP&L actually paid to the A/C Cycling Program vendor ** [REDACTED] ** for work performed in 2013. The amount actually paid, less ** [REDACTED] ** in various bill corrections, equals ** [REDACTED] **, which is exactly the budget approved for 2013 in the 098 Docket.

KCP&L’s application in the 098 Docket and this proceeding have allowed Staff and CURB to be in a unique position of having actual costs determine a retro-active budget. Typically, budgets are forward looking, based upon estimates of the amount of work that will be completed in a future time frame and an estimate of the costs to perform that work. Because of the

Commission's policies regarding energy-efficiency programs and cost recovery established in 08-GIMX-441-GIV and 08-GIMX-442-GIV, KCP&L was required to seek Commission approval to increase the budget of its A/C Cycling Program by more than 10%. KCP&L did this after the fact in the 098 Docket, having already incurred costs before seeking Commission approval to exceed the budget. The Commission approved a retro-active budget, based not upon estimates, but rather based upon actual invoices and actual cost. If, during the 098 Docket, KCP&L was aware of additional costs that may or may not have been accounted for during the budget process, it was the Company's responsibility to explain these costs and request their inclusion in the budget, so that these costs could later be recovered in the Company's EER.

Because the actual cost for the A/C Cycling program for 2012 and 2013 can be isolated and verified, and directly tied back to the program budget, it is CURB's opinion that the ** [REDACTED] ** difference between the budget and KCP&L's request for cost recovery, must be because of accruals from years prior to 2012. CURB cannot determine whether or not these funds may have been included in prior year's EER applications, or if they are simply adjustments that were never made. The Company has provided no explanation of these costs, and Staff has not performed an audit of what these costs may be. There is simply no data or rationale to support the inclusion of these unknown accruals in the Company's 2013 EER.

CURB recommends the Commission hold KCP&L to the two-year budget approved in the 098 Docket for the A/C Cycling Program, which is based upon a complete analysis and audit of program expenditures supported by invoice, and approve KCP&L's 2013 EER of \$798,453.05.

RATE DESIGN:

Exhibit TSR-4 in Staff's Report and Recommendation calculates the EER rate for KCP&L customers based upon an EER of \$827,410.31. The EER rate for residential customers is calculated by Staff as \$0.00016 per kWh. For a typical residential customer, the monthly EER charge would be eighteen cents.

CURB's recommendation that the Commission approve an EER of \$798,453.05 would change the residential EER rate for KCP&L's customers from \$0.00016 per kWh to \$0.000158 per kWh. Because the difference in per kWh rate is \$0.000002, for purposes of simplicity, CURB recommends the Commission approve the EER rates as calculated by Staff in Exhibit TSR-4. Because the EER is trued-up at the end of each year, the actual amount recovered from the EER rates calculated by Staff will be compared to the total EER amount approved by the Commission. If the Commission adopts CURB's recommendation and approves an EER of \$798,453.05, it will be compared to KCP&L's actual recovery, to calculate any under-recovery or over-recovery, in KCP&L's 2014 EER.

RECOMMENDATION:

CURB recommends the Commission find that there is no evidence to support the additional program expenses of ** [REDACTED] ** above the approved program budget. Therefore, CURB recommends the Commission approve KCPL's EER in the amount of \$798,453.05, to be

collected through the EER rate as calculated by Staff in Exhibit TSR-4 of its Report and Recommendation.

APPENDIX A

Staff Response to CURB Data Request No. 5 with **REDACTED** supporting schedules

DATA REQUEST TO KANSAS CORPORATION COMMISSION STAFF
FROM THE CITIZENS' UTILITY RATEPAYER BOARD
DOCKET NO. 14-KCPE-442-TAR

CURB-5. Please reconcile and explain the difference between Staff's recommended 2013 budget for KCPL's A/C Cycling Program in docket 14-KCPE-098-TAR, with the program expenditures Staff is recommending for the A/C Cycling Program in 14-KCPE-442-TAR. Please identify the additional expenditures that are being accounted for in the EER that were not anticipated in the budget amendments.

Response: Please see response below, per KCPL's e-mail to Staff on May 20, 2014. The referenced spreadsheets will be provided in a separate e-mail.

Basis for Staff's recommended 2013 budget for KCPL's A/C Cycling Program in docket 14-KCPE-098-TAR:

See attached CONFIDENTIAL spreadsheet, Q4A_CONFIDENTIAL_Honeywell Invoice Summary - 2012 and 2013.xlsx, showing development of the 2013 component of the two-year budget for KCP&L's Energy Optimizer program approved by the Commission in Docket No. 14-KCPE-098-TAR. This spreadsheet was provided in response to Staff Data Request No. 4A in that docket. Budgets are typically developed on the basis of work expected to be performed during a specific time period. This spreadsheet was developed on the basis of work completed during calendar year 2013 and contractual rates for that work. That is, it was developed on an INCURRED basis. It does NOT reflect the accounting basis (PAID/ACCRUED) for these costs. Therefore, the costs reflected in this spreadsheet will not match KCP&L's accounting records for 2013 for this program as those will be dependent upon invoice dates, accrual estimates, paid dates and any corrections to invoices.

Basis for program expenditures Staff is recommending for the A/C Cycling Program in 14-KCPE-442-TAR:

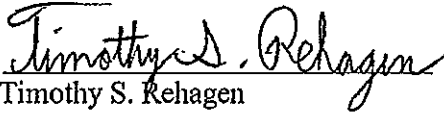
See attached spreadsheet, Response to Optimizer Budget-EER variance.xls, showing KCP&L's accounting history for payments/accruals to Honeywell during the 2013 calendar year for KCP&L's Energy Optimizer program and a reconciliation to the 2013 approved budget.

CURB-6. Please provide a list of all data requests, information requests, and other informal requests for information sent from Staff to KCPL in this docket.

Response: This response was previously provided to CURB by Andrew French through e-mail.

VERIFICATION OF RESPONSE

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 
Name: Timothy S. Rehagen
Position: Auditor
Dated: 5/20/2014

CERTIFICATE OF SERVICE

14-KCPE-442-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 23rd day of May, 2014, to the following:

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