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Witness: David E. Dismukes, Ph.D
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MISSOURI PUBLIC SERVICE COMMISSION

SURREBUTTAL TESTIMONY
OF
DAVID E. DISMUKES, PH.D.

KANSAS CITY POWER AND LIGHT COMPANY
CASE NO. ER-2014-0370

** **

Denotes Highly Confidential Information that has been redacted

Jefferson City, Missouri
June 5, 2015

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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 Rate Increase for Electric Service.	)))	Case No. ER-2014-0370

AFFIDAVIT OF DAVID DISMUKES

STATE OF LOUISIANA)
)
PARISH OF EAST)
BATON ROUGE)

David Dismukes, of lawful age and being first duly sworn, deposes and states:

1. My name is David Dismukes. I am an expert witness for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

David Dismukes
Expert Witness

Subscribed and sworn to me this 3rd day of June 2015.

Notary Public
Bar Roll No.: 34457

My Commission expires at death.

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SURREBUTTAL TESTIMONY
OF
DAVID E. DISMUKES

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2014-0370

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME, ADDRESS, AND OCCUPATION.

A. My name is David E. Dismukes. My business address is 5800 One Perkins Place Drive, Suite 5-F, Baton Rouge, Louisiana, 70808. I am the same person that provided pre-filed expert witness testimony on the behalf of the Missouri Office of Public Counsel ("OPC") on April 16, 2015 and May 7, 2015.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of the Company concerning the Clean Charge Network ("CCN"), respond to the Missouri Industrial Energy Consumers ("MIEC") and Midwest Energy Consumers Group ("MECG") regarding the class cost of service studies ("CCOSS") and revenue distribution/rate design issues, and respond to the Department of Energy ("DOE") on the allocation of production plant costs.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized into the following sections:

- Response to the Company's positions on Clean Charge Network proposal.
- Response to the Company's Residential Customer charge and Residential-Time-of-Use ("TOU") tariff recommendations

- Response to MIEC/MECG's Criticisms of the Average and Peak Allocation Method
- Response to DOE's criticism of the allocation of production plant assets.

II. RESPONSE TO THE COMPANY'S CLEAN NETWORK REBUTTAL TESTIMONY

Q. PLEASE SUMMARIZE THE COMPANY'S REBUTTAL TESTIMONY REGARDING THE PROPOSED COST RECOVERY OF THE CLEAN CHARGE NETWORK PILOT.

A. The Company responded to the Staff, OPC, and MECG witness Lane Kollen's opposition to any rate recovery of costs related to the Clean Charge Network pilot program.[1] The Staff report and Mr. Kollen's direct testimony argued, in part, that the costs associated with the CCN should not be recovered through rates since the provision of this service is something that should not be part of the Company's regulated service operations.[2]

Q. WHAT IS THE COMPANY'S RESPONSE TO THE STAFF'S POSITION?

A. The Company argues that the provision of electric charging services is no different than what it already does as a regulated utility service provider. The Company also argues that the sole difference is in the idea of a "customer," which is traditionally limited to stationary buildings and structures, and not mobile sources.[3] The Company

[1] Rebuttal Testimony of Darrin R. Ives, 38:7-10.
[2] Staff Report – Revenue Requirement Cost of Service, p. 204; and Direct Testimony of Lane Kollen, 28:13-17.
[3] Rebuttal Testimony of Darrin R. Ives, 42:12-18.

believes this represents a "complete paradigm shift" in how electric utilities think of customers.[4]

Q. DO YOU AGREE THAT THE CCN REPRESENTS SIMILAR SERVICE TO THAT TRADITIONALLY PROVIDED BY THE COMPANY AS A REGULATED ELECTRIC UTILITY?

A. No. The Company's position glosses over many important details associated with the differences between the two types of service. As I noted in my rebuttal testimony, there are many important policy issues associated with the CCN that have not been addressed. As a general matter, these same types of issues do not exist in the provision of traditional utility service. For instance, I noted that the CCN would benefit from stakeholder input before being executed.[5] I also noted that the Company's proposal lacks information on important program details[6] and, likewise, does not include any cost benefit analysis of the CCN[7] or even an analysis of likely customer participation in the current economic atmosphere of falling retail gasoline prices.[8] Further, there are a number of potential competitive market issues associated with the proposed CCN that do not exist in the provision of traditional utility service.[9]

Q. EXPLAIN THE COMPANY'S POSITION ON THE CCN'S POTENTIAL FOR CROSS-SUBSIDIES.

A. The Company argues that no subsidies will arise as a result of its proposed CCN, since the service will only be provided through cost-of-service based tariff rates

[4] Rebuttal Testimony of Darrin R. Ives, 42:20.
[5] Rebuttal Testimony of David E. Dismukes, 14:16 to 15:3.
[6] Rebuttal Testimony of David E. Dismukes, 31:12-19.
[7] Rebuttal Testimony of David E. Dismukes, 28:16-21.
[8] Rebuttal Testimony of David E. Dismukes, 27:1-12.
[9] Rebuttal Testimony of David E. Dismukes, 33:21 to 34:5.

approved by the Commission.[10] KCP&L also argues that host-site subsidies for free electricity are an issue related to the markets in which those businesses operate, and not its regulated service.[11]

Q. DO YOU AGREE WITH THE COMPANY'S POSITION REGARDING THESE POTENTIAL CCN SERVICE SUBSIDIES?

A. No. Under the proposed CCN, customers who elect to have an electric vehicle ("EV") charging station installed on their property will have all electricity used by the charging station charged at the same standard tariff rates charged to the customer's other on-site use.[12] While the costs associated with the CCN will be recovered through rates, there is no revenue credit associated with the provision of this service. In other words, the "cost of service" includes CCN investments, but not CCN revenues, which is the very definition of a subsidy. Further, the Company's investments are not directly assigned to the classes likely to install CCN charging stations for cost of service purposes. CCN investments made prior to April 30 are included in the Company's ratebase adjustment RB-20, but without itemization. These plant investment costs are allocated to all customer classes and within customer classes, including those not likely to install a charging station (i.e., residential, street lighting, etc.). This represents another form of a potential cross-subsidy.

Q. HAS THE COMPANY ESTIMATED THE MONTHLY BILL IMPACT TO THE TYPICAL RESIDENTIAL CUSTOMER CAUSED BY THE PROPOSED CCN?

[10] Rebuttal Testimony of Darrin R. Ives, 48:19-23.
[11] Rebuttal Testimony of Darrin R. Ives, 49:1-5.
[12] Rebuttal Testimony of Darrin R. Ives, 41:10-15.

A. Yes, the Company estimates a $7.6 million CCN investment will cost the average residential Missouri customer $1.79 per year, or approximately 15 cents per month.[13] The implication of this analysis suggests that the small rate impact somehow justifies Commission approval.

Q. DO YOU AGREE THAT A SMALL RATE IMPACT IS JUSTIFICATION FOR INCLUDING CCN COSTS INTO RATES?

A. No. First, the CCN is currently estimated to cost between $7 million and $9 million to implement in Missouri: so the rate impacts could potentially be higher than those provided by the Company.[14] Second, the Company's suggestion simply represents bad public policy: imprudent expenditures are imprudent, regardless of their order of magnitude. Rates cannot be set in a fair, just and reasonable fashion if their underlying justification rests on a subjective determination of what is "too large" or "too small" of an impact. Setting rates based upon order-of-magnitude considerations alone would be highly subjective and arbitrary and should be discouraged.

Q. HAS THE COMPANY CHANGED ANY ELEMENT OF THE CCN SINCE YOU FILED REBUTTAL TESTIMONY?

A. Yes. The Company's original supplemental filing noted that customers electing to install CCN electric charging stations would take service under their existing utility service tariff, not a specially-designed electric vehicle tariff. The Company now appears to recognize that there could be some merit in developing a separate EV tariff by noting that it will likely "request Commission approval of some form of Time of Use rate for

[13] Rebuttal Testimony of Darrin R. Ives, 40:13-16.
[14] Rebuttal Testimony of Darrin R. Ives, 40:7-11.

charging in order to encourage off-peak charging."[15] In support of this idea, the Company states that it intends to use the pilot period of the program to "study usage patterns and determine appropriate rates."[16]

Q. HAS THE COMPANY PROVIDED ANY INFORMATION ON HOW IT INTENDS TO MEASURE USAGE PATTERNS ASSOCIATED WITH ELECTRIC VEHICLE CHARGING STATIONS?

A. No. The Company has not provided any information on the systems it will use to measure usage patterns at the proposed electric charging stations, nor has it indicated how detailed this information will be, or how that information will be used to develop an EV tariff.

Q. ARE THERE ANY CHANGES OR CLARIFICATIONS YOU WOULD LIKE TO MAKE TO YOUR PREVIOUSLY FILED REBUTTAL TESTIMONY?

A. Yes. In my rebuttal testimony I noted that the Company had not provided important details regarding, among others, the contractual terms and arrangements the Company has secured with organizations participating in the program.[17] While preparing this surrebuttal testimony, it has come to my attention that the Company has provided, through discovery, copies of the license agreements with all 15 customers who will be allowing KCP&L to install the proposed Level-3 fast-charging systems,[18] and some of the customers who have executed contracts with KCP&L to install Level-2

[15] Rebuttal Testimony of Darrin R. Ives, 43:21:22.
[16] Rebuttal Testimony of Darrin R. Ives, 43:20.
[17] Rebuttal Testimony of David E. Dismukes, 32:17-19.
[18] Company's response to Williams Nathan Interrogatories, Question 0360 and Question 0360.1.

charging systems.[19] **

[20] ** In addition, the Company provided contracts it has entered into with other venders of EV charging equipment.[21]

III. RESPONSE TO THE COMPANY'S RESIDENTIAL CLASS CUSTOMER CHARGE RECOMMENDATIONS

Q. PLEASE SUMMARIZE THE RECOMMENDATIONS OF THE COMPANY REGARDING THE RESIDENTIAL CUSTOMER CHARGES.

A. The Company continues to advocate for a $25 residential customer charge. This proposed increase is based, in large part, on the fact that the Company believes that the cost recovery for the overwhelming majority of its distribution plant should be recovered through a fixed customer charge and not through volumetric rates. These distribution plant costs include such items as line transformer investments, some combination of secondary or service conductor investments, and meters (collectively, "local facilities" costs).[22] The Company also notes that its proposed residential customer charges will likely reduce potential cross-subsidization between low-use and high-use customers.[23] Further, the Company asserts that its residential customer charge proposal is consistent with ratemaking and regulatory trends in other parts of the country.[24]

[19] Company's response to Williams Nathan Interrogatories, Question 0524.
[20] Company's response to Williams Nathan Interrogatories, Question 0363.
[21] Company's response to Williams Nathan Interrogatories, Question 0403.
[22] Rebuttal Testimony, Tim Rush, 55:10-13.
[23] Rebuttal Testimony, Tim Rush 55:15-17.
[24] Rebuttal Testimony, Tim Rush, 56:18-20.

Q. DO YOU AGREE WITH THE COMPANY'S RESIDENTIAL CUSTOMER CHARGE PROPOSALS?

A. No. The Company's proposal is inconsistent with its own CCOSS. Conceptually, the Company's residential customer charge proposal presumes that local distribution facilities costs are customer-related despite the fact that it does not identify these costs as customer-related in its CCOSS. This presumption is inconsistent with its own CCOSS which specifically defines local distribution facilities costs as demand-related for the residential class, as well as several other non-residential classes.[25] Demand-related costs are typically recovered through a demand charge for those customers that are demand-metered. Residential customers, however, are typically not demand-metered, so their demand-related costs are usually recovered through energy charges as opposed to fixed monthly customer charges. Other parties in this proceeding, such as Staff and the Sierra Club, recognize that demand-related costs should not be recovered in customer charges.[26] The Commission should reject the Company's proposal to include the demand-related local facilities charges in the customer charges of residential customers since it is inconsistent with traditional cost of service and ratemaking practice.

Q. PLEASE RESPOND TO THE COMPANY'S ASSERTION THAT ITS CUSTOMER CHARGE PROPOSAL IS CONSISTENT WITH CURRENT REGULATORY TRENDS ACROSS THE COUNTRY.

[25] Rebuttal Testimony, Tim Rush 54:1-5.
[26] Robin Kliethermes, Rebuttal Testimony, 5:4-9; see also, Direct Testimony of Tim Woolf, 3:14-19.

A. The Company's rebuttal suggests that its residential customer charge proposal (and the basis for that proposal) is consistent with current trends in utility ratemaking and regulation.[27] The Company provides data which it believes is illustrative of this trend.[28] Interestingly, the majority of the ratemaking proposals included in the Company's analysis (14 out of 21 ratemaking proposals/proceedings) are still pending before various state regulatory commissions. Further, a large number of recent regulatory proposals that have final orders (5 out of 7 ratemaking proposals that have final orders), are associated with settlements between the litigating parties to the proceeding. More importantly, a review of the outcomes from these settlement agreements shows that the final customer charge increases are considerably lower than the one being proposed by the Company in the instant proceeding. According to the Company's analysis, the average approved customer charge was $14.14 per month, ranging from a low of $6.75 per month to a high of $19.25 per month.

Q. COULD ANY UNINTENDED CONSEQUENCES ARISE FROM THE COMPANY'S RESIDENTIAL CUSTOMER CHARGE PROPOSAL?

A. Yes. A large portion of Missouri is still recovering from the effects of the recession; this is particularly the case for a large part of the Company's service territory as pointed out in my rebuttal testimony. Many of the counties in which the Company operates still have not returned to the same economic conditions they had experienced before the recession.[29] Further, a recent report on the state of poverty in Missouri notes that, on average, low income households spend 14 percent of their annual income on

[27] Rebuttal Testimony, Tim Rush, 56:14-20.
[28] Rebuttal Testimony, Tim Rush, 57:1, 58:1.
[29] Explorer.naco.org, 2014 County Economic Tracker

energy costs compared to middle and high income households that spend three to six percent.[30] The Company's proposal to increase the residential customer charge to $25 could negatively impact lower-income households disproportionately as compared to higher income households. The Company's customer charge proposal could require lower-income households to give up a proportionately larger share of their disposable income to effectively support the $25 customer charge set by the Company under its rate design proposal.

Q. ARE LOWER INCOME HOUSEHOLDS THE ONLY TYPES OF RESIDENTIAL HOUSEHOLDS LIKELY TO BE NEGATIVELY IMPACTED BY THE COMPANY'S RATE DESIGN PROPOSALS?

A. No. The Company's rate design proposals could also negatively impact lower average use fixed income households, like retirees. Fixed income households that use less-than-average electricity could be adversely impacted by the Company's proposal. These households could end up paying a higher share of their fixed income on electricity than if they were assessed electric bills that collected a greater portion of the total charge through the volumetric charge, which would also give these customers greater flexibility to control their total bill.

Q. PLEASE SUMMARIZE THE COMPANY'S POSITION REGARDING ITS RESIDENTIAL TOU TARIFF.

[30] Missourians to End Poverty Coalition, State of the State Poverty in Missouri, 2014, p. 7.

A. The Company is hesitant to commit to a TOU rate schedule at this time.[31] While the Company states that a TOU rate should be a part of its rate schedules, it claims that its current TOU rate does not function properly.[32] The Company notes that it is in the beginning stages of two new programs (AMI program and a new billing system) that could properly inform a future TOU rate design.[33]

Q. ARE THESE ARGUMENTS PERSUASIVE?

A. No. By its own admission, the Company recognizes that its TOU rates are not functioning properly. The Commission should find that leaving these rates unchanged is unacceptable, notwithstanding the Company's somewhat ambiguous assertions regarding future opportunities for change. I continue to recommend that the Commission require the Company to re-file a modified and improved TOU tariff in its next rate case, rather than freeze it for some indefinite period of time.

IV. RESPONSE TO MIEC/MECG'S CRITICISMS OF THE AVERAGE AND PEAK ALLOCATION METHOD

Q. PLEASE EXPLAIN MIEC/MECG'S CRITICISM OF THE AVERAGE AND PEAK ("AP") ALLOCATION METHOD FOR PRODUCTION PLANT ASSETS.

A. MIEC/MECG's primary criticism of the AP method is that it double counts the average demand and over allocates plant costs to high load factor customers.[34] MIEC/MECG states that instead of allocating only the excess portion of the peak

[31] Rebuttal Testimony, Tim Rush, 61:16-17.
[32] Rebuttal Testimony, Tim Rush, 61:7-10.
[33] Rebuttal Testimony, Tim Rush, 61:8-14.
[34] Rebuttal Testimony, Maurice Brubaker, 7:4-8.

demand component, the AP method allocates the entirety of the peak demand, essentially double counting the average demand component.[35] MIEC/MECG also criticizes the AP method stating that the method gives more weight to annual energy consumption than to class peaks in the allocation of production plant facilities.[36] Finally, MIEC/MECG states that the AP method is not one commonly used in the industry.[37]

Q. DO YOU AGREE WITH MIEC/MECG'S CRITICISM THAT THE AP METHOD DOUBLE COUNTS THE AVERAGE DEMAND COMPONENT?

A. No. The AP method is designed to give weight to both the share of average demand and system peak demand since the purpose of the methodology is to recognize that energy loads play an important role in production plant costs. This does not constitute double counting, rather the basis of the method is to effectively obtain a weighted average of the average and peak demand components and is not based on the difference of the two demand components.

Q. IS IT DIFFICULT TO ASSIGN WITH PRECISION THE COST OF SHARED PRODUCTION FACILITIES BETWEEN CUSTOMER CLASSES?

A. Yes. Therefore, in order to assign a reasonable portion of costs to classes, cost causative considerations based on the share of average and peak demand should be recognized when allocating costs between customer classes. The AP-4CP method produces an allocation that assigns a reasonable proportion of costs based on the characteristics of average energy use and a portion based on characteristics of peak

[35] Rebuttal Testimony, Maurice Brubaker, 7:4-6.
[36] Rebuttal Testimony, Maurice Brubaker, 7:26-27.
[37] Rebuttal Testimony, Maurice Brubaker, 5:8-11.

use. The AP allocation method results in a reasonable balance in cost assignment that reflects both average energy use and peak demand considerations in the allocation of production costs among customer classes.

Q. PLEASE RESPOND TO MIEC/MECG'S CRITICISM THAT THE AP METHOD ASSIGNS MORE WEIGHT TO ANNUAL ENERGY CONSUMPTION THAN CLASS PEAK DEMANDS.

A. MIEC/MECG essentially argues that the AP method is not reasonable because it gives more weight to energy consumption than class peaks.[38] According to MIEC/MECG, giving more weight to the annual energy consumption is inappropriate, because they argue that production facilities "must be designed to carry the peak loads imposed on them, the heavy weighting given to energy consumption (56%) in the allocation factor is not related to cost of service at all."[39] This is not accurate because generating facilities are designed to carry all types of load, peak, intermediate, and base—and not just peak load as implied by MIEC/MECG. Under MIEC/MECG's AED allocation method, the same weight is given to the average demand component which is derived from the annual energy consumption.

Q. HAVE YOU PREPARED A SCHEDULE COMPARING THESE RESPECTIVE OUTCOMES?

A. Yes. Schedule DED-SR-1 compares the Company's AP allocation components with MIEC/MECG's AED allocation components. Comparing the proportion of the energy consumption component in the AP method with the average demand (energy)

[38] Rebuttal Testimony, Maurice Brubaker, 7:26-27.
[39] Rebuttal Testimony, Maurice Brubaker, 8:1-3.

component in the AED method shows that these two methods result in the same energy component for the allocation factors. Therefore, MIEC/MECG's argument that the AP method over-allocates the energy component is unfounded. The two methods do, however, differ in the proportion of demand versus energy assignment that is allocated to the customers that MIEC/MECG represents. For example, under the AED methodology, the Large Power class would receive an allocation of 3.84 percent. Under the A&P method that the Company and I support, this class would receive an allocation of 8.08 percent for the accounts allocated using the demand allocation factor.

Q. DO YOU AGREE WITH MIEC/MECG'S ASSERTION THAT THE AP METHOD IS NOT COMMONLY USED OR SUPPORTED IN THE INDUSTRY?

A. No. There are a number of utilities and regulatory commissions that have accepted the use of the AP method for the allocation of production assets. According to an informal survey conducted by Edison Electric Institute ("EEI"), Dominion North Carolina Power utilizes the AP method to allocate production plant assets as well as the Oklahoma Gas & Electric Arkansas jurisdiction which utilizes the AP method for the allocation of production costs related to its wind farms.[40] The North Carolina Public Utilities Commission approved Dominion North Carolina Power's CCOSS which allocated production plant using an Average and Peak methodology in its 2012 rate case.[41]

[40] Company's Response to OPC Discovery Request 14.
[41] In the Matter of Application of Virginia Electric Power Company, d/b/a Dominion North Carolina Power, for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina, Docket No. E-22, Sub 479, Order Granting General Rate Increase, Issued December 21, 2012, p. 6.

Q. HAVE ANY OTHER COMMISSIONS ACCEPTED THE USE OF THE AVERAGE AND PEAK ALLOCATION METHOD?

A. Yes, the Minnesota Public Utilities Commission previously accepted the use of the AP method in a rate proceeding filed by Minnesota Power.[42] In 2013, the Arkansas Public Service Commission approved Entergy Arkansas, Inc.'s allocation of production assets using the Average and Peak methodology stating:

> The Commission continues to agree with EAI, Staff and the AG and finds that the A&P method appropriately reflects the procurement and use of production capacity and is a balanced and reasonable allocation methodology. The Commission, therefore, adopts the use of the Average and Peak methodology to allocate capacity-related plant costs to the different customer classes.[43]

The AP method has also been approved for the use in the allocation of natural gas plant assets by Commissions in Kansas, Illinois, and Michigan.[44]

Q. WOULD YOU PLEASE EXPLAIN MIEC/MECG'S POSITION ON THE ALLOCATION OF FUEL COSTS?

A. Yes. MIEC/MECG states that the AP method allocates a disproportionate amount of capital costs to high load factor customers and therefore these customers should

[42] In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E-015/GR-09-1151, Findings of Fact, Conclusions, and Order, Issued November 2, 2010, p. 48.
[43] In the Matter of the Application of Entergy Arkansas, Inc., for Approval of Changes in Rates for Retail Electric Service, Docket No. 13-028-U, Order, Issued December 30, 2013, p. 124.
[44] In the Matter of the Application of Kansas Gas Service, a Division of ONEOK, Inc., for Adjustment of its Natural Gas Rates in the State of Kansas, Docket No. 03-KGSG-602-RTS, Opinion: Order Approving Stipulated Settlement Agreement and Adopting Staff's Rate Design, September 17, 2003, p. 7.; North Shore Gas Company Proposed General Increase in Natural Gas Rates and The Peoples Gas Light and Coke Company Proposed General Increase in Natural Gas Rates, Docket No: 07-0241; 07-0242 Cons., Order, February 5, 2008, p. 188.; and In the Matter of the Application of Consumers Energy Company for Authority to Increase its Rates for the Distribution of Natural Gas and for Other Relief, Case No. U-15986, Opinion and Order, May 17, 2010, p. 65.

receive a lower portion of the fuel costs.[45] MIEC/MECG states that when utilizing heavily energy-weighted allocation methods for generation costs it is appropriate to allocate high-load factor customers below average energy costs in order to correspond with the above average capital costs that are allocated to these customers.[46] Conversely, MIEC/MECG states that low load factor customers should be allocated higher than average energy costs to reflect the lower capital costs allocated to these customers when using a method such as the AP method. [47]

Q. PLEASE RESPOND TO MIEC/MECG'S POSITION REGARDING THE ALLOCATION OF FUEL COSTS.

A. The Commission should reject MIEC/MECG's arguments regarding the allocation of fuel costs under the AP method. The AP method appropriately assigns production plant costs on the basis of average and peak demand. The high load factor customers are not receiving a disproportional amount of capital costs; rather they are receiving their fair share of the costs as the method considers that there are other costs incurred during all other hours of the day outside of the peak load period. Allocating energy costs on the basis of class energy requirements is still an appropriate allocation method regardless of the allocation of production plant and is consistently used by state commissions across the United States under various production plant allocation methods.

[45] Rebuttal Testimony, Maurice Brubaker, 8:18-21, 9:5-11.
[46] Rebuttal Testimony, Maurice Brubaker, 9:12-19.
[47] Rebuttal Testimony, Maurice Brubaker, 9:9-11.

V. RESPONSE TO THE DEPARTMENT OF ENERGY'S CRITICISMS OF THE ALLOCATION OF FIXED PRODUCTION PLANT COSTS

Q. WOULD YOU PLEASE ADDRESS THE DEPARTMENT OF ENERGY'S ARGUMENT THAT AVERAGE DEMAND OR ENERGY CONSUMPTION SHOULD NOT BE USED WHEN ALLOCATING PRODUCTION PLANT ASSETS?

A. The DOE argues production plant should only be allocated on the basis of the system peak demand and not average demand or usage, stating that production plant assets are built to serve the peak load of the utility.[48] DOE's proposed methodology fails to take into consideration that base load generating facilities are designed to meet load during all hours of the day—they are not built or designed to serve only peak load. Consequently, the allocation of these costs should also consider energy as part of the allocation methodology. Both the AP and AED methods that I recommend take into consideration peak and average demands placed on the system, which is consistent with the purpose of production assets which are designed to meet load continuously. The Commission should reject the methodology proposed by DOE as it fails to appropriately reflect how production plant assets are utilized.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY ON JUNE 5, 2015?

A. Yes.

[48] Michael Schmidt, Rebuttal Testimony, 3:22 to 4:2.

Comparison of AP-4CP and AED-4NCP Allocation Factors

	AP-4CP		AED-4NCP	
	Energy	Peak	Energy	Peak
Missouri Retail Total	**55.91%**	**44.09%**	**55.91%**	**44.09%**
Residential	16.91%	18.31%	16.91%	23.77%
Small General Service	2.68%	2.46%	2.68%	2.68%
Medium General Service	7.23%	5.67%	7.23%	5.77%
Large General Service	14.53%	9.57%	14.53%	7.52%
Large Power Service	14.01%	8.08%	14.01%	3.84%
Lighting	0.56%	0.00%	0.56%	0.50%

Sources: Direct Testimony of Maurice Brubaker Schedule MEB-COS-3, Company's CCOSS workpaper KCPL Allocators MO Rev 10-9-14 Avg-Pk 4 CP - not included in 12-1-14 wkps