Exhibit No.:	
Issue:	Retail Revenues; Class Cost of Service; Rate Design; Non-Rate Tariff Revisions; Rules & Regulations; Consumer Disclaimer; Pre-MEEIA Rate; Tariff Corrections
Witness:	Bradley D. Lutz
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	KCP&L Greater Missouri Operations Company
Case No.:	ER-2016-0156
Date Testimony Prepared:	August 15, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0156

REBUTTAL TESTIMONY

OF

BRADLEY D. LUTZ

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
August 2016

REBUTTAL TESTIMONY

OF

BRADLEY D. LUTZ

Case No. ER-2016-0156

Q: Please state your name and business address.

A: My name is Bradley D. Lutz. My business address is 1200 Main Street, Kansas City, Missouri 64105.

Q: Are you the same Bradley D. Lutz who pre-filed Direct Testimony in this matter?

A: Yes, I am.

Q: What is the purpose of your Rebuttal Testimony?

A: The purpose of my Rebuttal Testimony is to address a number of issues presented by the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("OPC"), the Missouri Division of Energy ("DOE") the Midwest Energy Consumers Group and Missouri Industrial Energy Consumers ("MECG", "MIEC", or collectively as "MIEC/MECG"), and Brightergy, LLC. Those issues include:

1.) Retail Revenues

2.) Class Cost of Service

3.) Rate Design - responding to Staff, OPC, MIEC/MECG, Missouri Department of Energy, and Brightergy, LLC.

   a. Future Rate Design Case

   b. Customer Communications

   c. Phase-In of Rate Design

   d. Income-Eligible Pilot

e. Time of Use Rates

4.) Non-Rate Tariff Revisions

5.) Rules & Regulations

6.) Consumer Disclaimer

7.) Pre-MEEIA Rate

8.) Tariff Corrections

RETAIL REVENUES

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

A: Yes. The Staff Report on pages 78 through 88 addresses the retail revenues supported by the Staff. Witnesses for Staff's adjustment are Robin Kliethermes, Seoung Joun Won, Ph.D. and Ashley Sarver.

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

A: Retail revenues are used as the basis for determining the rate levels for the increase/decrease in the rate proceeding. The test period retail revenues are established based on weather normalized and customer annualized retail sales levels, at current retail rates. The test period in this proceeding is 12 months ending June 30, 2015, updated for known and measurable items through July 31, 2016. The Company's filing followed that process and developed its test period retail sales levels based on actual test period results by weather adjusting the sales of customers for that period (i.e. weather normalization) as well as adjusting the sales level for known and measurable changes in sales, which included adjusting sales for energy efficiency. Staff did not make such an adjustment and this is addressed in the rebuttal testimony of Tim M. Rush. . It then projected what the expected customer levels would be as of July 31, 2016 and applied the weather normalized retail sales of customers to reflect customer levels as of December 2015 for all months in the test period (i.e. customer annualization). The current rates were then applied to the July 31, 2016 customer normalized/annualized sales levels to determine the retail revenues to be used as the basis in the case. Staff's revenues were developed only through December 2015. They will most likely update this to July 2016, once July actuals are available.

For this filing the Company prepared separate revenues for the MPS and L&P jurisdictions and combined them for the purpose of supporting the consolidated filing.

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

Q: In your review did you identify any areas of concern you wish to note?

A: There are two.

First, in Staff's Rate Design Report on page 25, line 15, there is a reference that the Staff's best-fit process is a reduction in retail revenue of approximately $8 million. This $8 million represents an under-recovery from the Staff's proposed rate design and is an adjustment that must be made to reach normalized revenue levels before consideration of any change in revenue requirement. As such, the Staff's "best-fit" adjustment does not represent any part of the overall increase in revenues that may be granted in this case.

Second, in our review of Staff's work papers on the best fit processing, I would note that Staff's best-fit processes may be incomplete. I am not saying they are incorrect or improper, only that Staff does not have the ability to reprocess the customer data across the various rates. Therefore, Staff is starting with the data provided by the Company and adjusting it to reflect identified changes. As a result Staff is unable to identify and account for any new migration. This could be accomplished by the Company, processing the data through the Customer Revenue module. I am unable to determine at this time if the unidentified migration is substantial but would expect it could contribute to further needed adjustment at the time of implementation if consolidation is approved by the Commission.

CLASS COST OF SERVICE

Q: Please explain the Company's Class Cost of Service Study offered in this proceeding.

A: The Company prepared a consolidated Class Cost of Service ("CCOS") Study based on the Average & Peak production allocation method. The Company also offered unconsolidated studies, viewing MPS and L&P individually. The CCOS study is used to directly assign or allocate each relevant component of cost on an appropriate basis in order determine the contribution that each customer class makes toward the Company's overall rate of return. The CCOS analysis strives to attribute costs in relationship to the cost-causing factors of demand, energy and customers. Based on the results of the CCOS study, the Company proposed consolidation of the rate structures and identified the following:

- Apply no increase to the Lighting class (unmetered),
- Apply the increase equally to the remaining classes (adjusted for pre-MEEIA opt-out revenues, discussed later in this testimony), and

- Increase the customer charges to reflect the full customer cost identified by the study.

Q: Did any other parties prepare a Class Cost of Service Study?

A: No. Some Parties noted they chose not to offer CCOS studies in light of the *Non-Unanimous Stipulation and Agreement Regarding Revenue Increase Allocations Among the Various Customer Classes* ("Class Revenue Stipulation") filed in this case on July 29th, 2016.

Q: Are you familiar with the Class Revenue Stipulation?

A: Yes. In that Class Revenue Stipulation, the Parties are seeking to resolve one of the primary decisions supported by the CCOS study, allocation of the increase between the various customer classes. Resolving this issue allows the Parties to eliminate one of the main variables influencing the ultimate impact of the Company rate design on customers. The Class Revenue Stipulation seeks to apply any Commission ordered increase equally between the classes, except for non-metered lighting. The Company supports the Class Revenue Stipulation.

Q: In light of the Class Revenue Stipulation, how should the Commission utilize this study?

A: The other primary use of the CCOS study is to support decisions concerning rate design. I offer that the CCOS can provide useful insight into the various costs underlying the rate design proposed by the Company. For example, the CCOS served as the initial source for setting many of the rates offered in the Company's proposed rate design. Of particular benefit would be the cost support for the Residential customer charge and the summer/winter pricing differentials.

RATE DESIGN

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

A: The Company is requesting an increase in rates of $59.3 million (8.17%). The Company is proposing that the requested increase be applied to all metered classes on an equal percentage basis.

In addition to the application of the increase, the Company is proposing a comprehensive consolidation of the MPS and L&P rate structures into a common GMO rate structure. The changes by GMO are addressed in detail in my direct testimony.

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

A: Yes. I have reviewed the Direct Testimony of Natelle Dietrich, Robin Kliethermes, and Sarah L. Kliethermes on behalf of Staff, Dr. Geoff Marke on behalf of OPC, Maurice Brubaker on behalf of MIEC/MECG, Martin Hyman on behalf of DOE, and Jessica Oakley representing Brightergy, LLC.

Q: Prior to exploring these testimonies, the procedural schedule for this case set out three Technical Conferences concerning rate design. Are you familiar with these Technical Conferences?

A: Yes.

Q: Please describe these Technical Conferences.

A: These Conferences were expected to be two-day meetings where the parties could discuss and seek understanding of the rate design proposed by the Company. In my view, the Technical Conferences represented a continuation of the four collaborative meetings held from May 2015 to February 2016 to explore the consolidation studies defined in the ER-2012-0175 Settlement.

The Company coordinated each of the three Technical Conferences, proposing to have a meeting in Jefferson City on the first day followed by a conference call on the second day. The Technical Conferences had good participation, particularly from Staff, OPC, and MIEC/MECG. Other parties, such as United for Missouri and DOE also participated.

The first Technical Conference held on April 27th and 28th, focused on understanding the current MPS and L&P rate structures and sharing the results of the rate comparisons required in the ER-2012-0175 Stipulation. This effort compared placing all customers independently under the MPS and L&P rate structures and estimating the impacts for each. The Company also presented details concerning a third alternative, the rate design offered in the Company's direct filing.

The second Technical Conference held on May 23rd and 26th, provided a detailed examination of the impacts of the Company's rate design proposal and addressed specific questions around cost by function and the Southwest Power Pool Integrated Marketplace. The Company also shared details concerning preparations to change our billing systems and communicate the consolidation impacts to customers. It was in this Technical Conference that the Parties began to explore ways to mitigate impacts of the Company proposal.

The third Technical Conference held on June 22 and 23rd, was used to review the updated billing determinants associated with the best fit placement of customers on the consolidated rates, continue the review of results of impact mitigation suggestions, and to continue to provide updates on preparation efforts and customer communications. In this Technical Conference, the Company took the opportunity to walk through the miscellaneous tariff changes proposed in this case.

Since the conclusion of the Technical Conferences the parties have continued to hold conference calls providing Post-Technical Conference updates and to further discuss the rate designs. As of August 12th there have been five conference calls held. Impact mitigation and customer communications have been the primary points covered with significant effort being spent to find common ground concerning the rate design.

I believe the ER-2012-0175 meetings, the Technical Conferences, and the subsequent conference calls have been extremely valuable and I appreciate the level of engagement of the parties and their willingness to understand the Company proposal. In particular, I appreciate the efforts of Staff representatives Robin Kliethermes, Sarah Kliethermes, and Seoung Joun Won who completed significant data modeling, working closely with the Company rate design team to confirm the Company proposal and prepare their own rate design proposal.

Q: Turning back to the testimonies, please describe what has been offered concerning rate design.

A: The Direct Testimony filed by Staff witnesses Natelle Dietrich and the Staff Report prepared by Robin Kliethermes and Sarah L. Kliethermes provides extensive detail and support for Staff's evaluation and recommended approach to the consolidation. After providing a useful summary of terms and concepts, Staff makes a series of recommendations. For the sake of efficiency, I have listed them here:

- Staff supports GMO's non-residential rate design

- Staff recommends a residential rate design that differs from that proposed by GMO.
  - Set the customer charge at $10.71, in line with Staff revenue requirement
  - Flatten the second and third winter energy blocks for Residential General Use
  - Retains but reduces the step differential for the winter energy blocks for Residential Heating
- Staff recommends the Commission order a rate case once a year's worth of hourly data is available under the new classes and implement rates that "better recognize cost causation and the additional rate design policies" The filing would include:
  - a class cost of service study,
  - a proposal to make Time of Use ("TOU") rates available to all customers including a study of applicable TOU determinants
  - a study of the reasonableness of modifying GMO's seasonal rates to establish rates for Peak months and Shoulder months, as opposed to GMO's current Summer/Non-Summer seasonal split, including applicable determinants.
- Staff recommends the Company "pursue all reasonable avenues of customer communication to inform customers of the probable changes to each customer's applicable rate design and charge elements."
- Staff recommends the Company "work with customers to advise the customer of the changes to that customer's rate schedule, rate elements, likely average annual bill, and likely actual monthly bills."

- Staff provided suggested program characteristics for an Income-Eligible Pilot if desired by the Commission.

The Staff Report also covers the Fuel Adjustment Clause. Rebuttal to that section of the report is addressed by Company witness Mr. Tim Rush.

Dr. Marke, representing OPC, focuses his testimony on disclaimer language for the Company's Solar Rebate, Net Metering, and select MEEIA programs designed to ensure customers understand rates are subject to change and caution should be exercised when using the rates as the basis for economic decisions.

Mr. Brubaker, representing MECG and MIEC, supports the Class Revenue Stipulation and offers a method to "phase-in" the rate design for the Large General Service and Large Power classes. Additionally, Mr. Brubaker offers another approach, suggesting a demand credit that might provide moderation of the proposed rate design changes.

Mr. Hyman, behalf of the Missouri Department of Energy proposes a restructuring of the Residential winter energy rates to move toward a flat rate structure. Also, he recommends a working group be established to address additional movement to flat rates and/or inclining block rates with the goal of proposing those rates in a subsequent case.

Ms. Oakley, representing Brightergy, LLC provides testimony recommending that the Company maintain availability of its Time of Use rates.

Q: In these testimonies do any of the Parties contest the rate consolidation?

A: No. Some may offer revisions to the consolidation to address individual positions or recommendations, but no one disputes consolidation of the GMO rate structures.

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

A: As a whole I am encouraged by the testimonies and the decision by the parties not to contest the consolidation. There are numerous details within the consolidation that can be explored, but in general, the Parties appear to have similar perspectives as to how the consolidation should proceed. Differences are limited. The Residential rate design proposals provide different approaches to the customer charge and the winter energy blocking. The non-Residential rate designs are consistent with the Company proposal, differing only based on the applied revenue increase. The primary difference from the Company proposal is in the additional recommendations offered beyond the rate design itself.

Q: Please list the proposals with which you have concerns.

A: With the Residential customer charge, I disagree with the alternate amounts proposed by Staff, as the charge proposed by the Company is consistent with criteria set in previous cases, following the guidance set by recent Commission orders.

Next, Staff and DOE recommend changes to the blocking of the winter energy rates to flatten and potentially invert the blocks to an inclining structure. I will discuss my concerns with these proposals in detail later.

Also, many other recommendations related to rate design have been offered, introducing new requirements and expectations that the Company does not support as proposed. I will explore and respond to each.

Q: Concerning the customer charge, what are the alternate amounts recommended?

A: At this point, only Staff establishes an alternate customer charge, recommending $10.71 instead of the $14.50 proposed by the Company. According to the Direct Testimony of

Staff witness Sarah Kliethermes, the Staff amount is based on removal of the Company's requested increase and adjustment for non-customer charges included in the calculation of the charge in the CCOS study. Exploration of the GMO data request responses, upon which Staff apparently relied, revealed an inadvertent, incomplete answer to a question that was subsequently corrected. The non-customer charges of concern identified by Staff were not included in the CCOS calculation. Therefore the $14.50 amount is correct based on the Company's requested 8.2% increase. Based on the Staff's recommended increase of 0.5%, the customer charge amount would be $13.36. I believe both the $14.50 and the $13.36 amounts were calculated consistent with past Commission decisions.

Q: What do you believe is the Commission policy regarding customer charge levels?

A: I would refer to the Commission's order in the recent KCP&L case, ER-2016-0370. In that order, on page 88, the Commission states:

> 205. The residential customer charge is designed to include those costs necessary to make electric service available to the customer, regardless of the level of electric service utilized. Examples of such costs include monthly meter reading, billing, postage, customer accounting service expenses, a portion of costs associated with meter investment, and the service line.

The Commission goes on to refer to the Staff CCOS, isolating those costs in establishing the appropriate charge in that case. In preparing the CCOS for this case, the Company followed this guidance, limiting the costs included in the customer charge to those examples identified. Similar definition of the customer charge was used in the Commission order in ER-2014-0258 for Ameren Missouri.

Q: Moving to the Residential winter energy charges, what is your impression of the proposals?

A: Two parties, Staff and DOE, recommend similar changes to the Residential General Use winter energy charges. Both, for this case, express a desire to flatten the price differential between the three energy blocks. Closer comparison finds the rates associated with the proposals are nearly identical. For the purpose of this testimony I will respond to them collectively. Proposal elements unique to each respective party will be addressed separately.

Before I respond I would like to explain my perspective on the current declining block rate design. Staff witness Sarah Kliethermes provides a table on page 31 of her direct testimony detailing the current and proposed Residential rate designs. Reviewing the current rates please note that the MPS rates utilize a two-block design and the L&P rates utilize a three-block design. The Company favors the three-block design and has offered it for use in the consolidated Residential rates. Parties often point to declining block rate designs as a means to encourage consumption and increase system utilization as Mr. Hyman did in his direct testimony. However, there is another driver for the declining block structure that is not often discussed. It is related to the need to include customer and demand cost recovery in the energy charges. For Residential customers there are only two rate components in the structure, the customer charge and the energy charge, through which all recovery of customer, facilities, demand, and energy costs is accomplished. Under current rate design policies, there is a desire to limit the customer charge to recovery of only customer-related costs and often the final customer charge is set at rates amounts below the amounts supported by CCOS studies. Therefore, all remaining cost recovery falls into the energy charge. As a means to recover any remaining customer costs and the relatively fixed costs of facilities and demand, rate designers place those costs in the first blocks of the structure, ensuring that all customers pay these costs as they progress through the billing blocks. This has the effect of creating a declining block relationship.

Concerning the proposals, both Staff and DOE propose to flatten the Residential winter energy blocks for the Residential General Use rate. In effect, the proposal is serving to retain a two block energy design as the second and third blocks, pricing usage above 600kWh, are priced at the same rate. In supporting the proposal Staff states they "intended to not send the improper price signal that the cost of energy is decreasing relative to the last GMO general rate case nor disincentivize prior and potential customer investment in energy efficiency."

Q: Do you agree that an improper signal is being sent by declining block rates?

A: No. As stated earlier, the "energy charge" has little to do with energy. It is instead a collection of other costs, including energy, not collected by the customer charge. As noted on page 27 of my direct testimony, only approximately 20% of costs are related to "energy" or volumetric consumption, mainly fuel and fuel-related costs while as confirmed on page 18 of Staff's testimony, nearly 90% of the revenue is recovered by the "energy" charge. I would offer inclining block rates provide an incorrect signal as costs for demand and remaining customer costs are shifted to the tail blocks and borne only by a portion of the Residential customer class. Higher usage customers would subsidize lower use customers.

Further, one should remember that there are riders outside of the base rates that are charged on a per kWh basis. Those riders provide "signals" independent of the energy rates.

Q: Do you agree that declining block rates disincentivize prior and potential customer investment in energy efficiency?

A: No. A disincentive is only an issue when compared to flat or inclining alternatives. I would offer the point another way, declining blocks do not provide <u>additional</u> incentive to prior and potential customer investment in energy efficiency. If the relationship between the rates were flattened or switched to inclining, the cost paid for "energy" on the Residential bill would be forced up, making efforts to reduce energy consumption more valuable. Maintaining a declining block relationship in itself, does not provide a disincentive.

Q: Do you agree with the proposals to flatten the Residential winter energy block pricing?

A: No.

Q: You mention inclining block rates. What are your thoughts concerning the proposal by Mr. Hyman to consider moving to inclining block structures for the Residential rates?

A: I would like to respond in two parts, my thoughts concerning a working group to discuss inclining block rates and my thoughts about inclining block rates in general.

Concerning a working group, I support discussion concerning rate designs and finding appropriate methods to structure our rates. However, I do not think speaking about inclining block rates specifically is appropriate. Instead I would recommend that the Commission set forth a goal, such as a conservation target or a policy position, and direct the Parties to find the most appropriate way to achieve that goal or policy position. Identifying inclining block rates as the topic for discussion presupposes that inclining block rates are a desired result. Depending on the established goal or policy some other rate design, program, or mechanism might prove to be more appropriate.

Concerning inclining block rates in general, it is clear they are a form of rate design that can be used to promote energy conservation. Applying microeconomic theory to customer behavior and all else being equal, the increasing price sends a signal to users to consume less. Increasing the price would provide additional incentive for energy efficiency.

Based on a review of the rates of 61 US electric utilities by the Brattle Group in 2012[1] there were approximately 22 electric utilities who utilize inclining block rates as a default rate for some portion of the year. The utilities were located in 14 states, with 9 utilities in the West (AZ, CA, ID, OR, and WA), 6 in the Mid-Atlantic (NJ, NY, PA, and VA), 4 in the South (AL, FL, and GA), and 3 in the Midwest (MI and OH). An attempt was made to find more recent surveys but was unsuccessful in the time available.

A review of publically available materials revealed some valuable points concerning inclining block rates worth considering here:

- The uncertainty around customer response to price changes presents a major challenge to inclining block rate design as customer response has a direct impact

[1] Faruqui, Ahmad (Brattle Group). “Tutorial: Theory and Practice of Cost Reflective Rates.” Sao Paulo, Brazil, November 2012.

on revenues/bill amount and the conservation effect observed. In a 2010 report[2], the National Regulatory Research Institute (NRRI) highlighted this complication by noting that while there have been numerous studies examining the elasticity of demand for electricity, the results are inconclusive, with wide variations in results. Based on the existing studies, NRRI concluded that it is virtually impossible to pinpoint demand elasticity and stressed the importance of conducting sensitivity analysis around a range of elasticity assumptions. This means there is a risk that implementing an inclining block rate design might yield no change in consumption but only serve to increase annual bills for many customers.

- California utilities have had inclining block rates for Residential customers since about 2001. In July 2015, the California Public Utilities Commission adopted a series of reforms[3] to the Residential rate structure to reduce the number of usage tiers and the price difference between the tiers so that electricity prices are more understandable and less distorted due to historical restrictions. Additionally, the residential rate reforms will require a transition to TOU rates in 2019. The TOU rates will be offered as a default/opt-out plan and will allow for a more accurate allocation of costs and for energy rates to more fairly reflect the cost of service.
- Usage in the tail block (the block representing the highest level of usage within a series of usage blocks) of the rate is the most variable. Changes in usage, both increases and decreases will manifest themselves first through the tail block.

[2] Pollock, A. and Shumilkina, E. (National Regulatory Research Institute). "How to Induce Customers to Consume Energy Efficiently: Rate Design Options and Methods." January 2010
[3] California Public Utilities Commission. "Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates." July 13, 2015

Under an inclining block rate design, where the tail block is the most expensive block, that variability translates into similar variability for the bill amount and for utility revenue recovery. Additional measures, such as use of forward load projections for tier design and revenue true-ups to adjust for this variability, are helpful to limit the impact to the customer and the utility[4].

- Depending on the ratemaking objectives, there may be other rate designs or customer programs that are better equipped to achieve the goals than inclining block rates. For example, TOU rates could be a more effective means to shift peak usage and real-time pricing could do a better job of reflecting actual costs. Furthermore, programs such as those offered under the Missouri Energy Efficiency Investment Act (MEEIA) could do a better job to achieve more efficient use of energy.

Q: Are there any elements of Staff's Report that you wish to address?

A: Yes, I wish to address a few comments made in the Staff report. First, in multiple occurrences within the Report, Staff states "GMO's proposed structure and design prioritizes revenue recovery stability first, and minimization of customer impact second." Although I am sure it is unintentional, I believe this comment is incomplete. Consistent with the positions offered in my direct testimony, the Company sought to better balance the rate designs to be more reflective of costs, stabilizing rates as a result. In my opinion this is reflective of good rate design principles where the customer and the Company benefit from bill stability. However, I must be clear that customer impact minimization was the overarching concern with our consolidation proposal. Every step of our analysis

[4] BC Hydro. "2008 Residential Inclining Block Application for BC Hydro." February 2008

and every decision made concerning the proposed structure was made with customer impact in mind. We did not take this issue lightly and explored many alternative methods to reduce the customer impacts. In the end, I believe the proposed rate consolidation results in a just and reasonable rate design and although there are impacts beyond what might be desired, significant effort was made to minimize those impacts.

Next, in multiple occurrences within the Report, Staff expresses a concern with shifting revenue recovery away from energy and onto customer Non-Coincident Peak ("NCP") demand. Staff cites concerns about cost causation to support this perspective. I address this issue in my direct testimony and would only offer that the shifting achieved by the Company proposal is modest at best, moving the relationship between fixed and variable cost recovery between about 3% and 11% based on customer class. The Company utilized its CCOS study to set initial rates and then adjusted these dramatically to reduce impacts to customers. As a result, the proportion of fixed and variable cost recovery proposed by GMO is closer to what is reflected in current rates than the proportions of fixed/variable cost recovery supported by the CCOS. I believe it important to maintain awareness of this relationship but believe Staff's concerns about the shift is unwarranted.

Q: Are there other aspects of the rate design testimony you wish to address?

A: Yes, there are a handful of recommendations offered by other parties I wish to address. They are:

- the Staff proposal recommending a rate design case,
- the Staff proposal concerning customer communications,
- the MIEC/MECG proposal concerning phase-in,
- the Staff proposal concerning the structure of an Income-Eligible Pilot,
- and the Staff and Brightergy, LLC proposals concerning Time of Use rates.

FUTURE RATE DESIGN CASE

Q: Please describe Staff's recommendations concerning a future rate design case.

A: Staff recommends the Commission order GMO to do new and/or reassigned load sampling, and to derive new load research data that is appropriate for the classes resulting from this case. Staff then recommends the Commission order GMO to file a rate design case upon the completion of one year's worth of load research data. Included in this filing should be:

(1) a class cost of service study,

(2) GMO's proposal to make TOU rates available to all customers including a study of applicable TOU determinants, and

(3) a study of the reasonableness of modifying GMO's seasonal rates to establish rates for Peak months and Shoulder months, as opposed to GMO's current Summer / Non-Summer seasonal split, including applicable determinants.

Q: Do you support this recommendation?

A: Not as offered.

Q: Please describe your concerns with the recommendation.

A: As the recommendation includes multiple points, I will address each separately. Conceptually I support the spirit of this recommendation but am troubled by the timing that has been proposed. First, concerning load research sampling, as load research data serves as the fundamental data supporting our ratemaking I feel it is unnecessary for the Commission to order anything in this regard. I am confident that following Commission approval of the consolidated rates, we would work to complete conversion of our load research processes to reflect the new structures. Some changes have already been made to support the consolidation proposed in this case.

Next, with respect to the Staff's recommendation to order a rate design case upon completion of one year's worth of load research data, I disagree with this provision. I do not think it would be correct to obligate the Company in this way. There are a number of existing protections to insure that the rate design is not allowed to continue if found to be inappropriate. The Company is certain to file if the rate structures do not deliver the approved revenue, Staff can initiate a case if the rate structures produce too much revenue, and finally the Company is bound by the rate case filing requirements of the Fuel Adjustment Clause, Demand Side Investment Mechanism, and Renewable Energy Standard Rate Adjustment Mechanism to ensure filings occur. Adding another requirement, through Commission order, in this case is unnecessary. It is also reasonable to expect that when the next case impacting rate design is filed, load research data reflecting the consolidated structures will be included.

Concerning the recommendation requiring a class cost of service (CCOS) study, I again feel this recommendation is unneeded. The Company has prepared a CCOS study in each of its rate cases since 2005. We view the CCOS study as necessary to support good rate design. To incorporate that requirement in the Commission order is unnecessary.

As Brightergy, LLC through witness Jessica Oakley speaks to TOU issues as well; I will address those recommendations collectively later in this testimony.

Finally, concerning the recommendation to study of the reasonableness of modifying GMO's seasonal rates to establish rates for Peak months and Shoulder months, as opposed to GMO's current Summer/Non-Summer seasonal split, I understand this to mean converting our current two part seasonal definitions to a three part definition. Acknowledging that proper naming would need to be worked out, instead of simply summer and winter, we would have peak, shoulder, and off-peak for example. I can see value in this proposal as it would provide insights to TOU-style seasonal periods, but have strong concerns about the time required to complete this work and how this would fit with the timing of the rest of the recommendations. Thinking generally, converting the seasonal definitions would require significant research, much of which would come from the same people working on the load research changes. As noted previously, if the consolidation is approved, we will need to convert our load research processes to reflect the new rate structures. Load research data would then need to be compiled before consideration of the new seasonal definition could occur. Given this relationship, I cannot see how this work can be completed and incorporated into a rate design case filing, one year after new load research data in available. I would offer that this recommendation should not be ordered at this time. However, if the Commission feels it necessary, I would recommend separating it from the recommendation for a rate design case and placing it on its own timeline, allowing time for the consolidation and related load research efforts to be completed.

CUSTOMER COMMUNICATIONS

Q: Please describe Staff's recommendations concerning customer communications on the rate case.

A: Staff recommends that GMO pursue all reasonable avenues of customer communication to inform customers of the probable changes to each customer's applicable rate design and charge elements. In particular, given the requested changes in the impact of annual customer non-coincident peak on a customer's bill in each month of the year, Staff expects GMO to have communicated the importance of this determinant to customers prior to the start of the summer cooling season. Staff also recommends the Company work with customers to advise the customer of the changes to that customer's rate schedule, rate elements, likely average annual bill, and likely actual monthly bills.

Q: What is your response to this recommendation?

A: I would offer this is already being done. As communicated in the Technical Conferences and in the subsequent conference calls, the Company has made efforts well beyond any taken in previous cases to communicate with customers, particularly those with higher estimated impacts. Starting in July, as soon as the Technical Conference discussions indicated the parties would not likely contest the proposed consolidation, we prepared a communications plan and started reaching out to non-Residential customers. Based on the customer size we used a combination of letters, email messages, and phone calls to notify customers with accounts that are estimated to have impacts greater than 12% and $190 per month. The letter directed these customers on how to get more information and how to contact the Company. Additionally, we have made updates to our website to provide more rate design detail and encourage customers to contact the Company with questions. A number of customers have responded and meetings have been held to discuss the proposed consolidation and share the expected impacts. I believe the meetings have been useful to inform customers and prepare them for what may happen in this case.

Q: Do you believe the Commission needs to respond in any way to this recommendation?

A: No.

PHASE IN OF RATE DESIGN

Q: Please describe the MIEC/MECG proposal regarding phase-in proposal.

A: Mr. Brubaker proposes to set the Annual Base Demand and Facility Charge rates applied to the Large Power and Large General Service rates at 75% of the proposed value in the first year of the phase-in, moving to 100% of the proposed values in the second year. He proposes to then adjust the pricing in those same tariffs to preserve the revenue neutrality. This phase-in is offered as a means to mitigate the impact of the proposed rate consolidation.

Q: What is your reaction to this proposal?

A: First, I must restate that addressing the impact of the proposed rate consolidation has been a primary concern of the Company and has been a main element of our Technical Conference and subsequent conversations with the Parties. As with any rate design change, there is a range of impacts to customers. In this case, different from previous rate cases, the Company has been able to estimate impacts to all accounts, not just averages or class level impacts. As a result, there is new and enhanced ability to observe account level impacts. As noted by Mr. Brubaker, there are individual accounts that are expected to receive impacts outside of a normal range. The causes of these outliers vary. Some are due to the rate design structure but others are related to how the customer consumes energy at the account location. Within the Technical Conferences, the Company explored adjusting the rate design to mitigate the number of these outliers.

Based on this analysis, I have concerns that Mr. Brubaker's proposal will not yield the results expected.

Q: Please describe what you mean.

A: The Company performed analysis similar to that proposed by Mr. Brubaker. It has been our observation that these changes will not eliminate and might not reduce the estimated impacts. We have observed that changes similar to those proposed tend to simply shift the impacts. Some customers might see an improvement, while a new set may experience a more negative impact. With that said, I believe the phase-in approach attempts to address to impacts observed specifically by MPS customers as noted by Mr. Brubaker. There are a number of details that would need to be defined to make the phase-in workable. This point was discussed in an August 11th conference call between the parties. Separately, I researched the Mid-American Energy Company and Westar Energy examples referenced on page 9 of Mr. Brubaker's testimony. Although these Companies did perform a phase-in, it appears to me that these were structured quite differently than the phase-in proposed by Mr. Brubaker in this case. I would offer that this phase-in proposal, directed at the pricing elements, appears superior to the revenue-based phase-in approach used in ER-2010-0356 for L&P. All things considered, there seems to be potential in the proposal, but until more detail can be known, I will focus my remaining comments on general concerns.

As a rate design mechanism, I am apprehensive about using a phase-in. Although my experience with phase-in methodologies is limited, it seems that the phase-in approach only spreads out impacts, but does little to reduce them in whole. Similar to purchasing something using a credit card, you pay less at the time of purchase, but you end up paying more in total. Also, using a phase-in places a burden on the future. Future rate cases or other revenue-related proceedings would have to account for the phase-in steps, complicating an already complex effort.

Q: Do you recommend the Commission consider a phase-in for this case?

A: Based on the details available at this time I would say no. I acknowledge that depending on how the facts in this case prove out (that is, what the overall revenue increase turns out to be), there could be a place for the phase-in to attempt some mitigation of impacts for MPS customers.

INCOME-ELIGIBLE PILOT

Q: Please describe Staff's comments concerning an Income-Eligible Pilot.

A: In apparent anticipation of the Commission seeking an Income-Eligible Customer Charge Pilot in this case, Staff offers a series of program characteristics and items to include in the study. The characteristics anticipate a four-year pilot followed by a filing of findings.

Q: Are you aware of a similar pilot being ordered by the Commission?

A: Yes. I am aware of a pilot, similar in structure, ordered on August 10^{th}, 2016 in ER-2016-0023, the Empire District Electric Company rate case.

Q: Do you think an Income-Eligible Pilot is warranted in this case?

A: The Company is supportive of Commission efforts to study and understand issues impacting customers and if ordered in this case, the Company would support the Pilot. However, the Company currently makes meaningful efforts to support our low-income customers through the Economic Relief Pilot Program. Further, the Company offers or works closely with other agencies to provide the following additional support:

- Dollar-Aide - a program supported by voluntary contributions that assist qualified lower-income households pay their heating, cooling, or water bill in times of financial hardship. Funds raised are matched by the Company with a 50-cent energy credit. Customers can choose to make recurring monthly contributions or make a one-time donation. All monies donated go to Dollar Aide. Mid America Assistance Coalition and United Way of Greater St. Joseph administers the program and distributes funds via contracted assistance agencies throughout the Company territory.
- United Way 211 - A toll-free phone service connecting customers to community resource specialists who can direct them to local organizations that provide utilities assistance
- Low Income Home Energy Assistance Program (LIHEAP) - designed to provide financial assistance to help pay heating bills for customers during the winter months.
- Adjustable Due Date program – allows customers to schedule bill payment dates to better correspond with the receipt of benefits, such as Social Security.
- Energy Gift Program – Family and friends can arrange to pay the bills of customers they know are in need by placing an Energy Gift on their customer account.
- Budget Billing – a program to convert a customer’s billing to an annual, monthly average, making the bill more consistent and helping customers budget their monthly payments by evening out seasonal billing highs and lows.

- Income-Eligible Weatherization - help income-eligible families reduce energy consumption up to 35% by installing insulation, window caulk and other weatherization measures.

I believe these programs are well designed and best suited to address the needs of our low-income customers. I would express some concern that introducing a specific change to the customer charge would create new complexities in the rate design process. I would contend that the rates should be designed without consideration of a customer's income level and if support or subsidy is needed, it should be applied and administered separately.

TIME OF USE RATE

Q: Please describe the proposals regarding Time of Use (TOU) rates.

A: Two witnesses provide recommendations concerning TOU rates. Sarah Kliethermes with Staff recommends the Company include a proposal to make TOU rates available to all customers including a study of applicable TOU determinants as part a rate case once a year's worth of hourly data is available under the new classes. Jessica Oakley with Brightergy, LLC recommends the Company should not be allowed to freeze its TOU rates and continue to make them available to customers.

Q: What is your response to these proposals?

A: As noted in my direct testimony, I believe these rates need to be frozen. Our review revealed that these special rates are not working as intended and have little customer adoption. The Company has similarly proposed freezing these rates in other cases, ER-2014-0370 for the KCP&L Missouri jurisdiction and 15-KCPE-116-RTS for the KCP&L Kansas jurisdiction and received approval to freeze these rates to new customers.

Approval to freeze the rates in this case would provide consistency across all of the KCP&L/GMO service areas.

The Company agrees that an appropriately designed TOU rate should be part of our portfolio of rates offered to customers however, the time is not right for offering a rate. There are three projects underway that need to be in place as they would fundamentally impact a TOU design, Automated Metering Infrastructure, Meter Data Management, and Customer Care & Billing systems. We need to understand more about the capabilities of these systems so we may design a rate that is effective to manage and delivers the results expected from a TOU rate. Additionally, a TOU rate should complement the goals of our Integrated Resource Plans and the goals of our MEEIA programs.

I recommend the Commission reject the proposals offered by Brightergy, LLC and Staff. The Company would be willing to incorporate a study of TOU rates for GMO as part of the study already ordered by the Commission for our KCP&L-Missouri jurisdiction in ER-2014-0370.

NON-RATE TARIFF REVISIONS

Q: The Company proposed a number of non-rate changes to its tariffs. Was there any testimony from the other Parties concerning this issue?

A: No. The Company maintains its proposed changes detailed in Schedule BDL-5 filed with my direct testimony in this case.

RULES & REGULATIONS

Q: The Company proposed a number of changes to its Rules & Regulations. Was there any testimony from the other Parties concerning this issue?

A: No. The Company maintains its proposed changes detailed in Schedule BDL-8 filed with my direct testimony in this case.

CONSUMER DISCLAIMER

Q: Dr. Geoff Marke representing OPC has proposed to add consumer disclaimer language to select Company tariffs. What is your response to that proposal?

A: The Company does not contest the proposed disclaimer language for the Company's Solar Rebate, Net Metering, and select MEEIA programs. However, the Company has some concerns, particularly with the Solar Rebate and Net Metering tariffs, that the disclaimers will provide only limited benefit. For the Solar Rebate and Net Metering customers, the primary interaction with the tariffs is to apply for Net Metering service and to request the solar rebate. For GMO, the stipulated spend for Solar Rebates has been reached and the number of customers requesting Net Metering has declined sharply. It is expected that few customer will actually read the disclaimer when added to the tariff.

PRE-MEEIA RATE

Q: Do you have any corrections to your Direct Testimony concerning the calculation of the pre-MEEIA rate?

A: Yes, I have two corrections.

After filing and in the process of work with Staff, it was determined that an incorrect value was used to represent the kWh associated with the MEEIA opt-out customers. This error led to an incorrect revenue adjustment being calculated. More specifically, the total opt out kWh of 695,986,610 kWh provided in BDL-7 was incorrect. The corrected kWh total for the period should have been 694,416,487 kWh. Applying that to the calculation would yield a revenue impact of the opt-out customers of $51,367 instead of $51,483, a reduction of $116 to the pre-MEEIA adjustment. This issue was addressed in response to Staff data request #0229.1 and the correction would be applied at the time of preparing compliance tariffs for this case.

Next, upon further review of my calculation to understand the abovementioned data request, I further learned that the amortization amount used on BDL-7, $587,974 is incorrect as well. The amortization amount, based on the Company's position concerning ROE, would be $5,118,403. Applying these new numbers to the calculation would yield the following, corrected rate:

Pre-MEEIA Amortization:	$5,118,403
Total kWh:	7,948,616,204
Pre-MEEIA rate:	$0.00064

Further, applying this rate to the revenue adjusted and the associated kWh corrected noted earlier in this answer, the revenue adjustment would be:

Pre-MEEIA rate:	$0.00064
Opt-Out kWh:	694,416,487
Revenue Adjustment	$444,426.55

This correction also would be applied at the time of preparing compliance tariffs for this case.

I have reviewed the Staff work paper on this matter and our processes are consistent, differing only concerning the ROE used to calculate the amortization amount.

TARIFF CORRECTIONS

Q: Do you have any corrections to the tariffs offered in the direct filing?

A: Yes. Staff has brought to the Company's attention non-substantive errors in the identification of the tariff sheets filed in this case on February 23, 2016. Also, Staff brought to the Company's attention that one tariff sheet (R-63.01.1) was inadvertently omitted from the February 23, 2016 GMO rate case filing. These issues were identified in a *Notice and Request for Merger of Tariff Filing* filed by the Company in this case on July 7th, 2016. It is our intent that the wrong revision numbers will be corrected when the compliance tariffs are filed at the conclusion of this case. Concerning the omitted sheet, the Company recommends the Commission approve the requested merger of tariff filing.

Q: Does that conclude your testimony?

A: Yes, it does.

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 BRADLEY D. LUTZ

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Bradley D. Lutz, being first duly sworn on his oath, states:

1. My name is Bradley D. Lutz. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of thirty - two (32) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Bradley D. Lutz
Bradley D. Lutz

Subscribed and sworn before me this 15th day of August, 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200