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Class Cost of Service; and Rate Design;  
Witness: Marisol E. Miller  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2016-0285**

**SURREBUTTAL TESTIMONY**

**OF**

**MARISOL E. MILLER**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
January 2017**

## TABLE OF CONTENTS

### Table of Contents

I. RETAIL REVENUES .....	2
II. ELECTRIC CLASS COST OF SERVICE STUDY .....	4
III. ELECTRIC RATE DESIGN .....	5

**SURREBUTTAL 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 and Rebuttal Testimony in this**  
10 **proceeding?**

11 A: Yes, I am.

12 **Q: What is the purpose of your Rebuttal Testimony?**

13 A: The purpose of my Rebuttal Testimony is to address a number of issues presented by the  
14 Staff of the Missouri Public Service Commission (“Staff”), the Office of the Public  
15 Counsel (“OPC”), the Missouri Division of Energy (“DOE”) and Missouri Industrial  
16 Energy Consumers (“MIEC”) and Brightergy, LLC. Those issues include:

17 1.) Retail Revenues

18 2.) Class Cost of Service

19 3.) Rate Design - responding to Staff, OPC, MIEC, and DOE.

- 1 a. Energy Blocks/Demand related costs
- 2 b. Inclining Block Rates (“IBR”)
- 3 c. Value of Solar

4 **I. RETAIL REVENUES**

5 **RESPONSE TO STAFF WITNESS MICHAEL STAHLMAN REGARDING BILLING**  
6 **DETERMINANTS AND UPDATING THROUGH THE UPDATE PERIOD**

7 **Q: On page 1 of Mr. Stahlman’s rebuttal testimony, Staff claims to have been unable to**  
8 **normalize and annualize billing determinants through the June 2016 update period**  
9 **due to a lack of data. Is it accurate that the Staff lacked the data?**

10 **A:** No. The Company provided actual customer counts through the update period.  
11 However, the Staff chose not to use them.

12 **Q. Are these the same customer counts used by Company witness Mr. Al Bass to**  
13 **calculate the Company’s customer growth?**

14 **A:** Yes.

15 **Q: Are these the same customer counts/customer growth used by the Company to**  
16 **normalize and annualize revenues?**

17 **A:** Yes.

18 **Q: Are you aware of any change to the methodology used by the Company for**  
19 **calculating customer growth?**

20 **A:** No. Based on the Surrebuttal testimony by Company witness Mr. Al Bass, the  
21 methodology for calculating customer growth has not changed.

1 **Q: If customer growth factors used were incorrect, could this have a material impact to**  
2 **the accuracy of estimated revenues?**

3 A: Yes.

4 **Q: Has the Company changed its methodology for calculating its revenues that use the**  
5 **customer growth factors calculated by Company witness Al Bass?**

6 A: No.

7 **Q: Has MPSC Staff acknowledged issues with the customer growth that they used for**  
8 **estimating revenues?**

9 A: Yes, on page 6 of MPSC Staff witness Matt Young's Rebuttal testimony; he  
10 acknowledges that the customer growth used by Staff to estimate sales and revenues did  
11 not accurately reflect the actual rate of customer growth and their intent is to update their  
12 customer growth in True-up.

13 **Q: Do you believe that the adjustment of customer growth will resolve revenue**  
14 **differences between the MPSC Staff and the Company?**

15 A: The Company has had discussions with the MPSC Staff in the hopes of understanding  
16 differences in the estimation of revenues, as the Company methodology has not changed.  
17 It is our belief that differences in customer growth/customer count and the treatment of  
18 LPS rate switchers, including the reflection/non-reflection of MEEIA Cycle 1 and 2 sales  
19 are driving the material differences in revenue at this time. It is our hope that any  
20 remaining material differences between Staff and the Company's revenues will be  
21 resolved through discussions with MPSC Staff after True-up, if not before, when we have  
22 better clarity as to differences that may still exist, once MPSC Staff updates their case  
23 based on updated information provided by the Company at True-up.

1 **II. ELECTRIC CLASS COST OF SERVICE STUDY**

2 **Q: Have you read all testimony and reviewed the different methodologies and CCOS**  
3 **studies performed by the various parties including MPSC Staff, MIEC, and etc.?**

4 A: Yes, I have read the various testimonies and reviewed the various CCOS studies and  
5 continue to assert that the Company calculated methodology and utilization of the  
6 Average & Peak is the correct method to use based on the Company view of operations.

7 **Q: On page 6 of his Rebuttal testimony, Mr. Maurice Brubaker believes that the**  
8 **Average & Peak Method used by the Company double counts energy consumption.**  
9 **Do you agree?**

10 A: No. I believe that the A&P methodology clearly considers that production plant is  
11 essentially related to serving both energy and peak demands. By using this methodology,  
12 the allocation factors essentially weighs peak demand equal to energy in the allocation of  
13 production plant and related investments.

14 **Q: On page 5 of her Rebuttal testimony, Ms. Sarah Kliethermes compares different**  
15 **CCOS study results prepared by parties and explains some differences. Specifically,**  
16 **she points out that Staff's revenue calculation is higher than the Company's and**  
17 **coupled with differences in expense, the overall ROR % and by class are different.**  
18 **What do you conclude based on this testimony?**

19 A: It's my belief that if we can resolve revenue differences between the Company and  
20 MPSC Staff and the revenues used by Staff changes, that the results of their CCOS Study  
21 may change, particularly overall ROR% and subsequently relative rates of return by  
22 class.

1 **Q: What is the impact of a change in billed revenues along with changes to energy**  
2 **usage and demands by class as a result of switchers to CCOS Study results?**

3 A: It could have an impact on energy and demand allocators and coupled with the revenue  
4 differences, could change the results of the CCOS study-particularly how each class is  
5 contributing or under-contributing to their cost of service.

6 **Q: Has the Company discussed the above expectations with Staff to make progress**  
7 **towards resolving differences and potentially adjusting certain items?**

8 A: Yes, as discussed in the Surrebuttal testimony of Company witness Mr. Al Bass, the  
9 Company has committed to providing Staff additional information, not provided in a  
10 typical rate case, to make adjustment to their customer growth calculation. The Company  
11 has also committed to providing the MPSC Staff updated rate switcher information  
12 through the True-up period. It's the Company's hope that MPSC Staff will use this  
13 information to inform and potentially update for these changes in their CCOS study,  
14 which we expect will change its results. However, similar to the concern outlined in the  
15 Revenue section of my testimony, we won't know Staff CCOS study result changes  
16 stemming from this updated information until True-up.

### 17 **III. ELECTRIC RATE DESIGN**

18 **Q: Have you read all testimony and reviewed the different rate design**  
19 **recommendations made by the various parties including MPSC Staff, OPC, MO-**  
20 **DOE, and MIEC?**

21 A: Yes, I have read the various testimonies and reviewed the various rate design  
22 recommendations and continue to assert that the Company recommendations for rate  
23 design are most reasonable given utilization of the results of our CCOS Study and full

1 consideration of rate design principles. As such, the Company maintains the following  
2 recommendations:

- 3 a) No class revenue shifts based on the rate of return results
- 4 b) Apply the increase equally to the remaining classes (adjusted for pre-MEEIA  
5 opt- out revenues) across bill components
- 6 c) Apply no increase to the Lighting Class (unmetered)

7 **RESPONSE TO DOE WITNESS MARTIN HYMAN AND OPC WITNESS GEOFF**  
8 **MARKE REGARDING THEIR RECOMMENDATION TO NOT INCREASE THE**  
9 **RESIDENTIAL CUSTOMER CHARGE, DEMAND RELATED COSTS, AND**  
10 **INCLINING BLOCK RATES.**

11 **Q: Dr. Geoff Marke (pg. 3) and Mr. Martin Hyman (pg. 4) recommend no change to**  
12 **the Residential Customer Charge. OPC goes on to say if an increase in rates were**  
13 **ordered, that they should be applied to the energy rates. Do you agree?**

14 A: No. An overall principle in rate design is cost causation. Nothing in any of the studies  
15 offered indicates increases in costs are limited to energy and customer related costs have  
16 remained unchanged. Applying a customer related cost to the energy charge, when that  
17 cost would more appropriately be recovered through the customer charge would violate  
18 that principle.

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

20 A: I would refer to the Commission's order in the KCP&L case, ER-2014-0370. In that  
21 order, on page 88, the Commission states:

22 *The residential customer charge is designed to include*  
23 *those costs necessary to make electric service available to*



1                    *the customer, regardless of the level of electric service*  
2                    *utilized. Examples of such costs include monthly meter*  
3                    *reading, billing, postage, customer accounting service*  
4                    *expenses, a portion of costs associated with meter*  
5                    *investment, and the service line.*

6                    A similar definition of the customer charge was used in the Commission order in ER-  
7                    2014-0258 for Ameren Missouri.

8                    **Q: Would this lead you to believe that the Commission would find it reasonable to**  
9                    **include customer related costs in the energy charge?**

10                  A: No.

11                  **Q: On page 5 of his Rebuttal testimony, Mr. Martin Hyman makes reference to the**  
12                  **collection of demand-related costs, particularly in the first rate block being akin to a**  
13                  **customer charge. Do you agree?**

14                  A. No. There has been no rate design effort to isolate the demand related charges to the first  
15                  energy block. Any collection of demand-related costs through the energy charge is a  
16                  result of the nature of the Residential two-part (customer and energy charge) rate design.  
17                  Demand costs are co-mingled with all non-customer costs and collected in the energy  
18                  charge. Some portion of demand costs will exist in all of the three energy blocks.

19                  **Q: He goes on to say that customers with average use are required to pay for demand-**  
20                  **related cost irrespective of their total usage during peak. Is this accurate?**

21                  A: Not exactly. Again, this is a result of the Residential two-part rate design. Customers  
22                  pay for only a portion of their demand cost as a result of those costs being co-mingled  
23                  with all other non-customer costs in the energy charge. However, the demand cost paid

1 by an average use customer is in no way directly reflective of the actual demand the  
2 customer places on the electric system. A three part rate design, one that includes a  
3 charge for demand-related costs, would be a superior way to address demand-related  
4 costs. It would seem that given DOE's concern regarding cost causation and customer  
5 demand that they would recommend a three-part rate design, because under that structure,  
6 customers demand charges could be applied to reflect the individual customer's  
7 contribution to the demand-related costs. However, with a two-part rate design and no  
8 precise way to recover demand costs, demand charges are spread across all customers via  
9 the energy charge.

10 **Q: In his Direct testimony, Mr. Hyman performed some bill impact analysis that**  
11 **included general assumptions on residential usage and peaks and used this analysis**  
12 **to make recommendations supporting IBR. He also drew conclusions regarding**  
13 **residential customer impacts, which appear to have been relied upon by other**  
14 **witnesses in Rebuttal testimony, including OPC witness Dr. Geoff Marke (pg. 4).**  
15 **Do you have concerns about this?**

16 **A:** Yes. It should be noted that Mr. Hyman's analysis was performed on a random sample  
17 basis and was based on an extremely small sample of only 1.5% of residential customers.  
18 This sample cannot be relied upon to be a statistically valid sample or even a  
19 representative of the typical residential customer. Additionally, the data he used to  
20 perform his limited review was based on actuals only and not weather normalized or  
21 adjusted for customer growth. Therefore, any sweeping conclusions, assumption as to  
22 real bill impacts to all residential customers, or general reliance based on this analysis  
23 should be made with extreme caution.

1 Q: **Do you support any recommendation to utilize IBR rates in this case?**

2 A: No, not at this time and not without more comprehensive understanding of the potential  
3 impacts to customers and the Company.

4 **RESPONSE TO MPSC STAFF WITNESS ROBIN KLIETHERMES REGARDING**  
5 **INCLINING BLOCK RATES.**

6 Q: **On pages 3-5 of Rebuttal testimony, Ms. Kliethermes expresses some concern with**  
7 **adopting IBR recommendations made by other stakeholders. Using the Company's**  
8 **normalized bill frequency information, Staff performed analysis on the Residential**  
9 **Space Heating and Residential General Use customers, calculating average use per**  
10 **customer in the test year. Based on this analysis, she concludes that overall revenue**  
11 **stability for the Company, as well as, customer impacts will be a significant issue if**  
12 **IBR is adopted, particularly in the winter months. Do you agree with her analysis?**

13 A: Yes, the Company agrees that given the current billed usage data in the test year, and the  
14 number of residential customers whose energy falls at or below the first energy block,  
15 moving costs, particularly non-energy costs, to the second and third block will result in a  
16 greater level of volatility in both revenue recovery, but also customer bill impact than is  
17 currently experienced due to weather.

18 Q: **Does the Company agree with Staff witness Ms. Robin Kliethermes that IBR, as**  
19 **proposed by parties, is not the best tool to address policy objectives?**

20 A: The Company agrees that if the policy includes a desire to offer price signals to  
21 customers to encourage efficient energy use and potentially reduce costs, time  
22 differentiated rate may be a better answer.

1 **Q: Is the Company performing any rate design studies to evaluate this rate design**  
2 **impact?**

3 A: In the KCP&L-GMO rate case order filed in Docket # ER-2016-0156, the Company was  
4 ordered to evaluate rate designs that might encourage efficient energy use. We hope to  
5 use this GMO study to inform potential changes for KCP&L.

6 **RESPONSE TO DOE WITNESS MARTIN HYMAN AND OPC WITNESS GEOFF**  
7 **MARKE REGARDING A VALUE OF SOLAR STUDY**

8 **Q: On page 7 of his Rebuttal testimony, Dr. Marke states his belief that a study into the**  
9 **Value of Solar as proposed by Brightergy or “void of any context” would provide**  
10 **limited/no value without consideration of a significant number of issues and hurdles,**  
11 **including legal and regulatory issues, both at the state and federal level. Do you**  
12 **agree?**

13 A: Yes.

14 **Q: On page 12 of his Rebuttal testimony, Mr. Hyman appears to agree that a rate case**  
15 **is not the best venue for determining the value of solar. Do you agree?**

16 A: Yes.

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

18 A: Yes, it does.

