

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

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

**PUBLIC COUNSEL'S RESPONSE TO ORDER DIRECTING
FILING REGARDING REVENUE REQUIREMENT ESTIMATE**

COMES NOW the Office of the Public Counsel ("Public Counsel") and for its Response to the Commission's August 19, 2015, Order Directing Filing Regarding Revenue Requirement Estimate ("Order"), states as follows:

1. The Commission's Order directs Staff to prepare and file by August 21, 2015, an estimated total revenue requirement based on fourteen (14) hypothetical rulings on disputed issues in the case. In addition, the Order allows any other party an opportunity to respond. The Order also states that Staff should report the estimated total revenue requirement as a percentage of the total revenue requirement requested by KCPL when it originally filed its rate case.

2. Importantly, many of the hypothetical issues identified by the Commission, such as the four (4) tracker requests, the Fuel Adjustment Clause ("FAC"), the class cost of service, the rate design, the residential customer charge, and the additional tariff issues including the return check and collection charges, would have no revenue requirement impact in this case. However, litigating all of those issues caused a significant portion of the rate case expense incurred in this case. In fact, testimony relating to the non-revenue requirement issues, took up much, if not most, of the evidentiary hearing. A significant amount of time and expense was spent on these non-revenue requirement issues that had nothing to do with improving reliability or service to benefit customers. For example, KCPL's request to increase the customer charge

was not to improve system reliability or customer service. Litigating that issue did not impact the revenue requirement, but *did* greatly increase rate case expense. All of the time spent and costs incurred litigating the non-revenue requirement issues, such as the customer charge, trackers, FAC, and rate design was spent to shift risk onto ratepayers and benefit only shareholders. Put simply, litigating these issues was a very expensive choice by KCPL and had nothing to do with its degree of success in securing a revenue requirement increase that putatively fosters safe and reliable service.

3. The true cost of the company's choice to litigate many issues to benefit shareholders is not adequately reflected in a calculation comparing the final revenue requirement to the company's initial request. Accordingly, a resolution of the rate case expense sharing issue that is based upon a percentage of requested revenue would not take into account that rate case expense costs were driven largely by the company's choice to litigate these additional non-revenue issues to benefit shareholders. Often, and indeed here, a majority of litigated issues have nothing to do with revenue requirement. Determining a sharing percentage of rate case expense based on revenue requirement differences is not rationally related to the incurrence of rate case expenses in this case. Public Counsel supports a sharing mechanism supported by the substantial and competent evidence in this case.

4. Pursuant to the Commission's request, Public Counsel's accountant, Mr. William Addo, calculated the estimated total revenue requirement based upon the fourteen (14) hypothetical rulings on disputed issues to be \$89,332,464. The company initially requested an increase of \$120,894,547. Thus, the estimated total revenue requirement is 73.89% of the total revenue requirement requested by KCPL when it originally filed its case. However, the company's initial revenue requirement excluding the estimated rate case expense amount of

\$454,087 would be 120,440,460. Using that number, the estimated total revenue requirement is 74.17% of the revenue requirement requested by KCPL as adjusted to exclude rate case expense.

WHEREFORE, the Office of the Public Counsel respectfully offers this response.

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

/s/ **Tim Opitz**

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 21st day of August 2015:

/s/ **Tim Opitz**
