

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

In the Matter of Kansas City Power & Light)
Company’s Request for Authority to) **File No. ER-2016-0285**
Implement a General Rate Increase for)
Electric Service)

**MISSOURI DIVISION OF ENERGY’S
POST-HEARING REPLY BRIEF**

COMES NOW the Missouri Division of Energy (“DE”), by and through the undersigned counsel, and for its *Post-Hearing Reply Brief* in the above-styled matter, states:

In their initial post-hearing briefs, the Public Service Commission (“Commission”) Staff (“Staff”) and Kansas City Power & Light Company (“KCP&L” or “Company”) repeat possible concerns over bill impacts, revenue volatility, elasticity adjustments, the merits of time-varying rate designs compared to flat or inclining volumetric rates, and the need for allowing further study of residential rate design options.¹ DE addressed such arguments in its own initial post-hearing brief.² Given the extensive evidence already in the record, in short, Staff’s and KCP&L’s arguments do not overcome the weight of evidence that was presented to the Commission. *Only* DE has presented a rate design based on detailed bill impact analysis. As such, DE’s rate design proposal is a meaningful and measured approach to the issue of residential volumetric rate design, based on compelling evidence.

The proposal, as described in the testimony of DE witness Mr. Martin R. Hyman, would create two summer volumetric rate blocks with less than a two cent per kWh difference between them on a revenue-neutral basis, and would move some revenue recovery from the first winter rate

¹ Staff’s Post-Hearing Brief, pp. 69-72; Initial Post-Hearing Brief of Kansas City Power & Light Company, pp. 62-69.

² Missouri Division of Energy’s Initial Post-Hearing Brief, pp. 5-8.

block to the winter tail block in order to move towards flatter winter rates. The proposal would only apply to residential general use customers, not to customers on the Company's space heating rates, in order to account for the presence of electric space heating customers. In consideration of those general use customers who also use electric space heating – as well as the potential for a rate increase resulting from this case – DE designed its proposal so that no customer would experience a single-month winter bill impact above five percent of his or her current bill. Similarly, DE tailored its proposal for summer rates so that 95 percent of customers would not see single-month summer bill impacts above five percent of their current bills; this approach limits bill impacts for all but the highest-use summer customers.³ Neither KCP&L nor Staff presented evidence that effectively contradicted this testimony.

Some parties have attempted to portray the decision to move towards this type of rate design as being distinct from a move to time-of-use rates.⁴ However, this is a false comparison as set forth in the initial post-hearing brief of Renew Missouri Advocates d/b/a Renew Missouri (“Renew Missouri”), the Sierra Club, and the Natural Resources Defense Council– time-of-use rates can incorporate inclining block rates, and time-of-use rates may not be universally adopted by all customers, necessitating a “default” or second rate design which encourages efficient energy use.⁵ DE's agrees with these points and further notes that inclining block rates encourage efficient consumption, while time-varying rates reduce or shift peak demand.⁶ Time-of-use rates and flat or inclining block rates are not, mutually exclusive, and can be complementary. Regardless of these

³ Exhibit No. 800, pp. 19-22, ll. 2-16, 1-18, 1-18, and 1-16; pp. 28-30, ll. 1-7, 1-2, and 1-22; Tr. Vol. 12, p. 1264, ll. 1-6.

⁴ Staff's Post-Hearing Brief, p. 73; Initial Post-Hearing Brief of Kansas City Power & Light Company, pp. 62-63.

⁵ Joint Initial Post-Hearing Brief of Renew Missouri, Sierra Club, and the Natural Resources Defense Council, p. 33.

⁶ Missouri Division of Energy's Initial Post-Hearing Brief, pp. 8-9.

considerations, until time-of-use rates are widely available in KCP&L's territory, the Commission should establish a volumetric rate design for residential general use customers which encourages energy efficiency efforts.

DE's measured – but meaningful – proposal is supported by the Office of the Public Counsel,⁷ Renew Missouri, the Sierra Club, and the Natural Resources Defense Council.⁸ This broad support is further indication of the reasonableness of moving towards flatter rates in the winter and inclining block rates in the summer for residential general use customers. DE's proposal is an example of how the Commission could gradually transition the Company's residential general use customers to a rate design which encourages efficiency and provides for more equitable bills for low-income customers; as Mr. Hyman stated at the evidentiary hearing, DE is also open to other rate design options which similarly provide efficiency-inducing price signals and have relatively small overall bill impacts.⁹

WHEREFORE, the Missouri Division of Energy respectfully files its *Post-Hearing Reply Brief*.

Respectfully submitted,

/s/ Brian Bear

Brian Bear, MO Bar # 61957

General Counsel

Missouri Department of Economic Development

P.O. Box 1157

Jefferson City, MO 65102

Ph: 573-526-2423

E: brian.bear@ded.mo.gov

**Attorney for Missouri Department of Economic
Development - Division of Energy**

⁷ Public Counsel's Post-Hearing Brief, pp. 39-40.

⁸ Joint Initial Post-Hearing Brief of Renew Missouri, Sierra Club, and the Natural Resources Defense Council, pp. 3 and 23-34.

⁹ Tr. Vol. 12, pp. 1233-1234, ll. 23-25 and 1-17.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 4th day of April, 2017.

/s/ Brian Bear _____
Brian Bear