

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

Kansas City Power & Light	)	File No. ER-2016-0285
Company's Request for Authority to	)	Tariff No. YE-2017-0004
Implement a General Rate Increase for	)	Tariff No. YE-2017-0005
Electric Service	)	

**THE UNITED STATES DEPARTMENT OF ENERGY'S  
POSITION STATEMENT**

Comes now The United States Department of Energy and Federal Executive Agencies (DOE/FEA), by and through its attorney, and for its Position Statement, states as follows:

**Introduction**

On January 31, 2017, Staff of the Missouri Public Service Commission (Staff) on behalf of itself and all parties, filed a List of Issues, Order of Witnesses, Order of Cross-Examination and Order of Opening Statements (List of Issues). The List of Issues contained therein identifies the issues to be presented to the Missouri Public Service Commission (Commission) for its decision in this case. DOE/FEA has no position on the vast majority of issues identified in the List of Issues. DOE/FEA's position on issues related to Rate Design and Class Cost of Service (CCOS) is described below. Specifically, DOE will address questions related to interclass shifts in revenue responsibility and the application of any increase to each class.<sup>1</sup>

**DOE/FEA Positions**

**Rate Design/Class Cost of Service**

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<sup>1</sup> See List of Issues, Order of Witnesses, Order of Cross Examination and Order of Opening Statements, January 31, 2017 (Issues XXI.A and XXI.B).


It is the position of DOE/FEA that cost-based rates are an important principle for any sound rate design; and that there are significant rate inequities embedded in Kansas City Power & Light's (KCP&L) retail rates, as demonstrated by the Company's CCOS Study. The Commission should adopt DOE/FEA's recommended four coincident peak (4CP) methodology to allocate demand-related production and transmission costs to the various customer classes in KCP&L's CCOS Study. Since KCP&L is a summer peaking utility, the four summer months of June, July, August and September should be used. This method will allocate to each class a slice of the total production and transmission plant built to serve the various classes. Such plant is fixed and its costs must be recovered from customers regardless of usage. The Commission should reject Staff's base-intermediate-peak (BIP) because, as a member of the Southwest Power Pool Integrated Marketplace ("SPP-IM"), KCP&L's power supply resources cannot be attributed to the specific customer classes of load-serving entities ("LSEs") within that power pool. The Commission should also reject KCP&L's Average and Peak (A&P) cost allocation methodology because it over-allocates demand-related production and transmission costs to energy-intensive customers and under-allocates these costs to customers who contribute significantly to the Company's summer peak demands and who drive the Company's need for production and transmission capacity.

The Commission should move closer to cost-based rates in this case. However, no single class should be overburdened. Consistent with the principles of gradualism, the Commission should cap rate increases for any particular rate class at the greater of one-third (33 percent) more than the system average percentage rate increase or 3 percent above the system average percentage rate increase. Class rate changes below the system average should be limited to

double these levels (i.e., the lesser of two-thirds less than the system average percentage rate increase or 6 percent below the system average rate increase) prior to any reallocation of revenues necessitated by the proposed caps on rate increases.

The Department's recommended 4CP allocation method and application of gradualism will move KCP&L's rates closer to cost while ensuring no class receives more than a modest rate increase.

Respectfully submitted,



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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 3rd day of February, 2017, the foregoing pleading was:

- (1) formally placed on the Commission's website via the Commission's Electronic Filing and Information System ("EFIS") in accordance with applicable procedure; and
- (2) served via electronic mail on all of the entities and individuals, and all of the legal representatives of all of the entities and individuals, including Commission Staff, whom the EFIS at this date identifies as parties or petitioners for intervention herein.



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