

Exhibit No.:  
Issues: Rider Mechanism  
Witness: Natelle Dietrich  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: EO-2014-0095  
Date Testimony Prepared: March 28, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**NATELLE DIETRICH**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. EO-2014-0095**

*Jefferson City, Missouri*  
*March 2014*

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

In the Matter of Kansas City Power & )  
Light Company's Filing for Approval of )  
Demand-Side Programs and for Authority )  
to Establish a Demand-Side Programs )  
Investment Mechanism )

Case No. EO-2014-0095

**AFFIDAVIT OF NATELLE DIETRICH**

STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF COLE     )

Natelle Dietrich, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 9 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
Natelle Dietrich

Subscribed and sworn to before me this 27<sup>th</sup> day of March, 2014.

|  |
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| SUSAN L. SUNDERMEYER<br>Notary Public - Notary Seal<br>State of Missouri<br>Commissioned for Callaway County<br>My Commission Expires: October 03, 2014<br>Commission Number: 10942086 |
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\_\_\_\_\_  
Notary Public



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1 Chapter 22 rewrite, and am currently the lead director on activities related to revising the  
2 Commission's Renewable Energy Standard regulations. Relevant activities relate to energy  
3 efficiency, demand side management, demand response and smart grid. I also monitor  
4 activities related to the Kansas City Green Impact Zone and the Kansas City Power & Light  
5 Smart Grid Initiative. I was a member of the Missouri Delegation to the Missouri/Moldova  
6 Partnership through NARUC and the US Agency for International Development.

7 I am a member of the National Association of Regulatory Utility Commissioners Staff  
8 Subcommittee on Telecommunications, and in that capacity I have served as First Vice-Chair  
9 and assisted on the Federal Legislation Subgroup. I serve on the Staff of the Federal/State  
10 Joint Board on Universal Service, serve as lead Staff for the Missouri Universal Service  
11 Board and was a member of the Governor's MoBroadbandNow taskforce.

12 Q. Have you previously testified before the Commission?

13 A. Yes. My Case Summary is attached as Schedule ND-1.

14 Q. Please summarize your testimony and your recommendation.

15 A. My testimony addresses Kansas City Power & Light Company's ("KCPL")  
16 request for a rider mechanism under the Missouri Energy Efficiency Investment Act  
17 (MEEIA). As I explain in more detail, the Stipulation and Agreement in Case No.  
18 EO-2005-0329 ("Regulatory Plan") prohibits KCPL from seeking a rider mechanism prior to  
19 June 1, 2015.

20 Q. What is the purpose of your testimony?

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1           A.     Consistent with Staff’s overall recommendation to reject KCPL’s MEEIA  
2 Application<sup>1</sup>, the purpose of my testimony is to respond, from a Staff policy perspective, to  
3 the direct testimony of KCPL witness Tim M. Rush regarding KCPL’s proposed modification  
4 to the current demand-side management (“DSM”) program recovery mechanism, and to the  
5 direct testimony of KCPL witness Kevin E. Bryant regarding the need for a modification to  
6 the current recovery mechanism as it relates to credit ratings, investors and regulatory lag.  
7 Other Staff witnesses will address the technical deficiencies of the proposed modification to  
8 the current recovery mechanism and the technical issues related to the credit rating, investor  
9 and regulatory lag concerns raised by KCPL witnesses.

10           Q.     What “change” in the current recovery mechanism is KCPL requesting?

11           A.     In his direct testimony, Mr. Rush states that KCPL is requesting deferral of  
12 program costs and net shared benefits until June 1, 2015, through the use of a DSIM tracker;  
13 implementation of the performance incentive component of the recovery mechanism after an  
14 evaluation, measurement, and verification (EM&V) for each program; rate base treatment of  
15 the unrecovered balance in the next rate case; and a change to customer bills through a tariff  
16 effective June 1, 2015.<sup>2</sup> Mr. Rush clarifies that the tariff, effective June 1, 2015, is a DSIM  
17 Charge tariff to begin recovery of program costs, a portion of the net shared benefits and the  
18 performance incentive through the use of a rider mechanism.<sup>3</sup>

19           Q.     What does Mr. Bryant say about the current method of recovery for DSM  
20 programs?

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<sup>1</sup> See testimony of Staff witness John Rogers and other Staff witnesses who discuss the technical reasons for rejecting KCPL’s application, and also offer evidence to allow the Commission to modify KCPL’s application consistent with MEEIA rules.

<sup>2</sup> Direct Testimony of Tim M. Rush, page 6, beginning at line 9

<sup>3</sup> Direct Testimony of Tim M. Rush at page 15, lines 3-10.

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1           A.     Mr. Bryant states that the current recovery method is inadequate and does not  
2 put demand-side programs on a level playing field with generation resources, particularly with  
3 respect to shareholders.<sup>4</sup> Mr. Bryant also states, “When the Company spends money on DSM  
4 programs resulting in regulatory lag to simply recover the costs, without a sufficient return or  
5 incentive comparable to that for traditional investments, and with the end result of reducing  
6 the Company’s revenues, investors view this as detrimental to the goals of earning a return on  
7 investment...This investment framework creates regulatory lag...This discount increases the  
8 relative cost of equity capital for such utilities.”<sup>5</sup>

9           Q.     What components of proposed changes to the recovery method are you  
10 addressing?

11          A.     I am only addressing the policy aspects of KCPL’s request for a rider  
12 mechanism.

13          Q.     Does Staff generally support the use of a rider mechanism as consistent with  
14 MEEIA?

15          A.     Generally, yes. As explained in the Direct Testimony of Staff witness Mark  
16 Oligschlaeger, a properly constructed rider mechanism would allow a utility to recover its  
17 DSM costs much more concurrently with the actual incurrence of those costs; thus, reducing  
18 the regulatory lag concerns raised by Mr. Bryant and providing greater transparency for the  
19 customers. However, from a policy perspective, and not addressing the appropriateness of the  
20 various aspects of KCPL’s pending MEEIA application, Staff cannot support KCPL’s *request*  
21 for a rider mechanism in this case.

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<sup>4</sup> Direct Testimony of Kevin E. Bryant beginning on page 5 lines 5 through 7

<sup>5</sup> Direct Testimony of Kevin E. Bryant beginning on page 6, line 20 through page 7, line 7

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1 Q. Why does Staff not support KCPL's request for a rider mechanism in this  
2 case?

3 A. The Regulatory Plan states, "KCP&L agrees that prior to June 1, 2015, **it will**  
4 **not seek to utilize** any mechanism authorized in current legislation known as "SB 179" or  
5 other change in state law that would allow riders or surcharges or changes in rates outside of a  
6 general rate case based on consideration of relevant factors."<sup>6</sup> (emphasis added).

7 The Commission approved the Regulatory Plan, stating "KCP&L has agreed that  
8 before June 1, 2015, **it will not seek to use** any mechanism authorized in SB 179, enacted this  
9 year, or other change in state law that would allow riders or surcharges or changes in rates  
10 outside of a general rate case based upon a consideration of less than all relevant factors."<sup>7</sup>  
11 (emphasis added).

12 From a policy perspective, key to both of these excerpts is the acknowledgement that  
13 KCPL agreed that it would not "seek" a mechanism authorized under SB 179 or subsequent  
14 change in state law that would allow a rider mechanism, surcharge or change in rates outside a  
15 general rate case prior to June 1, 2015.

16 Q. Based on the emphasized language in the excerpts above, it appears the  
17 Regulatory Plan indicated KCPL would not seek to "utilize" a mechanism, while the Report  
18 and Order stated KCPL agreed it would not seek to "use" a mechanism that would allow a  
19 rider mechanism, surcharge or change in rates outside a general rate case. Does this  
20 difference in terminology affect Staff's policy interpretation?

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<sup>6</sup> Stipulation and Agreement. Case No. EO-2005-0329. Paragraph III. B. c. Single-Issue Rate Mechanisms. Filed March 28, 2005.

<sup>7</sup> Report and Order. Case No. EO-2005-0329. "Riders and Surcharges". Page 15. Issued July 28, 2005. Effective August 7, 2005.

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1           A.     No. Webster's New World Dictionary (Webster's) defines "utilize" as "to put  
2 to use or make practical use of; get profit or benefit from by using." Webster's defines "use"  
3 as "to put or bring into action or service; employ for or apply to a give purpose." Further, as  
4 previously stated, the key term that Staff is focusing on is the term "seek" in both phrases.

5           Q.     Is a MEEIA rider a mechanism authorized under SB 179?

6           A.     No, a MEEIA rider is not a mechanism authorized under SB 179. Important to  
7 the discussion is the following clause "or subsequent change in state law that would allow a  
8 rider or surcharge or change in rates outside a general rate case." Recovery related to MEEIA  
9 was authorized through a subsequent change in state law under Senate Bill 376 in 2009.

10          Q.     Is there any discussion in the Regulatory Plan or the Commission's Report and  
11 Order as to any commitments associated with KCPL's agreement not to seek to utilize a  
12 mechanism such as a rider?

13          A.     Yes. Both the Regulatory Plan and the Commission's Report and Order  
14 acknowledge that KCPL, in lieu of requesting a rider, surcharge or change in rates outside a  
15 general rate case, could propose an Interim Energy Charge (IEC) in a general rate case filed  
16 before June 1, 2015, subject to certain parameters, without an assertion by the parties that  
17 were signatories to the Regulatory Plan that such proposal would constitute retroactive  
18 ratemaking or failed to consider all relevant factors.

19          Q.     Has KCPL responded to questions in such a way that showed its interpretation  
20 of the Regulatory Plan, as it relates to requesting a rider mechanism, surcharge or change in  
21 rates outside a general rate case prior to June 1, 2015, was previously aligned with Staff's  
22 interpretation?



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1           A.     Yes. The following are pertinent excerpts from the transcripts in Case No.  
2 ER-2012-0174. In response to questions from Judge Jordan related to the IEC arising from a  
3 settlement of an earlier case, Mr. Fischer, counsel for KCPL, responds, “Yes, Judge. In the –  
4 in the original regulatory plan stipulation, Kansas City Power & [L]ight agreed that it would  
5 not seek a fuel adjustment clause for mechanism related to, I think it was S[B]-179. But it  
6 was reserved in that stipulation that the company request what’s called an interim energy  
7 charge.”<sup>8</sup> The Judge and Mr. Fischer continued with an exchange about fuel costs and risks  
8 then, Mr. Fischer went on to say, “Now, as the provisions expire down the road, in 2015, the  
9 company may very well want to come into the fold of all the other utilities and *ask* for a fuel  
10 adjustment clause.”<sup>9</sup> (emphasis added).

11           Later in the transcript, Staff Counsel Kevin Thompson and Mr. Rush have the  
12 following exchange:

13                   Q. And so what the IEC is an attempt to do is an attempt to be a short-  
14 term solution until you believe -- until you would -- outside of the stipulation  
15 and agreement to *request* an FAC?

16                   A. That is correct...

17  
18                   Q. The IEC is authorized under the stipulation and agreement or the  
19 including of off-system sales is authorized under the stipulation and  
20 agreement?

21                   A. Both of those are. Both the ability to *request* an IEC as well as the  
22 ability to include off-system sales in the IEC is authorized...<sup>10</sup> (emphasis  
23 added)  
24

25           Finally, following is a data request submitted by Staff to KCPL, and KCPL’s response:

26           DR question: Is the Company willing to include as part of its officially  
27 adopted resource acquisition strategy Plan ADBKA as a contingency resource  
28 plan should the Company be allowed to *seek* a rider as a part of its planned  
29 2013 MEEIA filing? This presumes that the parties to the Commission-  
30 approved Stipulation and Agreement in Case No. EO-2005-0329 file with the

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<sup>8</sup> ER-2012-0174. Transcript of Proceedings. October 17, 2012. Page 135, beginning at line 20.

<sup>9</sup> *Id* at page 137, beginning at line 4.

<sup>10</sup> *Id* at page 238, beginning at line 11 through page 239, line 5.

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1 Commission and the Commission approves an amendment to the Case No.  
2 EO-2005-0329 Stipulation and Agreement which specifically carves out a one-  
3 time exception to the Single-Issue Rate Mechanisms language in paragraph  
4 III.B. 1.c. of the Stipulation and Agreement in Case No. EO-2005-0329,  
5 thereby allowing the Company the opportunity to *seek* a rider as a part of its  
6 planned 2013 MEEIA filing.

7  
8 KCP&L response: At this time, KCP&L is not willing to consider Alternative  
9 Resource Plan ADBKA as a contingency plan should it be allowed to *seek* a  
10 rider, as it includes the retirement of Montrose station in 2016 which is earlier  
11 than warranted by the economics.

12  
13 However, to the extent parties to the approved Stipulation and Agreement in  
14 Case No. EO-2005-0329 file with the Commission and the Commission was to  
15 approve *a one-time exception* to the single-issue rate mechanisms language in  
16 paragraph III.B.1.c., the Company would consider a rider as part of a 2013  
17 MEEIA process. KCP&L would need to evaluate the impact of a rider on  
18 customers, the company and the Stipulation and Agreement before agreeing to  
19 any such rider.<sup>11</sup> (emphasis added)

20  
21 It appears that even KCPL recognizes that the Regulatory Plan limits its ability to request a  
22 rider prior to June 1, 2015.

23 Q. Mr. Rush notes that the parties, excluding KCPL, could recommend a MEEIA  
24 rider be implemented in this case. Are all the signatories to the Regulatory Plan parties to  
25 KCPL's MEEIA case?

26 A. No. As an example, but perhaps not all inclusive, signatories to the Regulatory  
27 Plan that are not included in KCPL's MEEIA case include Praxair, Inc., City of Kansas City,  
28 Missouri, Jackson County, Missouri, Concerned Citizens of Platte County and the Sierra  
29 Club, Missouri Joint Municipal Electric Utility Commission and Ford Motor Company.

30 Q. Does Staff have an alternative proposal to KCPL's request to modify its DSM  
31 recovery mechanism?

32 A. Yes. Staff witnesses Kliethermes, Stahlman and Oligschlaeger discuss Staff's  
33 recommendations on this issue.

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<sup>11</sup> Data Request Question No. 0005 and Response. Case No. EO-2013-0537. July 26, 2013.

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1 | Q. Does this complete your testimony?

2 | A. Yes it does.

**Natelle Dietrich**  
**Case Summary**

Presented testimony or analysis through affidavits on the following cases and proceedings:

- Case No. TA-99-405, an analysis of the appropriateness of a “payday loan” company providing prepaid telecommunications service.
- Case No. TX-2001-73, In the Matter of Proposed New Rules on Prepaid Calling Cards.
- Case No. TO-2001-455, the AT&T/Southwestern Bell Telephone Company arbitration, which included issues associated with unbundled network elements.
- Case No. TX-2001-512, In the Matter of Proposed Amendments to Commission Rule 4 CSR 240-33.010, 33.020, 33.030, 33.040, 33.060, 33.070, 33.080, 33.110, and 33.150 (telecommunications billing practices).
- Case No. TO-2002-222, the MCI/SWBT arbitration.
- Case No. TR-2002-251, In the Matter of the Tariffs Filed by Sprint Missouri, Inc. d/b/a Sprint to Reduce the Basic Rates by the Change in the CPI-TS as Required by 392.245(4), Updating its Maximum Allowable Prices for Non-Basic Services and Adjusting Certain Rates as Allowed by 392.245(11) and Reducing Certain Switched Access Rates and Rebalancing to Local Rates as Allowed by 392.245(9).
- Case No. TX-2002-1026, In the Matter of a Proposed Rulemaking to Implement the Missouri Universal Service Fund End-User Surcharge.
- Case No. TX-2003-0379, In the Matter of Proposed Amendments to Commission Rule 4 CSR 240-3.545, formerly 4 CSR 240-30.010 (tariff filing requirements).
- Case No. TX-2003-0380, In the Matter of Proposed Amendments to Commission Rules 4 CSR 240-2.060, 4 CSR 240-3.020, 4 CSR 240-3.510, 4 CSR 240-3.520, and 4 CSR 240-3.525 (competitive local exchange carrier filing requirements and merger-type transactions).
- Case No. TX-2003-0389, In the Matter of Proposed Amendment to Commission Rules 4 CSR 240-3.530 and 4 CSR 240-3.535, and New Rules 4 CSR 240-3.560 and 4 CSR 240-3.565 (telecommunications bankruptcies and cessation of operation).
- Case No. TX-2003-0445, In the Matter of a Proposed New Rule 4 CSR 240-33.160 Regarding Customer Proprietary Network Information.
- Case No. TX-2003-0487, In the Matter of Proposed Commission Rules 4 CSR 240-36.010, 36.020, 36.030, 36.040, 36.050, 36.060, 36.070, and 36.080 (arbitration and mediation rules).
- Case No. TX-2003-0565, In the Matter of a Proposed Rulemaking to Codify Procedures for Telecommunications Carriers to Seek Approval, Amendment and Adoption of Interconnection and Resale Agreements.
- Case Nos. TX-2004-0153 and 0154, in the Matter of Proposed Rule for 211 Service (emergency and permanent rules).

- Case Nos. TO-2004-0370, IO-2004-0467, TO-2004-0505 et al, In the Matter of the Petition of various small LECs for Suspension of the Federal Communications Commission Requirement to Implement Number Portability.
- Case No. TX-2005-0258, In the Matter of a New Proposed Rule 4 CSR 240-33.045 (placement and identification of charges on customer bills).
- Case No. TX-2005-0460, In the Matter of the Proposed Amendments to the Missouri Universal Service Fund Rules.
- Case No. TO-2006-0093, In the Matter of the Request of Southwestern Bell Telephone, L.P. d/b/a SBC Missouri, for Competitive Classification Pursuant to Section 392.245.6, RSMo (2205) – 30-day Petition.
- Case Nos. TC-2005-0357, IR-2006-0374, TM-2006-0306, the complaint case, earnings investigation and transfer of assets case to resolve issues related to Cass County Telephone Company, LP, LEC Long Distance, FairPoint Communications, Inc., FairPoint Communications Missouri Inc. d/b/a FairPoint Communications and ST Long Distance Inc. db/a FairPoint Communications Long Distance.
- Case No. TC-2006-0068, FullTel, Inc., v. CenturyTel of Missouri, LLC.
- Case No. TX-2006-0169, In the Matter of Proposed New Rule 4 CSR 240-3.570 Regarding Eligible Telecommunications Carrier Designations for Receipt of Federal Universal Service Fund Support.
- Case No. TX-2006-0429, In the Matter of a Proposed Amendment to 4 CSR 240-3.545 (one day tariff filings).
- Case No. TX-2007-0086, In the Matter of a Proposed Rulemaking to Create Chapter 37 – Number Pooling and Number Conservation Efforts
- Case No. TA-2009-0327, In the Matter of the Petition of TracFone Wireless, Inc. for Designation as an Eligible Telecommunications Carrier in the State of Missouri for the Limited Purpose of Offering Lifeline and Link Up Service to Qualified Households.
- Case No. RA-2009-0375, In the Matter of the application of Nexus Communications, Inc. dba TSI for Designation as an Eligible Telecommunications Carrier in the State of Missouri for the Limited Purpose of Offering Wireless Lifeline and Link Up Service to Qualifying Households.
- Case No. AX-2010-0061, Office of Public Counsel’s Petition for Promulgation of Rules Relating to Billing and Payment Standards for Residential Customers.
- Case No. GT-2009-0056, In the Matter of Laclede Gas Company’s Tariff Revision Designed to Clarify its Liability for Damages Occurring on Customer Piping and Equipment Beyond the Company’s Meter.
- Case No. ER-2012-0166, In the Matter of Union Electric Company d/b/a Ameren Missouri’s Tariffs to Increase Its Revenues for Electric Service. Energy Independence and Security Act of 2007 (EISA).
- Case No. ER-2012-0174, In the Matter of Kansas City Power & Light Company’s Request for Authority to Implement A General Rate Increase for Electric Service. Energy Independence and Security Act of 2007 (EISA).

- Case No. ER-2012-0175, In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service. Energy Independence and Security Act of 2007 (EISA).
  - Case No. ER-2012-0345, In the Matter of Empire District Electric Company of Joplin, Missouri Tariff's Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company. Energy Independence and Security Act of 2007 (EISA).
  - File Nos. EO-2013-0396 and EO-2013-0431, In the Matter of the Joint Application of Entergy Arkansas, Inc., Mid South TransCo, LLC, Transmission Company Arkansas, LLC and ITC Midsouth LLC for Approval of Transfer of Assets and Certificate of Convenience and Necessity, and Merger and, in connection therewith, Certain Other Related Transactions; and In the Matter of Entergy Arkansas, Inc.'s Notification of Intent to Change Functional Control of Its Missouri Electric Transmission Facilities to the Midwest Independent Transmission System Operator Inc. Regional Transmission System Organization or Alternative Request to Change Functional Control and Motions for Waiver and Expedited Treatment, respectively.
  - Case No. MX-2013-0432, In the Matter of a Proposed Rulemaking to Revise Manufactured Housing Rules Regarding Installation and Monthly Reporting Requirements.
  - Case No. TX-2013-0324, In the Matter of a Proposed Rulemaking to the Missouri Universal Service Fund.
- 
- Actively participated in or prepared comments on numerous issues on behalf of the Commission to be filed at the Federal Communications Commission.
  - Prepared congressional testimony on behalf of the Commission on number conservation efforts in Missouri.
  - A principal author on Missouri Public Service Commission Comments on the Reduction of Carbon Emissions in Missouri under Section 111(d) of the Clean Air Act.

Commission Arbitration Advisory Lead Staff for the following cases:

- Case No. TO-2005-0336, Southwestern Bell Telephone, L.P., d/b/a SBC Missouri's Petition for Compulsory Arbitration of Unresolved Issues For a Successor Interconnection Agreement to the Missouri 271 Agreement ("M2A").
- Case No. IO-2005-0468, In the Matter of the Petition of Alma Telephone Company for Arbitration of Unresolved Issues Pertaining to a Section 251(b)(5) Agreement with T-Mobile USA, Inc.
- Case No. TO-2006-0147 et al, In the Matter of the Petition for Arbitration of Unresolved Issues in a Section 251(b)(5) Agreement with T-Mobile USA, Inc and Cingular Wireless.
- Case No. TO-2006-0299, Petition of Socket Telecom, LLC for Compulsory Arbitration of Interconnection Agreements with CenturyTel of Missouri, LLC and

Spectra Communications, LLC, pursuant to Section 251(b)(1) of the Telecommunications Act of 1996.

- Case No. TO-2006-0463, In the Matter of the Petition for Arbitration of Unresolved Issues in a Section 251(b)(5) Agreement with ALLTEL Wireless and Western Wireless.
- Case No. TO-2009-0037, In the Matter of the Petition of Charter Fiberlink-Missouri, LLC for Arbitration of an Interconnection Agreement Between CenturyTel of Missouri, LLC and Charter Fiberlink-Missouri, LLC.