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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

REBUTTAL TESTIMONY

OF

MARISOL E. MILLER

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
December 2016**

KCPL Exhibit No. 137
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REBUTTAL TESTIMONY

OF

MARISOL E. MILLER

Case No. ER-2016-0285

1 **Q: Please state your name and business address.**

2 A: My name is Marisol E. Miller. My business address is 1200 Main, Kansas City, Missouri
3 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or “Company”) as
6 Supervisor – Regulatory Affairs.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L.

9 **Q: Are you the same Marisol E. Miller who filed Direct Testimony in this proceeding?**

10 A: Yes, I am.

11 **Q: What is the purpose of your rebuttal testimony?**

12 A: The purpose of my Rebuttal Testimony is to address a number of issues presented by the
13 Staff of the Missouri Public Service Commission (“Staff”), the Missouri Department of
14 Economic Development Division of Energy (“MODOE”), Renew Missouri, The Sierra
15 Club, U.S. Department of Energy (“US-DOE”), and the Missouri Industrial Energy
16 Consumers (“MIEC”). Those issues include:

17 I. Retail revenues – responding to Staff.

18 II. Class Cost of Service Studies – responding to Staff, MIEC, and the U. S.
19 Department of Energy (US-DOE).

1 III. Rate Design - responding to Staff, MIEC, MODOE, US-DOE, and Sierra Club.

2 IV. Response to Certain Commissions Questions-responding to Staff and MODOE.

3 **I. RETAIL REVENUES**

4 **Q: Have you reviewed the Staff's Report entitled "Revenue Requirement Cost of**
5 **Service" as it addresses the retail revenues filed in the Staff cost of service?**

6 **A:** Yes. The Staff Report on pages 60 through 69 addresses the retail revenues supported by
7 the Staff. Witnesses for Staff's adjustment are Mr. Michael L. Stahlman, Dr. Seoung
8 Joun Won, Ph.D., Mr. Matthew R. Young, and Ms. Michelle A. Bocklage.

9 **Q: Briefly explain what the basis of the retail revenues are and what they are used for**
10 **in this case.**

11 **A:** Typically, retail revenues are used as the basis for determining the rate levels for the
12 increase/decrease in the rate proceeding. The test period retail revenues are established
13 based on weather normalized and customer annualized retail sales levels, at current retail
14 rates. The test period in this proceeding is 12 months ending December 31, 2015,
15 adjusted for known and measurable items through December 31, 2016. The Company's
16 filing followed that process and developed its test period retail sales levels based on
17 actual test period results by weather adjusting the sales of customers for that period (i.e.
18 weather normalization). As a result of the last rate case, the Company went through a
19 process of identifying Commercial and Industrial customers who would be better off on
20 alternative rate. Adjustments for this were made to customer levels. Additionally, an
21 adjustment was made to reflect the energy efficiency programs for test period sales to
22 reflect appropriate sales for the true-up period sales levels. It then projected what the
23 expected customer levels would be as of December 2016 and applied the weather

1 normalized retail sales of customers to reflect customer levels as of December 2016 for
2 all months in the test period (i.e. customer annualization). This is discussed in more
3 detail in the testimony of Albert Bass. The current rates were then applied to the
4 December 2016 customer normalized/annualized sales levels to determine the retail
5 revenues to be used as the basis in the case.

6 If the overall cost of providing service to customers exceeds these retail revenues,
7 an increase in current retail rates is warranted. Likewise, if the cost of service is less than
8 the retail revenues, a decrease in current rate levels is warranted.

9 **Q: Did the MPSC Staff follow the above process as described?**

10 A: Staff's only went through the update period of June 30, 2016, and did not go beyond that
11 period in determining its revenue levels used in there direct testimony. It's unclear if the
12 Staff followed the process above as there are major differences in the revenues calculated
13 by the Company and Staff that are presumed to be over the same update period.

14 **Q: Presuming the MPSC Staff did follow the typical process for calculating revenues as
15 outlined above, do you agree with their methodology and calculations?**

16 A: Given the material differences in calculated revenues between the Company and Staff,
17 this is a difficult question to answer at this time.

18 **Q: What are some of the major drivers that appear to be contributing to the difference
19 in revenues?**

20 A: At this time, there are several known differences which include the following: 1) the
21 customer growth calculation, 2) the treatment and adjustment for rate switchers, 3) LPS
22 billing adjustments, and 4) the treatment of lost sales associated with the implementation
23 of MEEIA programs in the annualization of Staff unit sales and sales revenues. Issues 1-

1 3 are all discussed in the rebuttal testimony of Company witness Albert R. Bass, Jr. and
2 Issue 4 is discussed in the rebuttal testimony of Company witness Tim Rush.

3 **Q: Are the above factors the only ones at issue with the MPSC Staff's calculated**
4 **revenues?**

5 A: No. In addition to the above, there appears to be significant differences with the
6 methodologies used by the Staff and the Company for assigning usage across the energy
7 and demand blocks which materially impact how revenues are calculated. While this
8 may impact all classes, these differences are especially pronounced in the LPS Class.
9 These variances may be influenced by the differences in estimating retail base sales,
10 particularly the treatment of customer shifts as outlined above.

11 **Q: Has the Company communicated their concerns with Revenues to the MPSC Staff?**

12 A: Yes, the Company has had several conference calls with Staff and has been able to
13 identify a number of issues that MPSC Staff has agreed to research further. However,
14 there are still a number of outstanding issues that remain unresolved at this time.

15 **Q: Will the MPSC Staff be updating any of their data inputs or adjusting any of their**
16 **calculations based on the Company's discussions with them?**

17 A: Based on discussions with MPSC Staff, there appear to be plans to research items and
18 make some adjustments in True-up, but it's unclear to what extent Staff plans to adjust
19 their data, calculations, or assumptions. It's the Company's hope that for issues and
20 differences that are clearly a result of errors, that the Company and Staff can work
21 together to provide additional information if needed and make corrections necessary by
22 the True-up period.

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Comparison of Class Cost of Service Studies - Relative Rate of Return								
Party	Production Allocation	Total	RES	SGS	MGS	LGS	LPS	Lighting
KCP&L	Ave. & Peak	1.00	0.72	1.48	1.26	1.30	0.88	1.70
Staff	BIP	1.00	1.02	1.25	1.24	1.03	0.65	1.32
MIEC	Ave. & Excess (4NCP)	1.00	0.45	1.38	1.30	1.58	1.46	1.70
US-DOE	4CP	1.00	0.50	1.34	1.25	1.54	1.27	3.85

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Review of these results reveals some consistent themes. The Residential rates provide results at or below their relative rate of return. The Small, Medium, and Large General Service rates are consistently shown to provide a higher relative rate of return than the average. The Large Power relative rates of return are less consistent across the studies. Further, the relationship between the residential relative rate of return and the Large Power relative rate of return varies based on the method used to allocate production plant. Production allocation methods that rely more heavily on peak demands allocate more cost to the residential class while methods that rely more heavily on energy allocate more cost to the Large Power class. The Lighting class shows extreme variation in results which has been common in previous cases and is likely due to the unique characteristics of lighting.

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Q: Please describe the most significant difference between the Company's CCOS study approach and the CCOS study offered by the other parties?

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A: The primary difference is with the method used to allocate production costs. Production costs are the largest cost allocated within the study and as a result, the method used can change the results of the study. The Company study utilized an Average & Peak allocation method. This method seeks to recognize that production plant is utilized for

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1 both demand and energy. By contrast, the 4CP method proposed by US-DOE focuses
2 entirely on coincident peak demands, particularly the demands in the four summer
3 months. The Staff utilized the Base, Intermediate, Peak method that uses three different
4 allocations based on the use of the production assets. Finally, MIEC utilize an Average
5 & Excess method.

6 **Q: What is your opinion concerning the Base-Intermediate-Peak (BIP) method utilized**
7 **by Staff?**

8 A: The Company has utilized the BIP method previously in Missouri, but has utilized
9 Average in Peak in its last three general rate cases in Missouri and Kansas, as outlined in
10 Case No. ER-2014-0370, and 15-KCPE-116-RTS and by Greater Missouri Operations
11 (GMO) Company in Case No. ER-2016-0156. Additionally, KCP&L had also used the
12 Average & Peak method in Case No.'s ER-2006-0314 and ER-2007-0291. For a time,
13 the Company believed the BIP method to be reasonable, but due to concerns with the
14 transition of the SPP to an Integrated Marketplace (IM) with centralized dispatch, the
15 Company decided the Average & Peak method was more appropriate. To utilize the BIP
16 allocator one must assign the generating units into base, intermediate, and peak groups
17 based on their use. Prior to the IM market, the Company provided its own generation to
18 meet its load requirements. With the introduction of the IM market, we no longer use our
19 generation to meet the Company's load requirements, but instead sell generation into the
20 SPP market and buy our load requirements for the SPP market. It is the Company's
21 belief that the IM market change impacts the suitability of the BIP method as the
22 production allocation.

1 **Q: Do you have any other concerns with the MPSC Staff's CCOS study?**

2 A: Yes. It should be emphasized that the Company has significant concerns with the
3 revenues being calculated by the MPSC Staff as noted above that would undoubtedly
4 have an impact on the CCOS they performed. It is the Company's hope that these issues
5 can be resolved soon, so as to ensure that the MPSC Staff CCOS does not contain errors
6 resulting from the material revenue differences described above.

7 **Q: Do you agree with MIEC's A&E-4 NCP allocation or US-DOE's 4CP for production
8 and transmission facilities?**

9 A: There are many allocation methods that can be used in the class cost of service studies in
10 a case. The Company is challenged with finding a method that best represents their
11 respective belief of how the costs occur. The A&E and 4-CP methods will generally shift
12 costs to customer classes that rely more on demand consumption rather than energy
13 consumption. While I do not support the methods proposed in this proceeding, they may
14 have merit from a specific perspective and viewpoint, but they don't best match the
15 Company's belief of how costs occur.

16 **Q: What is your preferred method?**

17 A: I believe an Energy Weighted approach, such as the Average & Peak method, is more
18 cost effective and less subjective than the BIP method proposed by Staff, and properly
19 gives classes recognition for both usage and contribution to peak load. I believe it
20 provides the most balanced and reasonable results of the studies offered in this case.

1 **Q: Did the Company perform an analysis before switching Production Cost Allocation**
2 **methods?**

3 A: Yes, in 2012, the Company reviewed industry data and information available within the
4 public domain, including the National Association of Regulatory Utility Commissioners'
5 ("NARUC's") "Electric Utility Cost Allocation Manual" published in January 1992 with
6 the objective of validation of the production plant allocation method being used and
7 exploring other possible alternatives. The Company reviewed an informal survey
8 performed by the Edison Electric Institute on plant allocation methods. Finally, we
9 looked at testimony from recent Missouri and Kansas rate proceedings, exploring the
10 positions offered by parties on the topic. The evaluation considered the three main
11 categories of production allocation defined in the NARUC materials; Peak Demand,
12 Energy Weighted, and Time Differentiated methods. After considering all allocation
13 theories and ensuring that the selected method aligned with the principles of reflecting
14 actual planning and operating characteristics, cost causation, recognizing the broad set of
15 customer class characteristics and their usage, and producing stable results on a year to
16 year basis, the Company selected the utilization of the Energy Weighted approach,
17 specifically the Average & Peak Production Plant Allocation method, incorporating a
18 four (4) Coincident Peak (CP) component. An Energy Weighted approach was viewed to
19 be cost effective, balanced through its incorporation of energy, and less subjective than
20 other methods. Utilization of the Average & Peak method is an energy-weighted method
21 of production plant allocation that gives classes recognition for both usage and
22 contribution to peak load.

23

1 **Q: What is your impression of the studies offered?**

2 A: Each study follows the normal structures and utilizes allocation methods, particularly for
3 production plant, which are recognized by NARUC in their cost allocation manual. The
4 respective allocation methods allow the parties allocate costs on the basis of their point of
5 view. Review of the other methods and allocations identified only a few areas of concern
6 primarily with comparability driven by differences in the choice of Production Plant
7 allocation methodology as noted above.

8 **Q: How should the Commission utilize the studies and the varied results?**

9 A: I believe that each CCOS study holds value and that some collective view might be
10 warranted. Regardless, the CCOS results should only be used as a guide and that bill
11 impacts, revenue stability, rate stability and public acceptance must be considered. In
12 making my proposal, I considered the rates of return between the classes and noticed our
13 study did show some opportunity for a class shift from the General Service Classes to the
14 Residential and Large Power classes. However, in reviewing the magnitude of change
15 needed to move the residential and Large Power rates of return and the potential impact
16 of those shifts combined with the proposed revenue increase, I recommend no shift in
17 revenues to classes based on the outcome of my class cost of service study at this time.
18 The CCOS study provides the Commission good information concerning those topics.

19 **III. ELECTRIC RATE DESIGN**

20 **Q: Please explain the Company's position regarding rate design in this proceeding.**

21 A: The Company is requesting an increase in rates of \$90.1 million (10.77%), which
22 includes the rebasing of fuel for the FAC. The Company is proposing that the requested
23 increase be applied to the classes on an equal percentage basis with a reflection of a

1 redistribution of MEEIA opt out revenues to the Non-Residential classes, across billing
2 components. Given the results of the CCOS, no rate increase is being proposed to the
3 Lighting class.

4 **Q: Have you reviewed the Direct Testimony provided by the parties in this case**
5 **concerning rate design?**

6 A: Yes. I have reviewed the Direct Testimony of Ms. Sarah Kliethermes on behalf of Staff,
7 Mr. Maurice Brubaker on behalf of MIEC, Mr. Michael Schmidt representing the US
8 Department of Energy, Mr. Doug Jester representing Renew MO and Sierra Club, and
9 Mr. Martin Hyman representing Missouri Department of Economic Development
10 Division of Energy.

11 **Q: Please describe those testimonies.**

12 A: The Direct Testimony filed by Staff witness Ms. Sarah Kliethermes proposes 1) a
13 revenue neutral shift in revenue from all classes to the LPS class if no change in overall
14 revenue requirement is ordered. Specifically, Staff recommends that the LPS class's
15 revenue responsibility be increased by approximately \$2.35M, with a reduction to the
16 Lighting class's responsibility of approximately \$100K and the remainder of the
17 reductions spread equally across the remaining classes. If an increase of up to 0.62% of
18 current revenues is granted, that increase would be applied to the LPS class only-but no
19 other class would receive a rate reduction. If an overall increase is awarded that exceeds
20 0.62% of current revenues, the revenue neutral shifts described above in the no change in
21 overall revenue requirement. 2) Staff further recommends that any Pre/Non-MEEIA
22 revenue requirement not recoverable through the Missouri Energy Efficiency Investment
23 Act (MEEIA) be allocated to applicable classes based on that class's level of kWh less

1 opt-out customers. 3) The amount of revenue ordered for KCP&L not associated with
2 Pre/Non-MEEIA revenue requirement would be allocated to various customer classes as
3 an equal percent of current base revenues after adjustments outlined in Step 1) above. 4)
4 Each rate component of each class would be adjusted on an equal percentage after
5 consideration of Steps 1) - 3) above.

6 Mr. Brubaker, representing the Industrials, supports a revenue neutral cost of
7 service adjustment moving each class 25-50% of the revenue differential. The
8 Residential class would experience an increase while all other classes would receive a
9 decrease. Any remaining increase would then be applied on an equal percentage basis to
10 all classes with the exception of the Large General Service and Large Power classes. For
11 these classes Mr. Brubaker proposes that the tail-blocks of the energy charge should not
12 be changed, the middle blocks be increased by 75% of the remaining increase, and the
13 balance of the remaining increase applied equally to the remaining billing components.

14 Mr. Schmidt, representing US-DOE, supports movement toward cost based rates
15 in this case subject to principles of gradualism. Specifically, Mr. Schmidt suggests the
16 Commission cap rate increases for any particular rate class at the greater of one-third (33
17 percent) more than the system average percentage rate increase or three percent above the
18 system average percentage rate increase. Class rate changes below the system average
19 should be limited to double these levels (e.g. two thirds less than the system average)
20 prior to any reallocation of revenues necessitated by the proposed caps on rate increases.

21 Mr. Doug Jester, representing Sierra Club, recommends the rejection of the
22 Company's proposal to increase the customer charge for residential customers. He then
23 recommends migration away from declining block rates and a movement toward

1 inclining block rates to the extent the bill impact does not exceed 5% for the 95th
2 percentile of customers and initiate a process to evaluate and potentially move toward
3 time-of-use rates.

4 Mr. Martin Hyman representing Missouri Department of Economic Development
5 Division of Energy, recommends moving KCP&L's residential general use rate towards a
6 flat structure in the winter and an inclining structure in the summer, with iterative
7 transitions in subsequent cases to fully flat or inclining winter block rates.

8 **Q: What is your initial impression of the proposals offered?**

9 A: Some proposals reject the Company's proposal concerning the Residential Customer
10 Charge, or include recommendations, on a revenue neutral basis, to move costs to certain
11 classes based on reliance on different CCOS studies utilizing different methodologies and
12 assumptions, and a number of stakeholders share an interest for the Company to move to
13 toward utilization of inclining block rates.

14 **Q: Please describe your concerns with the MPSC Staff's proposal?**

15 A: As mentioned in the Revenues section of my testimony above, the Company has
16 significant concern with the MPSC Staff's methodology for calculating revenues. It is
17 unclear to the Company yet what the exact drivers are for the material differences. It is
18 our hope that MPSC Staff will be able to provide additional information to assist the
19 Company in reconciling these differences. Any error in revenues would certainly impact
20 CCOS study results and any conclusions and recommendations for rate design made that
21 relied on that information.

22 Additionally, assuming the revenues in the MPSC Staff's CCOS can be relied
23 upon; the concern with the Staff rate design is that it did not take into account the

1 customer shifts that will almost assuredly result from its proposal. Staff's proposal does
2 not explore the disruption of the relationship between the Large General Service and the
3 Large Power rate groups, leading to the potential rate switching impact of its proposal.
4 Staff's proposal recommends increasing the Large Power class, while leaving the Large
5 General Service class unchanged. These opposing changes will certainly upset the
6 relationship of these rates.

7 **Q: Please describe your other concerns with the other proposals?**

8 A: Beginning with the Residential Customer Charges, several witnesses including Mr. Doug
9 Jester representing Renew MO and the Sierra Club recommend denial of any increase or
10 a desire to keep customer charges artificially low, perhaps irrespective of associated
11 customer related costs, largely ignore the latest CCOS study completed by the Company
12 that supports an increase. The Company's current CCOS supports an increase to the
13 monthly Residential Customer Charge to \$16.68, significantly more than the charge
14 proposed by the Company.

15 Mr. Martin Hyman representing the MODOE recommends the Company
16 transition to an Inclining Block Rate structure. Under current rate design policies, there
17 is a desire to limit the customer charge to recovery of only customer-related costs and
18 often the final customer charge is set at rates amounts below the amounts supported by
19 CCOS studies. Under the current Residential two part rate structure, if the customer
20 charge only recovers customer-related costs, the result is that all remaining cost recovery
21 falls into the energy charge. As a means to recover any remaining fixed costs of facilities
22 and demand costs, rate designers place those costs in the first blocks of the energy rate
23 structure, ensuring that all customers pay these costs as they progress through the billing

1 blocks. This has the effect of creating a declining block relationship. MODOE's
2 proposal views all costs as "variable". The Company does not agree with this view as it
3 ignores the very real fixed costs that the Company has and how recovery of its revenue
4 requirement will be achieved given the consumption disincentive inherent in MODOE's
5 recommendation. As such, the Company does not support MODOE's proposal.

6 For rate design proposals relying on a CCOS study using a Production cost
7 allocator that largely penalizes customers that rely more on demand consumption than
8 energy consumption, the Company is unable to support them at this time.

9 IV. RESPONSE TO CERTAIN COMMISSION QUESTIONS

10 On August 8, 2016 the Commission ordered Staff to file a proposed tariff that
11 would provide for a discounted volumetric rate or customer charge, or a waiver or
12 reduction of line extension related charges, or some other mechanism to reduce bills of
13 customer accessing infrastructure identified as under-utilized. On August 24, 2016 the
14 Commission ordered Staff to consider inclusion of the following issues in their Direct
15 Testimony. Other interested parties were also invited to consider them as well. The
16 issues included: 1) Installation of AMI smart meters for residential and commercial
17 customers, 2) Plug-in Electric Vehicle Rate (reference made to Georgia Power's tariffs),
18 3) Optional Residential Time-of-Use rates (hourly) and Time-of-Day rates (reference
19 made to Ameren MO tariffs), 4) PACE Property Assessed Clean Energy programs, 5)
20 PAYS Pay As You Save programs.

21 **Q: Will you be addressing all of these issues?**

22 **A:** Company witness(es) Mr. Tim Rush will be addressing issues 1 and 2 referenced above
23 and Mr. Brian File will be addressing issues 4 and 5 above in response to several parties.

1 I will be responding to the Optional TOU issue discussed by Staff and MODOE and the
2 Infrastructure issue.

3 **Q: Have you reviewed the Staff's testimony on Residential Time-of-Use and Time-of**
4 **Day Rate Designs in the Report Responding to Certain Issues?**

5 A: Yes.

6 **Q: Would you please summarize that testimony?**

7 A: Yes. In the report, Staff discusses a conference call held with the Company to discuss the
8 issue. The report concludes with a number of details concerning a program to test the
9 role of time-of-use rates to mitigate upgrades on the distribution system.

10 **Q: Do you agree with the design as detailed in the report?**

11 A: I agree that the design represents a plausible approach to exploring the issue; I do not
12 agree that the Company is ready to pursue the program at this time. The single
13 conference call was useful to gain an understanding of the many requirements, issues,
14 and limitations associated with testing dynamic pricing. The Company was interested in
15 supporting Staff's efforts in responding to the Commission questions, but I am concerned
16 that a move to performing a field trial is premature.

17 **Q: Why is it premature?**

18 A: Multiple studies are underway within the KCP&L and GMO companies to explore
19 dynamic rates and demand side efforts. As these studies have not been completed, it is
20 unclear if time-of-use rates are the best means to address peak load issues. To be more
21 specific, in ER-2014-0370 the Commission ordered KCP&L to complete a study
22 regarding the redesign of its time-of-use rates within two years of the effective date of
23 that order. That date would be September 15, 2017. Similarly, in ER-2016-0156, the

1 Commission ordered GMO to study time-of-use rates for GMO including time-of-use
2 residential and SGS rates, critical peak rates, Electric Vehicle time-of-use rates for stand-
3 alone charging stations, time-of-use rates applicable to Electric Vehicle charging
4 associated with an existing account, Real Time Pricing, Peak Time Rebates, and other
5 rate types which could encourage load shifting/efficiency. GMO will propose rates based
6 on this study no later than its next rate case or rate design case. These studies will
7 provide more understanding of the role of dynamic rates and help determine an
8 appropriate path forward for these rates. Finally, I should mention that other work is
9 being done within the Integrated Resource Planning process to examine demand side
10 rates. This effort includes review of time-of-use as well as other rate designs that could
11 be used by the Company.

12 **Q: What is your recommendation concerning the Commission question on Residential**
13 **Time-of-Use and Time-of Day Rate Designs?**

14 A: I recommend that the Commission allow the studies mentioned previous to be completed
15 before moving onto the next step. The program outlined in the Staff report should be
16 tabled until a time where its applicability can be verified. This will help ensure that right
17 work is done at the right time to achieve a result that is part of an overall plan and avoid
18 the likelihood of unproductive effort.

19 **Q: Have you reviewed the Staff's testimony on Infrastructure Efficiency in the Report**
20 **Responding to Certain Issues?**

21 A: Yes.

1 **Q: Would you please summarize that testimony?**

2 A: Yes. In the report, Staff discusses the work performed in File No. EW-2016-0041, the
3 Working Case to Consider Mechanisms to Encourage Infrastructure Efficiency, as well as
4 a conference call held with the Company to discuss the issue. After exploring some of
5 the distribution cost identified in company Class cost of Service studies, Staff offers two
6 primary recommendations to meet the goal set by the Commission. First, Staff
7 recommends customers in “impacted areas” receive a monthly discount. The amount
8 would vary by customer class. Second, Staff recommends that KCP&L modify its
9 facility line extension tariff to “more fully consider the incremental cost a customer
10 causes to a system.”

11 **Q: Do you support these recommendations?**

12 A: In general, no. Based on an interpretation of how the discount might work, the discount
13 is not a reasonable way to address underutilized infrastructure. Concerning the
14 recommendation for tariff revision, as the Company process already makes similar
15 considerations, the need for revision is not clear.

16 **Q: Please expand on these positions. Beginning with the proposed discount, why do
17 you believe this is not reasonable?**

18 A: As I understand the Staff recommendation, it is proposed that the Company provide a
19 discount roughly equal to the customer-related distribution revenue requirement to
20 customers locating in “impacted areas.” To be clear, the Company does not support
21 providing any discount to a customer currently located in those areas as the discount will
22 do nothing to impact the utilization of facilities. Assuming the proposed discount is
23 directed only to new customers in an impacted area, the approach is uncertain at best to

1 provide any real improvement in infrastructure utilization. First, utilization levels can
2 vary dramatically over time. At the time of initial construction, a level of contingency is
3 included in the design. The need for contingency in the design expands as you move up
4 the network of the distribution grid as diversity in customer loads can lead to significant
5 fluctuations in utilization from hour to hour, day to day, and season to season. To define
6 an “impacted area” one must define what under-utilized means. Further, once defined,
7 the level of utilization must be actively monitored to insure the facilities do not become
8 fully loaded or even overloaded. The potential dynamics associated with monitoring
9 could render the proposed discount unmanageable. Further, what is to happen as the
10 condition varies over time? It is conceivable that facilities could be measured as under-
11 utilized, change to become fully or over-utilized; only to later return to an under-utilized
12 condition. Would it be expected to apply, remove, and then apply the discount over that
13 period?

14 Examining the discount further, broadly applying the discount to an area does not
15 insure better facility utilization within those areas. When a customer is provided service,
16 the facilities installed are based on the expected, individual need of the customer. If that
17 customer fails to achieve those estimated loads, the utilization level for the area could be
18 negatively impacted. As proposed, it would appear customers will receive the discount
19 simply by locating in an area, not for providing a positive impact to the utilization of the
20 facilities in that area.

21 As these examples highlight, a discount model, applied indiscriminately to an
22 “impacted area” does not achieve the goals set by the Commission. It is my opinion that
23 the best place to address infrastructure utilization is within the facility extension and/or

1 economic development policies. Within these processes, the individual customer is
2 evaluated as well as the area they intend to locate; the policies incorporate features that
3 recognize the benefit of utilizing existing infrastructure. The current line extension
4 processes require the customer to pay for all extension costs beyond a standard minimum
5 extension and those not covered by some portion of revenues expected to be received
6 from the extension. With this design, customers utilizing higher amounts of existing
7 infrastructure will be charged a lower amount for their extension than customers
8 requiring more new infrastructure. Within the Economic Development Rider, customers
9 are monitored to ensure they maintain prescribed load levels to continue receiving the
10 rider credits.

11 **Q: Turning to the proposal to modify the facility extension tariff, why do you believe**
12 **this is not reasonable?**

13 **A:** As I note in the previous response. The existing tariffs provide mechanisms to consider
14 the cost of facilities. Staff highlights the GMO tariff in its recommendation to modify the
15 KCP&L tariff. Although I would agree the tariff is more voluminous, the application of
16 the tariff between the KCP&L and GMO is very similar, particularly in the areas of
17 facility utilization. There is no evidence that the KCP&L tariff and related processes are
18 not adequately charging customers for the expansion of facilities on their behalf. Further,
19 the KCP&L Economic Development Rider tariff explicitly includes language concerning
20 facility utilization.

1 **Q: What is your recommendation concerning the Commission question on**
2 **Infrastructure Efficiency?**

3 A: I believe the KCP&L tariff and processes are adequate as they are and no additional
4 change is needed at this time. In its December 8th response to Staff questions the
5 Company identified 16 circuits that were at least at 50% of rated capacity available under
6 normal and contingency scenarios. Given there are hundreds of circuits in the service
7 areas of KCP&L and GMO, this does not seem indicative of a widespread problem.
8 Closer examination of the list would also identify a number of rural circuits. Rural
9 circuits are subject to seasonal loading and depending if more advanced criteria were
10 used, could reduce the listing even further.

11 **Q: In its last general rate case file in Case No. ER-2014-0370, the Commission ordered**
12 **the Company to complete a study addressing time-of-use rates within two years of**
13 **the effective of rates in that case or no later than September 15, 2017. The MODOE**
14 **is requesting the Commission order the Company to file this study upon its**
15 **completion. What's your response?**

16 A: The Company fully intends to complete the study as ordered by the Commission and has
17 no concerns with filing it upon its completion.

18 **Q: Does that conclude your testimony?**

19 A: Yes, it does.

