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Class Cost of Service/
Rate Design

Marke/Rebuttal

Public Counsel

ER-2016-0285

REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of
The Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

Case No. ER-2016-0285

**

**

**Denotes Highly Confidential Information
that has been redacted**

January 6, 2017

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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 A General Rate Increase for Electric Service)
)
)
)


Case No. ER-2016-0285

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Regulatory Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




Geoff Marke
Regulatory Economist

Subscribed and sworn to me this 6th day of January 2017.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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REBUTTAL TESTIMONY

OF

GEOFF MARKE

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Economist, Office of the Public Counsel (OPC or Public Counsel), P.O.
4 Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Dr. Marke that filed direct and rebuttal testimony in ER-2016-0285?**

6 A. I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of this testimony is to respond to the direct testimony regarding:

9 • Class-Cost-of-Service Studies:

- 10 ▪ Kansas City Power and Light (“KCPL”) witness Marisol Miller
11 ▪ Missouri Public Service Commission Staff (“Staff”) witnesses James A.
12 Busch and Sarah L. Kliethermes
13 ▪ Missouri Industrial Energy Consumers witness Maurice Brubaker
14 ▪ United States Department of Energy (“DOE”) Michael R. Schmidt

15 • Rate Design:

- 16 ▪ Division of Energy (“DE”) witness Martin R. Hyman
17 ▪ Sierra Club witness Douglas Jester

18 • EV Charging Tariff:

- 19 ▪ KCPL witness Timothy Rush
20 ▪ Natural Resource Defense Council (“NRDC”) witness Noah Garcia
21 ▪ Sierra Club and Renew Missouri (“Renew”) witness Douglas Jester

- Brightergy’s Requests:
 - Brightergy witness Jessica Oakley

II. CLASS COST OF SERVICE STUDIES

Q. Please summarize the various studies results?

A. There were four studies submitted in total each utilizing a different methodology and producing different outcomes. The production allocation method utilized and the relative rate of returns according to studies can be summarized as follows in Table 1:

Table 1: Breakdown in Class Cost of Service Studies – relative rate of return

	Method	Total	RES	SGS	MGS	LGS	LPS	Lighting
KCPL	Avg & Peak	1.00	0.72	1.48	1.26	1.30	0.88	1.70
Staff	BIP	1.00	1.02	1.25	1.24	1.03	0.65	1.32
MIEC	Avg & Excess (4NCP)	1.00	0.45	1.38	1.30	1.58	1.46	1.70
DOE	4 CP	1.00	0.50	1.34	1.25	1.54	1.27	3.85

Q. What is OPC’s position?

A. Without taking a specific position on any methodology used, OPC’s position is that the Company’s proposal to apply any increase equally to the remaining classes is not unreasonable. If the Commission elects to bring classes closer to producing the system-average rate of return by incorporating a revenue neutral shift, OPC’s recommendation would be aligned with the Staff’s proposal to shift \$2,350,215 to Large Power Services.

Q. Is there anything else the Commission should be cognizant of when setting rates or considering revenue neutral shifts?

A. Yes. The Commission should consider that regardless of the outcome of this rate case, ratepayers not fortunate enough to be able to “opt out” are going to be exposed to a bill

1 increase in the form of increased cost recovery though the Company's Missouri Energy
2 Efficiency Investment Act ("MEEIA") surcharge. The MEEIA surcharge expense will be
3 significantly greater moving forward than at any previous time. Beginning in 2017, the
4 Company will be collecting program costs and throughput disincentive recovery from *both*
5 Cycle I and Cycle II as well as over \$10 million in performance incentive profit. It should be
6 noted that the Company exceeded its Commission-approved budget by 260%¹ to be able to
7 be awarded the full performance incentive. These costs are outside of this rate case and
8 consequently have not had been subject to same level of scrutiny traditionally afforded within
9 the context of a rate case.

10 **III. RATE DESIGN**

11 **Customer Charge**

12 **Q. Please summarize the positions by parties regarding the residential customer charge.**

13 A. The Company is proposing an 11% increase to the customer charge. Both the Staff and Sierra
14 Club/Renew Missouri witnesses have recommended no increase.

15 **Q. What is OPC's position?**

16 A. OPC is recommending that the Commission maintain the current residential customer charge
17 of \$11.88. If an increase in rates is ordered, OPC advocates the increase be administered
18 through the energy charge that places more control of the bill in low-income and fixed-
19 income households and does not penalize efficient, conservative and environmentally
20 responsible ratepayers. Increased customer charges are an inequitable and inefficient means
21 to address utility revenue recovery and subsequently reinforce future supply-side investment
22 at a time of increasing costs.

¹ OPC made our initial pleading on the over-budget concern in KCPL's MEEIA Cycle I docket EO-2014-0095 on October 16, 2015.

1 **Inclining Block Rates**

2 **Q. Please summarize DE's recommendation?**

3 A. DE witness Martin Hyman performed a bill frequency and impact analyses for residential
4 general use customers based on both KCPL's propose rates and an inclining block rate design
5 by DE. Those analyses support moving KCPL's residential general use rate towards a flat
6 structure in the winter and an inclining structure in the summer.

7 **Q. What is OPC's position?**

8 A. OPC supports DE's position. The proposed inclining block rate would have the desired effect
9 of sending an efficiency-inducing price signal to higher usage ratepayers with an added
10 benefit of reducing bills for low-usage ratepayers including low-income households. Based
11 on Company specific data presented in my revenue requirement rebuttal testimony, low-
12 income households use approximately ** ** less
13 annual average energy than their non-low-income counterparts. Moreover, low-income
14 households place considerably less of a demand burden on the grid in both the summer and
15 winter seasons compared to their non-low-income counterparts on average. In addition to
16 meeting equity criteria, this rate design is also fashioned in such a manner as not to induce
17 rate shock even if rates increase.

18 **IV. EV CHARGING TARIFF**

19 **Q. Please summarize the positions by parties regarding the EV charging tariff.**

20 A. The Company proposes that the EV charging be priced with an energy and session charge.
21 The energy charge per kWh for a Level 2 charges would be the average price per kWh for
22 KCPL's residential class, including volumetric and customer charges as well as applicable
23 riders. The energy charge per kWh for a Level 3 charger would be the average price per kWh
24 for KCPL's small general service class including volumetric and customer charges as well as
25 applicable riders. The Company also proposes that individual charging station "hosts"

1 include a session charge that would not exceed \$6.00 per hour, which may be prorated.
2 Finally, KCPL proposes that a charging station host would have the option of paying for any
3 or all of the various charges for participants at the host site. Staff supports this proposal on
4 the condition that all revenues, expenses and investment associated with the program are
5 recorded below-the-line in order to hold ratepayers harmless.

6 Sierra Club recommends a time-of-use energy charge.

7 **Q. What is OPC's position?**

8 A. OPC does not believe that utility-sponsored EV charging stations are an essential service.
9 Consistent with testimony filed previously in this case, OPC recommends that these capital
10 investments should be borne by shareholders and be recovered below the line. The
11 Company's non-regulated services will presumably price the charging sessions based on
12 what the market will accept.

13 **V. BRIGHTERGY'S REQUESTS**

14 **Q. Please state the purpose of Brightergy's direct testimony?**

15 A. According to Brightergy witness Oakley:

16 The purpose of my testimony is to encourage Kansas City Power & Light
17 Company ("KCP&L" or the "Company") and the Commission to move
18 forward on several policy fronts that will allow the state to transition from a
19 centralized, coal-based energy generation system to a more distributed
20 system which will allow for competition and safe integration of renewable
21 generation systems.

22 **Q. What specific recommendations does Ms. Oakley make?**

23 A. Ms. Oakley recommends that:

- 1 • The Commission move expeditiously to institute Time-of-Use (“TOU”) rates
- 2 to commercial customers;
- 3 • Permit the Company to recover costs for compliance with the Renewable
- 4 Energy Standard (“RES”);
- 5 • Begin a study of Value of Solar (“VOS”) policy;
- 6 • Require the Company to provide customer use data more freely; and
- 7 • Consider the Company’s request for a future test year framework in its
- 8 ratemaking process.

9 **Q. Do you agree that the Commission should institute TOU rates to commercial**
10 **customers?**

11 A. Not in this case. Furthermore, I am not aware of any specific TOU rate that Brightergy is
12 proposing; rather it appears to be a blanket level recommendation.

13 OPC has taken the position that until KCPL has fully deployed AMI to all of its customers
14 and has updated its customer and billing information system this recommendation is
15 premature. OPC is supportive of allowing customer more control over their electricity costs
16 and is not opposed to TOU rates for commercial customers in principle. However, we reserve
17 the right to comment on specific proposed designs in future cases.

18 **Q. Do you agree with Ms. Oakley’s suggestion that KCPL should be able to recover costs**
19 **for compliance from the RES?**

20 A. KCPL can already do this.

21 **Q. Should KCPL be able to recover RES and energy efficiency costs outside of a rate case?**

22 A. KCPL can already do this.

1 **Q. Do you agree with Ms. Oakley’s suggestion that the Commission should “begin a study**
2 **of Value of Solar policy?”**

3 A. Not at this time. Although OPC is appreciative of Ms. Oakley’s suggestion, we are unaware
4 of any “standard” Value of Resource (“VOR”) methodology (almost all VOR studies have
5 been Value of Solar “VOS” studies). There are also different types of “valuation” studies
6 available such as EPRI’s *Integrated Grid Benefit-Cost Framework*.² Moreover, OPC would
7 insist that any future cost-benefit analysis (regardless of the specific framework utilized)
8 should also inform the Commission as to *which* customers would benefit from the results.
9 That is, a valuation analysis needs to be tied to a rate impact analysis to examine what an
10 increase in solar would mean in terms of the overall impact on bills for non-solar customers.
11 Ideally, this would include both the long-term change in customer rates as well as the year-to-
12 year impacts.

13 It would be an understatement to say that there are *many* potential hurdles that would need to
14 be overcome before a credible study could begin. The transaction costs in actual money,
15 labor and perhaps most importantly, time, cannot be understated. Moreover, any study would
16 need to account for the dynamic policy, legal and regulatory landscape at both the state and
17 federal levels as well as changes to the energy markets. As it stands, OPC cannot support
18 Brightergy’s recommendation, especially when such a recommendation is void of any
19 context.

20 **Q. Do you agree with Ms. Oakley’s suggestion that KCPL become more transparent with**
21 **its billing practices?**

22 A. Yes. OPC supports such billing practices and is currently awaiting feedback from the
23 Company regarding data requests as it relates to billing practices and procedures. As an aside,
24 OPC has also previously sponsored testimony regarding recommendations related to billing
25 transparency that it now wishes to update. This is specifically in regards to the customer

² EPRI (2015) The Integrated Grid: A Benefit-Cost Framework.
<http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?ProductId=000000003002004878>

1 disclaimer language concerning large capital investments as it relates to rooftop solar and
2 energy efficiency.

3 **Q. Please continue.**

4 A. OPC would like to modify our recommendation based on positive feedback we received
5 from the Company in the last GMO rate case (ER-2016-0156) and which we inadvertently
6 omitted in this cases direct testimony. This includes specific signed consent for transaction
7 from the third-party trade ally (or implementer) and the Company for certain MEEIA
8 programs (as specified in my direct testimony) as well as any future rooftop solar installation.
9 KCPL would be required to maintain electric copies of these disclaimers with signed consent
10 for future reference, including Commission Staff and OPC audits. The consent modification
11 can be found in Figure 1 and 2 respectively:

1 Figure 1: Modified Disclaimer language with signed consent and date for rooftop solar

2 Disclaimer: Possible Future Rules and/or Rate Changes

3 Affecting Your Photovoltaic (PV) System

- 4 1. Your PV system is subject to the current rates, rules and regulations by the Missouri
5 Public Service Commission (“Commission”). The Commission may alter its rules and
6 regulations and/or change rates in the future. If this occurs, your PV system is subject to
7 those changes and you will be responsible for paying any future increases to electricity
8 rates, charges or service fees from Kansas City Power & Light Company.
- 9 2. Kansas City Power & Light Company’s electricity rates, charges and service fees are
10 determined by the Commission and are subject to change based upon the decision of the
11 Commission. These future adjustments may positively or negatively impact any potential
12 savings or the value of your PV system.
- 13 3. Any future electricity rate projections which may be presented to you are not produced,
14 analyzed or approved by Kansas City Power & Light Company or the Commission. They
15 are based on projections formulated by external third parties not affiliated with Kansas
16 City Power & Light Company or the Commission.

17 Installer’s signature _____

18 Print Installer’s Name _____

Date Signed _____

Customer-Generator’s signature _____

Print Customer-Generator’s Name _____

Date Signed _____

1 Figure 2: Modified Disclaimer language with signed consent and date for energy efficiency

2 Disclaimer: Possible Future Rules and/or Rate Changes

3 Affecting Your Energy Efficiency Investment

- 4 4. Your energy efficiency investment is subject to the current rates, rules and regulations by
5 the Missouri Public Service Commission (“Commission”). The Commission may alter its
6 rules and regulations and/or change rates in the future. If this occurs, your energy
7 efficiency investment is subject to those changes and you will be responsible for paying
8 any future increases to electricity rates, charges or service fees from Kansas City Power &
9 Light Company.
- 10 5. Kansas City Power & Light Company’s electricity rates, charges and service fees are
11 determined by the Commission and are subject to change based upon the decision of the
12 Commission. These future adjustments may positively or negatively impact any potential
13 savings or the value of your energy efficiency investment.
- 14 6. Any future electricity rate projections which may be presented to you are not produced,
15 analyzed or approved by Kansas City Power & Light Company or the Commission. They
16 are based on projections formulated by external third parties not affiliated with Kansas
17 City Power & Light Company or the Commission.

13 Installer’s signature _____

14 Print Installer’s Name _____

15 Date Signed _____

16 Customer-Generator’s signature _____

17 Print Customer-Generator’s Name _____

18 Date Signed _____

1 **Q. Would adopting a future test year enable more solar penetration?**

2 A. No. The two issues are unrelated.

3 **Q. Does this conclude your testimony?**

4 A. Yes.