

Exhibit No.:
Issue: Customer Growth
Witness: Matthew R. Young
Sponsoring Party: MoPSC Staff
Type of Exhibit: True-up Direct Testimony
Case No.: ER-2016-0285
Date Testimony Prepared: March 1, 2017

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

✓ **TRUE-UP DIRECT TESTIMONY**

OF

MATTHEW R. YOUNG

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
March, 2017

Staff Exhibit No. 257
Date 3-16-17 Reporter XF
File No. ER-2016-0258

1 TRUE-UP DIRECT TESTIMONY

2 OF

3 MATTHEW R. YOUNG

4 KANSAS CITY POWER & LIGHT COMPANY

5 CASE NO. ER-2016-0285

6 Q. Please state your name and business address.

7 A. Matthew R. Young, Fletcher Daniels Office Building, 615 East 13th Street,
8 Room 201, Kansas City, Missouri, 64106.

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

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

12 Q. Are you the same Matthew R. Young who has previously filed testimony in
13 this case?

14 A. Yes.

15 Q. What is the purpose of your true-up direct testimony?

16 A. I will discuss Staff's customer growth adjustment as of the true-up date of
17 December 31, 2016.

18 Q. Can you please describe the customer growth adjustment?

19 A. Yes. The purpose of the customer growth adjustment is to recognize that
20 Kansas City Power & Light's ("KCPL") December 31, 2016, customer levels have changed
21 since the test year in this case, and changes to the level of customers will also result in a
22 change in KCPL's baseload demand. To calculate the adjustment to KCPL's demand, the

1 change in customers is measured and an appropriate adjustment is made to the test year
2 kilowatt hours (“kWhs”). In this case, the change in customer levels, as measured by
3 “customer charge counts,” is presented in this table:

Missouri	Customer Charge Count		
	12/31/2015	12/31/2016	Change in Customers
Residential	242,760	247,136	4,376
Small General Service	27,602	27,925	323
Medium General Service	5,417	5,445	28
Large General Service	965	926	(39)
Total Ending Customers	276,744	281,432	4,688

5
6 Q. You indicated that the customer levels in the table are based off of customer
7 charge counts. Are customer charge counts a true representation of customer levels?

8 A. No. If customer levels were to be defined as the aggregate number of
9 revenue producing meters at any given point in time, KCPL’s current accounting systems are
10 unable to produce a “true” customer count. Instead, both Staff and KCPL in this case have
11 relied upon alternative information produced by KCPL as a proxy for customer levels. At this
12 time, KCPL is able to produce data sets known as 1) “bill counts” and 2) “customer charge
13 counts,” although it is Staff’s understanding that of the production of customer charge counts
14 require a labor intensive process to ensure customer charge count accuracy. KCPL undertook
15 this lengthy verification process to produce customer charge account total for each month of
16 the test year (calendar year 2015) when it filed its current rate application. However,
17 KCPL did not repeat the same process it did for the test year to validate customers charge
18 count information for the months included within the update period in this case ending
19 June 30, 2016.

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1 Q. Can you please define "monthly bill count?"

2 A. Yes. A monthly bill count is defined as the number of bills a customer
3 receives in any given month. For a customer who does not initiate or cease service in a time
4 period, that customer receives one monthly bill and the bill count is interchangeable with the
5 "true" customer count. However, bill counts deviate from the "true" customer counts when
6 customers leave or connect to KCPL's electric system. For example, when a customer's
7 account is closed, the customer is issued a "final bill" in addition to the monthly bill issued to
8 the customer in the month of departure.

9 Q. Can you please define a "monthly customer charge count?"

10 A. Yes. A monthly customer charge count is defined as the number of customer
11 charges (fixed charges) that KCPL bills in any given month. Similar to the bill count,
12 customer charge counts are representative of "true" customer counts for customers that
13 remain active over a particular time period. Also similar to bill counts, customer charge
14 counts deviate from "true" customer counts when customers initiate new service or customers
15 leave the system, but the deviation is of a smaller degree. Customer charge counts are
16 recorded as fractions instead of whole numbers so are closer to the "true" customer counts
17 than bill counts, which are always recorded as whole numbers. As such, customer charge
18 counts are more precise than the bill counts.

19 Q. Why are customer charge counts closer to the "true" customer counts than
20 bill counts?

21 A. The difference between bill counts and customer charge counts results from
22 the issuance of "final" bills. When a final bill is sent to a customer, it always adds "1" to the
23 overall bill count. In contrast, the customer charge in the final bill is prorated, assuming

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1 the final billing cycle does not correspond to the regular bill cycle, and is counted as a
2 decimal point.

3 As a hypothetical example, if a customer moves out of an apartment after receiving a
4 regular bill, they would receive a prorated final bill. As part of the example, when the renter
5 moves out, the landlord arranges for a new tenant to move in the following day. The new
6 tenant would receive a prorated initial bill. Under this simple scenario, one meter would have
7 a bill count of "3" and the customer charge count may be "2" in one month. The customer
8 charge count is closer to "true" customer count of "1" if the "true" customer count is defined
9 as a "revenue producing meter". The following is an illustration of the same example:

10

<u>Event</u>	<u>Bill Count</u>	<u>Customer Charge Count</u>
Existing tenant receives regular bill	1	1
Existing tenant receives final (prorated) bill	1	0.4
New tenant receives initial (prorated) bill	<u>1</u>	<u>0.6</u>
Total monthly count for meter	3	2

11
12 Q. How does Staff calculate its adjustment to test year kWhs?

13 A. During the test year, normalized kWh is divided by the customer count to
14 derive an average usage per customer. The adjustment is calculated by multiplying the usage
15 per customer in a class by the change in customers in the same class. For example, the
16 Medium General Service ("MGS") customer class has grown by 28 customers according to
17 customer charge counts. Hypothetically, if the MGS class averaged 100 kWh per customer in

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1 the test year, a positive adjustment of 2,800 kWh would be made to the MGS class to
2 recognize the additional customers at the true-up period of December 31, 2016.¹

3 Q. How can the use of bill counts versus customer charge counts affect the
4 customer growth adjustment?

5 A. Because bill counts are influenced more heavily by final and initial bills, as
6 illustrated above, bill counts are more volatile and are always a higher count than the
7 customer charge count. In months where large amounts of KCPL's customers are moving
8 into and off of the system (i.e., "back to school" month where students are moving to campus
9 and taking new electric service or months when students are leaving school and disconnecting
10 their electric service) this volatility can lead to an overstated or understated growth in kWhs.

11 Q. Can you provide an example of how the use of these different counts will lead
12 to different adjustment amounts for customer growth?

13 A. Yes. The following table presents the customer growth adjustment to kWhs
14 for a rate code group in the Large General Service class using bill counts and customer charge
15 counts obtained from KCPL:

16

Rate Codes 1LGAH and 1LGAE	Bill Count	Customer Charge Count
December 31, 2015 count	190	182
<u>December 31, 2016 count</u>	<u>153</u>	<u>153</u>
Growth in customer count	(37)	(29)
<u>Dec '15 kWh per customer</u>	<u>266,657</u>	<u>271,401</u>
Growth of Dec'15 kWh	(9,866,320)	(7,807,294)

17

¹ This is a basic example. Staff's actual customer growth adjustment breaks down customers in more detail; i.e. by rate codes and by each month of the test year.

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1 The calculation shows an approximate difference in the growth of more than two million
2 kWhs by using the different type of customer counts. It is important to note that the
3 adjustment to test year kWhs, as illustrated above, is the calculation made for December 2015
4 and the adjustments to January through November 2015 kWhs are not shown. The difference
5 in December 30, 2015 customer counts is directly related to the volatility created by
6 customers leaving the system, which is why Staff finds use of customer charge counts to
7 annualize revenues to be more desirable.

8 Q. In your rebuttal testimony, you indicated that Staff intended to modify its
9 approach in calculating the customer growth adjustment in the true-up period compared to the
10 adjustment in its direct case.² Did you modify the customer growth adjustment for Staff's
11 true-up revenue requirement?

12 A. Yes. As I discussed in my rebuttal testimony, KCPL was unable to provide
13 information requested by Staff for the June 30, 2016 update period, more specifically
14 customer charge counts. As such, Staff calculated customer growth in its direct case with the
15 information that was available, which was the June 30, 2016 bill counts. However, by using
16 two different types of customer counts (customer charge counts for the test year, bill counts
17 for the test year update period), Staff's growth adjustment resulted in an amount of growth
18 that was substantially higher than KCPL's. This difference is apparent on the reconciliation
19 of Staff and KCPL's direct filed cases.

20 After filing Staff's direct case November 30, 2016, discussions were held with the
21 Company to identify the problems with how Staff calculated its initial growth adjustment.
22 As part of this discussion, Staff requested customer charge counts from the Company and

² Young rebuttal ER-2016-0285 – page 6.

1 KCPL made a commitment to supply this information for the months between the end of the
2 test year and the true-up period, December 31, 2016.

3 In late January 2017, KCPL fulfilled its commitment to supply customer charge counts
4 through December 31, 2016 so Staff was able to recalculate the customer growth adjustment
5 using matching data sets.

6 Q. Why did Staff require customer charge counts to perform the customer growth
7 adjustment?

8 A. When KCPL supplied its workpapers supporting its direct case, filed July 1,
9 2016, test year customer charge counts were included in those workpapers. Both Staff and
10 Company used the customer charge counts to “price” test year customer charge revenues. To
11 consistently “grow” test year revenues that were priced by using customer charge counts,
12 customer charge counts were also needed for both the January 1 -June 30, 2016 update period
13 and the July 1 - December 31, 2016 true-up period.

14 Q. Did Staff use customer charge counts to annualize revenues in previous KCPL
15 rate cases?

16 A. No. The customer counts available in this case, bill counts and customer
17 charges counts, were not available in prior cases. After KPCL’s most recent case, Case No.
18 ER-2014-0370, KCPL installed software provided by Utilities International which provides a
19 tool (“UI tool”) to generate bill counts and customer charge counts. With the implementation
20 of the UI tool, the customer counts available in this KCPL case are new and are not
21 interchangeable with the customer counts provided in prior KCPL cases.

22 Q. Does that conclude your true-up direct testimony?

23 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
Company's Request for Authority to) Case No. ER-2016-0285
Implement A General Rate Increase for)
Electric Service)

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW MATTHEW R. YOUNG, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing True-Up Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

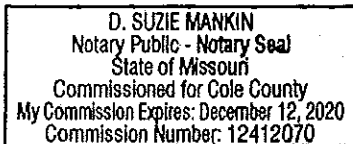
Further the Affiant sayeth not.

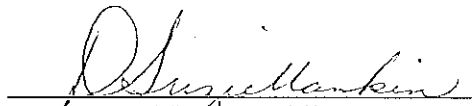


MATTHEW R. YOUNG

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 1st day of March, 2017.





Notary Public