Exhibit No.:	
Issue:	Class Cost of Study, Revenue Allocation, Rate Design
Witness:	Kavita Maini
Type of Exhibit:	Rebuttal Testimony
Sponsoring Parties:	MECG
Case No.:	ER-2022-0129
Date Testimony Prepared:	July 13, 2022

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Every Missouri Metro's Request for Authority to Implement A General Rate Case Increase for Electric Service	)))))	**File No. ER-2022-0129**

Rebuttal Testimony and Schedules of

Kavita Maini

On behalf of

MIDWEST ENERGY CONSUMERS GROUP

July 13, 2022

Protecting Your Bottom Line

KM ENERGY CONSULTING, LLC

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Every Missouri Metro's Request for Authority to Implement A General Rate Case Increase for Electric Service	))))	Case No. ER-2022-0129

STATE OF WISCONSIN	)	
	)	SS
COUNTY OF WAUKESHA	)	

AFFIDAVIT OF KAVITA MAINI

Kavita Maini, being first duly sworn, on her oath states:

1. My name is Kavita Maini. I am a consultant with KM Energy Consulting, LLC. having its principal place of business at 961 North Lost Woods Road, Oconomowoc, WI 53066. I have been retained by the Midwest Energy Consumers Group ("MECG") in this proceeding on its behalf.

2. Attached hereto and made a part hereof for all purposes are my rebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2022-0129

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.

Kavita Maini

Kavita Maini

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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Rebuttal Testimony of Kavita Maini

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Kavita Maini. I am the principal and sole owner of KM Energy Consulting, LLC.

Q. PLEASE STATE YOUR BUSINESS ADDRESS.

A. My office is located at 961 North Lost Woods Road, Oconomowoc, WI 53066.

Q. ARE YOU THE SAME KAVITA MAINI WHO HAS PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?

A. Yes, I filed direct testimony on behalf of the Midwest Energy Consumers Group ("MECG"). My direct testimony provided recommendations regarding Evergy Metro, Inc.'s ("Metro" or "Company") class cost of service study ("COSS"), revenue allocation to classes and rate design for the Large General Service ("LGS") and Large Power Service ("LPS") rate schedules.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to address (a) issues related to Staff's COSS

methodology, (b) Staff's revenue allocation, and (d) Staff's rate design recommendations applicable to the LGS and LPS rate schedules. I also respond to Missouri Industrial Energy Consumers ("MIEC") witness Mr. Maurice Brubaker's recommendations related to the COSS. The fact that I do not address any particular issue should not be interpreted as my implicit approval of any position taken by Staff on that issue.

II. SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.

A. The following is a summary of my testimony and recommendations:

Section III: Class Cost of Service Study (CCOS)

1. Contrary to Staff's perspective, it is neither necessary nor appropriate to further weight the A&E allocator with an energy allocator. The A&E allocator is appropriately applied to all types of generation including coal, nuclear, natural gas and renewable generation. This is because by incorporating class contribution to average demands (i.e., energy usage) and maximum demands and further weighting by load factor, the A&E allocator reasonably considers all aspects of a utility's load profile characteristics which result in building generation infrastructure;

2. Staff appropriately utilizes the same allocator to allocate generation and transmission costs at the jurisdictional level. However, Staff inexplicably utilizes different allocators to allocate these costs at the retail level. Using the same allocator is appropriate and consistent because it recognizes that both generation and transmission are planned, designed and constructed to meet a utility's highest demands and contributions to these highest demands is the appropriate cost causative basis on which to allocate the related costs.

3. While Staff allocates costs and revenues based on its transmission demand allocator in the West COSS, this approach is not applied consistently in the Metro COSS. In Metro COSS's case, Staff allocates certain costs based on an energy allocator and revenues based on its demand allocator.

4. Staff incorporates energy weighting for allocating certain embedded distribution related services which is not mainstream or accepted as a method in the NARUC manual.

5. After correcting for these above-mentioned issues and contrary to Staff's results, the results show that at present rate revenues, the rate of return and indexed ROR is much

higher for the LPS class and similar to MECG and Metro's COSS results shown in direct testimony.

6. As a result of these issues, the Commission should not rely on Staff's COSS. Instead, the Commission should rely on MECG's COSS results for cost causation and revenue allocation inferences.

7. While I continue to recommend that the Commission adopt MECG's COSS method, given the similarity in results, I am not opposed to the method advocated by Metro or MIEC.

Section IV: Revenue Allocation

1. For reasons identified earlier, the Commission should not rely on Staff's COSS to make determinations on revenue allocation to classes. Rather, the Commission should depend on MECG's COSS results in making such determinations.

2. If Staff's revenue requirement including true-up of a 3.36% increase were approved, using MECG's COSS results as guidance and applying Staff's $20 million threshold approach results in an increase of 5.97% for the residential, CCN and lighting classes and 1.59% for all other classes respectively. On a comparative basis, I obtain similar results using my recommended revenue allocation method by applying 100% of the change from the Company's original request to adjust the Company's original multiplier of 136% to approximately 177%. Applying this multiplier to an average 3.36% jurisdictional rate increase yields an increase of 5.93% for the residential, CCN and lighting classes and 1.61% for all other classes respectively.

Section V: Rate Design

I oppose Staff's proposal of a default Time of Use ("TOU") rate for the LPS and LGS rate schedules at the present time. While I am supportive of evaluating a time of use rate design, I cannot endorse the approach being proposed by Staff because there is no rate per se to evaluate and no information regarding an impact analysis of any proposed changes to the LPS and LGS classes. I am generally more supportive of a phased-in approach as articulated by Metro and discussed in my direct testimony.

III. RESPONSES REGARDING COSS METHODS

A. Response to Staff's COSS Method

Q. WHAT ISSUES DO YOU ADDRESS WITH RESPECT TO STAFF'S COSS METHODOLOGY?

A. I address the following major issues:

1. Allocation of fixed production plant related costs to customer classes;

2. Allocation of transmission costs to customer classes; and

3. Allocation of distribution costs related to FERC account 369

While there could be other issues, I focused my analysis on the above-mentioned major issues.

1. Allocation of Fixed Production Plant Related Costs

Q. WHAT METHOD DID STAFF USE TO ALLOCATE FIXED PRODUCTION PLANT-RELATED COSTS TO CLASSES?

A. Staff's witness Ms. Sarah Lange's direct testimony indicates that she used a combination of the Average and Excess 4NCP (A&E4NCP) allocator and an energy allocator. Her workpapers shows that she calculated a weighted allocator which essentially consisted of allocating (a) non-renewable fixed generation related costs using the A&E4NCP allocator and (b) renewable fixed generation related costs using the energy allocator.

Q. DO YOU SUPPORT THIS APPROACH?

A. No. First, I do not consider it good practice to mix and match production cost allocators based on generation type in order to allocate fixed production plant related costs, because such an approach will necessarily include more subjectivity and potential for analytical bias. Second, Ms. Lange appears to assume that the A&E allocator considers only peak demands and ignores the fact that the calculation of the allocator also includes average demand, which is energy usage. Therefore, energy based allocation is inherently included in the A&E4NCP calculation. Third, all generation acquired by the Company has capacity value including nuclear, hydro, natural gas, coal, solar and wind generation. By incorporating class contribution to

average demands and maximum demands and further weighting by load factor, the A&E allocator reasonably considers all aspects of a utility's load profile characteristics which result in building generation infrastructure. Consequently, the A&E approach is an appropriate allocator to use in order to allocate all fixed production plant related cost and the additional weighting depending on a specific resource type is neither necessary nor required Thus, I recommend that Staff's composite allocator should be rejected.

2. Allocation of Transmission Costs

Q. HOW DID STAFF ALLOCATE TRANSMISSION COSTS TO CLASSES?

A. Staff allocated transmission costs on the basis of classes' 12 coincident peaks or 12CP. Ms. Lange did not provide a rationale for using a different allocator for transmission compared to generation.

Q. IS THIS APPROACH CONSISTENT WITH HOW STAFF ALLOCATES TRANSMISSION COSTS AT THE JURISDICTIONAL LEVEL?

A. No. Staff uses the same allocator for allocating transmission costs, as fixed production plant related costs at the jurisdictional level. Such an approach is appropriate and consistent because it recognizes that both generation and transmission are planned, designed and constructed to meet a utility's highest demands and contributions to these highest demands is the appropriate cost causative basis on which to allocate the related costs. In Metro's case, these peaks occur in the summer months and Staff utilizes the 4CP method to allocate generation and transmission costs at the

jurisdictional level.[1] Missouri utilities including Empire, Ameren and Every all utilize the same allocator for fixed production plant and transmission costs to classes. Therefore, it is unclear why Staff has an inconsistent view when it comes to allocating these costs at the retail level. I continue to support and recommend the using the same demand allocator for generation and transmission related costs to classes, as has been done by the Company, Staff at the jurisdictional level and other Missouri utilities such as Ameren and Empire District Electric.

Q. ARE THERE OTHER ISSUES RELATED TO THE ALLOCATION OF TRANSMISSION COSTS WITH STAFF'S ANALYSIS?

A. Yes. There are two additional issues:

First, similar to all allocators, the cost allocation factors to classes should sum up to 1. However, Staff's transmission allocator totals more than 17 times more than 1.00 as shown in Figure 1R.

Figure 1R: Staff's Transmission Demand Allocator

Description	Residential	SGS	MGS	LGS	LPS	Lighting	Other	Total
Staff's Transmission Allocator	0.4055971	1.4055971	2.4055971	3.4055971	4.4055971	5.4055971		*17.4335825688*

Second, while Ms. Lange indicated that all costs, expenses, and revenues are allocated on the basis of her preferred 12CP allocator, the COSS model shows this is not the case in certain instances. For example, while costs booked under FERC account 565, "transmission of electricity by others", were allocated on the basis of an energy allocator, revenues booked under FERC account 456 "Other electric revenue

[1] Staff witness Mr. Alan Bax's direct testimony on pages 8-11 explains why reliance on the summer peak demands for allocating fixed transmission and production related costs is most reasonable and valid compared to other peak demands.

transmission for others" were allocated based on her transmission demand allocator. Aside from the issue of allocating transmission costs on an energy basis, it is not reasonable to be inconsistent by allocating costs on the basis of energy and revenue on the basis of demand.

3. Allocation of distribution costs related to FERC account 369

Q. HOW DID STAFF ALLOCATE DISTRIBUTION COSTS RELATED TO FERC ACCOUNT 369?

A. FERC account 369 refers to service drops. Staff calculated a weighted allocator based on energy usage and number of customers.

Q. DO YOU SUPPORT THIS WEIGHTED APPROACH?

A. No, I do not support this approach. I am not aware of a mainstream embedded cost method that utilizes an energy based weighting to allocate distribution costs related to services or any other components of distribution costs for that matter. The NARUC manual identifies on page 87 that costs booked under FERC account 369 (services) can be classified as customer related. Thus, I support and recommend the classification and allocation based on customer count.

Q. DID YOU RUN STAFF'S COSS MODEL TO CORRECT FOR THE ABOVE MENTIONED ISSUES?

A. Yes. While there could be other issues in the model as I did not conduct an exhaustive analysis, I made the following adjustments in Staff's COSS model in order to address the above mentioned issues:

- I used the A&E4NCP allocator to allocate all fixed production related costs;

- I replaced Staff's 12CP transmission allocator with the A&E4NCP allocator and allocated all transmission costs on this basis;
- I used Staff's customer count allocator to allocate costs related to services (FERC 369)

Q. WHAT DO THE RESULTS SHOW?

A. Figure 2R shows a comparison of the Rate of Return ("ROR") and indexed ROR on a present rate revenue basis between Staff's COSS and Staff's revised COSS after making adjustments to address the above-mentioned issues of concern in Staff's COSS model. The findings indicate that the biggest difference is regarding the results for the LPS class. For a system wide ROR of 4.38% on a rate revenue basis (i.e., excluding other revenues), while Staff's COSS results show an ROR at present rate revenue of 4.98% for the LPS class, Staff's COSS results after making corrections show an ROR of 7.38%.

Figure 2R: Earned and Indexed Rate of Return (ROR) at Present Rates

	STAFF'S COSS AFTER MECG ADJUSTMENTS		STAFF's COSS RESULTS	
	Earned ROR	Indexed ROR	Earned ROR	Indexed ROR
Residential	0.7573%	17.27	1.94%	44.24
Small General Service	9.2656%	211.27	8.99%	204.96
Medium General Service	8.2312%	187.68	8.28%	188.79
Large General Service	8.4580%	192.85	8.00%	182.42
Large Power Service	7.3821%	168.32	4.98%	113.64
Lighting	-0.2878%	-6.56	-6.43%	-146.71
CCN	-21.1315%	-481.82	-21.16%	-482.38
On a Rate Revenue Basis	4.3857%	100.00	4.3857%	100.00

The same conclusions can be drawn from the corrected results here for the LPS class and various other classes as the results identified by Metro and MECG in direct testimony. That is, these results also confirm that the residential and CCN classes have indexed ROR below 100 (or negative) and are therefore paying rates that are significantly below their costs to serve. Conversely, classes with indexed rate of return

above 100 are currently paying rates that are significantly above the cost to serve those classes such as Small General Service, Medium General Service, Large General Service and Large Power Class respectively. The one notable difference is that the results for the lighting class show negative indexed RORs compared to less than 100 but positive indexed ROR in the COSS results in direct testimony.

B. Response to MIEC's COSS Method

Q. WHAT COSS DOES MIEC SUPPORT?

A. MIEC witness Mr. Brubaker supports Metro's COSS method. As mentioned in my direct testimony, except for the lighting class, Metro's COSS results are substantially similar to MECG's COSS. While I continue to recommend that the Commission adopt MECG's A&E4NCP method for allocating generation and transmission costs, given the similarity in results for all of the remaining classes, I am not opposed to MIEC's or Metro's COSS.

IV. RESPONSE TO STAFF REGARDING REVENUE ALLOCATION

Q. WHAT IS STAFF'S REVENUE ALLOCATION PROPOSAL?

A. Ms. Lange relies on her COSS results to recommend a two-step process if an increase is ordered in excess of $20 million:

- For the first $20 million, apply a 1% increase to SGS, MGS and LGS, 3% to residential and 5% to the LPS class.
- Any additional increases should be applied as an equal percentage increase to the current rate revenues of each class

If the amount is lower than $20 million, she recommends an equal percent increase to the residential, lighting, LPS and other classes respectively.

If there is an overall decrease, she recommends allocating the decrease to the LGS, MGS and SGS classes respectively.

Q. DO YOU SUPPORT MS. LANGE'S RECOMMENDATIONS?

A. No. As an initial matter, since I do not support Staff's COSS method of allocating certain costs, I strongly oppose relying on her COSS results for revenue allocation purposes to classes. With regards to the revenue allocation method itself, Ms. Lange does not specify why she utilizes a threshold of $20 million to make revenue neutral shifts. If the Commission were to adopt such a threshold, then I recommend that MECG's COSS results be used as guidance in the first instance.

Using MECG's COSS results and applying Staff's $20 million threshold, I arrive at the revenue allocation results as shown in Table 3R: Assuming that the Commission authorizes an increase of over $28 million or 3.36% as estimated by Staff (after incorporating a true-up amount), for the first $20 million, I applied a 5% increase for all to the residential, lighting and CCN classes respectively since these classes have a relative ROR less than 100. The remaining amount to cover the first $20 million is then applied as an equal percent increase to the LGS, SGS, MGS and LPS classes respectively since these classes have a relative ROR greater than 150. This resulting amount in the first step is 0.62% for the SGS, LGS, MGS and LPS classes respectively. The additional incremental amount of approximately $8.1 million is allocated as an equal percent to all classes. The resulting increase for the residential, lighting and CCN class is 5.97% and all other classes is 1.59%.

Figure 3R: Revenue Allocation to Classes Using Corrected COSS Results

	Rate Revenues	First $20 Million	1st Step % Increase	Incremental	Inc % Increase	Total $ Increase	Total % Increase
Residential	$328,711,726	$16,435,586	5.00%	$3,191,863	0.97%	$19,627,450	5.97%
Small General Service	$70,954,430	$436,539	0.62%	$688,983	0.97%	$1,125,522	1.59%
Medium General Service	$123,495,391	$759,791	0.62%	$1,199,167	0.97%	$1,958,958	1.59%
Large General Service	$182,792,223	$1,124,608	0.62%	$1,774,953	0.97%	$2,899,561	1.59%
Large Power Service	$120,912,681	$743,901	0.62%	$1,174,089	0.97%	$1,917,990	1.59%
Lighting	$9,888,230	$494,412	5.00%	$96,017	0.97%	$590,428	5.97%
CCN	$103,270	$5,164	5.00%	$1,003	0.97%	$6,166	5.97%
						$0	
	$836,857,951	$20,000,000	2.39%	$8,126,075	0.97%	$28,126,075	3.36%

Q. HOW DOES THIS REVENUE ALLOCATION RESULT COMPARE TO APPLYING THE METHOD YOU RECOMMENDED IN DIRECT TESTIMONY?

A The results of applying my recommended approach is shown in Figure 4R. For an average increase of 3.36%, the percent change between 5.65% and 3.36% is 40.5%. Adding 50% and 100% of the change to the initial multiplier of 136% results in 156.27% and 176.53% respectively. Using this multiplier to the average increase of 3.36% yields a 5.25% increase (at 50%) and 5.93% increase (at 100%) for the residential, other and lighting classes, with the remaining amount allocated on an equal percent basis to all other classes (i.e., 2.08% and 1.61%). As can be observed, the application of Staff's threshold method is comparable to applying all of the percent change from the original request to adjust the multiplier to approximately 177%.

Figure 4R: Application of Staff's Revenue Requirement Increase to MECG Revenue Allocation Method

	50% of Change from Original Request	100% of Change from Original Request
Residential,Lighting, Other	5.25%	5.93%
SGS, MGS, LGS, LPS	2.08%	1.61%

If lower rate increases are approved (such as lower than $20 million), the 5% increase should continue to be applied to the residential, CCN and lighting classes

respectively to focus on restoring equity amongst classes. Any incremental or decremental amounts after applying the 5% increases to these classes can then be applied to the remaining classes on an equal percent basis.

Q. DID YOU REVIEW MIEC'S WITNESS MR. BRUBAKER'S DIRECT TESTIMONY REGARDING REVENUE ALLOCATION TO CLASSES?

A Yes, I did. Mr. Brubaker's approach essentially consists of getting classes closer to cost of service and is generally consistent with my perspective that the smaller the rate increase, the larger should be the revenue neutral shifts.

V. RESPONSE TO STAFF REGARDING RATE DESIGN

Q. WHAT IS STAFF'S PROPOSED APPROACH FOR LPS AND LGS RATE DESIGN?

A. Staff would like Metro to offer default Time of Use (TOU) rate design for all classes except lighting, RTP and special customer rate schedules. I interpret Staff's proposal to mean that customers on LGS and LPS rate schedules will need to opt out of a yet to be determined TOU rate if they do not prefer to be on this rate. It is not clear but I am assuming that customers can opt to continue receiving service on their current rate schedules in the event they opt-out.

Q. DO YOU SUPPORT STAFF'S PROPOSAL?

A. No, I do not support Staff's proposal at the present time. While I am supportive of evaluating a time of use rate design, I cannot endorse the approach being proposed by Staff because there is no rate per se to evaluate and no information regarding an impact analysis of any proposed changes to the LPS and LGS classes. I am generally more supportive of a phased-in approach as articulated by Metro and discussed in my

direct testimony. We need to take a more systematic and measured approach with full vetting in order to mitigate rate impacts, ensure proper pricing signals and confirm that there are no unintended consequences with regards to rate switching or other revenue requirement recovery issues for Metro. Therefore, I oppose Staff's proposal at the current time.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A Yes.

SCHEDULE KM-1R: STAFF'S COSS RESULTS AFTER MECG ADJUSTMENTS

Description	MO Adjusted Jurisdictional	Residential	SGS	MGS	LGS	LPS	Lighting	Other	Total
TOTAL RATE BASE	$2,996,874,524	$1,477,820,581	$216,969,517	$381,924,445	$533,717,051	$333,628,179	$48,426,433	$4,388,316	$2,996,874,522
TOTAL EXPENSES	$705,422,557	$317,520,586	$50,850,966	$92,058,419	$137,650,583	$96,283,765	$10,027,585	$1,030,586	$705,422,490
TOTAL REVENUE (RATE REVENUE + OTHER REVENUE)	$906,329,532	$353,254,922	$75,830,158	$133,358,763	$199,244,774	$133,922,590	$10,607,767	$110,558	$906,329,532
OTHER REVENUE	$69,471,580	$24,543,196	$4,875,728	$9,863,372	$16,452,551	$13,009,909	$719,537	$7,288	$69,471,581
RATE REVENUE	$836,857,952	$328,711,726	$70,954,430	$123,495,391	$182,792,223	$120,912,681	$9,888,230	$103,270	$836,857,951
CURRENT RATE OF RETURN (TOTAL REVENUE)	6.7039%	2.4180%	11.5128%	10.8137%	11.5406%	11.2817%	1.1981%	-20.9654%	27.7995%
CURRENT RATE OF RETURN (ONLY RATE REVENUE)	4.3857%	0.7573%	9.2656%	8.2312%	8.4580%	7.3821%	-0.2878%	-21.1315%	12.6749%