

Exhibit No.:
Issue(s): *Rate Design,*
Class Cost of Service
Witness: *Robin Kliethermes*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal/True-Up Direct*
Testimony
Case No.: *ER-2019-0374*
Date Testimony Prepared: *March 27, 2020*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF AND RATE DESIGN DEPARTMENT

SURREBUTTAL/TRUE-UP DIRECT TESTIMONY

OF

ROBIN KLIETHERMES

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

Jefferson City, Missouri
March 2020

1
2
3
4
5
6
7
8
9
10

**TABLE OF CONTENTS OF
SURREBUTTAL/TRUE-UP DIRECT TESTIMONY OF
ROBIN KLIETHERMES
THE EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2019-0374**

RESPONSE REGARDING TIME PERIODS2
RESPONSE REGARDING CLASSIFICATION OF DISTRIBUTION ACCOUNTS.....2
RESPONSE REGARDING RESIDENTIAL CUSTOMER CHARGE.....3
RESPONSE REGARDING WEATHER NORMALIZATION RIDER.....4

1 **SURREBUTTAL/TRUE-UP DIRECT TESTIMONY OF**
2 **ROBIN KLIETHERMES**
3 **THE EMPIRE DISTRICT ELECTRIC COMPANY**
4 **CASE NO. ER-2019-0374**

5 Q. Please state your name and business address.

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

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

9 A. I am employed by the Missouri Public Service Commission (“Commission”) as
10 the Rate & Tariff Examination Manager of the Tariff and Rate Design Department of the
11 Industry Analysis Division. A copy of my credentials is attached to the Staff’s Class Cost of
12 Service Report (“CCOS Report”) filed on January 29, 2020, in this matter, to which
13 I contributed. I also provided CCOS Rebuttal testimony filed March 9, 2020.

14 Q. What is the purpose of your surrebuttal testimony?

15 A. I will respond to the CCOS Rebuttal testimony of Tim S. Lyons concerning the
16 classification of distribution facilities for class cost of service purposes and the residential
17 customer charge, and the Cost of Service (“COS”) Rebuttal testimony of Sheri Richard
18 concerning the update period timing. I will also respond to the CCOS Rebuttal testimony of
19 Kavita Maini concerning the classification of distribution facilities.

1 **RESPONSE REGARDING TIME PERIODS**

2 Q. Ms. Richard alleges that Staff has misaligned the time periods that are the basis
3 for certain revenue annualizations and normalizations, resulting in an overestimation of
4 Empire's revenues of approximately \$5.8 million.¹ Is this accurate?

5 A. No. For purposes of weather normalization, Staff used the 12 months ending
6 July 2019; however, Staff utilized customer growth through September 2019 in order to grow
7 customer usage and rate revenues through September 2019 in order to match the same time
8 period that was used by Staff auditors. The result of this calculation is essentially a normalized
9 and annualized level of kWh sales for customer classes through September 2019.

10 Q. Why did Staff utilize the 12 months ending July 2019 for weather normalization
11 instead of 12 months ending September 2019?

12 A. As noted in Staff's Cost of Service report, Empire was not able to update the
13 data necessary for Staff to weather normalize through September 2019 in a timely manner.
14 If Empire would have been able to provide the update data in a timely manner, then Staff would
15 have conducted weather normalization through September 2019.²

16 **RESPONSE REGARDING CLASSIFICATION OF DISTRIBUTION ACCOUNTS**

17 Q. Mr. Lyons criticizes Staff's classification of accounts 364, 366, and 368.³ Are
18 his concerns reasonable?

19 A. Not entirely. For accounts, 364 and 365 it is not reasonable to assume that every
20 anchor, guy, vault and pedestal booked in these investment accounts are customer-related.

¹ See Richard COS Rebuttal at pages 11-13.

² However, due to the amount of data necessary to conduct weather normalization, it is not uncommon for weather normalization to be conducted on a time period that is a few months earlier than the 12 months used by Staff auditors and customer growth is utilized to match the time periods.

³ See Lyons CCOS Rebuttal at pages 24-29.

1 At this date, Empire has not provided data that allows a zero-intercept study to be performed
2 on these cost categories. For account 368, Staff noted in its Class Cost of Service Report filed
3 on January 29, 2020 that the data provided by Empire regarding account 368 was limited and
4 prohibited Staff from conducting a more reflective zero-intercept study.⁴

5 Q. How was Empire's data limited?

6 A. Empire only provided the cost per two different types of line transformers
7 instead of the cost per every type of line transformer included in account 368. Therefore, due
8 to a lack of more robust data, Staff relied on the limited data. Staff is not opposed to
9 recalculating its customer-related portion of account 368 if more robust data is available to
10 do so.

11 Q. Did Ms. Maini also criticize Staff's classification of account 368?⁵

12 A. Yes. Ms. Maini had similar concerns as Mr. Lyons.

13 Q. If Staff used the Company's minimum system classification of account 368,
14 would Staff's overall revenue allocation recommendation change?

15 A. No. The magnitude of this plant account would not cause a change in
16 Staff's overall recommendation, given the concerns discussed in the Surrebuttal testimony of
17 Sarah L.K. Lange.

18 **RESPONSE REGARDING RESIDENTIAL CUSTOMER CHARGE**

19 Q. Mr. Lyons requests a \$6 increase to the residential customer charge in this
20 case.⁶ Is this reasonable?

⁴ See Staff's CCOS Report on page 29.

⁵ See Maini CCOS Rebuttal at pages 14-15.

⁶ See Lyons CCOS Rebuttal at pages 17-18.

1 A. No. There are two issues with Mr. Lyons' request. First, he bases his
2 quantification of the "customer-related" costs on Empire's direct-filed CCOS, which was based
3 on Empire's direct COS, which assumes a significant revenue requirement *increase* in this case.
4 Second, he bases his quantification of the "customer-related" costs on including all costs
5 allocated on the basis of customers per class in the customer charge for that class. This is not
6 consistent with prior Commission practices which exclude non-customer specific distribution
7 plant such as portions of the primary distribution system's pole count from the customer charge.
8 This is also not consistent with the evolving industry best practice of adoption of the
9 "basic customer" approach as discussed in the RAP manual⁷ and my CCOS rebuttal testimony
10 at pages 5-7.

11 **RESPONSE REGARDING WEATHER NORMALIZATION RIDER**

12 Q. Are you aware of a mechanism that would have the latent benefit of mitigating
13 the impact of estimated bills on the accuracy of the revenue recovery for the residential class
14 going forward?

15 A. Yes. While not its primary purpose, Staff's SRLE would effectively true-up the
16 over or under estimation of normalized residential billing determinants used to set rates in
17 this case.

18 Q. Would the weather normalization rider ("WNR") as proposed in Empire's direct
19 testimony have a similar latent benefit?

20 A. No. To the contrary, the WNR would have the effect of readjusting current bills
21 on the basis of each customer's prior estimated bills, as applicable.

⁷ "Electric Cost Allocation for a New Era," by Jim Lazar, Paul Chernick and William Marcus, edited by Mark LeBel, at pages 18, 19 and 145.

1 Q. Would the weather normalization adjustment rider (“WNAR”) alluded to in
2 Mr. Lyons’ rebuttal have a similar latent benefit?

3 A. No. The functionality of the Spire/Liberty WNAR is premised on the accuracy
4 of the weather normalization results in the underlying rate case. Not only would it not true-up
5 the rate case determinants, it would also improperly rely on the estimated bills in establishing
6 the adjustment, similar to the problems with the WNR.

7 Q. Did another latent benefit of the SRLE mechanism come to light during the
8 technical conference due to recent events?

9 A. Yes. Given the expected uptick in residential energy consumption due to the
10 response to COVID-19, the SRLE would have the latent benefit of returning, to residential
11 customers, a portion of the anticipated increase in residential revenues associated with more
12 time being spent at home.

13 Q. Does this conclude your surrebuttal/true-up direct testimony?

14 A. Yes.

