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*Witness:* *Robin Kliethermes*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No.:* *ER-2016-0023*  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**OPERATIONAL ANALYSIS DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**ROBIN KLIETHERMES**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2016-0023**

*Jefferson City, Missouri*  
*May 2016*

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**TABLE OF CONTENTS**  
**SURREBUTTAL TESTIMONY**  
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**ROBIN KLIETHERMES**  
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RESPONSE TO DIVISION OF ENERGY REGARDING THE RESIDENTIAL  
CUSTOMER CHARGE ..... 2

RESPONSE TO OPC REGARDING CUSTOMER COMMENTS..... 7

RESPONSE TO MEUA REGARDING STAFF’S ALLOCATION OF DISTRIBUTION  
COSTS ..... 8



1 **RESPONSE TO DIVISION OF ENERGY REGARDING THE RESIDENTIAL**  
2 **CUSTOMER CHARGE**

3 Q. Do you agree with Mr. Hyman that the customer charge is not the driver of the  
4 increase in the case?

5 A. In general yes, however, the customer charge was not increased in the last case  
6 and the value of Staff's calculated customer charge in this case, \$18.62,<sup>1</sup> is approximately the  
7 same as Staff's calculated customer charge in Empire's last rate case, \$18.42.

8 Q. Did Staff recommend an increase in the customer charge in Empire's last  
9 rate case?

10 A. Yes. Staff recommended that the customer charge increase by the same  
11 percentage as the overall residential class increase. At the time of rebuttal testimony in the last  
12 case, Staff's recommendation would have resulted in a \$0.43 increase in the customer charge  
13 from \$12.52 to \$12.95.<sup>2</sup>

14 Q. Did Staff make a similar recommendation in this case?

15 A. No. Staff recommends the customer charge be set at \$15.00.

16 Q. Did Staff receive guidance from the Commission in subsequent rate cases after  
17 the last Empire case<sup>3</sup> regarding the Residential customer charge?

18 A. Yes. In Case No. ER-2014-0370, the Commission approved an increase in the  
19 Residential customer charge from \$9.00 to \$11.88 for Kansas City Power & Light. Below is  
20 an excerpt from the Commission's Report and Order.

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<sup>1</sup> Based on Staff's updated CCOS run supplied in the rebuttal workpapers of Robin Kliethermes.

<sup>2</sup> Page 2 of Robin Kliethermes' rebuttal testimony.

<sup>3</sup> Case No. ER-2014-0351.

1 Determining an appropriate customer charge is a question of rate  
2 design, not a question of the company's revenue requirement. Any  
3 increase in the company's customer charge should be accompanied by  
4 a decrease in volumetric rates so that, in theory, the company recovers  
5 the same amount of revenue. The Commission considers that an  
6 important goal of rate design is to recover costs from those who cause  
7 the costs to be incurred. Therefore, the Commission concludes that the  
8 appropriate residential customer charge is \$11.88 per month, based on  
9 Staff's cost of service study.<sup>4</sup>

10 Q. Is Staff recommending the Commission approve Staff's calculated Residential  
11 customer charge in this case?

12 A. No. Staff's calculated customer charge of \$18.62 is based on the Residential  
13 class' fully-allocated, embedded cost of service. Although Staff's rate design recommendation  
14 makes adjustments to bring the Residential class closer to its fully-allocated, embedded cost  
15 of service, it does not go to the full level. Therefore, Staff is not recommending the  
16 Commission approve Staff's calculated customer charge of \$18.62.

17 Q. Do you agree with Mr. Hyman that Staff's inclusion of customer deposits,  
18 uncollectible accounts, sales expense, and other billing expenses in Staff's calculation of the  
19 customer charge does not strictly follow NARUC's cost allocation methodology?

20 A. No. First, it is important to note that the section of the NARUC manual  
21 that Mr. Hyman quoted in his rebuttal testimony is addressing how costs in FERC Accounts  
22 901-917 should be allocated to the rate classes, rather than directly stating that those costs  
23 should or should not be included in the calculation of the customer charge. Additionally,  
24 he emphasized in parts of the NARUC definition that several of these costs, such as  
25 uncollectible expense and sales expense, should be directly assigned to the customer class

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<sup>4</sup> Pages 89 - 90 of Commission's Report and Order.

Surrebuttal Testimony of  
Robin Kliethermes

1 rather than allocated on the number of customers. Staff based its allocators for these costs on  
2 information from Empire that provided a direct assignment of these costs to the customer  
3 classes,<sup>5</sup> therefore following the NARUC cost allocation methodology that Mr. Hyman quoted  
4 in his rebuttal testimony.

5 However, customer deposits are not included in FERC Accounts 901 – 917, and  
6 therefore are not included in this section of the NARUC manual. In fact, Staff could not find  
7 customer deposits mentioned in the NARUC manual.

8 Q. Do you agree with Mr. Hyman that if all customers do not call customer  
9 service than some customer service costs should be removed from the customer charge  
10 calculation?

11 A. No. Whether or not all customers call customer service or spend an equal  
12 amount of time with customer service personnel, the service still needs to be in place to serve  
13 all of the utility's customers. Additionally, to remove the costs from the customer charge and  
14 place those costs in the energy charge would assert that it is more appropriate that customer  
15 service expenses vary with a kWh of energy sold rather than the number of customers a utility  
16 serves. This is not an appropriate assumption, since every new customer is an additional  
17 account to manage and an additional bill to mail.

18 Q. What costs does Staff include in the calculation of the customer charge?

19 A. Staff includes costs associated with distribution service lines (investment and  
20 expenses), distribution meters (investment and expenses), FERC accounts 901-917<sup>6</sup> (relating

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<sup>5</sup> Please see Staff Rate Design and Class Cost of Service Report page 27 for a more detailed explanation of how these costs were allocated to customer classes.

<sup>6</sup> It is important to note that not all costs that are booked in these accounts are included in the calculation of the customer charge. In some cases there are several sub-accounts that get included, such as amortizations for solar rebates or DSM programs. These costs should be removed from the calculation of the residential customer charge.

1 to customer installations, customer meter reading, other customer billing expenses,  
2 uncollectible accounts, customer service and information expenses, and sales expense),  
3 customer deposits, and a portion of income taxes.

4 Q. Mr. Hyman addresses concerns regarding the costs of uncollectible expense in  
5 the calculation of the customer charge, did Staff address these concerns?

6 A. Yes, at page 38, footnote 40, of Staff's *Rate Design and Class Cost of Service*  
7 *Report*, Staff explains that it ran a CCOS example including only 10%<sup>7</sup> of the uncollectible  
8 expense in the Residential customer charge calculation and reduced the customer charge to  
9 approximately \$17.00 per month per customer.

10 Q. Is Staff's recommended customer charge below the calculated customer charge  
11 with the energy portion of uncollectible expense removed?

12 A. Yes.

13 Q. Do you agree with Mr. Hyman that that Staff's customer charge  
14 recommendation does not consider public policy regarding energy efficiency?

15 A. No. Staff's recommended customer charge of \$15.00 does not cover the total  
16 revenue responsibility of the Residential class, causing the energy charges to increase to pick  
17 up the remaining residential revenue responsibility. Therefore, Staff did not ignore the public  
18 policy regarding energy efficiency because customers will experience savings by participating  
19 in energy efficiency. The increase in the energy charges will just not increase as much as they  
20 would with no increase in the customer charge. For example, Table 1 shows Empire's current  
21 Residential rates and Table 2 shows the approximate rates for the Residential class given

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<sup>7</sup> 10% was derived from the amount of revenue that the Residential class receives from its Customer Charge; the other 90% of class revenue is received through the energy charge.

1 Staff's overall rate design recommendation. The energy charge will still increase by  
2 approximately 5.8%, which will still allow for customers to experience savings from energy  
3 efficiency.

Table 1: Current Rates			Table 2: Staff's Rate Design		
Empire Rates	Summer	Winter	Empire Rates	Summer	Winter
Customer Charge	\$ 12.52	\$ 12.52	Customer Charge	\$ 15.00	\$ 15.00
First 600	\$ 0.12254	\$ 0.12254	First 600	\$ 0.12960	\$ 0.12960
Over 600	\$ 0.12254	\$ 0.09961	Over 600	\$ 0.12960	\$ 0.10535

4  
5  
6 Table 3 provides the approximate rates given Staff's rate increase recommendation, without  
7 the changed customer charge. The energy charge will increase by approximately 7.8%, just  
8 two percent more than the energy charges under Staff's rate design proposal.

Table 3: Staff's Rate Design (No Change in Cust. Charge)		
Empire Rates	Summer	Winter
Customer Charge	\$ 12.52	\$ 12.52
First 600	\$ 0.13205	\$ 0.13205
Over 600	\$ 0.13205	\$ 0.10734

9  
10  
11 Q. Did Mr. Hyman provide a cost basis for his recommended customer charge of  
12 \$12.52?

13 A. No. Mr. Hyman provides varying definitions of customer-related costs and  
14 general policy perspectives regarding what costs should or should not be in the calculation of  
15 the customer charge but he does not list specific dollar values or FERC accounts that should  
16 be included in the calculation of the customer charge. He further states that Staff  
17 inappropriately assigned as much as 40.12% of the costs Staff calculated to be recovered  
18 through the customer charge, but does not state exactly what level of costs are inappropriately



1 assigned.<sup>8</sup> In fact, Mr. Hyman did not perform a CCoS study in this case or develop any  
2 allocators in this case.

3 **RESPONSE TO OPC REGARDING CUSTOMER COMMENTS**

4 Q. Did you review the rebuttal testimony of OPC witness Geoff Marke?

5 A. Yes. As an attachment to his testimony Dr. Marke included four customer  
6 comments. Three of the four comments addressed high utility bills.

7 Q. How does Staff's rate design proposal impact these customers?

8 A. In two of the comments, customers complained about having a \$400 electric  
9 bill and a \$250 electric bill respectively. Although the customers do not specifically state how  
10 many kWhs they are using each month in their comments, if a customer has a \$400 electric  
11 bill and a \$250 dollar electric bill, only \$12.52 of these bills are from the customer charge.  
12 Therefore, these two customers are using well above the average use per customer of 1,086  
13 kWh a month. Under Staff's rate design proposal, these customers would receive a slightly  
14 lower percentage increase than if the customer charge was held constant.

15 For the third customer, unfortunately, she does not provide the bill's amount; only that  
16 it is going up even though they have tried to reduce their energy consumption by hanging  
17 clothes outside, unplugging appliances, and purchasing energy-saving light bulbs. Again,  
18 because Staff is putting a lower percentage increase on the energy charges, Staff's rate design  
19 proposal could provide a slightly lower percentage increase.

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<sup>8</sup> Page 13 of Mr. Hyman's Rebuttal testimony.

1 **RESPONSE TO MEUA REGARDING STAFF'S ALLOCATION OF**  
2 **DISTRIBUTION COSTS**

3 Q. Have you reviewed Mr. Johnstone's testimony regarding system diversity at  
4 distribution facilities levels and Staff's choice of allocation for distribution facilities?

5 A. Yes, I have reviewed it. Mr. Johnstone appears to assume that Staff's  
6 allocation of distribution facilities was either based on the relative contribution of each class  
7 to a single system coincident peak ("CP"), or perhaps the average relative contribution of each  
8 class to up to four system coincident peaks.

9 Q. Are either of those approaches how Staff developed the allocators for  
10 distribution facilities?

11 A. No. Staff's allocator for these distribution facilities is a mild variation on the  
12 non-coincident peak method that Mr. Johnstone advocates. As I will illustrate in the examples  
13 below, to recognize that some level of system diversity exists at the distribution level,  
14 I utilized the peak of each class that was coincident with the system peak in one of the  
15 twelve months.

16 Q. Is system diversity relatively high at substation?

17 A. Yes, since most, if not all, of the customer are taking service at this level there  
18 is diversity among customer classes and customers within the class, especially rate classes  
19 such as Large Power ("LP") and General Power ("GP"), who serve customers at different  
20 voltage levels all within the same class.

21 Q. Is system diversity relatively high at primary?

22 A. In general yes, however, there is less system diversity at the primary level than  
23 at the substation level, since some customers are only served at substation and are no longer  
24 taking service at the primary voltage level.

Surrebuttal Testimony of  
Robin Kliethermes

1 Q. Is system diversity relatively high at secondary?

2 A. No. Only customers served at secondary are accounted for at secondary and  
3 therefore there is less diversity among classes at the secondary voltage level.

4 Q. Does use of the CP's accurately reflect that distribution facilities must be sized  
5 to serve all customers?

6 A. Yes. Since Staff used each class's highest peak at one of the twelve system  
7 peaks, the CPs appropriately reflect the diversity among the classes by capturing the highest  
8 demand that a class required of the system while the system as a whole was peaking in one of  
9 the twelve months. If Staff would have used NCPs rather than CPs, the allocator would have  
10 reflected each class's highest demand regardless of the system peak and would not have  
11 captured the diversity that classes peak at different times and distribution facilities can  
12 therefore be shared.

13 Q. Does Staff oppose changing the distribution plant allocations back to peak  
14 NCPs rather than peak CPs?

15 A. By using each class's peak CP, Staff was trying to more appropriately capture  
16 the diversity among the classes by reflecting the highest demand that a class required of the  
17 system while the system was peaking in one of the twelve months, rather than just reflecting  
18 each class's highest peak usage without any regard to what that class was using during a  
19 system peak. However, the percentage difference between using each class's peak NCP or  
20 each class's peak CP in this case is insignificant and the overall difference these allocations  
21 have on the overall outcome of Staff's CCOS study is minimal, so Staff does not oppose  
22 using NCPs. If Staff would change the allocators in Staff's CCOS study, it would not change

Surrebuttal Testimony of  
Robin Kliethermes

any of Staff’s analysis or rate design proposal. Table 4 below shows the percentages that would result from using either each class’ peak CP or each class’s peak NCP.

**Table 4: Allocation Percentages**

	<b>Residential</b>	<b>Commercial</b>	<b>Small Heating</b>	<b>Total Electric Building</b>	<b>General Power</b>	<b>Large Power</b>	<b>Praxair</b>	<b>Feed Mills</b>	<b>Lighting</b>
% Peak CP @ Substation	52.716%	7.686%	2.892%	9.917%	16.099%	9.533%	0.761%	0.025%	0.372%
% Peak CP @ Primary	53.120%	7.745%	2.914%	9.993%	16.222%	9.606%	0.000%	0.025%	0.375%
% Peak CP @ Secondary	59.212%	8.633%	3.249%	11.139%	15.683%	1.638%	0.000%	0.028%	0.417%
% Peak NCP @ Substation	51.718%	8.275%	2.823%	9.681%	16.079%	9.545%	0.749%	0.029%	1.101%
% Peak NCP @ Primary	52.108%	8.338%	2.845%	9.754%	16.200%	9.617%	0.000%	0.029%	1.110%
% Peak NCP @ Secondary	58.478%	9.357%	3.192%	10.947%	15.202%	1.546%	0.000%	0.032%	1.245%

Q. What month’s peak did you use for each class?

A. Table 5 below shows each class’s peak CP. For the Residential, Total Electric Building (“TEB”), and Small Heating (“SH”) rate classes, their highest CP fell in the month of January. For the Commercial and GP rate classes, their highest CP fell in the month of August, and for the Large Power and Praxair rate classes, their highest CP fell in the month of October. Feed Mills and Lighting classes had their highest CPs in September and November, respectively.

**Table 5: Class Peak CP**

	<b>Residential</b>	<b>Commercial</b>	<b>Small Heating</b>	<b>Total Electric Building</b>	<b>General Power</b>	<b>Large Power</b>	<b>Praxair</b>	<b>Feed Mills</b>	<b>Lighting</b>
Peak CP @ Substation	557,041	81,216	30,560	104,793	170,116	100,729	8,040	267	3,928
Peak CP @ Primary	545,584	79,545	29,932	102,637	166,617	98,658	-	261	3,847
Peak CP @ Secondary	537,257	78,331	29,475	101,071	142,299	14,861	-	257	3,788

Q. What was the non-coincident peak of each class?

Surrebuttal Testimony of  
Robin Kliethermes

1           A.     Table 6 below shows each class's peak NCP.<sup>9</sup>

2

	<b>Table 6: Class Peak NCP</b>								
	<b>Residential</b>	<b>Commercial</b>	<b>Small Heating</b>	<b>Total Electric Building</b>	<b>General Power</b>	<b>Large Power</b>	<b>Praxair</b>	<b>Feed Mills</b>	<b>Lighting</b>
Peak NCP @ Substation	559,811	89,577	30,560	104,793	174,040	103,317	8,106	311	11,922
Peak NCP @ Primary	548,297	87,734	29,932	102,637	170,461	101,192	-	304	11,677
Peak NCP@Secondary	539,928	86,395	29,475	101,071	140,357	14,278	-	300	11,499

3

4           Q.     Does this conclude your testimony?

5           A.     Yes.

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<sup>9</sup> Staff would note that typically a class's CP is less than or equal to its NCP. For example, the Total Electric Building rate class and Small Heating rate class peaked at the same time the system was peaking so they have the same demands for NCP and CP. However, since the Large Power class serves customers at Secondary, Primary and Transmission, the class as a whole will set the peak at the generation level and then as you move down voltage levels, customers drop out. The secondary customers had a higher demand at the class's peak CP than they did at the class's highest peak regardless of system peak.

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

In the Matter of The Empire District Electric     )  
Company's Request for Authority to Implement     )     Case No. ER-2016-0023  
a General Rate Increase for Electric Service     )

**AFFIDAVIT OF ROBIN KLIETHERMES**

STATE OF MISSOURI     )  
   )     ss.  
COUNTY OF COLE     )

**COMES NOW ROBIN KLIETHERMES** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing **SURREBUTTAL TESTIMONY**; and that the same is true and correct according to her best knowledge and belief.


Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ROBIN KLIETHERMES**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 13<sup>th</sup> day of May, 2016.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 12, 2016  
Commission Number: 12412070

  
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Notary Public