

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

In the Matter of Kansas City Power & Light	)	<b>Case No. ER-2014-0370</b>
Company's Request for Authority for a	)	YE-2015-0194
General Rate Increase for Electric Service.	)	YE-2015-0195

**INITIAL BRIEF OF THE CONSUMERS COUNCIL OF MISSOURI**

COMES NOW the Consumers Council of Missouri ("Consumers Council" or "CCM"), and concurs generally in the arguments presented in Initial Brief of the Office of the Public Counsel. On specific issues, the Consumers Council states as follows:

Return on Common Equity

MIEC witness Michael Gorman presented the most credible and compelling testimony with regard to the return on common equity ("ROE") that should be used for determining KCPL's overall rate of return. According to Mr. Gorman, the cost of equity to KCPL is within the range of 6.0% to 8.0%, and that an appropriate ROE for KCPL is no more than 9.0%, which will be more than sufficient to attract capital, and would likely allow KCPL to recover significantly more than the true cost of equity.

Fuel Adjustment Clause

KCPL's request for a fuel adjustment clause violates the Stipulation and Agreement from Case No. EO-2005-0329 in that that Stipulation and Agreement restricts KCPL, "prior to June 1, 2015", from seeking a Fuel Adjustment Clause ("FAC")

mechanism. KCPL chose to file this rate case seven months before June 1, 2015. The signatories to that agreement intended that an FAC not be sought prior to this date. However, an “interim energy charge”, as defined in the Stipulation and Agreement, could have been sought by KCPL prior to that date. It was the comparison and contrast between those two types of fuel recovery mechanisms that was important to the consumer parties that negotiated that provision. One type (interim energy charge) could be sought prior to June 1, 2015, and one type (FAC) that could not be sought prior to June 1, 2015.

In exchange for KCPL’s commitment to not seek a FAC prior to June 1, 2015, consumer advocates gave up a very significant concession. In return, KCPL was allowed to propose an interim energy charge, within certain parameters, in a general rate case filed before June 1, 2015, and consumer advocate signatories agreed to not assert that such interim energy charge proposal “constitutes retroactive ratemaking or fails to consider all relevant factors”. It was KCPL’s choice to not propose this more balanced approach. The benefit of the bargain was important (and remains important) to consumer advocate parties, due to the negative experiences with the FAC generally, in that the FAC has failed to provide sufficient incentive for other electric companies to control fuel and purchased power costs. In contrast, an interim energy charge has been shown that it can perform better at protecting consumers while maintaining stronger incentives for the utility to keep fuel costs within a reasonable range.

More importantly, an FAC is not needed by KCPL because an FAC is not necessary to provide KCPL with a sufficient opportunity to earn a fair return on equity. The testimony of Public Counsel witness Lena Mantle is persuasive in establishing this

lack of need. Past and expected changes in the costs and revenues proposed by KCPL to be included in the FAC are not substantial enough to have a material impact upon the revenue requirement and the financial performance of the electric utility between regular rate cases. Furthermore, changes in the costs and revenues included in the FAC are also not completely beyond the control of KCPL management. As the Office of the Public Counsel shows, the FAC should only be granted to an electric utility if the proposed FAC is not harmful to ratepayers, as measured by the following standards: a) It does not shift an inappropriate amount of risk regarding the electric utility's fuel and purchased power costs onto customers; and b) It does not create significant swings in the bills of the customers. KCPL has failed to meet its burden of proof on these points, (Mantle Direct, pp. 18-29).

If, however, contrary to consumer advocate legal and policy objections, the Commission does authorize KCPL to have a fuel adjustment clause, KCPL should be authorized to flow no more than 50% of changes to costs and revenues to ratepayers through the FAC, with the other half of such costs embedded in base rates. (Mantle Direct, pp. 30-32). The costs and revenues to be included in a FAC should be limited to only those costs and revenues specifically identified by KCPL and supported with detailed descriptions that enable the Commission to clearly understand the costs and revenues that FAC seeks to recover through an FAC. KCPL's wholesale transmission expenses and revenues not associated with the transportation of fuel or purchased power should not be recovered through the FAC. (Dauphinais Direct, pp. 5-16). None of KCPL's SPP administration charges nor the NERC and FERC fees (Accounts 561, 565, 575 and 928) should be recovered through an FAC, as these are neither fuel and

purchased power expenses nor transportation expenses incurred to deliver fuel or purchased power (Dauphinais Direct, pp. 16-17). Any FAC should also contain exclusionary language added to ensure that no NERC and FERC penalties are included.

### Electric Car Charging Stations

All issues related to KCPL's adventures in electric car charging enterprises should be considered in a separate case that would enable the company, the Commission, and all interested stakeholders to address the many unanswered questions regarding claimed benefits to electric ratepayers. The so-called "Clean Charge Network" does not appear to be a public utility service. Consumers Council believes that this activity should be regulated only to the extent that ratepayers are shielded from the costs and risks of such an enterprise. All costs submitted in this case related to electric car charging stations should be borne by shareholders, not residential electric consumers.

### Rate Design

Consumers Council is adamantly opposed to KCPL's request to increasing its residential customer charge to the highest amount in the region and one of the highest in the nation. KCPL's proposed increase from \$9.00 to \$25 for the residential customer charge would be an increase of \$16 per month, a 177% increase. An increase in this fixed part of a residential bill runs counter to the Commission's recent policy directions and be a disincentive for energy conservation. Thus, any revenue requirement increase

to the residential class should be applied to each of the volumetric rate blocks on an equal percentage basis (Dismukes Direct, p. 41).

Consumers Council urges the Commission to consider favorably the Non-Unanimous Stipulation that it has entered into with the Staff, Public Counsel, the Division of Energy, and other consumer parties which contains the provision recommending that the residential customer charge remain at \$9.00. This outcome is consistent with the evidence before the Commission in this case and will allow each customer to retain more control over their monthly electric bill.

Consumers Council urges the Commission to take these issues into account with all other relevant factors, and reserves the right to file a reply brief in response to the initial briefs of other parties.

Respectfully submitted,

/s/ John B. Coffman

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Dated: July 22, 2015

## **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all parties on the official service list for this case on this 22<sup>nd</sup> day of July, 2015.

/s/ John B. Coffman

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