

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

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

**KANSAS CITY POWER & LIGHT COMPANY'S  
RESPONSE TO ORDER DIRECTING FILING**

COMES NOW Kansas City Power & Light Company ("KCP&L") and responds to the Missouri Public Service Commission's ("Commission") April 6, 2017 Order Directing Filing.

**I. Similarities & Differences Between KCP&L and KCP&L Greater Missouri Operations Company ("GMO") Tariffs On New Residential Development Main Line Extensions**

Both KCP&L and GMO's (collectively referred to as "Company") processes are designed to achieve the same goal, to define how much investment should be made to serve a new customer and ensure consistent treatment of customers. As explained below, each Company's process uses different mechanisms and assumptions in determining the amount of the investment (KCP&L – Revenue Justification Model; GMO – Feasibility Model).

KCP&L and GMO tariffs include provisions covering line extensions and show that KCP&L and GMO each provide a standard minimum extension of facilities at no cost to residential customers. For KCP&L, residential customers pay all costs beyond the standard minimum extension. For GMO, consideration for the residential customer's load requirements and estimated revenue are used in determining the cost to be paid for extensions beyond the basic extension.

KCP&L's and GMO's tariffed single family residential basic extension provides that the Company will make extensions of its distribution lines as and when necessary at no cost to serve any and all prospective customers applying for electric service, located within one-quarter mile of existing distribution lines in its certificated area. Extensions may involve application of the one-

quarter mile provision to a customer's property line, onto a customer's property, or a combination of providing extension to the customer's property line and onto a customer's property. KCP&L and GMO will build the first one-eighth mile and the last one-eighth mile of single-phase line per residential customer under its established rates and minimum charges. The basic one-quarter mile extension covers nearly all of the single family residential customer requests for service.

In the few occurrences where an extension is required beyond the basic extension, the processes used at KCP&L and GMO currently vary. These methods were different at the time when GMO was acquired by Great Plains Energy Incorporated and remain so today. For KCP&L customers, any costs beyond the basic extension amount are paid for by the customer. GMO utilizes a Feasibility Model, largely defined within the GMO tariffs in Sheets R-46 through R-54, to define the construction allowance. The Feasibility Model establishes the construction allowance based on the estimated margins and fixed carrying costs associated with the project, examining the expected load associated with the new service. As the heating source represents the largest potential load for the new service, it plays a significant role in the determination of the construction allowance. Any amount not covered by the construction allowance is paid by the customer. The amount is generally paid as one amount but the customer has the option to pay as an increase in the existing monthly Customer Charge, paid in equal installments over 60 consecutive bills.

For line extensions within subdivision developments, the KCP&L and GMO processes vary but retain the same overall goal, to determine the appropriate amount of investment that should be made to serve a new customer. Both KCP&L and GMO utilize the concept of a lot charge. A subdivision is made up of a number of lots where each lot would generally equate to an individual home or building. Both KCP&L and GMO examine the type of heating planned for the buildings when establishing the lot charge to be paid. Heat sources which utilize electricity and

thereby generate more revenue, receive reduced lot charges to partially reflect that anticipated revenue. KCP&L's lot charge is predefined and has the potential to be waived when electric heating sources are used. GMO has established five different lot charges based on various Heating, Ventilation, and Air Conditioning ("HVAC") and water heating combinations. Both KCP&L and GMO utilize refundable and non-refundable elements to the lot charge. The primary purpose of these elements is to better share the risk of the development. When a subdivision is built, electric facilities are constructed early in the development and houses are built in the lots over time. There is some risk that these homes may not be built. The refundable/non-refundable elements help distribute the risk associated with the development and ensure at least some portion of the project costs are borne by the developer requesting the new facilities. If the subdivision is completed as planned and within the time limits established by the related agreements, the developer notifies the Company as the homes are built and is eligible to receive a return of the refundable payments. Within KCP&L there is a separate but related agreement impacting the construction allowance that may be incorporated at this time. If a developer commits to install heat pumps as the primary heating source for the homes within a subdivision and enters into a Heat Pump Agreement in partial recognition of the incremental revenue, the lot charges are waived and the developer may be eligible to receive an additional cost allowance for each home built with a heat pump, within the agreement term.

## **II. How KCP&L and GMO Operate Their Programs**

KCP&L and GMO operate their programs in a very similar manner. Efforts begin when the customer or developer contacts the Company to request service. A Company representative will meet with the customer to understand the service needed. This will include identifying the location of the project, the facilities available to provide service, and learning what the project

entails. Based on this interaction, the Company representative will work with the customer or developer to complete the necessary forms, documents, and agreements to establish service. Also addressed at this time are any required payments or deposits associated with the work.

Once the line extension is designed, it is scheduled for installation. Crews will visit the site and install the necessary facilities. This effort generally requires coordination between the customer/developer and the Company to interconnect equipment installed by the customer/developer (conduits and services) with those installed by the Company (transformers and meters). At this point it is up to the customer/developer to build the structure. For basic extensions, when the structure is complete, the only remaining work is to set the meter and connect the service. For larger extensions, and particularly subdivisions, additional administration around the processing of refundable lot charges would occur at this time.

### **III. Determination of Deposits and Reimbursements**

As mentioned previously, deposits in the form of the lot charges are used to balance the risk of development and help ensure the infrastructure installed is paid for and utilized. For both KCP&L and GMO, the amount of the lot charge, as well as the refundable and non-refundable elements, are pre-defined based on an analysis of the costs to serve and an estimate of the revenue to be received from the home. In general, the KCP&L refundable portion represents the portion of the total cost equivalent to the annual revenue expected from that home. The non-refundable portion is the remainder. For GMO, the lot charge is based on results from the Feasibility Model. KCP&L has established a single lot charge while GMO currently utilizes five different lot charges, representing different combinations of HVAC and water heating equipment. Reimbursements, or refunds of the lot charges or deposits, are predefined within the tariffs or agreements established

for the line extension. As the customer/developer completes the planned construction and reports the completion to the Company, the refundable portions are processed and refunded.

**IV. Qualifying Appliances and HVAC Systems and Value of Each Qualifying Item**

Within the line extension process, the primary focus is on the HVAC equipment to be used in the home. Estimated revenues for that equipment are incorporated in the determination of the lot charges and used within the Feasibility and Revenue Justification models. KCP&L recognizes heat pumps with any form of secondary heat as acceptable means to comply with the terms of the Heat Pump Agreement and the \$150 per lot additional construction allowance. GMO incorporates heat pumps with various secondary heat sources within the five lot charge types but does not provide any additional construction allowance over the defined lot charge. See chart below. Any other appliances or equipment is not specifically addressed within the line extension process but could be incorporated as load for other consideration as noted previously.

Current Underground Subdivision Lot Charges						
	KCP&L	GMO				
		Type I	Type II	Type III	Type IV	Type V
<b>Non-Refundable</b>	\$450	\$400	\$0	\$0	\$0	\$0
<b>Refundable</b>	\$940	\$1,150	\$1,050	\$900	\$800	\$450
<b>Total</b>	\$1,390	\$1,550	\$1,050	\$900	\$800	\$450
<b>Non-Performance Charge</b>		\$50	\$550	\$700	\$800	\$1,350

GMO

Structure types

Type I – Electric A/C, natural gas furnace and gas water heating

Type II – Electric A/C and electric water heating, natural gas furnace

Type III – Heat pump with natural gas furnace and gas water heating

Type IV – Heat pump with natural gas furnace and electric water heating

Type V – Heat pump with electric resistance back-up and electric water heating

**V. Company Authority**

Both KCP&L and GMO have commission approved tariffs defining their respective line extension authority. KCP&L Sheets 1.31 and 1.32 and GMO sheets R-46 through R-54 represent

the applicable tariffs. In addition to these tariffs, the Company has established internal processes and agreements to memorialize the detailed terms and conditions that achieve the goals of the line extension tariffs.

**VI. MEEIA Collaboration**

The processes and mechanisms used within the line extension process are independent of the Company's current MEEIA programs.

Respectfully submitted,

*/s/ Roger W. Steiner*

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**Attorneys for  
Kansas City Power & Light Company**

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 10<sup>th</sup> day of April, 2017, to all counsel of record.

*/s/ Roger W. Steiner*

Roger W. Steiner

**Attorney for Kansas City Power & Light  
Company**