BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City	)	
Power & Light Company's Request	)	Case No. ER-2014-0370
for Authority to Implement a General	)	
Rate Increase for Electric Service	)	

MECG Statement of Positions

COMES NOW, the Midwest Energy Consumers' Group, and for its Statement of Positions, respectfully provide as follows:

I. Cost of Capital

A. Return on Common Equity – What return on common equity should be used for determining rate of return?

Position: Consistent with the testimony of Michael Gorman, MECG recommends that the Commission authorize a return on equity of 9.10% (range of 8.80 to 9.40%). This return on equity recognizes the continued reduction in the cost of equity since the Commission authorized a return on equity of 9.70% in KCPL's last case as well as the declining cost of equity since the Commission authorized a return on equity of 9.53% for Ameren on April 29, 2015. (Gorman Direct, pages 11-43). This return on equity recommendation is based upon KCPL's current risk profile. To the extent that the Commission authorizes a fuel adjustment clause, trackers or any other mechanisms that serve to reduce KCPL's risk profile going forward, then the Commission should consider that reduced risk profile in authorizing a return on equity that is less than the 9.10% return that is based upon the existing risk profile. (Gorman Rebuttal, pages 2-5).

B. Capital Structure – What capital structure should be used for determining rate of return?

Position: As reflected at page 10 of Mr. Gorman's Direct Testimony, MECG recommends that the Commission utilize the Great Plains Energy actual capital structure as of August 31, 2014 adjusted for known and measureable changes through May 31, 2015. As reflected in Mr. Gorman's direct testimony this capital structure would be:

Long Term Debt:	49.09%
Preferred Stock:	0.55%
Common Equity:	50.36%
Total Regulatory Capital Structure:	100.00%

C. Cost of Debt – What cost of debt should be used for determining rate of return?

Position: KCPL's embedded cost of debt is 5.55%. (Gorman Direct, page 10).

II. Fuel Adjustment Clause

A. Does KCPL's fuel adjustment clause request violate the Stipulation and Agreement from Case No. EO-2005-0329? If so, should it be rejected?

Position: Yes. The KCPL Regulatory Plan states:

> KCPL agrees that, prior to June 1, 2015, it will not seek to utilize any mechanism authorized in current legislation known as "SB 179" or other change in state law that would allow riders or surcharges or changes in rates outside of a general rate case based upon a consideration of less than all relevant factors. In exchange for this commitment, the Signatory Parties agree that if KCPL proposes an Interim Energy Charge ("IEC") in a general rate case filed before June 1, 2015 in accordance with the following parameters.

Clearly, this settlement provides that "in a general rate case filed before June 1, 2015", KCPL is limited to requesting an Interim Energy Charge. Recognizing that KCPL's current case was filed on October 30, 2014, KCPL is limited to seeking an Interim Energy Charge. (Brosch Direct on Rate Design, pages 12-14; Staff Cost of Service Report, pages 189-194 ("Staff cannot support the request for a fuel adjustment charge (FAC) in a rate case filed prior to June 1, 2015 since the Regulatory Plan prohibits KCPL from proposing a FAC prior to June 1, 2015."); Dietrich Surrebuttal, pages 1-3 and Schedule ND-S1-1 and 2).

B. Has KCPL met the criteria for the Commission to authorize it to have a fuel adjustment clause?

Position: No. Consistent with previous Commission orders, MECG recommends that the Commission utilize the following criteria in determining whether to implement a fuel adjustment clause for KCPL.

1. Substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases.
2. Beyond the control of management, where utility management has little influence over experienced revenue or cost levels.
3. Volatile in amount, causing significant swings upward and downward in income and cash flows if not tracked.

4. Straightforward and simple to administer, readily audited and verified through expedited regulatory reviews.
5. Balanced, such that any known factors that mitigate cost impacts are accounted for in a manner that preserves test year matching principles.

In his Direct Testimony, Mr. Brosch applied these five criteria against all of the costs (coal costs, nuclear costs, gas and oil costs, purchased power / off-system sales, and transmission expenses) that KCPL seeks to include in its fuel adjustment clause. In each case, Mr. Brosch found that these costs did not meet the Commission's stated criteria. In fact, only off-system sales have demonstrated any degree of volatility. For this reason, Mr. Brosch recommends that the Commission reject KCPL's requested fuel adjustment clause. However, if the Commission concludes that some form of FAC is required, it should consider limiting the scope of the FAC to include only variances in the Company's off-system sales profit margins. (Brosch Direct (Rate Design), pages 2-54; Brosch Surrebuttal, pages 22-37 and 43-53; Staff Cost of Service Report, pages 196-200; Eaves Rebuttal, pages 2-7; Eaves Surrebuttal, pages 12-13).

C. Should the Commission authorize KCPL to have a fuel adjustment clause?

Position: No. Given the prohibition contained within the Regulatory Plan as well as the fact that KCPL has not met the Commission's criteria for a fuel adjustment clause, the Commission should reject KCPL's requested fuel adjustment clause.

D. If the Commission authorizes KCPL to have a fuel adjustment clause, how should it be structured?

i. What percentage (customers / company) of changes in costs and revenues should the Commission find appropriate to flow through the fuel adjustment clause?

Position: In the event that the Commission implements a fuel adjustment clause for KCPL, the Commission should reject KCPL's request to track 100% of changes in these costs. Instead, MECG advocates that the Commission should implement a 50/50 sharing of any FAC costs as set forth in the Direct Testimony of OPC Witness Mantle. (Mantle Direct, pages 30-32; Mantle Rebuttal, pages 4-7; Mantle Surrebuttal, pages 31-34).

ii. Should the costs and revenues that are to be included in the FAC be approved by the Commission and explicitly identified along with the FERC account, subaccount and the resource code in which KCPL will record the actual cost / revenue? If so, what costs and revenues should be included and what are their corresponding FERC accounts, subaccounts and resource codes?

Position: MECG supports the position of OPC Witness Mantle on this issue.

iii. Should the FAC tariff sheets reflect the accounts, subaccounts, resource codes and the cost / revenue description?

Position: MECG supports the position of OPC Witness Mantle on this issue.

iv. Should Southwest Power Pool ("SPP") and other regional transmission organization / independent system operator transmission fees be included in the FAC, and at what level?

Position: MECG supports the position of OPC Witness Mantle on this issue. (Brosch Direct on Rate Design, pages 52-53).

v. Should SPP and FERC Administrative fees (SPP Schedule 1-A and 12) be included in the FAC?

Position: No. Transmission costs do not meet the Commission's criteria for FAC inclusion. Transmission expenses are associated with the fixed costs of facilities used to transmit energy after it is produced through the conversion of fuel to energy, rather than FAC includable energy costs. None of the SPP billed transmission service costs have any direct linkage to the fuel and purchased power expenses that are incurred by KCPL and these costs should be excluded from any FAC. Brosch Direct (Rate Design) pages 42-59; Brosch Surrebuttal pages 47-49.

vi. Should all realized gains and losses from KCPL's cross hedging practices be included in the FAC?

Position: MECG supports the position of OPC Witness Mantle on this issue.

vii. Should SO2 amortizations, bio fuels, propane, accessorial charges, broker commissioners, fees and margins, be included in the FAC?

Position: MECG supports the position of OPC Witness Mantle on this issue.

viii. Should the FAC include costs and revenues that KCPL is not currently incurring or receiving other than insurance recoveries, subrogation recoveries and settlement proceeds related to costs and revenues included in the FAC?

Position: MECG supports the position of OPC Witness Mantle on this issue.

ix. Does the FAC need to have exclusionary language added to insure that NERC and FERC penalties are not included?

Position: MECG supports the position of OPC Witness Mantle on this issue.

x. Should the phrase "miscellaneous SPP IM charges, including but not limited to," be included in KCPL's FAC tariff?

Position: MECG supports the position of OPC Witness Mantle on this issue.

xi. How should OSSR be defined?

Position: MECG supports the position of OPC Witness Mantle on this issue.

xii. How should the "J" component be defined, i.e., how should "Net System Input" be defined for KCPL's operations?

Position: MECG supports the position of OPC Witness Mantle on this issue.

xiii. Should the rate schedules implementing the FAC have an amount for the Base Factor when the Commission initially approves them, or not until after the end of the first FAC accumulation period?

Position: MECG supports the position of OPC Witness Mantle on this issue.

xiv. How many different voltage levels of service should be recognized for purposes of applying loss factors?

Position: The current KCPL Large Power rate schedule recognizes four different voltage levels for electric service. Specifically, that schedule provides for different charges for customers receiving service at: (1) secondary voltage; (2) primary voltage; (3) substation voltage and (4) transmission level voltage. The establishment of costs based upon different voltage levels more accurately reflects cost of service. Consistent with the different voltage levels in KCPL's Large Power rate schedule, any KCPL fuel adjustment clause should also reflect four different voltage levels. Again, this is consistent with cost of service and recognizes the fact that there are different levels of line losses at different voltage levels of service. (Brubaker Direct, pages 34-35).

xv. Should the FAC recovery periods be October through September and April through March with the corresponding accumulation periods changed to January through June and July through December respectively?

Position: MECG supports the position of OPC Witness Mantle on this issue.

xvi. Should FAC costs and revenues be allocated in the accumulation period's actual net energy cost in a manner consistent with the allocation methodology utilized to set permanent rates in this case?

Position: MECG supports the position of OPC Witness Mantle on this issue.

E. If the Commission authorizes KCPL to have a fuel adjustment clause, what FAC-related reporting requirements should it order KCPL to comply with?

Position: MECG supports the position of OPC Witness Mantle on this issue.

F. If the Commission authorizes KCPL to have an FAC, should KCPL be allowed to add cost and revenue types to its FAC between rate cases?

Position: MECG supports the position of OPC Witness Mantle on this issue.

G. If the Commission authorizes KCPL to have a FAC, should KCPL be required to clearly differentiate itself from GMO on customer bills?

Position: Currently all KCPL and GMO bills only carry the KCPL service mark. As such, there is significant confusion among customers as to the identity of their actual electric provider. For GMO customers, further confusion is caused by their inability to determine whether they are a GMO-MPS or GMO-L&P customer. Currently, since GMO has a fuel adjustment clause and KCPL does not, customers can identify their electric service provider based upon the appearance (GMO) or absence (KCPL) of a line item that provides for the collection of a fuel adjustment clause. In the event that the Commission approves a fuel adjustment clause for KCPL, however, this critical distinction will be eliminated. As such, the Commission should require KCPL and GMO to specifically identify on customer bills the true identity of the electric service provider. (Brosch Direct, pages 53-54 and Schedule MLB-23.

III. Transmission Fees Expense

A. What level of transmission fees expense should the Commission recognize in KCPL's revenue requirement?

Position: The Commission should calculate transmission fees expense and revenues in a manner consistent with Staff's position. Specifically, Staff advocates that transmission revenues and expenses be calculated using the transmission revenues and expenses for the 12-month period ended December 31, 2014, as it is representative of operation of the current SPP Integrated Market." (Staff Cost of Service Report, pages 80-81; pages 141-144; Lyons Surrebuttal, pages 11-15).

B. Should a tracker be implemented for KCPL's future transmission fees expense that varies from the level of transmission fees expense the Commission recognizes in KCPL's revenue requirement and that KCPL will not recover through a fuel adjustment clause?

Position: No. Missouri case law expressly provides that deferral mechanisms, other than a fuel adjustment clause, are limited to costs that are "extraordinary."

> Under historical test year ratemaking, costs are rarely considered from earlier than the test year to determine what is a reasonable revenue requirement for the future. Deferral of costs from one period to a subsequent rate case causes this consideration and should be allowed only on a limited basis.
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> ***This limited basis is when events occur during a period which are extraordinary, unusual and unique, and not recurring***. These types of events generate costs which require special consideration. These types of costs have traditionally been associated with extraordinary losses due to storm damage or outages, conversions or cancellations. . . . The USOA recognizes that only extraordinary items should be deferred. The definition cited earlier [General Instruction 7] states the intent of the USOA that net income shall reflect all items of profit and loss during the period and exceptions are only for those items which are of significant effect, not expected to recur frequently, and which are not considered in the evaluation of normal business operations.[1]

The requirement that deferral accounting only be applied to extraordinary items is consistent with General Instruction No. 7 of the Uniform System of Accounts.

Recently, the Commission considered whether transmission costs are "extraordinary, unusual and unique, and not recurring" for purposes of allowing deferred accounting. In that case, the Commission held that such costs were not extraordinary and, therefore, not eligible for deferral accounting.

> In Missouri, rates are normally established based off of a historic test year. The courts have stated than an AAO allows the deferral of a final decision on current *extraordinary* costs until a rate case and therefore is not retroactive ratemaking. Consistent with the language in General Instruction No. 7, the Commission has evaluated the transmission costs for which Companies seek an AAO to determine if they are an unusual and infrequent occurrence. The Commission concludes they are not.
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> Companies began incurring transmission expenses when they began providing retail electric service. Transmission costs are part of the ordinary and normal costs of providing electric service and are expected to continue in the foreseeable future. Furthermore, while the transmission costs at issue may have a significant effect on Companies, they are not "abnormal and significantly different from the ordinary and typical activities" of the Companies. The increase in transmission costs was

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[1] *Application of Missouri Public Service Company*, Report and Order, Case No. EO-91-358 and EO-91-360, 1 Mo.PSC 3d 200, 205 (emphasis added).

> anticipated and is indeed the norm for all electric utility members of SPP. Therefore, the transmission costs are not extraordinary.[2]

Furthermore, MECG recommends that the Commission apply certain criteria to its consideration of any request for deferral accounting. Specifically, MECG recommends that any tracker be used only for situations in which the following criteria are met.

1. Substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases.
2. Beyond the control of management, where utility management has little influence over experienced revenue or cost levels.
3. Volatile in amount, causing significant swings upward and downward in income and cash flows if not tracked.
4. Straightforward and simple to administer, readily audited and verified through expedited regulatory reviews.
5. Balanced, such that any known factors that mitigate cost impacts are accounted for in a manner that preserves test year matching principles.

Transmission costs are not extraordinary and do not meet these criteria for application of deferral accounting. As such, the Commission should reject KCPL's request for a transmission tracker. (Lyons Surrebuttal, pages 6-11).

IV. Property Tax Expense

A. What level of property tax expense should the Commission recognize in KCPL's revenue requirement?

Position: The Commission should calculate property taxes consistent with Staff's methodology. As reflected in Staff's Cost of Service Report, "Staff's recommended treatment of Property Tax Expense is to annualize property tax expenses based upon property in-service on January 1, 2015, by multiplying that property amount by Staff's property tax ratio derived from historical tax payments. Staff adjusted test year property tax expense in order to include in rates the annualized level of 2015 property taxes." (Staff Cost of Service Report, pages 128-129;

B. Should a tracker be implemented for KCPL's property tax expense that varies from the level of property tax expense the Commission recognizes in KCPL's revenue requirement?

Position: No. Missouri case law expressly provides that deferral mechanisms, other than a fuel adjustment clause, are limited to costs that are "extraordinary."

> Under historical test year ratemaking, costs are rarely considered from earlier than the test year to determine what is a reasonable revenue requirement for the future. Deferral of costs from one period to a

[2] Case No. EU-2014-0077, *Report and Order*, issued July 30, 2014, at page 10.

> subsequent rate case causes this consideration and should be allowed only on a limited basis.
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> ***This limited basis is when events occur during a period which are extraordinary, unusual and unique, and not recurring***. These types of events generate costs which require special consideration. These types of costs have traditionally been associated with extraordinary losses due to storm damage or outages, conversions or cancellations. . . . The USOA recognizes that only extraordinary items should be deferred. The definition cited earlier [General Instruction 7] states the intent of the USOA that net income shall reflect all items of profit and loss during the period and exceptions are only for those items which are of significant effect, not expected to recur frequently, and which are not considered in the evaluation of normal business operations.[3]

The requirement that deferral accounting only be applied to extraordinary items is consistent with General Instruction No. 7 of the Uniform System of Accounts.

Furthermore, MECG recommends that the Commission apply certain criteria to its consideration of any request for deferral accounting. Specifically, MECG recommends that any tracker be used only for situations in which the following criteria are met.

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3. Volatile in amount, causing significant swings upward and downward in income and cash flows if not tracked.
4. Straightforward and simple to administer, readily audited and verified through expedited regulatory reviews.
5. Balanced, such that any known factors that mitigate cost impacts are accounted for in a manner that preserves test year matching principles.

Property taxes are not extraordinary and do not meet these criteria for application of deferral accounting. As such, the Commission should reject KCPL's request for a property tax tracker. (Brosch Direct, pages 9-23; Brosch Surrebuttal, pages 22-39; Lyons Rebuttal, pages 5-15; Lyons Surrebuttal, pages 23-28).

i. Should KCPL get a return on as well as return of the tracked amounts?

Position: In the event that the Commission allows KCPL to implement a property tax tracker, it should not include any deferred costs in rate base where those costs will earn a return. As Staff explains:

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[3] *Application of Missouri Public Service Company*, Report and Order, Case No. EO-91-358 and EO-91-360, 1 Mo.PSC 3d 200, 205 (emphasis added).

> If the Commission grants KCPL's request for a property tax tracker, the Commission should not allow rate base treatment for any unamortized balance related to property taxes. Rate base treatment for regulatory assets and liabilities generally applies to costs related to an asset. . . . Property taxes are a normal operating expense and not capital in nature. KCPL's request for carrying costs and rate base treatment would result in KCPL customers paying more for an expense that can be determined using normal ratemaking principles. Consequently, KCPL should not be allowed to earn a return on these expenses.

(Lyons Rebuttal, pages 13-15).

ii. Should KCPL get carrying costs on the tracked amounts?

Position: In the event that the Commission allows KCPL to implement a property tax tracker, it should not include carrying costs on the tracker amounts. As Staff explains:

> In addition to an overall opposition to KCPL's proposed property tax tracker, Staff is also opposed to the inclusion of carrying costs in any tracker that might be authorized. Carrying costs are comparable to a return on an investment that may be added to a deferred cost to recognize the delay in recovering the cost in rates. In other words, the accrual of carrying costs is intended to make KCPL whole for the time value of money associated with rate recovery of deferred property tax expense. If the Commission granted KCPL's proposed property tax tracker that includes carrying costs, KCPL customers would ultimately pay more in rates for an expense item that can be determined using normal ratemaking principles. The increased expenses are ultimately paid by KCPL's customers. Under KCPL's proposal all risks relating to property taxes would fall on the Company's customers.

(Lyons Rebuttal, page 13).

V. CIP/cyber-security Expense

A. What level of CIP/cyber-security expense should the Commission recognize in KCPL's revenue requirement?

Position: The Commission should utilize a level of CIP / cyber-security expense consistent with the calculation methodology proposed by Staff. Specifically, "Staff found the costs for information technology including the Critical Infrastructure Protection program showed an upward trend through December 31, 2014. Consequently, Staff annualized the costs as of December 31, 2014." (Staff Cost of Service Report, page 118).

B. Should a tracker be implemented for KCPL's CIP/cyber-security expense that varies from the level of CIP/cyber-security expense the Commission recognizes in KCPL's revenue requirement?

Position: No. Missouri case law expressly provides that deferral mechanisms, other than a fuel adjustment clause, are limited to costs that are "extraordinary."

> Under historical test year ratemaking, costs are rarely considered from earlier than the test year to determine what is a reasonable revenue requirement for the future. Deferral of costs from one period to a subsequent rate case causes this consideration and should be allowed only on a limited basis.
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> ***This limited basis is when events occur during a period which are extraordinary, unusual and unique, and not recurring***. These types of events generate costs which require special consideration. These types of costs have traditionally been associated with extraordinary losses due to storm damage or outages, conversions or cancellations. . . . The USOA recognizes that only extraordinary items should be deferred. The definition cited earlier [General Instruction 7] states the intent of the USOA that net income shall reflect all items of profit and loss during the period and exceptions are only for those items which are of significant effect, not expected to recur frequently, and which are not considered in the evaluation of normal business operations.[4]

The requirement that deferral accounting only be applied to extraordinary items is consistent with General Instruction No. 7 of the Uniform System of Accounts.

Furthermore, MECG recommends that the Commission apply certain criteria to its consideration of any request for deferral accounting. Specifically, MECG recommends that any tracker be used only for situations in which the following criteria are met.

1. Substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases.
2. Beyond the control of management, where utility management has little influence over experienced revenue or cost levels.
3. Volatile in amount, causing significant swings upward and downward in income and cash flows if not tracked.
4. Straightforward and simple to administer, readily audited and verified through expedited regulatory reviews.
5. Balanced, such that any known factors that mitigate cost impacts are accounted for in a manner that preserves test year matching principles.

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[4] *Application of Missouri Public Service Company*, Report and Order, Case No. EO-91-358 and EO-91-360, 1 Mo.PSC 3d 200, 205 (emphasis added).

CIP / cyber-security costs are not extraordinary and do not meet these criteria for application of deferral accounting. A fundamental challenge with any regulatory tracking mechanism is the need to clearly specify includable costs using defined criteria that are administratively simple to apply and verify, and KCPL has not provided clear lines of demarcation for labor and non-labor costs that my qualify under its proposed tracker. Moreover, KCPL routinely makes upgrades to IT systems and other initiatives without extraordinary rate tracker treatment, using traditional test year ratemaking to recover such costs. As such, the Commission should reject KCPL's request for a CIP / cyber-security tracker. (Brosch Direct, pages 9-18 and 29-38; Brosch Surrebuttal, pages 22-37 and 40-43; Lyons Rebuttal, pages 24-28; Lyons Surrebuttal, pages 32-37).

i. Should KCPL get a return on as well as return of the tracked amounts?

Position: As with the property tax tracker, in the event that the Commission grants a CIP / cyber-security tracker, it should not include any deferred costs in rate base. (Lyons Rebuttal, page 28).

ii. Should KCPL get carrying costs on the tracked amounts?

Position: As with the property tax tracker, in the event that the Commission grants a CIP / cyber-security tracker, it should not include carrying costs on any deferred amounts. (Lyons Rebuttal, page 28).

VI. Vegetation Management Expense

A. What level of vegetation management expense should the Commission recognize in KCPL's revenue requirement?

Position: MECG supports Staff's methodology for calculating an appropriate level of vegetation management expense.

B. Should a tracker be implemented for KCPL's vegetation management expense that varies from the level of vegetation management expense the Commission recognizes in KCPL's revenue requirement?

Position: No. Missouri case law expressly provides that deferral mechanisms, other than a fuel adjustment clause, are limited to costs that are "extraordinary."

> Under historical test year ratemaking, costs are rarely considered from earlier than the test year to determine what is a reasonable revenue requirement for the future. Deferral of costs from one period to a subsequent rate case causes this consideration and should be allowed only on a limited basis.

> ***This limited basis is when events occur during a period which are extraordinary, unusual and unique, and not recurring***. These types of events generate costs which require special consideration. These types of costs have traditionally been associated with extraordinary losses due to storm damage or outages, conversions or cancellations. . . . The USOA recognizes that only extraordinary items should be deferred. The definition cited earlier [General Instruction 7] states the intent of the USOA that net income shall reflect all items of profit and loss during the period and exceptions are only for those items which are of significant effect, not expected to recur frequently, and which are not considered in the evaluation of normal business operations.[5]

The requirement that deferral accounting only be applied to extraordinary items is consistent with General Instruction No. 7 of the Uniform System of Accounts.

Furthermore, MECG recommends that the Commission apply certain criteria to its consideration of any request for deferral accounting. Specifically, MECG recommends that any tracker be used only for situations in which the following criteria are met.

1. Substantial enough to have a material impact upon revenue requirements and the financial performance of the business between rate cases.
2. Beyond the control of management, where utility management has little influence over experienced revenue or cost levels.
3. Volatile in amount, causing significant swings upward and downward in income and cash flows if not tracked.
4. Straightforward and simple to administer, readily audited and verified through expedited regulatory reviews.
5. Balanced, such that any known factors that mitigate cost impacts are accounted for in a manner that preserves test year matching principles.

Vegetation management costs are no longer extraordinary and do not meet these criteria for application of deferral accounting. As such, the Commission should reject KCPL's request for a property tax tracker. (Brosch Direct, pages 9-18 and 23-29; Brosch Surrebuttal, pages 22-37 and 39-40; Lyons Rebuttal, pages 15-24; Lyons Surrebuttal, pages 28-32).

i. Should KCPL get a return on as well as return of the tracked amounts?

Position: As with the property tax tracker, in the event that the Commission grants a vegetation management tracker, it should not include any deferred costs in rate base. (Lyons Rebuttal, pages 22-23).

ii. Should KCPL get carrying costs on the tracked amounts?

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[5] *Application of Missouri Public Service Company*, Report and Order, Case No. EO-91-358 and EO-91-360, 1 Mo.PSC 3d 200, 205 (emphasis added).

Position: As with the property tax tracker, in the event that the Commission grants a vegetation management tracker, it should not include carrying costs on any deferred amounts. (Lyons Rebuttal, pages 22-23).

VII. La Cygne Environmental Retrofit Project – what level of KCPL's investment in the La Cygne Environmental Retrofit project should be included in KCPL's Missouri rate base?

Position: MECG takes no position on this issue at this time.

VIII. La Cygne Environmental Retrofit Project Construction Accounting Deferrals

A. Should the depreciation expense and carrying costs of the La Cygne Environmental project that KCPL has deferred by construction accounting be amortized over a period of years and the resulting annual amount included in KCPL's rate base?

Position: MECG takes no position on this issue at this time.

B. If so, over what period of years should they be amortized?

Position: MECG takes no position on this issue at this time.

IX. Wolf Creek Overtime – What level of overtime for Wolf Creek should the Commission recognize in KCPL's revenue requirement?

Position: MECG supports the positions advanced by Staff Witness Majors.

X. Wolf Creek OPEBs – What level of OPEBs for Wolf Creek should the Commission recognize in KCPL's revenue requirement?

Position: MECG supports the positions advanced by Staff Witness Majors.

XI. Amortization Periods Ending Before the End of the True-up Period

A. Should the Commission recognize in KCPL's revenue requirement the amounts associated with the periods between when each of the amortization

periods for (which rate cases) rate case expense, Wolf Creek refueling, R&D tax credit amortizations ended until new rates in this case?

Position: MECG takes no position on this issue at this time.

B. If so, how?

Position: MECG takes no position on this issue at this time.

XII. DOE Spent Nuclear Fuel Fees

A. Should the Commission recognize in KCPL's revenue requirement the aggregate amount of the DOE spent nuclear fuel fees from May 16, 2015, until new rates in this case that KCPL ceased incurring on May 16, 2015?

Position: MECG takes no position on this issue at this time.

B. If so, how?

Position: MECG takes no position on this issue at this time.

XIII. Bad Debt Gross-Up – Should bad debt expense be grossed-up for the revenue requirement change the Commission finds for KCPL in this case?

Position: MECG supports Staff's position on this issue. As reflected in the Rebuttal Testimony of Staff Witness Majors, there is no correlation between rate increases and the level of bad debt expense. As such, the Commission should reject KCPL's request to factor up its annualized level of bad debts. (Majors Rebuttal, pages 32-40).

XIV. Rate Case Expense –

A. Were any rate case expenses claimed by KCPL imprudently incurred?

Position: Yes. The evidence shows that KCPL is paying an imprudent amount for outside legal expenses. The Commission should eliminate these imprudent outside legal expenses prior to applying any sharing proposal.

B. Should the Commission require KCPL shareholders to cover a portion of KCPL's rate case expense?

Position: Yes. Consistent with its decision in the recent Ameren case, the Commission should apply a sharing of KCPL's rate case expense to reflect the fact that KCPL incurs significant expenses for the benefit of its shareholders.

C. What level of rate case expense for this rate case should the Commission recognize in KCPL's revenue requirement?

Position: MECG takes no position on this issue at this time.

XV. **Transition Cost Amortization** – What is the appropriate level of transition cost amortization to be included in KCPL's revenue requirement?

Position: MECG supports the positions advanced by Staff Witness Majors.

XVI. **Affiliate Transactions and Corporate Cost Allocations** – What adjustments, if any, are necessary to ensure that KCPL's rates do not subsidize unregulated operations?

Position: As indicated in his Direct Testimony, KCPL acts as a service company for all of the Great Plains Energy companies. As such, all costs are incurred by KCPL for the benefit of these other companies. These costs are then assigned or allocated to the other companies. Therefore, to the extent that costs are not assigned or allocated, they are retained by KCPL for recovery from ratepayers.

In his Direct Testimony, MECG / OPC Witness Kollen made several proposed adjustments designed to ensure that KCPL ratepayers are protected from allocation problems. While KCPL accepted several of these recommendations, two adjustments have been opposed.

1. Minimum Allocation to Parent Company GPE: The most significant problem is that the General Allocator allocates only 0.49% of KCP&L's indirect costs to GPE. This paltry allocation of indirect costs is not reasonable. GPE is the holding company for a multi-billion dollar portfolio of regulated and unregulated companies. KCP&L actively manages this portfolio for GPE and yet it charges GPE a mere $175,000 for the indirect costs to provide these services. That is because GPE has "pushed down" nearly all of its revenues and costs to its subsidiaries, thus minimizing its allocation and maximizing the allocations to KCP&L and all other GPE affiliates.

The allocation of only 0.49% of indirect costs to KCPL's parent company is clearly minimal. In contrast, Ameren Services Company allocates 6.9% of its indirect costs to its parent company. Similarly, Southern Company Services allocates 3.8% of its indirect

costs to its parent company. Recognizing the nature of the services undertaken by Great Plains Energy, and the similarity of those services to both Ameren and Southern Company, Mr. Kollen recommends that the Commission establish a minimum allocation of indirect costs to Great Plains Energy of 5.0%. Such a recommendation protects ratepayers from KCPL's attempts to maximize costs for regulated recovery and minimize the costs to deregulated operations. The effect of this recommendation is to reduce KCPL's revenue requirement by $571,244. (Kollen Direct, pages 19-22; Kollen Surebuttal, pages 3-6).

2. Reflect Actual Cost of Capital: As indicated, all costs for services needed by KCPL affiliates are initially incurred at KCPL. While KCPL finances these activities at a carrying cost of 11.19%, KCPL charges its affiliates a carrying cost rate of only 0.25%. Thus, KCPL ratepayers are subsidizing the shareholders of KCPL's affiliates. In order to prevent this subsidy, the Commission should: (1) remove the interest expense incurred by KCP&L on the affiliate receivables and (2) make an adjustment to reflect a carrying cost on these affiliate receivables equal to KCPL's actual finance cost. (Kollen Direct, pages 23-26; Kollen Surrebuttal, pages 6-7).

XVII. Management Audit – Should the Commission order a management audit of KCPL?

Position: In his Direct Testimony, Mr. Kollen demonstrates that, as compared to other regional electric utilities, KCPL's Administrative & General ("A&G") and Operating & Maintenance ("O&M") costs are inflated.

Cost Comparison
Utilities Operating In Region
2010-2013 Average Administrative & General Expenses

2010-2013 Average	KCPL	GMO	Combined KCPL and GMO	Empire	Westar	Ameren Missouri	Combined All Others
A&G Expenses	635,355,647	282,292,118	917,647,765	156,328,251	383,555,264	999,658,816	1,539,542,331
Average Number of Customers	2,051,453	1,253,522	3,304,975	670,111	1,482,442	4,772,332	6,924,885
A&G Cost per Customer	309.71	225.20	277.66	233.29	258.73	209.47	222.32
Megawatt Hours Sold	85,554,742	34,134,396	119,689,138	23,047,113	69,998,449	182,058,211	275,103,773
A&G Cost per MWh Sold	7.43	8.27	7.67	6.78	5.48	5.49	5.60
Total Electric Operating Revenues	6,326,726,047	3,058,038,351	9,384,764,398	2,048,559,990	5,114,588,848	12,563,872,818	19,727,021,656
A&G Cost per Electric Revenue Dollar	0.1004	0.0923	0.0978	0.0763	0.0750	0.0796	0.0780

Cost Comparison Utilities Operating In Region 2010-2013 Average Non-Fuel O&M Excluding Administrative & General Expenses							
2010-2013 Average	KCPL	GMO	Combined KCPL and GMO	Empire	Westar	Ameren Missouri	Combined All Others
Non-Fuel O&M Excl. A&G	1,263,749,481	485,575,698	1,749,325,179	330,889,295	938,048,240	2,526,553,734	3,795,491,269
Average Number of Customers	2,051,453	1,253,522	3,304,975	670,111	1,482,442	4,772,332	6,924,885
Non-Fuel O&M Excl A&G Cost per Customer	616.03	387.37	529.30	493.78	632.77	529.42	548.09
Megawatt Hours Sold	85,554,742	34,134,396	119,689,138	23,047,113	69,998,449	182,058,211	275,103,773
Cost per MWh Sold	14.77	14.23	14.62	14.36	13.40	13.88	13.80
Total Electric Operating Revenues	6,326,726,047	3,058,038,351	9,384,764,398	2,048,559,990	5,114,588,848	12,563,872,818	19,727,021,656
Non-Fuel O&M Excl A&G Cost per Electric Revenue Dollar	0.1997	0.1588	0.1864	0.1615	0.1834	0.2011	0.1924

As Mr. Kollen points out, these inflated A&G and O&M costs are indicative of structural cost problems and may be indicative of O&M and A&G expense allocation problems. "KCP&L's expenses are excessive and this problem must be addressed by KCP&L with Commission oversight; the Commission cannot resolve this structural problem through ratemaking adjustments alone." As such, Mr. Kollen recommends that the Commission order KCPL to undergo a management audit.

The evidence demonstrates that there are several firms that specialize in conducting utility management audits. In fact, when faced with similar situations, other state utility commissions have ordered management audits. KCPL's resistance towards such an audit is confusing. Given the application of regulatory lag, any cost reductions would inure to the benefit of shareholders until rates are once again reset. As such, KCPL should be embracing and not resisting a management audit. (Kollen Direct, pages 3-15; Kollen Surrebuttal, pages 7-16).

XVIII. Clean Charge Network

A. Is the Clean Charge Network a public utility service?

Position: No. Clean Charge Network services should not be provided by a monopoly provider.

B. If it is a public utility service:

1. Should CCN costs be included as test year expenses and recovered in rates?

Position: No.

i. Does KCPL provide enough CCN program detail to allow the Commission to determine with competent and substantial evidence that CCN program costs should be included in rates?

Position: No.

ii. Does KCPL propose to subsidize its CCN program through rates paid by all ratepayers? If so, is it just, reasonable and lawful to require all ratepayers to subsidize KCPL's CCN program?

Position: Yes, KCPL is seeking to subsidize its CCH program. Such subsidization is not just, reasonable and lawful. Therefore, all CCN costs should be eliminated from KCPL's revenue requirement.

iii. Should the Commission require public participation by ratepayers regarding program goals, scope and design before any decision is made to recover CCN costs in rates?

Position: Yes.

2. Should the terms and conditions of providing the charging service be included in KCPL's tariff?

Position: Yes.

XIX. Income Tax-Related Issues (including accumulated deferred income taxes or "ADIT") – What adjustments, if any, are necessary to ensure that KCPL's income tax allowance, including ADIT matters, is calculated appropriately?

Position:

1. Income Taxes: In his Direct Testimony (pages 38-46), Mr. Brosch recommended several adjustments to KCPL's proposed level of income taxes. In its Rebuttal Testimony, KCPL admits that "[s]everal errors were made in the original computation" of tax straight-line depreciation, tax straight-line amortization and nuclear fuel amortization using amounts that were understated in the Company's direct filing. While KCPL admits these income tax errors, it has not corrected its case, but instead has committed to make such corrections in its true-up filing. Given the ongoing nature of these errors, MECG recommends certain information to be included in KCPL's true-up filing. Specifically, MECG recommends that in addition to the workpapers normally submitted to support each input to the income tax calculation, the Company be required to update and reconcile each element of the book and tax straight-line depreciation and amortization expense, using the format of the attachment to KCPL's response to MECG Data Request 14-15. Hopefully, KCPL will include this information and this issue will

be resolved in KCPL's true-up filing. (Brosch Surrebuttal, pages 19-21).

2. Accumulated Deferred Income Taxes ("ADIT"): In his Direct Testimony (pages 46-62), Mr. Brosch addressed several ADIT issues.

a) CWIP-Related ADIT: KCPL argues that since it is not allowed to include CWIP in rate base and earn a return on these construction projects, it should not be required to include the related ADIT balances as an offset to rate base. MECG disagrees with KCPL's exclusion of these ADIT balances because it fails to recognize that ratepayers provide KCPL a return on such projects through AFUDC. While it is not a current cash return, the AFUDC return is capitalized into the overall cost of the construction project and KCPL is allowed to recover this deferred return once the construction project is operational. Since ratepayers are providing KCPL a return on these construction projects through AFUDC, they should also receive the benefits of the associated ADIT balances. By excluding these ADIT balances as an offset to rate base, KCPL is earning the return and keeping all of the benefits of accumulated depreciation (e.g., lower current income taxes). (Brosch Direct, pages 50-55; Brosch Surrebuttal, pages 3-8).

b) 1KC Place Lease ADIT: KCPL has received rent abatement benefits associated with its lease of headquarters space at 1KC Place. KCPL has recognized a significant liability on current books to recognize the delayed obligation to make additional lease payments in the future. In connection with this liability balance a large and offsetting deferred tax asset was recorded to recognize that the accrued but unpaid future lease costs are not currently deductible for income tax purposes. The Company proposes to include in rate base the ADIT asset item to increase rate base, but not the corresponding accrued lease liability balance that would reduce rate base if recognized. This is an unreasonable mismatch that must be corrected. (Brosch Direct, page 55; Brosch Surrebuttal, pages 8-10).

c) Accrued Employee Compensation ADIT: Certain elements of employee compensation are paid much later than they are earned, requiring the Company to recognize an accrued liability for such deferred compensation and bonus pay that is owed to its employees. As with the 1 KC Place lease accruals, there is no recognition of the liability balance for deferred/bonus compensation in the Company's asserted rate base, yet KCPL has inexplicably proposed to include the associated debit ADIT balances for these accruals to increase rate base. This is an inappropriate mis-matching of rate base elements that must be corrected. (Brosch Direct, page 56; Brosch Surrebuttal, pages 10-11).

3. Net Operating Tax Losses: The Company's asserted Net Operating Loss Carryforward ("NOLC") deferred tax asset has been determined on a Consolidated Group basis, and is recorded on KCPL's books after application of the Tax Allocation Agreement Among Great Plains Energy Incorporated and Affiliates ("TAA"). The TAA is an affiliated interest contract entered into by Great Plains Energy and its subsidiaries, including KCPL. The TAA approach preferred by KCPL produces a higher NOLC

amount for the KCPL utility business than results from calculation of the Company's NOLC on a stand-alone KCPL basis through tax year 2014. This result is contrary to ratepayers' interest and should be rejected by the Commission, so as to not overstate the KCPL rate base with more NOLC amounts than can be attributed to the utility's own operations.

In its recent Ameren decision, the Commission decided a comparable issue in favor of Ameren. There, the Commission found that Ameren ratepayers had previously benefitted from Ameren's consolidated tax agreement that allocated tax liability among the Ameren subsidiaries.

> There is no evidence in this case to show that Ameren's Tax Allocation Agreement is structured in a way that would be detrimental to Ameren Missouri and its ratepayers. Instead, for several years, Ameren Missouri's ratepayers benefited from a lower rate base because of the Tax Allocation Agreement. The Tax Allocation Agreement has not changed, but in more recent years ratepayers have not benefitted from that agreement, although that may change again in the future. That fluctuation does not mean the agreement is unreasonable, and there is no evidence the fluctuation was intentionally created in order to change who benefits from the Tax Allocation Agreement.[6]

Given that ratepayers had previously benefitted from the Ameren Tax Allocation Agreement and recognizing that it was unable to find that the Ameren agreement was structured in a way that is detrimental to ratepayers, the Commission rejected a net operating loss adjustment.

As Mr. Brosch shows, however, the facts underlying this case and the recent Ameren case are decidedly different. Unlike the Ameren case, KCPL ratepayers have <u>never</u> benefitted from the Tax Allocation Agreement. Furthermore, as KCPL admits, it does not project that ratepayers will ever benefit from the GPE Tax Allocation Agreement. Finally, GPE acquired certain confidential net operating loss carryforward amounts associated with its acquisition of Aquila that make the Great Plains TAA decidedly disadvantageous to KCPL ratepayers in future periods. In light of all of these differences, Mr. Brosch concludes that the Great Plains Energy Tax Allocation Agreement is structured in a way that causes it to be inherently detrimental to KCPL ratepayers. (Brosch Direct, pages 57-62; Brosch Surrebuttal, pages 11-19).

XX. **<u>Missouri Corporate Franchise Tax</u>** -- Should KCPL's year 2015 Missouri corporate franchise tax liability be used to develop rates?

<u>Position</u>: MECG takes no position on this issue at this time.

[6] Report and Order, Union Electric Company d/b/a Ameren Missouri, April 29, 2015, page 21.

XXI. <u>Jurisdictional Allocations</u> – Production and Transmission Demand component

A. In developing the demand allocation factor, should the Commission rely on calculations based on data contained in the test year, ending March 2014, or the update period ending December 2014, which include the four summer months of June, July, August and September 2014?

<u>Position</u>: The Commission should utilize a 4CP demand allocator for purposes of allocating costs between the various KCPL jurisdictions. The calculation of this demand allocator should rely upon the most recent data available (the 12 months ending September 2014) and should not include the abnormal data for June 2013. (Featherstone Rebuttal, pages 30-44; Featherstone Surrebuttal, pages 54-60).

B. Should the corresponding data the Commission relies on for developing the demand factor be annualized and normalized?

<u>Position</u>: No. The allocation of the production and transmission plants are based on *actual* loads placed on KCPL's electric system. The generating and transmission facilities are required to provide *maximum hourly usage* by customers regardless of the weather conditions. It is not proper to weather normalize the monthly coincident peaks to determine the appropriate demand factor. Power plants must generate sufficient power and transmission plants must have the capacity to transmit the power to meet the hottest days of the year. It is the *actual electric loads* placed on the KCPL system, not the weather normalized loads, that the production and transmission facilities must be capable of fulfilling. (Featherstone Rebuttal, pages 42-43; Featherstone Surrebuttal, pages 54-62

XXII. <u>Transmission ROE</u> – Should transmission revenues received from SPP OATT be reduced for the difference between FERC authorized ROE and the ROE granted in this case?

<u>Position</u>: In its Direct Testimony, KCPL proposed to reduce transmission revenues by the difference between its 11.1% FERC authorized ROE and the 10.3% that KCPL requested in this case. MECG supports Staff and MIEC's opposition to this reduction.

> KCPL is asking the Commission to reduce transmission revenues so its customers do not receive the benefit of a higher FERC authorized ROE. On the other hand, KCPL is expecting its customers to pay transmission expense that includes a higher FERC authorized ROE for Zonal and Base Plan upgrades constructed by other SPP transmission owners—inconsistent treatment proposed by the Company. Staff has accepted that KCPL's transmission expense has increased and recognizes that a significant factor in the increase is the SPP directed transmission upgrades that include FERC ROE incentives. Staff did not make an adjustment to

> reduce KCPL's transmission expense that includes FERC incentives. To be consistent, Staff also did not make an adjustment to reduce transmission revenues as KCPL has proposed. Staff recommends that KCPL's transmission revenues should not be reduced for the difference between the higher FERC ROE and the Commission authorized ROE in this case. However, if the Commission agrees with KCPL's proposed reduction to transmission revenues, then Staff recommends the Commission order a corresponding adjustment to reduce transmission expense that includes a higher FERC ROE. If rate payers are not entitled to transmission revenues received from SPP that includes an ROE higher than the authorized rate of return, then rate payers should not have to pay for transmission costs from SPP that includes an ROE higher than what is authorized by Commission.

(Lyon Rebuttal, pages 36-39; Lyons Surrebuttal, pages 19-23; Dauphinais Rebuttal, pages 23-24).

XXIII. **<u>Swissvale/Stillwell and West Gardner</u>** (region-wide transmission projects) – Should rate base, expense and revenue associated with these projects be excluded from Missouri jurisdictional cost of service?

<u>Position</u>: No. In its Direct Testimony, KCPL proposes to eliminate the rate base, expense and revenue associated with two transmission projects. Given the revenues produced by these projects, the elimination of these expense and revenues, Missouri ratepayers are hurt by KCPL's attempt to treat this as a non-Missouri regulated activity. MECG supports the position of Staff on this issue. As reflected in Staff's Cost of Service Report,

> Since the Swissvale-Stilwell Tap and Stilwell-West Gardner Substation upgrades were made to KCPL's regulated utility assets, Staff included the actual plant in service and accumulated depreciation reserve as of December 31, 2014, and included any revenues and expenses related to these projects in KCPL's cost of service as of the test year, the 12 months ended March 31, 2014.

(Staff Cost of Service Report, pages 143-144; Lyons Rebuttal, pages 29-36; Lyons Surrebuttal, pages 15-19; Dauphinais Rebuttal, pages 24-25).

XXIV. **<u>Revenues</u>** – What is the appropriate level of revenues for the large general service and large power classes to account for customers switching from one rate class to another?

<u>Position</u>: MECG takes no position on this issue at this time.

XXV. Class Cost of Service, Rate Design, Tariff Rules and Regulations

A. Class cost of service

a) Production Plant

1) What methodology should the Commission use to allocate fixed production plant costs among customer classes?

Position: Consistent with its last decision regarding production plant allocation, the Commission should allocate these costs on the basis of the Average & Excess methodology. As reflected by Ameren and Empire's use of the A&E methodology, such an allocation procedure is consistent with the manner in which capacity additions are planned and constructed. (Brubaker Direct, pages 15-20). As the Commission has repeatedly found, the Peak & Average methodology, offered by KCPL and supported by OPC, is inherently flawed in that it double counts each class' energy usage. (Brubaker Rebuttal, pages 4-11). Similarly, Staff's BIP method is inherently flawed in that it assumes that baseload capacity does not provide any value in terms of meeting system peak. Instead, Staff allocates the investment associated with baseload capacity on the basis of class energy needs. Given this, the Staff's BIP methodology is overwhelming dependent on class energy usage. As such, like the Peak & Average methodology, which relies heavily on energy considerations, the BIP method should be rejected. (Brubaker Rebuttal, pages 11-18).

B. Rate Design

1) What methodology is most reasonable for allocating net costs of service among the customer classes in this case?

Position: Mr. Brubaker's class cost of service study, which relies upon the A&E method for allocating fixed production costs, is the most reasonable for allocating costs of service. (Brubaker Direct, pages 21-22 and Schedule MEB-COS-4).

2) How should any revenue increase be allocated among rate schedules?

Position: Relying upon Mr. Brubaker's class cost of service study, the Commission should seek to eliminate 25% of any subsidies that are currently built into KCPL's rates. Given this, the Commission should order the following revenue neutral shifts:

Residential:	+2.8%
Small General Service:	-1.5%
Medium General Service:	-1.0%
Large General Service:	-2.1%

Large Power:	-1.2%
Total Lighting:	+0.3%

(Brubaker Direct, pages 26-28 and Schedule MEB-COS-5 and 6).

3) What, if any, interclass shift in revenue responsibilities should the Commission make?

Position: After making the interclass shifts described in response to the previous issue, the Commission should allocate any rate increase authorized for KCPL on an equal percentage basis to all customer classes.

4) Residential

Position: MECG takes no position on the residential rate design issues.

5) Commercial and industrial
   1) SG, MG, LP and LGS energy charges – at what level should the Commission set KCPL's SG, MG, LP and LGS energy charges?

Position: As reflected in Mr. Brubaker's testimony, the energy charges in the LGS and LP rate schedules include a significant amount of fixed costs. While KCPL's average energy cost is approximately 1.7¢ / kWh, the LP seasonal energy charge ranges from 2.4-2.6¢ / kWh and the LGS seasonal energy charge ranges from 3.1-4.3¢ / kWh. The collection of fixed costs in the energy charge creates a subsidy for the benefit of low load-factor customers that inefficiently utilize the KCPL system. Given that the energy charges collect a large amount of fixed costs, the Commission should seek to reduce the energy charges and increase those charges used to collect fixed costs. Specifically, MECG recommends that the Commission maintain the energy charges for the high load factor (over 360 hours use per month, or over a 50% load factor) block at their current levels, increase the middle blocks (hours use from 181 to 360) by three quarters of the average percentage increase, and to collect the balance of the revenue requirement for the tariff by applying a uniform percentage increase to the remaining charges in the tariff. This includes the customer charge, the reactive demand charge, the facilities charges, the demand charges and the initial block energy charges. (Brubaker Direct, pages 28-34 and Schedules MEB-COS-7 and 8).

   2) SG, MG, LP and LGS separate meter space heating energy charges and the first energy block rate for the winter rates – at what level should these energy charges be set?

Position: MECG does not take a position on this issue.

3) Should the Commission adopt MIEC/MECG's rate design proposal for the LGS and LP rate classes, or some a variant of it?

Position: See the response to issue 5(1).

6) Special rates

1) Two-part time of use – Should the two-part time of use rate be eliminated from the addition of future customers (KCPL proposal) or should KCPL be required to file a modified two-part time of use tariff provisions in its next rate case?

Position: MECG does not take a position on this issue.

2) Special interruptible – Should the special interruptible rate be frozen from the addition of future customers?

Position: MECG does not take a position on this issue.

3) Real time pricing – Should the real time pricing rate be frozen from the addition of future customers (KCPL proposal) or should KCPL be required to file modified real time pricing tariff provisions in its next rate case (DE proposal)?

Position: MECG does not take a position on this issue.

4) Standby pricing – should the real time pricing rate be frozen from the addition of future customers?

Position: MECG does not take a position on this issue.

7) Tariff rules and regulations

1) Return Check Charge – Should the return check charge be applied to payment forms beyond checks (electronic payments)?

Position: MECG does not take a position on this issue.

2) Collection Charge – Should the collection charge be increased to reflect the cost of this service?

Position: MECG does not take a position on this issue.

3) Economic development rider/urban core development rider – Should DE's proposal to link MEEIA participation to receipt of EDR and UCD incentives be approved?

Position: Consistent with the Commission's recent order in the Ameren rate case, economic development rider customers should not be required to implement and participate in KCPL's MEEIA programs. (Brubaker Rebuttal, pages 21-24).

4) Standby Service – Should KCPL be required to establish a working group to review its Standby Service Tariff to ensure that rates are cost-based and reflect best practices?

Position: Yes. KCPL should be required to conduct a study to develop a standby rate.

XXVI. Low-income Weatherization

A. Should the unexpended low-income weatherization program funds collected through KPCL's base rates be used to offset any expenditures relating to the low-income weatherization program the costs of which KCPL is otherwise to recover through its MEEIA recovery mechanism?

Position: MECG does not take a position on this issue.

B. Should the low-income weatherization program be part of KCPL's MEEIA recovery mechanism on a going forward basis, or should it continue to be collected in base rates outside of KCPL's MEEIA recovery mechanism?

Position: MECG does not take a position on this issue.

XXVII. **Economic Relief Pilot Program**: Should the program be expanded to serve additional customers as proposed by KCPL?

Position: MECG does not take a position on this issue.

XXVIII. **Decoupling (Sierra Club proposal)** – Should the Commission consider, in File No. AW-2015-0282 or a similar proceeding, decoupling of KCPL's revenues from customer usage?

Position: No. Decoupling should not be used to address rate design problem. In this case, the Commission should not consider a decoupling mechanism in response to concerns that a higher residential charge, and attendant lower residential energy charge, will eliminate incentives for customers to engage in energy efficiency. In addition, there

are significant legal concerns underlying any proposal to implement rate decoupling. Finally, decoupling can result in customer rate volatility and confusion. (Meyer Rebuttal, pages 2-10).

Respectfully submitted,

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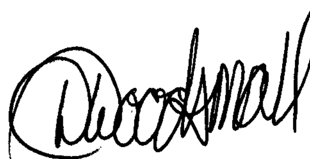
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.



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David L. Woodsmall

Dated: June 9, 2015