

**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.)

**CURB's PUBLIC Response to Commission Staff's Reply to
CURB's Reply to Staff's Report and Recommendation and
Response to Kansas City Power & Light Company
to Citizens' Utility Ratepayer Board Reply to Staff's Report and Recommendation**

The Citizen's Utility Ratepayer Board ("CURB") submits its response below to the Commission Staff's ("Staff") Reply to CURB's Reply to Staff's Report and Recommendation, and to the Response of Kansas City Power & Light Company ("KCPL" or "Company") to Citizens' Utility Ratepayer Board Reply to Staff's Report and Recommendation, which were filed on June 2, 2014.

1. CURB understands accrual accounting principles and does not disagree with the definitions provided by Staff and KCPL in their replies. CURB also does not disagree that budgetary accounting is different than accrual accounting and agrees that rarely do budgets conform exactly to actual expenses, in one single accounting period.

2. Accrual accounting is generally considered to be the standard accounting practice for most companies. In the simplest of terms, accrual accounting matches expenses to the accounting period in which the cost is incurred, without any regard to when the company's cash is used to pay the expense. For example, if a vendor installed 100 new thermostats for KCPL in December 2011, but did not send an invoice for the thermostats until February 2012, using

accrual accounting methods, KCPL would record the expense for December 2011, not in February 2012. Because KCPL has a contract with the vendor, the amount of work performed in December 2011 should be easy to determine. When the invoice is received in February 2012 by KCPL the payment should be remitted to the vendor in a timely manner. Assuming KCPL has accrued the correct amount of expense, the receipt and payment of the invoice should have no impact on the accrued expense from December 2011.

3. The Energy Efficiency Rider (“EER”) is a mechanism approved by the Commission that allows a Company to recover actual, historical costs during an accounting period. In Docket 08-GIMX-441-GIV, the Commission stated that an Energy Efficiency Rider (“EER”) should be “implemented in a manner that maintains the Commission’s responsibility to review costs for prudence.”¹ Staff has previously testified that the “only practical method of accomplishing this directive is to limit DSM Rider recovery to actual, historically-incurred costs.”²

4. Because KCPL files its annual EER on or before March 31 for actual expenses from the previous calendar year, there is adequate time for the Company to make any appropriate adjustments to true-up any variance between the expense that was accrued and actual invoices. This three-month lag should allow adequate time for KCPL to receive and process invoices from the previous year and make corrections, if necessary, to the accrued amounts, before filing for cost recovery in its EER. Using the same example of 100 thermostats being installed in

¹ KCC Docket No. 08-GIMX-441-GIV, November 14, 2008, *Final Order*, at ¶32.

² KCC Docket No. 10-KCPE-795-TAR, Direct Testimony of Justin Grady, at page 8.

December 2011 as provided above, using accrual accounting methods, the known cost to install 100 thermostats in December 2011 would be included in KCPL's 2012 EER application. Similarly, CURB would expect actual expenses from December 2012 to be included in 2013's EER application, and actual expenses from December 2013, would be included in the 2014 EER application, as so on.

5. In its Response, KCPL states that in "accordance with Generally Accepted Accounting Principles ("GAAP"), when an invoice amount is not known exactly or an invoice is not received prior to the end of the period, KCP&L may estimate and accrue an amount reasonably expected to be close to the invoice amount."³ CURB disagrees with KCPL's suggestion that because GAAP standards allow for the estimation of expenses for financial reporting purposes, that such estimates should be recovered through the Company's EER. The EER was established to provide the utility dollar-for-dollar recovery of actual, historically-incurred costs. End of period estimates, while allowed by GAAP, are not actual, historically-incurred costs, and therefore should not be allowed for recovery through the Company's EER.

6. CURB reviewed KCPL's Energy Optimizer reconciliations of the actual program cost and the amount of EER recovery for 2012 and 2013. These reconciliations were provided in response to data requests. The 2013 reconciliation was attached to CURB's initial Reply Comments, filed on May 23, 2014. The 2012 reconciliation was provided in KCPL's response to Staff Data Request No. 2, and is attached as Appendix A to this reply. CURB's review found that

³ KCC Docket No. 14-KCPE-442-TAR, *Response of Kansas City Power & Light Company to Citizens' Utility Ratepayer Board Reply to Staff Report & Recommendation*, at ¶8.

on some occasions, KCPL makes appropriate period adjustments for accruals in the EER. However, this is not the case with all accruals. Specifically, according to KCPL's reconciliation of its 2012 EER, an adjustment of ** [REDACTED] **⁴ was included with a note that it is an "error to be collected in 2014." Yet, despite acknowledging this known error from 2012, KCPL did not correct the error in its 2014 EER.

7. KCPL's Response attempts to identify and isolate the variance between the EER and the actual expenses for 2012 and 2013. KCPL explains that because of accruals, or invoices received or paid in a different accounting period, the variance between the EER and actual program cost is ** [REDACTED] ** and ** [REDACTED] ** for 2012 and 2013, respectively. However, according to the reconciliations provided through discovery, because of accruals, the variance between actual program cost and the EER is ** [REDACTED] ** and ** [REDACTED] ** for 2012 and 2013, respectively. KCPL has now provided two different numbers, for two different years, each representing a reconciliation of the variance between the EER and the program's actual cost. CURB stands by its original assertion that KCPL's use of estimates and accruals in the EER mechanism makes it nearly impossible to determine what amount should be attributable to accruals. Based upon the varying numbers, it appears that KCPL is also uncertain what amount should be attributable to accruals.

8. As CURB stated in its Reply to Staff's May 13, 2014, Report and Recommendation, Staff and CURB were provided a unique opportunity to audit the Energy

⁴ All information redacted in this filing is due to KCPL's confidential designations. CURB has challenged the confidential designations. At the time of this filing, the Commission has not ruled on CURB's challenge.

Optimizer program's invoices for 2012 and 2013. CURB understands that these invoices were used to develop a backward-looking budget. Further, CURB agrees with KCPL that typically budgets are not created in that way. However, what is getting lost in all the accounting lingo and terminology, is that for the first time since the Commission approved an energy-efficiency program, Staff and CURB have the actual invoices to conduct a full audit of the program's true expenses. Access to each and every invoice for a period of two years, allows their analysts the opportunity to ensure that KCPL's customers are paying the correct amount for the program. Unfortunately, in the case of KCPL's Energy Optimizer program, the recovery amount being sought by the Company exceeds the actual, historically-incurred costs, due to accruals from previous periods.

9. KCPL suggested that CURB's methodology, which made changes to the recovery amount for one program, is inconsistent across KCPL's programs. CURB agrees that its methodology was only applied to KCPL's Energy Optimizer program and was not applied to KCPL's remaining five energy efficiency programs. As previously reported, Staff and CURB audited and reviewed each invoice for 2012 and 2013 for the Energy Optimizer program in Docket No. 14-KCPE-098-TAR ("098 Docket"). Because the audit of actual program cost had previously been completed in the 098 Docket, CURB simply applied the results of the audit to KCPL's application in the EER. If Staff and CURB had conducted similar audits of each of KCPL's program expenses, CURB would have applied the same methodology for each of the programs. That being said, CURB would welcome the opportunity to conduct a full audit of each

of KCPL's program's expenses and reconcile the expenses to amounts recovered through the EER.

10. CURB's position is not intended to be adversarial or overly critical of the parties in this proceeding. CURB does disagree with the definition of "actual, historically-incurred costs" that is being applied by KCPL and Staff, and requests the Commission clarify what type of costs are appropriate for recovery in the EER mechanism. Additionally, CURB requests the Commission to consider whether it is time to review the EER mechanism that allows the utility dollar-for-dollar recovery of actual, historically-incurred costs. For KCPL's Kansas customers, the EER has charged \$36,565,258 to customers over seven years. To date, the only comprehensive audit completed has been the 2012 and 2013 audit of the Energy Optimizer program. If the Commission approves KCPL's request in this proceeding, KCPL's Kansas customers will have paid \$37,392,668 through the EER, without any more oversight than verifying the general ledger balance and sampling a few invoices.

11. CURB stands by its original recommendation that the Commission reduce KCPL's EER request by ** [REDACTED] ** and instead approve an EER in the amount of \$798,453.05. If the Commission intends the EER to be implemented in a manner that maintains the Commission's responsibility to review costs for prudence, then the Commission should adopt CURB's recommendation. If, in the alternative, the Commission adopts KCPL's request in full, CURB requests that the Commission address and identify the type of costs that are appropriate for inclusion in the EER, for future EER proceedings.

Respectfully submitted,



David Springe #15619
Niki Christopher #19311
Citizens' Utility Ratepayer Board
1500 SW Arrowhead Road
Topeka, KS 66604
(785) 271-3200
(785) 271-3116 Fax

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I, Niki Christopher, 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.



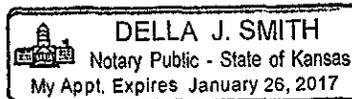
Niki Christopher

SUBSCRIBED AND SWORN to before me this 6th day of June, 2014.



Notary Public

My Commission expires: 01-26-2017.



APPENDIX A

REDACTED

CONFIDENTIAL

KCP&L
Summary of Optimizer Reconciliation

GL Balance at 12/31/2012 for Optimizer program, per EER filing
Approved 2012 portion of 2-yr Budget for Optimizer program
Variance

2012
** [REDACTED] **
** [REDACTED] **
** [REDACTED] **

Reconciliation:

Optimizer per book amount @ 12/31/12 per EER filing

Less:

Correction in as billed vs. as corrected invoice amount per 2012 invoices
December 2011 invoice paid in 2012
December 2012 accrual
December 2012 accrual

** [REDACTED] **
** [REDACTED] **
** [REDACTED] **
** [REDACTED] **

Add:

December 2011 accrual reversal in 2012
November 2012 Invoice (R0160039) paid 04/05/2013
December 2012 Invoice (R0160300) paid 02/28/2013

** [REDACTED] **
** [REDACTED] **
** [REDACTED] **
** [REDACTED] **

Approved 2012 Budget Amount

NOTES:

Error to be corrected in 2014.

(d) [REDACTED] **
(a) Accrual reversed 1/1/2013.
(b) Accrual reversed 1/1/2013.

(d) Accrual reversed in 2012.
(a) [REDACTED] **
(b) [REDACTED] **

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 6th day of June, 2014, to the following:

ANDREW FRENCH, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
a.french@kcc.ks.gov

MARY BRITT TURNER, DIRECTOR REGULATORY AFFAIR
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
mary.turner@kcpl.com

NICOLE A. WEHRY, SENIOR PARALEGAL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
nicole.wehry@kcpl.com

ROGER W. STEINER, CORPORATE COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
roger.steiner@kcpl.com

JAY VAN BLARICUM, ADVISORY COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
j.vanblaricum@kcc.ks.gov

GLEND A CAFER, ATTORNEY
CAFER PEMBERTON LLC
3321 SW 6TH ST
TOPEKA, KS 66606
Glenda@caferlaw.com

TERRI PEMBERTON, ATTORNEY
CAFER PEMBERTON LLC
3321 SW 6TH ST
TOPEKA, KS 66606
terri@caferlaw.com

A handwritten signature in black ink, appearing to read "Della Smith", written over a horizontal line.

Della Smith
Administrative Specialist