Exhibit No.:	
Issue(s):	*Weather Normalization Rider*
	Residential Customer Charge
	Economic Development Riders
Witness:	*Robin Kliethermes*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*ER-2019-0374*
Date Testimony Prepared:	*March 9, 2020*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF-RATE DESIGN DEPARTMENT

REBUTTAL TESTIMONY

OF

ROBIN KLIETHERMES

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

Jefferson City, Missouri
March 2020

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Q. Please state your name and business address.

A. My name is Robin Kliethermes and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

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

A. I am employed by the Missouri Public Service Commission ("Commission") as the Rate & Tariff Examination Manager of the Tariff and Rate Design Department of the Industry Analysis Division.

Q. Are you the same Robin Kliethermes that supported sections in Staff's Class Cost of Service report (CCOS)?

A. Yes.

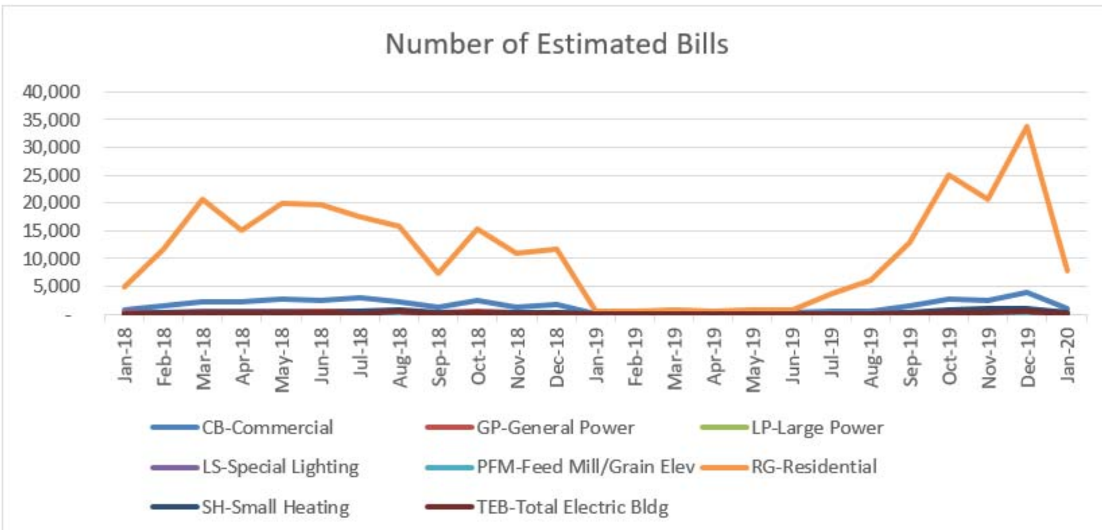
Q. What is the purpose of your testimony?

A. The purpose of my rebuttal testimony is to respond to The Empire District Electric Company's ("Empire" or "Company") witness Timothy S. Lyons regarding the Weather Normalization Rider ("WNR") and Residential customer charge. I also briefly address Empire witness Sheri Richard regarding Economic Development Riders. I will also generally address concerns that Staff has found with Empire's billing determinants and usage data used for weather normalization and to establish revenues in this case.

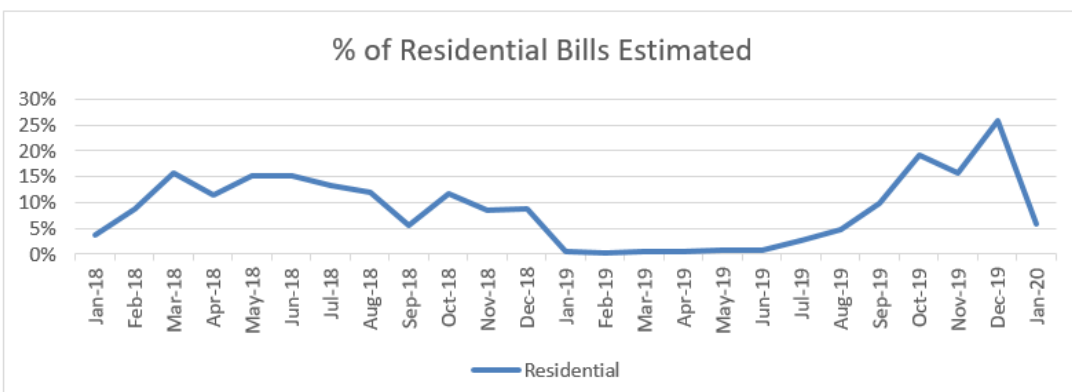
BILLING DETERMINANT CONCERNS

Q. Have concerns with Empire's billing data arisen after Staff filed its direct testimony in this case?

A. Yes. The graph below shows that for calendar year 2018, and from August 2019 through December 2019 a large number of residential and non-residential customers received estimated bills.[1]



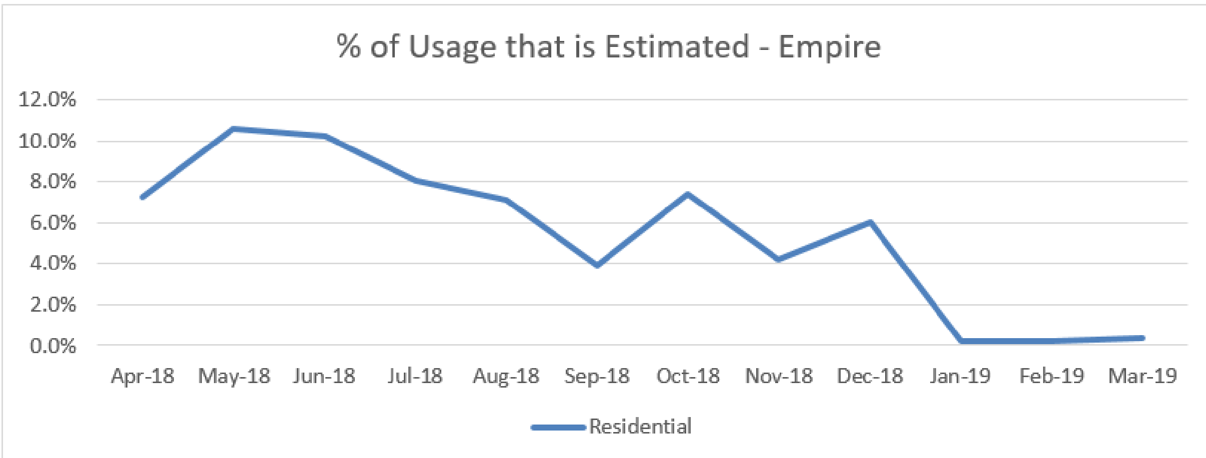
This resulted in as high as 15% of Empire's residential customers receiving an estimated bill in 2018 and as high as 26% receiving an estimated bill in December 2019. The graph below shows the percent of residential customers per month receiving an estimated bill.



[1] Company response to Staff Data Request No. 0246.

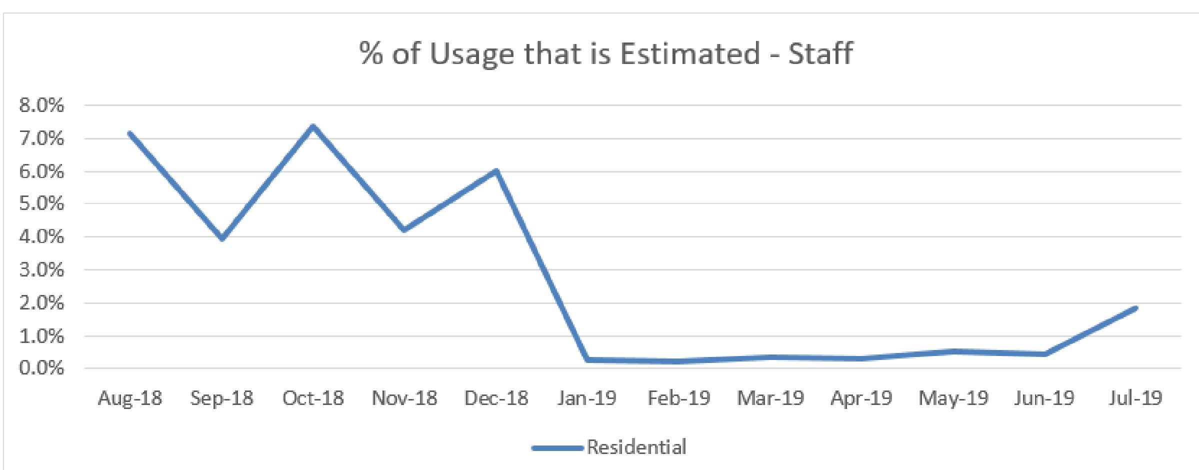
Q. Is the Company's test period in this case impacted by the estimated bills?

A. Yes. The Company's test period is April 2018 through March 2019. The graph below provides the percent of usage monthly that is estimated in Empire's test period.



Q. Is Staff's test period in this case impacted by the estimated bills?

A. Yes. For purposes of weather normalization and normalized revenues, Staff used a test period of August 2018 through July 2019. Since Staff's test period did not include the beginning of 2018 and the end of 2019, Staff's test period contains a lower percent of estimated bills than the Company's test period, as shown in the graph below.



Q. How do estimated bills impact normalized and annualized determinants?

A. A large percentage of estimated usage causes errors in Staff's and the Company's weather normalization models, and impacts the overall expectation that the billing determinants resulting from this case accurately reflect a reasonable level of normalized and annualized usage for Empire's customers. Inaccurate billing determinants also cause inaccurate class cost of service allocations and resulting rates to be imprecise. If the normalized and annualized usage resulting from this case do not accurately reflect a reasonable level of expected normalized and annualized usage it increases the chance that Empire may over-recover or under-recover depending on the direction of the estimation.

Q. How do estimated bills impact the weather normalization model?

A. Staff's and the Company's weather normalization models are dependent upon the usage that is used to find the relationship between weather and electric usage. If that usage is not an accurate reflection of the level of usage a customer actually used, then the relationship calculated by each model is flawed. Although Staff's test period includes less estimated bills than the Company's test period, Staff's weather model uses two years of usage and weather data and is impacted by the large number of estimated bills in 2018. The Company's weather model is also impacted by the same number of estimated bills in 2018.

Q. What is Staff's recommendation regarding billing determinants?

A. Staff recommends the use of its recommended billing determinants since its test period contains fewer estimated bills. However, due to the large number of residential and commercial customer bills that were estimated in this case, Staff also recommends the Commission appropriately weigh the reliance on any CCOS study results and weather normalization models when ordering any inter-class revenue shifts in this case.[2]

[2] MECG's CCOS relied on the Company's load and peak data.

RESIDENTIAL CUSTOMER CHARGE

Q. What is the Company's calculated residential customer charge?

A. Empire witness, Timothy S. Lyons calculates a residential customer charge of $28.95, but recommends the currently effective residential customer charge of $13 be increased to $19.

Q. Do you agree with Mr. Lyons's residential customer charge calculation?

A. No. First, Mr. Lyons's residential customer charge calculation includes the return on distribution plant accounts other than meters and service lines. For example, Mr. Lyons includes the "customer related" portion of the investment in distribution poles and overheard conductors in the residential customer charge as well as a portion of the return on electric vehicle charging station plant in the calculation of the residential customer charge. Second, as discussed in more detail below, Mr. Lyons allocates distribution plant amongst the primary and secondary distribution systems and between demand related and customer related differently than Staff, which causes an increase in Empire's proposed residential customer charge calculation.

Q. Is it reasonable for the Company to include a portion of these investments in the calculation of the residential customer charge?

A. No. First, it is unreasonable to assume that an additional customer coming onto the distribution system will cause the Company to invest in a Company-owned electric vehicle charging station. Second, according to the Company's residential customer charge calculation, a residential customer causes $2,572 in distribution plant investment regardless of the amount of kWh the customer is consuming.[3] The recently published Regulatory Assistance

[3] This does not include additional billing expenses.

Project ("RAP"), handbook "Electric Cost Allocation for a New Era,"[4] suggests that the "basic customer," method which includes only those costs that vary by customer such as metering, billing and customer service is the best practice for classification and calculation of the residential customer charge.[5] This method has been adopted in Texas and Washington, among other states.[6]

Q. Is it reasonable to allocate some level of distribution plant investment for FERC accounts 364 through 368[7] to the rate classes based on customer count?

A. It may be. Although, for classification[8] purposes it is not unreasonable to allocate a portion of distribution plant investment to rate classes on the basis of current customer count, it does not imply that one should reasonably expect "customer-related" classified costs to vary with the number of customers served. The RAP handbook notes that commissions in Arkansas, California, and Colorado have explicitly ordered that accounts 364 – 367 (and 368 in Arkansas and Colorado) should not reflect any customer-related classification.[9]

Q. If the customer charge is not reflective of the change in cost caused by customers, will it over collect revenues as customer growth occurs?

A. Yes. It will also send an inefficient price signal by artificially depressing the rates applicable to the sales of energy.

Q. If you would remove the cost related to distribution plant investment from Empire's customer charge calculation, what is Empire's residential customer charge?

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[4] Authored by Jim Lazar, Paul Chernick and William Marcus, edited by Mark LeBel.
[5] See RAP handbook at pages 18, 19 and 145.
[6] See RAP handbook at page 145.
[7] FERC accounts 364 through 368 include distribution plant investment related to poles, overhead lines, underground lines and line transformers.
[8] Distribution system costs can be classified between demand-related and customer-related costs. The allocation method used to allocate the costs to the rate classes is generally related to the classification.
[9] See RAP handbook at page 145.

A. Using Empire's direct filed revenue requirement and rate of return, Empire's calculated residential customer charge would be $17.43 instead of $28.95, a difference of $11.52 if you only excluded distribution plant costs related to accounts 364 through 368[10] and account 375[11] from Empire's customer charge calculation.

ALLOCATION OF DISTRIBUTION PLANT

Q. How did Mr. Lyons describe his classification of distribution plant between primary and secondary voltage and between customer and demand responsibility?

A. Mr. Lyons testifies that he performed a minimum system study to determine the amount of each account properly classified as "customer-related". However, the manner in which the resulting percentage was applied double-counted the portion of the secondary distribution system found to be customer related. This double-counting occurred because Mr. Lyons first allocated distribution plant between primary and secondary voltage by using line miles classified as either primary or secondary. Next, Mr. Lyons divided the primary voltage system between demand related and customer related using the minimum system approach. For the secondary distribution system, Mr. Lyons did not use the minimum system approach, but instead classified over 85% of the secondary distribution costs based on the number of customers in the class. In total, this caused over 46% of the Company's total investment in distribution plant to be allocated in relation to the number of customers in the class, which Empire then included in the calculation of the customer charge.

[10] FERC accounts 364 through 368 include distribution plant investment related to poles, overhead lines, underground lines and line transformers.
[11] Electric vehicle charging plant account.

The minimum system approach is typically used to determine the level of total distribution system costs in accounts 364 through account 368 that are "customer-related" or should be allocated to rate classes based on the number of customers in the class. This is because the minimum system approach uses total distribution system costs and not just the costs of the primary or secondary voltage system. The minimum system also does not differentiate for the different size equipment that is necessary to serve customers at primary vs. secondary voltage.

Q. How did Staff allocate the distribution plant between primary and secondary voltage and between customer and demand responsibility?

A. Staff first classified costs between demand related and customer related using a combination of the Company's minimum system study and, when data was available, a zero-intercept study. Then Staff apportioned the costs classified as demand related and customer related between primary and secondary voltage.

Q. If data is available to assign plant to primary and secondary classifications, could an approach similar to that used by Mr. Lyons be appropriate?

A. Yes, but only if the customer-related percent that is applied to each classification is based on the customer-related portion with that voltage classification. Further, due to data unavailability, neither Empire's nor Staff's method attempts to identify and isolate costs related to the connection of customers receiving service at primary voltages to the primary distribution system.

ECONOMIC DEVELOPMENT RIDERS

Q. Did Staff allocate any discounts relating to Economic Development Riders (EDR) in its case?

A. No. Per the Stipulation and Agreement in ER-2012-0345, customers are held harmless for discounts relating to the Company's EDR tariff, so no costs related to EDRs were included in Staff's direct filed case. In addition, Empire did not have any customers taking service under its Limited Large Customer Economic Development Rider (LLCEDR) during Staff's direct filed test period. Staff is aware that one customer started service in September 2019 under Empire's LLCEDR tariff. Staff will address any LLCEDR discounts in its true-up filing in this case.

Q. How does Staff recommend allocating LCEDR discounts to customers?

A. Staff recommends that the reduced level of revenues arising from the application of LCEDR discounted rates be allocated to all of Empire's customer rate classes in accordance with Section 393.1640, which states that the increase shall be implemented through the application of a uniform percentage adjustment to the revenue requirement responsibility of all customer rate classes. Further Staff recommends that the reduced level of revenues be recoverable from all customers through a separate line item on the customer's bill.

Q. Why is Staff recommending that the reduced level of revenues arising from the LLCEDR discounted rates be recoverable from a separate line item on customers' bills?

A. Empire recommends that customers who will be receiving a LLCEDR discount will receive the discount through a separate line item on the customer's bill. To be consistent, Staff recommends that the reduced level of revenues arising from the LLCEDR discounted rates that is allocated to all customers, including those receiving the discounted rates, be recovered as a separate line item on all customer bills.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric Company's Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area	)))))	Case No. ER-2019-0374

AFFIDAVIT OF ROBIN KLIETHERMES

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW ROBIN KLIETHERMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal 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 5th day of March 2020.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070

Notary Public