

Exhibit No.:  
Issues: Rate Design  
Witness: Robin Kliethermes  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2014-0370  
Date Testimony Prepared: June 5, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**ROBIN KLIETHERMES**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2014-0370**

*Jefferson City, Missouri*  
*June 2015*



**Table of Contents**

**SURREBUTTAL TESTIMONY**

**OF**

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**CASE NO. ER-2014-0370**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17

**Response to KCPL Regarding Residential Customer Charge..... 2**

**Response To KCPL Regarding Seasonal Rates ..... 4**

**Response to MR. Brubaker regarding Allocation of A&G Expenses in Staff’s CCOS  
Study..... 5**

**Staff Corrections to Rate Revenues..... 6**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12

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13  
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15  
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Q. Please state your name and business address.

A. Robin Kliethermes, 200 Madison Street, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (“Commission”) as a Regulatory Economist II.

Q. Are you the same Robin Kliethermes who previously filed rebuttal testimony on May 7, 2015 and filed testimony in Staff’s Revenue Requirement Cost of Service Report (“COS Report”) on April 3, 2015 and Staff’s Rate Design and Class Cost of Service Report (“CCOS Report”) on April 16, 2015 in this case?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to KCPL witness Mr. Tim Rush regarding the justification for a \$25 residential customer charge and regarding the difference in seasonal rates. Also, I will respond to Missouri Industrial Energy Consumers (“MIEC”) and Midwest Energy Consumers’ Group (“MECG”) witness Mr. Brubaker regarding Mr. Brubaker’s discussion of Staff’s allocation of administrative and general expenses in Staff’s CCOS study.

1           Additionally, I will address the impact of corrections made to Staff's calculation of  
2 rate revenues since rebuttal testimony filed on May 7.

3           **Response to KCPL Regarding Residential Customer Charge**

4           Q.     Do you agree that it is reasonable to include costs for the secondary  
5 distribution system and line transformers for recovery through the residential customer  
6 charge?

7           A.     No. The costs that Mr. Rush is referring to as local facilities are distribution  
8 system costs that have been apportioned to serve the entire secondary voltage distribution  
9 system, which includes all the customers taking service at secondary voltage, as well as the  
10 costs for all line transformers regardless of where those facilities are located. For example,  
11 the type of line transformer that is installed depends on the demand and energy requirements  
12 of the customers that the transformer serves and a line transformer can serve a single customer  
13 as well as several customers. The same can also be said for the secondary distribution system  
14 which connects all customers served at secondary voltage to the primary voltage system.

15          Q.     What is the magnitude of including costs for the secondary distribution system  
16 and line transformers in the calculation of the residential customer charge?

17          A.     For the residential class, Staff calculated a customer charge of approximately  
18 \$16.49 per month.<sup>1</sup> If Staff added costs relating to the secondary distribution system and line  
19 transformers, this would add an additional \$7.56 per month to the customer charge for a total  
20 customer charge of \$24.05 per month or \$288.60 per year.<sup>2</sup> To include the additional  
21 distribution costs in the calculation of the customer charge assumes that in addition to the cost

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<sup>1</sup> Staff included costs for meters, service drops, customer installations, customer deposits, meter reading, billing expenses and other customer service expenses in its calculation of the residential customer charge.

<sup>2</sup> Using Staff's CCOS study filed in Staff's CCOS report.

Surrebuttal Testimony of  
Robin Kliethermes

1 of the customer's meter and service drop,<sup>3</sup> a new customer will cause additional secondary  
2 distribution costs of approximately \$90.72 per year.

3 Q. Is this a reasonable assumption?

4 A. No.

5 Q. How does KCPL attempt to justify including secondary voltage distribution  
6 system costs and line transformer costs in the calculation of the customer charge?

7 A. Mr. Rush uses an example of a new customer and explains that KCPL will  
8 typically install a transformer, some mix of secondary or service conductor depending on  
9 need, and a meter when a new customer comes onto the system.<sup>4</sup> Mr. Rush further explains  
10 that, "the transformer converts the energy to a voltage suitable for use in the home, the  
11 secondary or service conductors move the electricity from the transformer to the meter and  
12 the meter measures the electricity for billing purposes."<sup>5</sup> Staff interprets Mr. Rush's example  
13 and explanation to mean that a transformer, a service drop and a meter are necessary  
14 infrastructure that needs to be in place to serve the customer prior to any energy actually  
15 being used; therefore those costs should be recovered through the customer charge. However,  
16 Staff already includes the cost of a customer's meter and service drop in its calculation of the  
17 customer charge. Additionally, the scenario that Mr. Rush uses does not justify the inclusion  
18 of the entire distribution costs apportioned to serve secondary customers such as the  
19 secondary voltage component of poles and overhead lines that make up the bulk of the costs  
20 KCPL wants to add to the calculation of the residential customer charge.<sup>6</sup>

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<sup>3</sup> The cost of a customer's meter and service drop is already included in the \$16.49 customer charge.

<sup>4</sup> Page 55, lines 7-9, Tim Rush Rebuttal Testimony

<sup>5</sup> Page 55, lines 9-12, Tim Rush Rebuttal Testimony

<sup>6</sup> For Missouri retail KCPL includes approximately \$56.2 million in the calculation of the residential customer charge that represents costs associated with customer service, meters, service drops and then adds an additional \$42 million to represent the costs of the secondary distribution system and line transformers. The secondary distribution system represents approximately \$31.7 of the \$42 million.

Surrebuttal Testimony of  
Robin Kliethermes

1 Q. What costs should be included in the calculation of the customer charge?

2 A. Staff recommends including the following costs in the calculation of the  
3 residential customer charge:

- 4 • Distribution – services (investment and expenses);
- 5 • Distribution – meters (investment and expenses);
- 6 • Distribution – customer installations;
- 7 • Customer deposit;
- 8 • Customer meter reading;
- 9 • Other customer billing expenses;
- 10 • Uncollectible accounts (write-offs);
- 11 • Customer service & information expenses;
- 12 • Sales expense; and
- 13 • Portion of income taxes.<sup>7</sup>

14 **Response To KCPL Regarding Seasonal Rates**

15 Q. Does Staff agree with KCPL that winter rates for the general service classes  
16 are overpriced?

17 A. No

18 Q. What were Staff's CCOS results regarding seasonal rates?

19 A. Staff used the seasonal cost of energy<sup>8</sup> to develop winter and summer  
20 differentiated rates for the Residential, Small General Service, Medium General Service, and  
21 Large General Service classes. The seasonal rates that result from Staff's CCOS study are  
22 shown in the attached schedule. In general,<sup>9</sup> the difference between Staff's CCOS seasonal  
23 rates is representative of the difference between current general service seasonal rates, and  
24 therefore, it is appropriate to bring the winter all-electric rates more in line with winter  
25 general use rates as proposed by Staff Witness Mike Scheperle.

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<sup>7</sup> Page 35, lines 1-10 of Staff's CCOS report.

<sup>8</sup> Staff found the ratio of summer-to-non-summer energy cost for each class by applying each class' annual normalized load to the market costs of energy used in Staff's production cost modeling for that applicable hour. Staff then found the percentage of market energy cost for each class that was incurred during the summer billing months.

<sup>9</sup> Staff's CCOS seasonal rates are not designed to exactly match general service tariffed rates, but are designed to be used as a guide to check the reasonableness of the current seasonal differential.

1 **Response to MR. Brubaker regarding Allocation of A&G Expenses in Staff's CCOS**  
2 **Study**

3 Q. Do you agree with Mr. Brubaker's statement that Staff allocates, "a significant  
4 portion of A&G<sup>10</sup> expense to classes on the basis of other O&M<sup>11</sup> expenses"?

5 A. No. In Staff's COS Report, KCPL had approximately \$71.6 million in  
6 administrative and general expenses and Staff allocated a -3% of these costs to customer  
7 classes based on that class' previously allocated O&M expenses.

8 Q. Do you consider -3% to be a significant portion of A&G expenses?

9 A. Considering that a -3% of \$71.6 million is approximately -\$2.3 million, no I do  
10 not consider this to be a significant portion of A&G expenses. Additionally, as shown in Mr.  
11 Brubaker's Schedule MEB-COS-R-3, if Staff's O&M allocator was replaced with Staff's  
12 Payroll allocator as Mr. Brubaker suggests then the revenue requirement for the Residential  
13 class would decrease by approximately \$35,000 and the revenue requirement for the Large  
14 Power Service class would increase by approximately \$25,000.

15 Q. If Staff replaced its O&M allocator with its Payroll allocator as it applies to  
16 A&G expenses would Staff have to revise its rate design proposal?

17 A. No. As Staff related in its CCOS Report, Staff found that the Residential class  
18 had a shortfall of approximately \$35 million and the Large Power Service class had a shortfall  
19 of approximately \$22 million. A change of \$35,000 or \$25,000 respectively will not have an  
20 impact on Staff's rate design recommendation.

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<sup>10</sup> A&G represents KCPL's Administrative and General expenses including salaries, office supplies and expenses, employee pensions, employee benefits, injuries and damages, general advertising expense, and regulatory commission expense.

<sup>11</sup> O&M expenses represent all previously allocated operation and maintenance expenses.



1 **Staff Corrections to Rate Revenues**

2 Q. Has Staff made corrections to Staff's calculation of rate revenues since filing  
3 rebuttal testimony on May 7, 2015?

4 A. Yes, the net of these adjustments reduces Staff's calculation of rate revenue by  
5 approximately \$751,185, to \$762,306,333.<sup>12</sup>

6 Q. Does this conclude your surrebuttal testimony?

7 A. Yes.

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<sup>12</sup> Changes are detailed in the rate revenue summary part of Staff's EMS run.

**Kansas City Power & Light Company**  
**Case No. ER-2014-0370**  
**Test Year 12 Months Ending March 31,**  
**2014**  
**Updated through December 31, 2014**  
**Summary Seasonal**

Line Number	Customer Class	Monthly Customer Charge	Annual Energy \$\$		Seasonal Energy		Annual Demand \$\$		Seasonal Demand	
			Annual Energy \$\$	Monthly Customer Charge	Winter	Summer	Annual Demand \$\$	Winter	Summer	
1	Residential	\$16.49	\$0.02971	\$16.49	\$0.02547	\$0.03640	\$0.07973	\$0.07973	\$0.07973	\$0.07973
2	SGS	\$22.12	\$0.03214	\$22.12	\$0.02875	\$0.03822	\$0.07710	\$0.07710	\$0.07710	\$0.07710
3	MGS	\$52.46	\$0.03164	\$52.46	\$0.02809	\$0.03783	\$0.07160	\$0.07160	\$0.07160	\$0.07160
4	LGS	\$19.34	\$0.03059	\$19.34	\$0.02832	\$0.03487	\$0.06421	\$0.06421	\$0.06421	\$0.06421
5	LPS	\$93.00	\$0.02794	\$93.00			\$0.05146	\$0.05146		
6	Lighting	\$10.18	\$0.03435	\$10.18			\$0.09528	\$0.09528		