

**BEFORE THE PUBLIC SERVICE COMMISSION
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)	

MIEC STATEMENT OF POSITION

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, MIEC 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, MIEC 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:	<u>50.36%</u>
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 and yes.

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

Position: No.

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

Position: No.

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?
- ii. Should the FAC tariff sheets reflect the accounts, subaccounts, resource codes, and the cost/revenue description?
- iii. Should Southwest Power Pool ("SPP") and other regional transmission organization/independent system operator transmission fees be included in the FAC, and at what level?
- iv. Should SPP and FERC Administrative fees (SPP Schedule 1-A and 12) be included in the FAC?
- v. Should all realized gains and losses from KCPL's cross hedging practices be included in the FAC?
- vi. Should SO₂ amortizations, bio fuels, propane, accessorial charges, broker commissions, fees and margins, be included in the FAC?
- vii. 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?
- viii. Does the FAC need to have exclusionary language added to insure that NERC and FERC penalties are not included?
- ix. Should the phrase "miscellaneous SPP IM charges, including but not limited to," be included in KCPL's FAC tariff?
- x. How should OSSR be defined?
- xi. How should the "J" component be defined, i.e., how should "Net System Input" be defined for KCPL's operations?
- xii. 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?

- xiii. How many different voltage levels of service should be recognized for purposes of applying loss factors?
 - xiv. What are the appropriate recovery periods and corresponding accumulation periods for the FAC?
 - xv. 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?
- E. If the Commission authorizes KCPL to have a fuel adjustment clause, what FAC-related reporting requirements should it order KCPL to comply with?
- 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?
- G. If the Commission authorizes KCPL to have an FAC, should KCPL be required to clearly differentiate itself from GMO on customer bills?

Position: See Dauphinais rebuttal testimony. MIEC opposes inclusion in the FAC of any transmission fees not incurred to deliver purchased power. This would exclude 92.7% of KCPL's total transmission fees from the FAC. MIEC opposes inclusion in the FAC of any SPP and FERC Administrative fees (SPP Schedule 1-A and 12). OSSR and purchased power amounts should be reflected consistent with FERC Order No. 668.

III. Transmission Fees Expense

- A. What level of transmission fees expense should the Commission recognize in KCPL's revenue requirement?
- Position: No position.
- 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?
- i. Should KCPL get a return on as well as return of the tracked amounts?
 - ii. Should KCPL get carrying costs on the tracked amounts?

Position: No tracker should be allowed.

IV. Property Tax Expense

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

Position: No position.

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?

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

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

Position: No tracker should be allowed.

V. CIP/cyber-security Expense

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

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?

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

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

Position: No tracker should be allowed.

VI. Vegetation Management Expense

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

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?

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

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

Position: No tracker should be allowed.

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: No position.

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

Position: No position.

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

Position: No position.

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

Position: No position.

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?
- B. If so, how?

Position: The Commission should adopt Staff's position.

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, 2014, until new rates in this case that KCPL ceased incurring on May 16, 2014?
- B. If so, how?

Position: The Commission should adopt Staff's position.

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: The Commission should adopt Staff's position.

XIV. Rate case expense

- A. Were any rate case expenses claimed by KCPL imprudently incurred?
- B. Should the Commission require KCPL shareholders to cover a portion of KCPL's rate case expense?
- C. What level of rate case expense for this rate case should the Commission recognize in KCPL's revenue requirement?

Position: No position.

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

Position: No position.

XVI. Affiliate Transactions and Corporate Cost Allocations – what adjustments, if any, are necessary to ensure that affiliate company subsidies and inappropriate cost allocations are not being passed on to KCPL's regulated customers in electric utility rates?

Position: No position.

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

Position: No position.

XVIII. Clean Charge Network

- A. Should all issues associated with KCPL's Clean Charge Network be considered in a separate case that includes input from all interested stakeholders, and not considered in this case?
- B. Is the Clean Charge Network a public utility service?
- C. If so, who pays for it?

Position: No position.

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: The Commission should adopt the position of MECG and Mike Brosch.

XX. Missouri corporate franchise tax – Should KCPL's year 2015 Missouri corporate franchise tax liability be used to develop rates?

Position: No position.

XXI. Jurisdictional allocations – 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?
- B. Should the corresponding data the Commission relies on for developing the demand factor be annualized and normalized?

Position: No position.

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

Position: No. *See* Dauphinais rebuttal testimony.

XXIII. Swissvale/Stillwell and West Gardner – region-wide transmission projects – should rate base, expense and revenue associated with these projects be excluded from Missouri jurisdictional cost of service?

Position: No. *See* Dauphinais rebuttal testimony. Only 92.4% of the rate base, expense and revenue associated with these projects be excluded from Missouri jurisdictional cost of service.

XXIV. Revenues – 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?

Position: No position.

XXV. Class cost of service, rate design, tariff rules and regulations

- A. Class cost of service
 - i. Production Plant
 - a. 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 overwhelmingly 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

- iii. 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).

- ii. 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).

- iii. 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.

- iv. Residential

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

- v. Commercial and industrial

- a. 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, MIEC 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).

- b. 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: No position.

- c. Should the Commission adopt MIEC/MIEC'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).

- d. 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: No position.

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

Position: No position.

- 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: No position.

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

Position: No position.

e. Tariff rules and regulations

- 1) Bill identification (MIEC proposal) – Should the bill identification described by the parties be implemented?

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).

- 2) Economic development rider/urban core development rider (DE proposal) – should customers be required to implement all cost-effective MEEIA programs to qualify for these riders?

Position: They should not be required to do so.

- 3) Standby service (DE proposal) – should KCPL be ordered to conduct a study to develop a standby rate?

Position: Yes.

XXVI. Low-income Weatherization

- A. Should the unexpended low-income weatherization program funds collected through KCPL'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?
- B. Should the low-income weatherization program costs be collected in base rates on a going forward basis, or should those program costs be collected as part of KCPL's MEEIA recovery mechanism?

Position: No position.

XXVII. Economic Relief Pilot Program - should the program be expanded to serve additional customers as proposed by KCPL?

Position: No position.

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 a 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,

BRYAN CAVE, LLP

By: /s/ Edward F. Downey
Carole L. Iles, #33821
Edward F. Downey, #28866
221 Bolivar Street, Suite 101
Jefferson City, MO 65101
Telephone: (573) 556-6622
Facsimile: (573) 556-6630
E-mail: efdowney@bryancave.com

Diana M. Vuylsteke, #42419
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
Telephone: (314) 259-2543
Facsimile: (314) 259-2020
E-mail: dmvuylsteke@bryancave.com

ATTORNEYS FOR THE MISSOURI
INDUSTRIAL ENERGY CONSUMERS

