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Witness: Robin Kliethermes

Sponsoring Party: MoPSC Staff

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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

OPERATIONAL ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

ROBIN KLIETHERMES

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

Jefferson City, Missouri
September 2016

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1 A. Yes. In this section Mr. Lutz discusses his concerns with Staff's best fit
2 analysis. It appears there is confusion or at least the potential for confusion in how Staff has
3 characterized certain amounts. To clarify, the \$8 million revenue under-recovery Staff
4 identifies is the difference between (1) the level of revenues the classes as currently
5 constituted within the two rate districts produce, and (2) the revenues that would be produced
6 by the following:

7 (a) first adjust GMO's requested consolidated rates to recover the current
8 level of revenues identified in step 1,

9 (b) then move customers to each customer's best fit class to produce
10 billing determinants for each consolidated class,

11 (c) then recalculate revenues using the adjusted rates from "a" and the
12 billing determinants from "b."

13 Q. Is Staff alleging that as a result of this analysis customer rates would increase
14 by an additional \$8 million over what customers pay today, to achieve the level of revenues
15 that would be produced from consolidated rates?

16 A. No. Staff's best-fit revenue adjustment relates to the difference resulting from
17 changes to rate design and related customer movement at existing revenue levels.
18 For example, if the Commission approved a 5% increase over current customer rates,
19 that increase would be viewed by customers as the percent change from the level of revenues
20 prior to consolidation, step 1, above. The components of step 2 are an entirely internal process
21 to reflect an appropriate relationship between final revenue requirement and best fit
22 consolidated class billing determinants. In other words, this adjustment will not impact the
23 final total amount GMO will be allowed to collect, nor does it change the total amount

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1 that GMO is currently collecting. It does change the level of increase that Staff and other
2 parties will have to account for in designing rates to collect the total cost of service from the
3 final billing determinants.

4 Q. Could you provide an example of this calculation?

5 A. Yes. If R_1 is the level of revenues the classes as currently constituted within
6 the two rate districts produce, like in step 1, above; RRI is the revenue requirement increase
7 ordered in this case; and COS is the total cost of service, that formula would be as follows:

$$8 \quad R_1 + RRI = COS$$

9 Using Staff's best fit analysis, there is a new level of revenues determined in step 2c, above,
10 R_2 . The example for this calculation would be as follows:

$$11 \quad R_2 + \$8,000,000 + RRI = COS$$

12 In other words, $R_2 + \$8,000,000 = R_1$.

13 Q. Do you agree with Mr. Lutz that Staff's best-fit analysis is incomplete?

14 A. No. Staff's best-fit analysis provides an estimate of the movement in billing
15 determinants that result from customers moving to their best-fit rate class due to changes in
16 class rate designs and minimum requirements for consolidation. Although the time period that
17 was analyzed was the 12-months ending June 30, 2015, this was the most recent data that
18 Staff could receive from GMO.

19 Q. How long did it take for GMO and Staff to complete this analysis for direct?

20 A. It took approximately two to three months to identify, analyze, and calculate
21 the changes in billing determinates.

22 Q. Given the time it took GMO and Staff to complete this analysis in direct, is
23 there sufficient time left in this case to conduct this analysis again?

24 A. No.

1 RESPONSE TO GMO WITNESS BRAD LUTZ REGARDING RESIDENTIAL
2 CUSTOMER CHARGE

3 Q. Did you review Mr. Lutz's testimony regarding GMO's proposed corrections
4 to Staff's calculation of the residential customer charge?

5 A. Yes.

6 Q. Do you agree with Mr. Lutz that GMO followed the Commission's guidance,
7 limiting the costs included in the customer charge to those included on page 88 of the
8 Commission's Report and Order in ER-2014-0370?

9 A. No. Although some of the non-customer charge costs such as the amortization
10 of solar rebates were removed from GMO's calculation, GMO did not remove amortization
11 expenses relating to GMO's pre-MEEIA programs.

12 Q. Should amortization expenses for GMO's pre-MEEIA programs be included in
13 the calculation of the residential customer charge?

14 A. No. Costs of pre-MEEIA programs are not costs that are necessary to make
15 electric service available to customers regardless of the level of electric service utilized and
16 should not be included in the calculation of the customer charge.

17 Q. Based on additional information received from GMO, does Staff have any
18 changes to its calculation of the residential customer charge?

19 A. Yes.

20 Q. What are those changes?

21 A. GMO's supplemental response to Staff's data request indicated that of the
22 approximately \$9.3 million that Staff had identified in direct as needing to be removed from
23 GMO's residential customer charge calculation, approximately \$6.1 had already been
24 removed from GMO's cost of service calculation. Based on this updated information from

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1 | GMO, Staff's calculation results in a residential customer charge of \$12.41. However, it is
2 | important to note that the \$12.41 is calculated from GMO's class cost of service (CCOS)¹
3 | using GMO's rate of return and at an equalized rate of return for each class, which reflects a
4 | higher rate of return than that recommended by Staff and other parties.

5 | Q. Did GMO calculate residential customer charge costs at present rates of return
6 | for each class?

7 | A. Yes.

8 | Q. What is Staff's calculated residential customer using the residential class'
9 | present rate of return?

10 | A. After making the same adjustments to GMO's cost of service as discussed in
11 | Staff's Direct Rate Design report and updated above, Staff calculated a residential customer
12 | charge of \$11.92.²

13 | Q. Is it reasonable to use GMO's cost of service at present rates of return for each
14 | class rather than at an equalized rate of return in this case?

15 | A. It is not unreasonable to calculate the residential customer charge using the
16 | present rate of return for the residential class as calculated by GMO, in that on July 29th the
17 | parties filed a Non-Unanimous Stipulation and Agreement agreeing to not make any revenue
18 | neutral shifts between rate classes. The Commission approved the Stipulation on August 19th.
19 | If there are no revenue neutral shifts recommended for each class then there will not be
20 | movement to move rate classes closer to an equalized rate of return. Rather, it is more likely
21 | that classes will maintain their current rate of return. Under these circumstances, and in the
22 | absence of reliable cost of service studies indicating the rate base assignments and allocations

¹ Adjusted for removing non-customer costs and for Staff's direct-filed recommended rate increase.

² Based on GMO's rate of return.

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1 of the various classes, it is reasonable to base the residential customer charge on the current
2 rate of return GMO calculated for the residential class in its CCOS.

3 Q. What is Staff's recommended residential customer charge?

4 A. Staff recommends maintaining its direct-filed recommended customer charge
5 of \$10.71.

6 Q. Why would Staff recommend maintaining its direct-filed recommended
7 customer charge when there have been updates to the costs?

8 A. Although on a cost basis Staff calculated a residential customer charge of
9 \$11.92, when this increased charge is applied to customer billing determinants the revenue
10 that is generated exceeds the revenue increase required from the residential class at Staff's
11 direct filed revenue requirement increase of approximately 0.5%. This causes residential
12 energy charges to decrease greater than what Staff had proposed in direct using a \$10.71
13 residential customer charge.

14 Q. If the overall increase in rates was above 0.5%, could the customer charge be
15 greater than \$10.71?

16 A. Yes. If the Commission orders an overall increase in rates greater than 0.5%,
17 Staff recommends that its direct-recommended Residential rate design be modified to
18 apply that increase to the customer charge up to a level of \$11.92, as warranted by the
19 revenue requirement.

20 **RESPONSE TO GMO WITNESS TIM RUSH REGARDING MEEIA CYCLE 1**
21 **BILLING ADJUSTMENT TO BILLING DETERIMANTS**

22 Q. On page 4 of GMO witness Tim M. Rush's rebuttal testimony he states,
23 "When addressing the unit sales and demand levels, adjustments are made to reflect normal
24 weather, customer annualization (e.g. establish customer levels at a time closer to when rates

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1 go into effect) and adjustments for known and measurable changes from test period, such as
2 customer usage changes not reflected in the weather normalization process.” Is this correct?

3 A. No. When addressing normalizing and annualizing rate class billing
4 determinants, such as the number of customers, kWh sales in each block, and kW
5 determinants, Staff will make an adjustment to weather normalize kWh and to grow a rate
6 class’ kWh, kW, and number of customers based on the overall change in the number of
7 customers from the end of the update period to the end of the true-up period. Staff does not
8 perform an analysis that determines whether the change in customer usage from one time
9 period to the next for a class or a specific customer is due to weather or some other event.

10 In a rate case, Staff will weather normalize a 12-month period, the 12-months ending
11 at the end of the update period or the 12-months ending at the end of the test year, and update
12 the normalized kWh for changes in the number of customers through the end of the true-up
13 period. Billing determinants are not re-weather normalized for the 12-months ending at the
14 end of the true-up period since the weather normalization process requires data and analysis
15 that take a greater amount of time to gather and calculate than the true-up time period permits.
16 To compare the kWh of a customer class at the end of the true-up period to the normalized
17 kWh of the class at the end of the update period is a mismatch of comparison since the true-up
18 kWh is not weather normalized.

19 Q. What time period did Staff weather normalize in this case?

20 A. Staff weather normalized the 12-months ending June 30, 2015.

21 Q. Why didn’t Staff weather normalize through the 12-months ending
22 December 31, 2015?

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1 A. As I mentioned in my rebuttal testimony, GMO could not provide updated load
2 research and billing determinants through the end of December in time for Staff to perform its
3 analysis for direct.

4 Q. Is Staff making an adjustment to normalized and annualized kWh for the
5 true-up period in this case for MEEIA Cycle 2 programs?

6 A. Yes, Staff will make an adjustment to normalized and annualized kWh for
7 MEEIA Cycle 2 programs, according to the process stipulated to in the MEEIA Cycle 2
8 stipulation and agreement in Case. No. EO-2015-0241. This stipulated process reflects an
9 agreement of the parties to that case to deem that the MEEIA Cycle 2 programs had a specific
10 impact on kWh sales.

11 Q. Would it be reasonable to apply the Cycle 2 adjustment process to the Cycle 1
12 measures to annualize billing determinants?

13 A. No. While the MEEIA Cycle 2 process is stipulated to adopt the measured load
14 shapes relied upon in developing the MEEIA Cycle 2 portfolio, it is not reasonable to expect
15 that those are the actual changes that will occur to customer usage in a particular hour, day,
16 month, or year. Further, the MEEIA Cycle 2 process is stipulated to adopt the measured load
17 shapes relied upon in developing the MEEIA Cycle 2 portfolio without any other changes in
18 load offsetting those reductions. It is not reasonable to expect that there be no other changes
19 in load offsetting those stipulated reductions for MEEIA Cycle 1.

20 Q. Does Staff have an understanding of how effective the MEEIA implementation
21 has actually been at achieving the energy savings assumed in the load shapes?

22 A. Yes. For program years 1 & 2 GMO experienced MEEIA a Net to Gross
23 (“NTG”) ratio of 2013 = .93; 2014 = .88.

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1 Q. Did Mr. Rush adjust his MEEIA Cycle 1 adjustment to reflect those values
2 being less than 1?

3 A. No.

4 Q. For what year does Mr. Rush seek annualization?

5 A. Mr. Rush is seeking annualization for activities that occurred after year 3.

6 Q. Has any NTG been established for year 3 or beyond?

7 A. No.

8 Q. Do the programs installed in years 1 & 2 differ from those installed in year 3
9 and beyond?

10 A. Yes.

11 Q. Does the NTG depend on the measures installed, and the success of a given
12 group of customers in consistently utilizing the measure?

13 A. Yes.

14 Q. Does Mr. Rush attempt to account in his adjustment for customers who may
15 have changed how they use energy outside of the measure?

16 A. No.

17 Q. Is annualization of kWh in this rate case due to GMO's Cycle 1 demand-side
18 programs prohibited under the Non-Unanimous Stipulation and Agreement Resolving
19 KCP&L Greater Missouri Operations Company's MEEIA Filing on October 29, 2012 in Case
20 No. EO-2012-0009 ("Cycle 1 Stipulation"), the Non-Unanimous Stipulation and Agreement
21 Resolving MEEIA Filings on November 23, 2015 in CaseFile Nos. EO-2015-0240 and
22 EO-2015-0241 ("Cycle 2 Stipulation) and GMO's Cycle 2 DSIM Rider?

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1 A. Yes. Staff witness John A. Rogers provides surrebuttal testimony on this
2 issue.

3 Q. Does this conclude your testimony?

4 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 ROBIN KLIETHERMES

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW ROBIN KLIETHERMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Surrebuttal Testimony and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

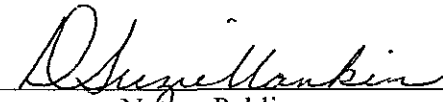


ROBIN KLIETHERMES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 2nd day of September, 2016.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2016 Commission Number: 12412070
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Notary Public